



# Private Investment in Residential Housing

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## RENT CONTROL IN WASHINGTON STATE

The Impact on Housing and Affordability

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June 2020

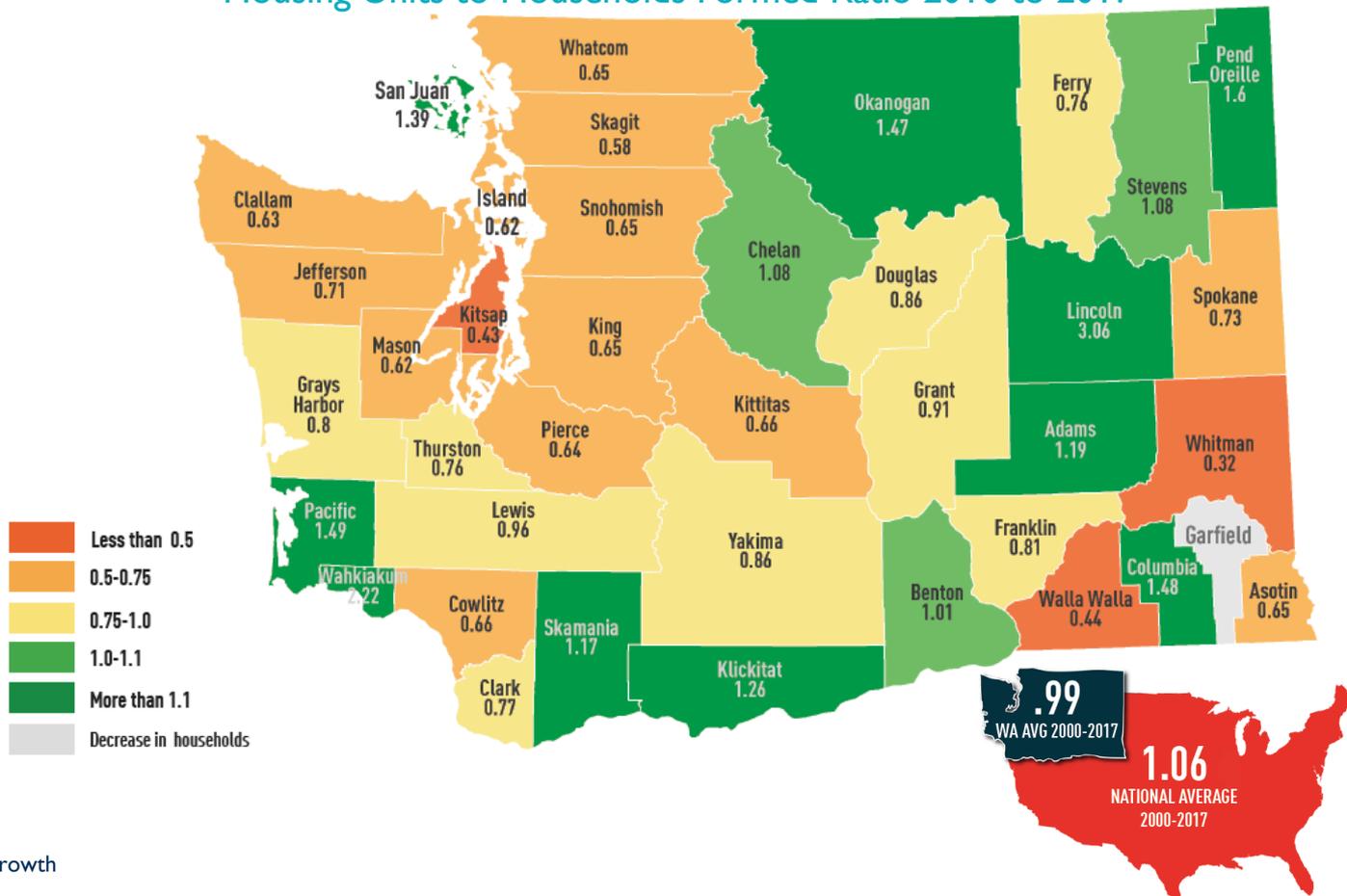
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# The Problem: Underproduction

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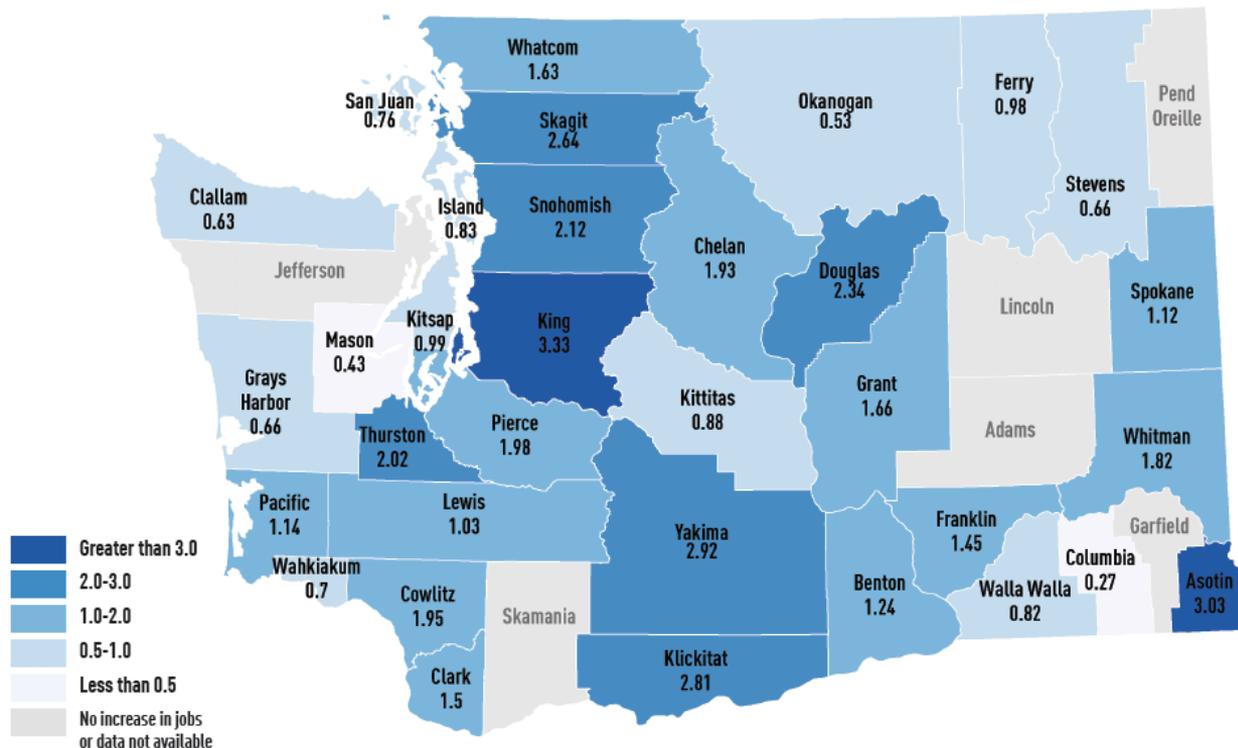
# Since 2010 only 68 units built per 100 households formed

## Housing Units to Households Formed Ratio 2010 to 2017



# Most areas of the state have created more jobs than housing

## JOB CREATION VS. HOUSING PRODUCTION (2010-2017)



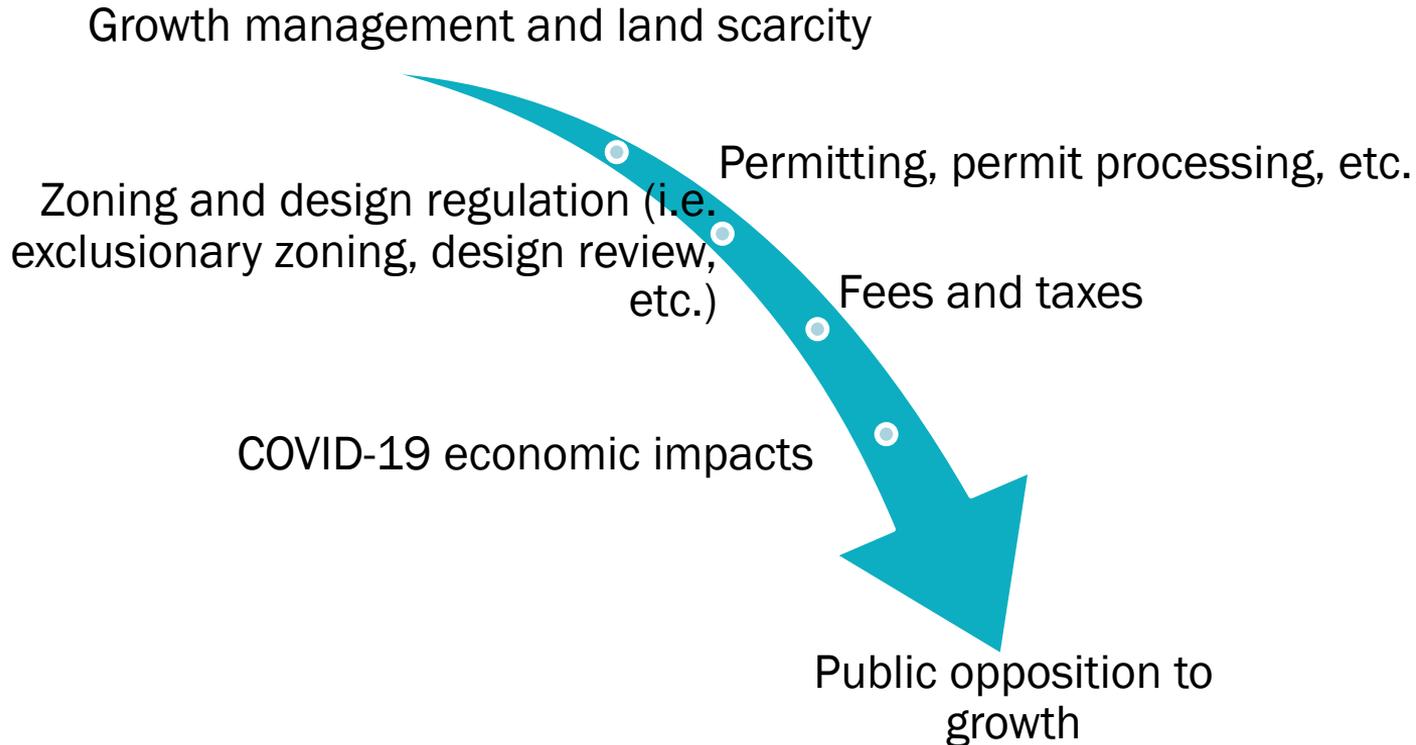
Historic ratio is 1:1

Source: Washington Office of Financial Management, U.S. Census Bureau LEHD Origin-Destination Employment Statistics (LODES)

Excerpted: Up For Growth

# Challenges to Housing Creation

Housing production is characterized by headwinds...



# Rent Control Overview

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# Rent Control in Washington

Since 1981, per RCW 35.21.830, local jurisdictions throughout Washington state have been prohibited from enacting controls on rent.

A short summary of our research on rent control...

It is proven to negatively impact the housing market in jurisdictions where it has been enacted.

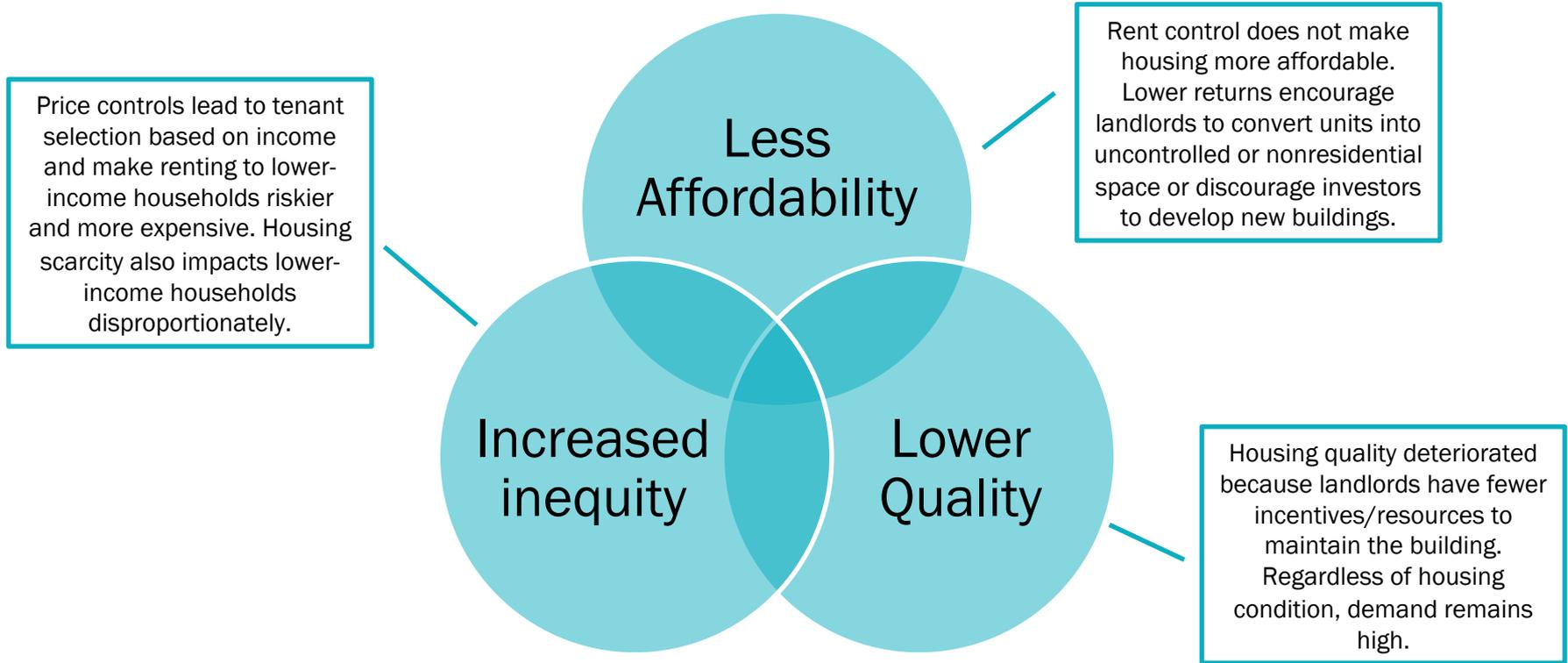
# A Rare Consensus Among Economists...

**Statement: Local ordinances that limit rent increases for some rental housing units such as in New York or San Francisco, have had a positive impact over the past three decades on the amount and quality of broadly affordable rental housing in cities that have used them.**

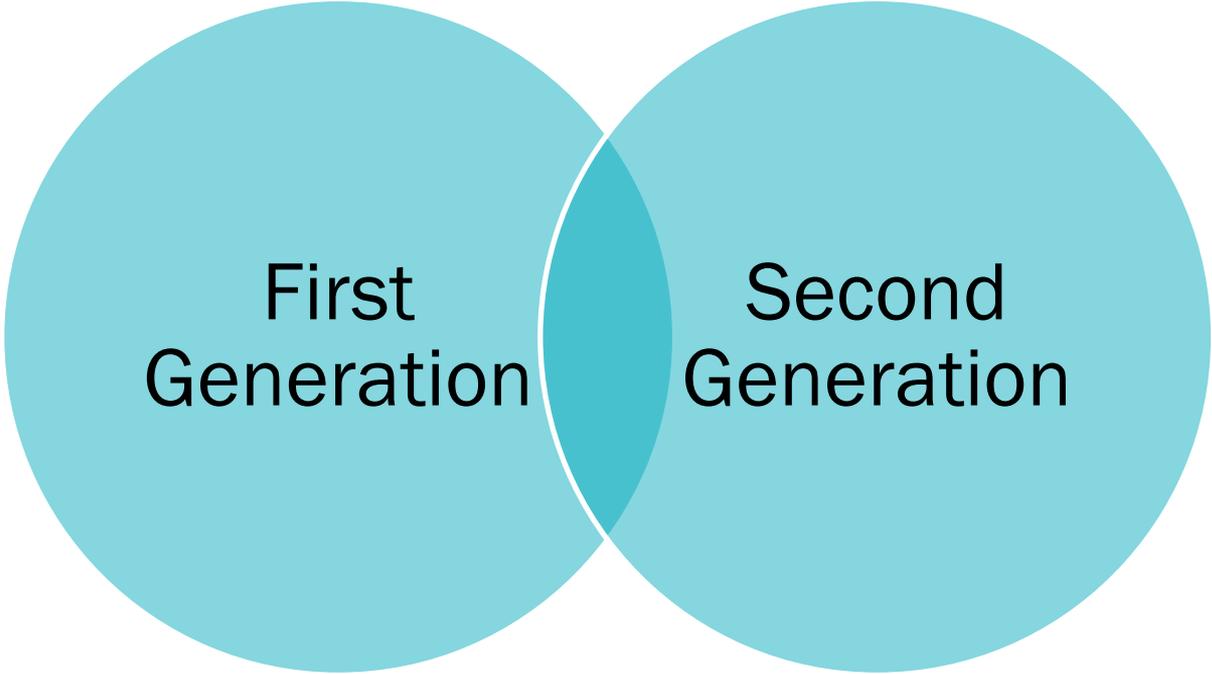


Source: IGM Booth School of Business, <http://www.igmchicago.org/surveys/rent-control> accessed Dec. 2019.

# The Impacts of Housing Price Controls



Rent control has changed over time.



How rent control can threaten housing

MOST IMPACTFUL PARAMETERS

LESS STRICT POLICY PARAMETERS

STRICT POLICY PARAMETERS

Percent Rent Increase Allowed:

5-10%

Based on inflation. Pegged at a percentage of Consumer Price Index (CPI), usually between 60 and 100%.

Vacancy Decontrol:

Vacancy decontrol allows landlords to increase rents for new tenants when prior tenants move out.

Vacancy control prohibits such rent increases.

Applicability to New Development:

New development exemption after 10 to 15 years of operation, or never.

Applies to new development.

Housing Type Exemption:

Condo conversion exemption exempt condominiums and/or single-family houses from rent control.

No condo conversion exemption.

Unit Registration:

Unit registration not required.

Require unit registration to facilitate enforcement.

Other Exemptions:

Exemptions for substantial improvements to building.

Pre-requirement to petition rent board for above-formula rent increase.

Expiration Date:

Ends at a specific time.

No sunset clause.

# Research Overview + Findings

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# A Quick Summary of the Research



Lower housing costs  
in the short-term

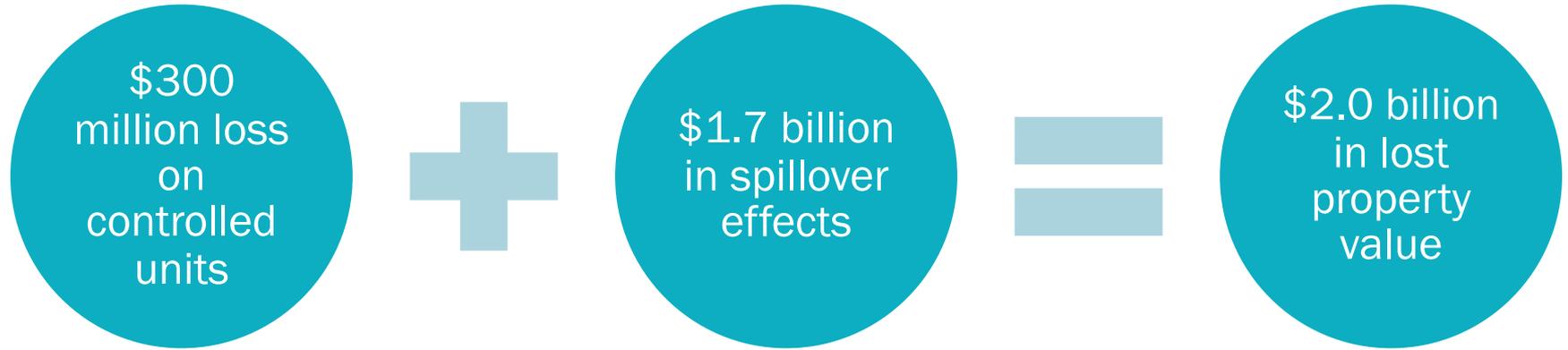
Available supply of housing  
Higher rents in the uncontrolled market-place  
Poor targeting of benefits  
Less economic and social mobility

## Rent Control on San Francisco

“While rent control prevents displacement of incumbent renters in the short run, the lost rental housing supply likely drove up market rents in the long run, ultimately undermining the goals of the law.”

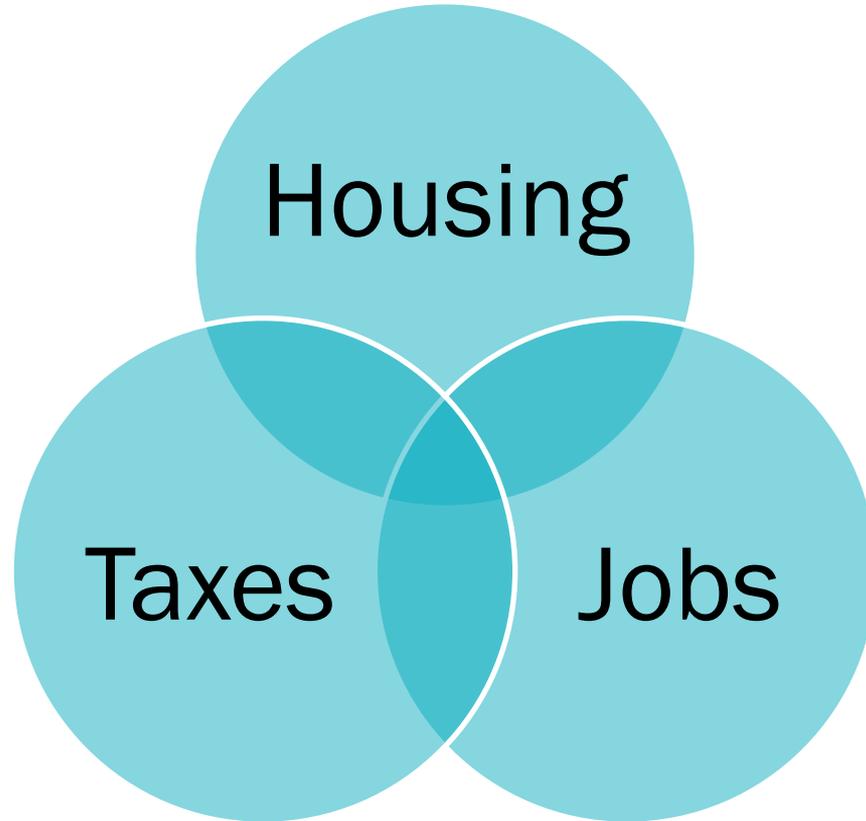
Diamond, McQuade, Qian

# Rent Control in Cambridge, MA



\$2.0 billion in costs to local property owners, but only \$300 million of that cost was transferred to renters in rent-controlled apartments.

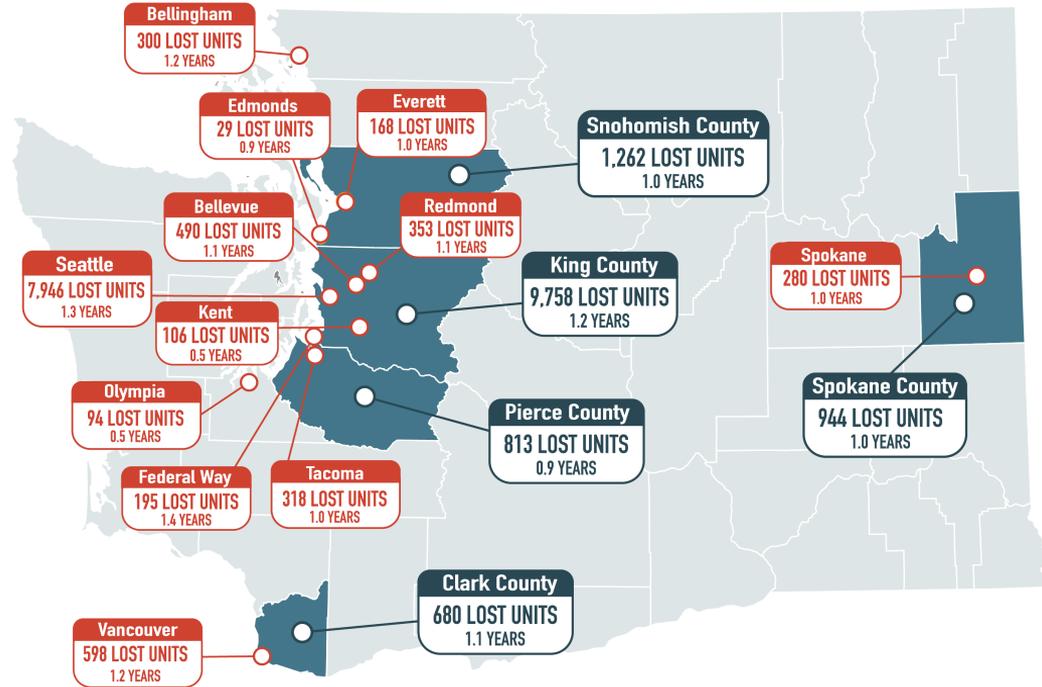
# Impacts in Washington, not just housing



# Impact to Washington's Housing Stock

- 15,000 fewer units built over the next 10 years. (1,500 per year statewide.)
- Equivalent to 11% of the multifamily stock statewide built in the last decade
- 78% of the units are located King, Pierce, and Snohomish

## HOUSING UNITS THAT COULD BE LOST DUE TO RENT CONTROL



# Impact to Washington's Economy

\$3.5 billion



ECONOMIC  
INVESTMENT

\$301 million



CONSTRUCTION  
SALES TAXES

\$200 million



PROPERTY  
TAXES

# Moving Forward + Solutions

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# COVID -19 Impacts

- Monitoring housing dynamics
- Targeted assistance to renters
- Housing market supports



# Housing Policy Solutions

## Promote more housing development to meet future demand

- Regulation supporting more housing options in more places
- Increase financial subsidies for development
- Examine housing taxation
- TOD investments and leveraging transportation investments

## Promote a diverse housing stock by preserving existing units

- Preserve and expand the Multifamily Tax Exemption (MFTE) program
- WA Housing Trust Fund investments

## Support rental assistance to stabilize housing

- Housing levy assistance
- Expanding the uses of WA Housing Trust Fund (i.e. supporting providers who keep rents below market)

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