

Rent Control Doesn't Help Renters: Some In Washington State Want To Try It Anyway



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State & Urban



The Space Needle stands past newly constructed apartments in downtown Seattle, Washington, U.S. Photographer: Mike Kane/Bloomberg

A race for the State Senate in Washington State drew [more than \\$8 million in campaign contributions](#) from all over the country. Why? The control of the State Senate was in the balance. If the Democrats were able to pick up the seat the both the Senate and the House and the Governors office would be controlled by the Democrats. One proposal that now has new life with the democratic win is rent

control. [A Democratic legislator from Seattle](#) has promised to introduce legislation that would repeal the state's almost 40 year old preemption of rent control ordinances by cities. Because of the preemption, Seattle cannot pass a rent control measure, something that the [City Council and Mayor have agreed](#) is a "tool" to address rising housing prices. What's unfortunate is that there is broad consensus among economists that rent control doesn't work, yet many in the state are going to try to get it anyway.

When we make bad housing policy the people who suffer first and the worst are poor people. Rent control is one of those policies that feels good—who doesn't want to set price by fiat (I only want to pay \$3.00 for this sandwich)—but it is fundamentally flawed. It has been a few years now, but [Blair Jenkins has written](#)

a review of the economics literature and quotes an economist who says, “the economics profession has reached a rare consensus: Rent control creates many more problems than it solves”

Where do rents come from? Rents come from the costs of land, construction, financing, and demand. When a builder—and this is true for market rate and non-profit developers of housing—decides to build a project, they have to balance the costs with potential rent revenue. If rent potential is too low, a project won't pencil and banks, lenders, and other funders won't put money into the project.

- Rent control is a disincentive for housing production. If we try to control all rents, we'll see less housing built – fewer units mean higher prices.
- Rent control doesn't lower overall prices; if some units are locked in, the difference is made up in other parts of the market with even higher prices (Jenkins, page 98)
- When rent cannot fluctuate, there is no incentive or cash flow to maintain buildings, especially since costs are not controlled.
- Rent control concentrates poverty and reduces mobility; once a person is in a rent-controlled unit they end up staying there.
- The beneficiaries of rent control are a mixed bag, often wealthier households end up getting rent controlled apartments, while truly poor families don't (Jenkins, page 101 and 102)

If we are truly worried about affecting housing prices we would,

- Lower costs and barriers to entry for housing producers, both market rate and non-profit. That means deregulating our overregulated housing market (fees, process, inspections, and taxes make up as much as 20 percent of housing costs);
- Increase production of all types of housing, for all levels of income everywhere in our city (see microhousing);
- Identify and define the problem appropriately; does a household paying 31 percent of its income on rent need help? What about the family paying 25 percent for housing but still struggling to make ends meet?

- When we build market rate housing for people who have more money to spend that means they are not competing for housing against poor people. This is a simple fact of economics that needs to be factored into our decisions about housing.
- We need to be efficient about subsidies and how we use our public resources for housing. There is an array of opportunities, like using our debt capacity to building housing on City owned land, and idea championed by Socialist Seattle City Councilmember Sawant.

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Milton Friedman described clearly how price works in his book, *Free to Choose*.

“ The price system performs three specific functions in organizing economic activity: first, it transmits information; second, it provides an incentive for people to use the most profitable methods of production for the most highly-valued purposes; and third, it determines the distribution of income.

The three functions of price are

1. Information,
2. Efficiency,
3. Distribution of income

When prices go up the message is that there is scarcity; not enough product is being supplied to meet demand. This motivates producers to make more. Rent control removes that motivation because costs for production can't be recovered and the scarcity gets worse. People who have a rent controlled apartment stay put, others pay more and more and more of their income is consumed by rent. Rent control only means more suffering and hardship by those who are already struggling in a housing scarce economy.

Roger Valdez is Director of [Seattle For Growth](#), an advocacy organization for more housing supply, choice, and opportunity in Seattle.



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For the past twenty years, I have been involved in public policy in the areas of education, health, and housing. Most recently I was housing director at a large regional non-profit, managing housing operations and development. At the same time, I have been an advocate for p... **Read More**
