



What you should know about RENT CONTROL

In most U.S. communities, supply and demand sets housing costs.

Housing located within easy reach of amenities such as shopping, entertainment, parks and workplace costs more because people are willing to pay a premium for a prime location. These cities often work with developers to make sure there is affordable housing by using zoning and other local regulations.

Some cities have experimented with laws which limit the amount a property owner can charge a renter.

Property owners in

cities with rent control find themselves caught in a vise as they are limited as to what they can charge for rent but are faced with a constant increase in property taxes, fees, and other inflationary costs that come with property ownership.

And renters face challenges because property owners may not have the funds to make improvements and upgrades due to caps on rent. They may find their options for housing limited because some property owners might choose to get out of the rental business altogether.



4 big reasons why Rent Control hurts rather than helps

1. RENT CONTROL KILLS DEVELOPMENT: It might seem logical to just build more housing units in areas with affordability issues. Often, that's not possible as developers realize they might lose money based on local regulations and rent limits.

2. PROPERTY TAXES ARE RISING FASTER THAN RENTS: Illinois has some of the highest property taxes in the U.S. These property taxes are a factor in how much property owners charge for rent. After all, rental rates are set in part by the cost of property upkeep, services and the tax and regulatory burdens that property owners must pay with rent control, property owners may be forced out of the rental business because the state's taxes are so

steep. As tax rates continue to rise, it's almost a certainty that property taxes will continue on upward march.



3. MAINTENANCE SUFFERS: If a property owner is squeezed by quickly-rising property taxes and they are limited in what they

can charge for rent, they might have to cut back on building maintenance and services. Property owners might even have to put off upgrades that can make a rental complex more attractive.

4. ADDED BUREAUCRACY: With rent control comes a massive bureaucracy which is responsible for inspecting and setting limits on what rents can be charged. Illinois has more layers of government than any other state. Adding another layer of oversight just adds to a crushing tax burden.

Implementing rent control in Santa Rosa, Calif., was estimated to cost an additional \$1.4 million a year. Based on that rough guide, it might cost \$24 million a year in a much larger city such as Chicago.

San Francisco, a cautionary tale

In 1994, San Francisco imposed strict rent control to address surging rent increases. City leaders thought setting a ceiling on how much rent could be charged would address a housing shortage for moderate and low wage earners.

They were wrong. A study

released in 2018 showed that instead of encouraging affordable housing, the policy had actually decreased regulated units by 15 percent. In other words, there were fewer properties on the market as property owners determined they could not make ends meet

renting and converted many of their apartments to condos.

San Francisco's experience is not unique. Communities such as Cambridge, Mass., Berkley, Calif., and Santa Monica, Calif., all saw decreases in regulated units over time.

15%
DECREASE

in regulated units



Unintended consequences of rent control

In an area with rent control, a lucky few will reap the benefits of artificially low rents. For those who live outside the areas with rent control, the costs of housing typically increase.

The policy might seem like it benefits moderate wage earners,

but studies have found that's not necessarily the case. A study of tenants living in rent-controlled units in New York City found that more than 10 percent of 2,300 rent stabilized units there had incomes of more than a half a million dollars.

Government budgets can take a huge hit. Since

rent controlled properties aren't getting as much maintenance or seeing upgrades, assessments will be lower. Lower assessments mean lower tax levies. Lower tax levies translate into shrinking government budgets, resulting in service cuts or even higher taxes.

THE POINT!!

Rent control kills development, guarantees a never-ending cycle of affordable housing shortages and property tax increases, and ensures a rental property falls into disrepair due to lack of funds.

Want to learn more?

Real Property Alliance works statewide to help property owners understand the implications of public policy and private property rights.

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