



RENT CONTROL IN WASHINGTON STATE

The Impact on Housing and Affordability

ECONorthwest
ECONOMICS • FINANCE • PLANNING

June 2020

Private Investment in Residential Housing

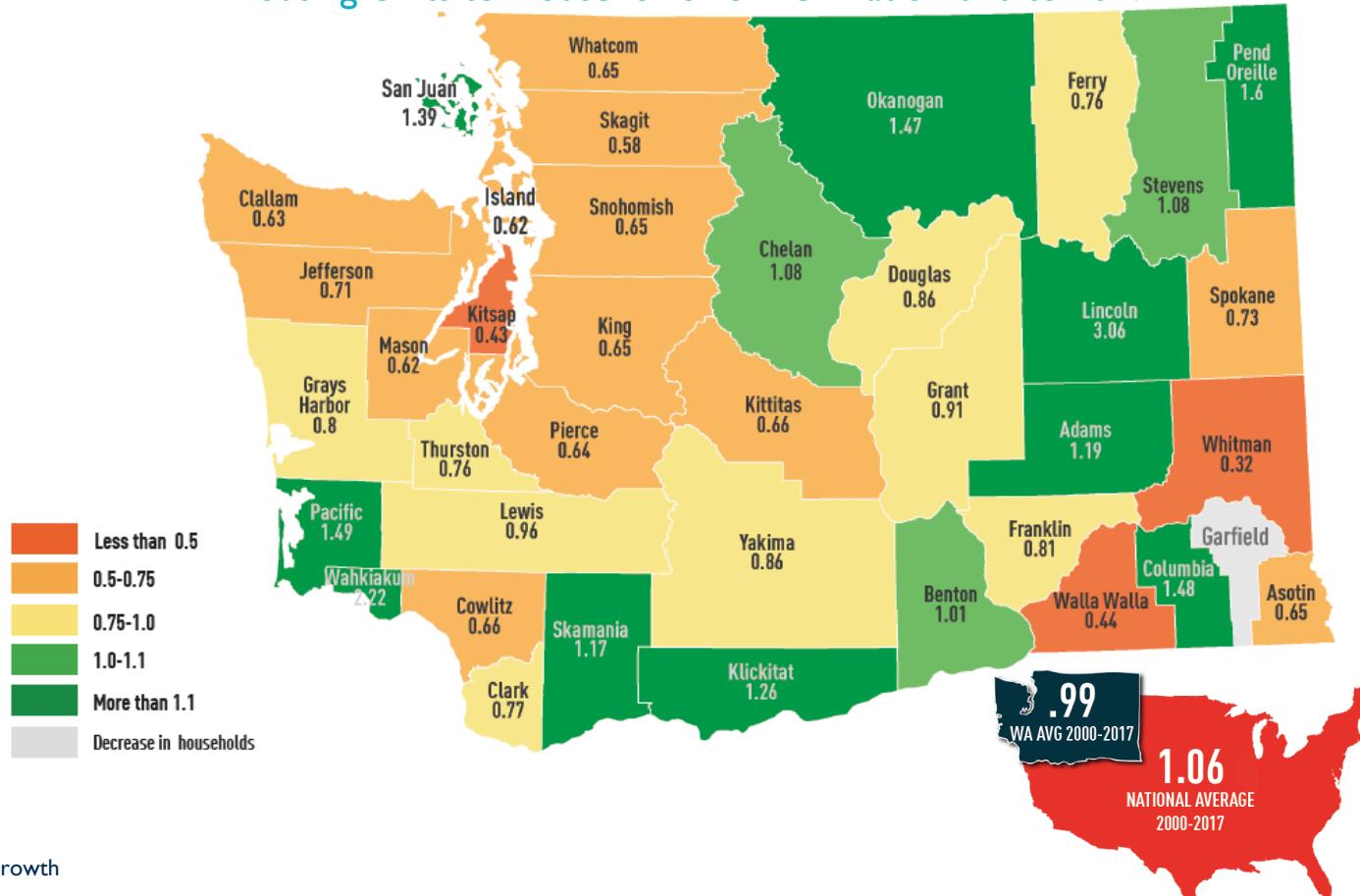
Morgan Shook, Senior Policy Advisor,
ECONorthwest
December 1, 2020

ECONorthwest
ECONOMICS • FINANCE • PLANNING

The Problem: Underproduction

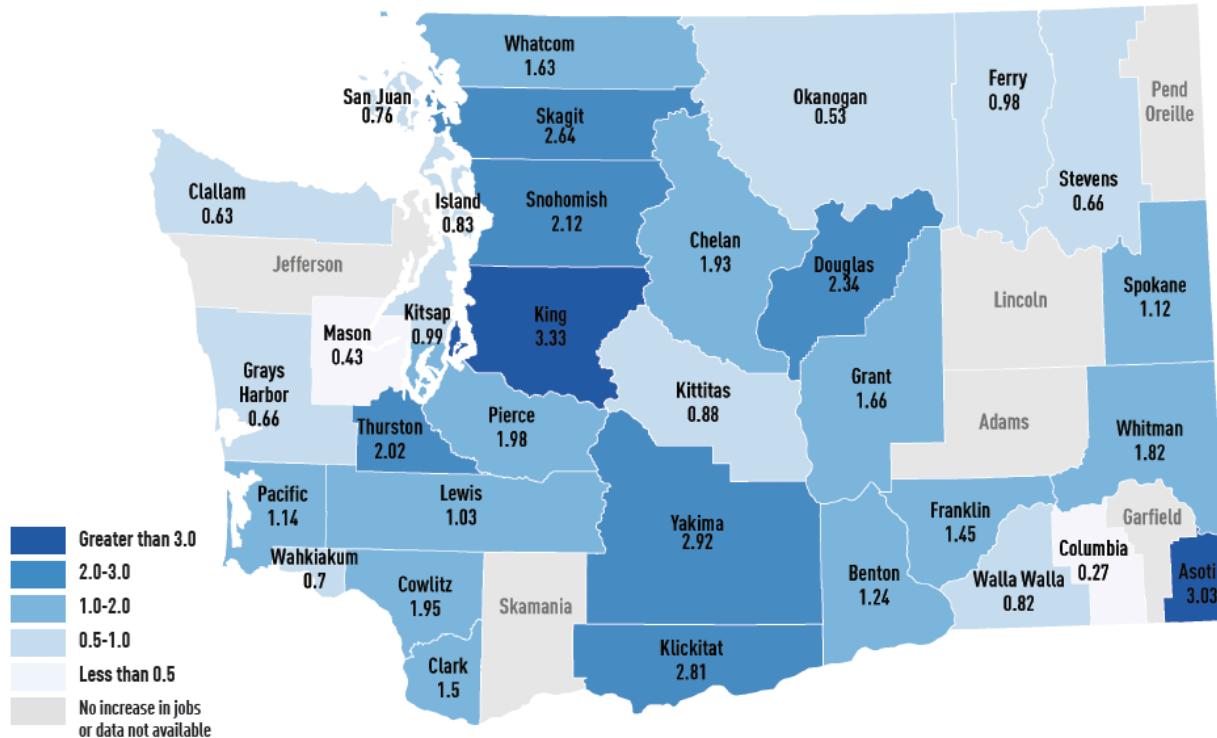
Since 2010 only 68 units built per 100 households formed

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)



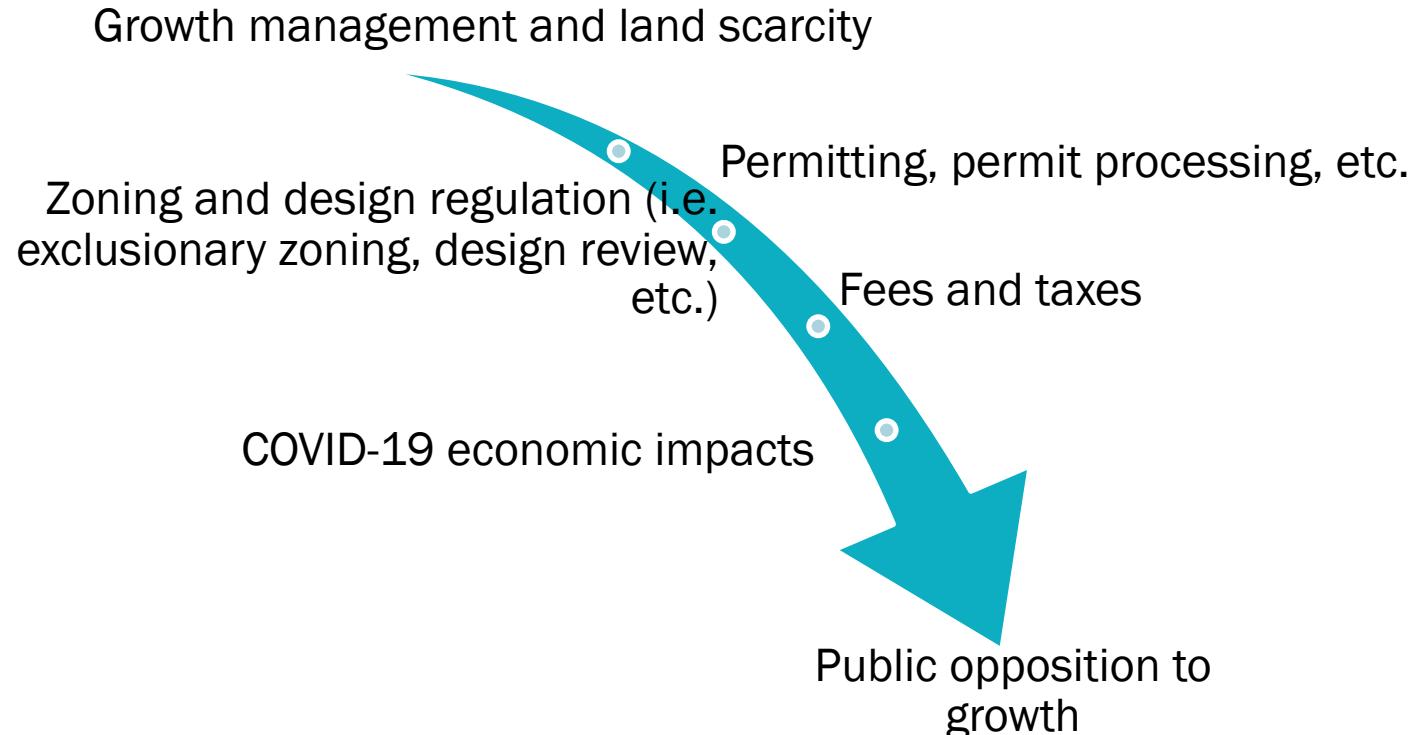
Historic ratio is 1:1

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

ECONorthwest
ECONOMICS • FINANCE • PLANNING

Rent Control in Washington

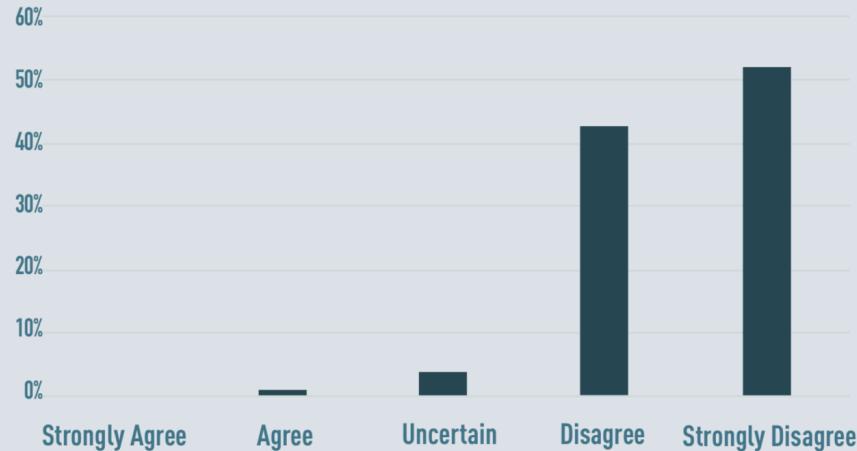
Since 1981, per RCW 35.21.830, local jurisdictions throughout Washington state have been prohibited from enacting controls on rent.

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.

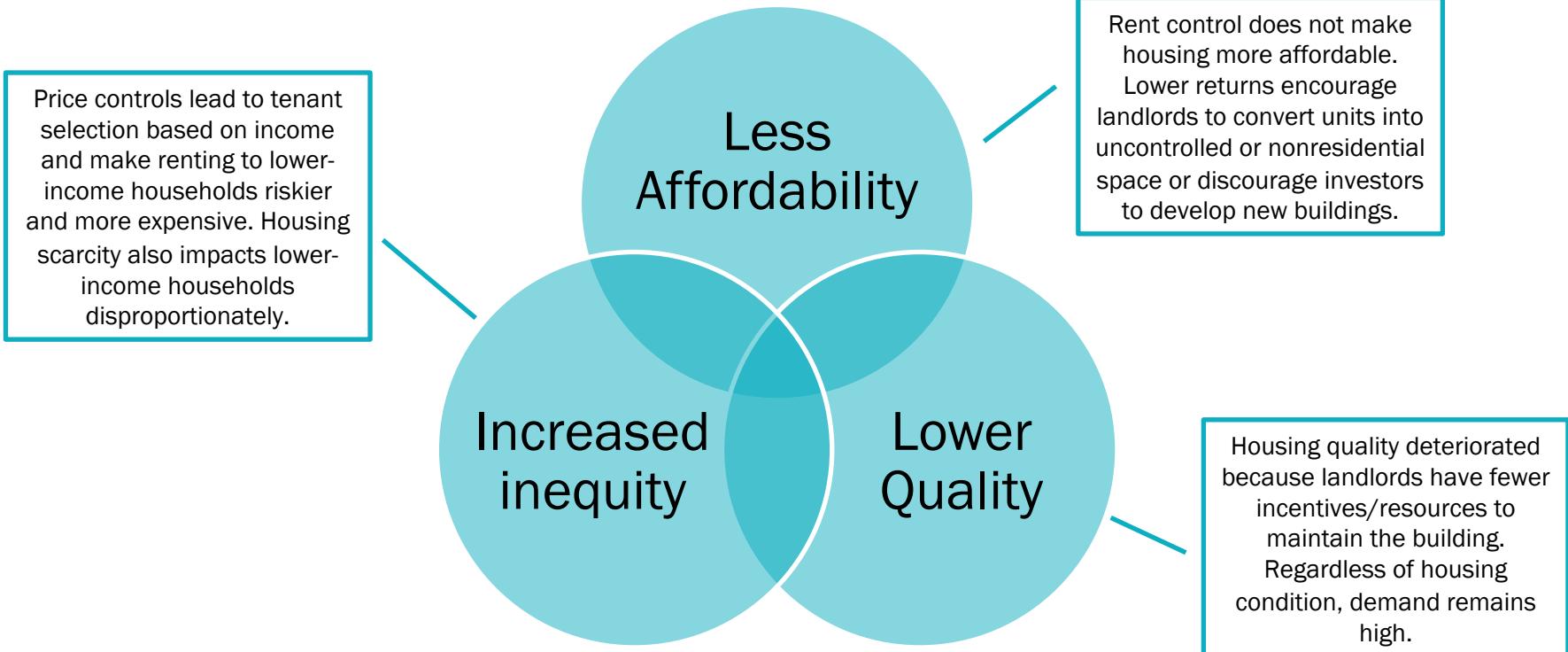
A Rare Consensus Among Economists...

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

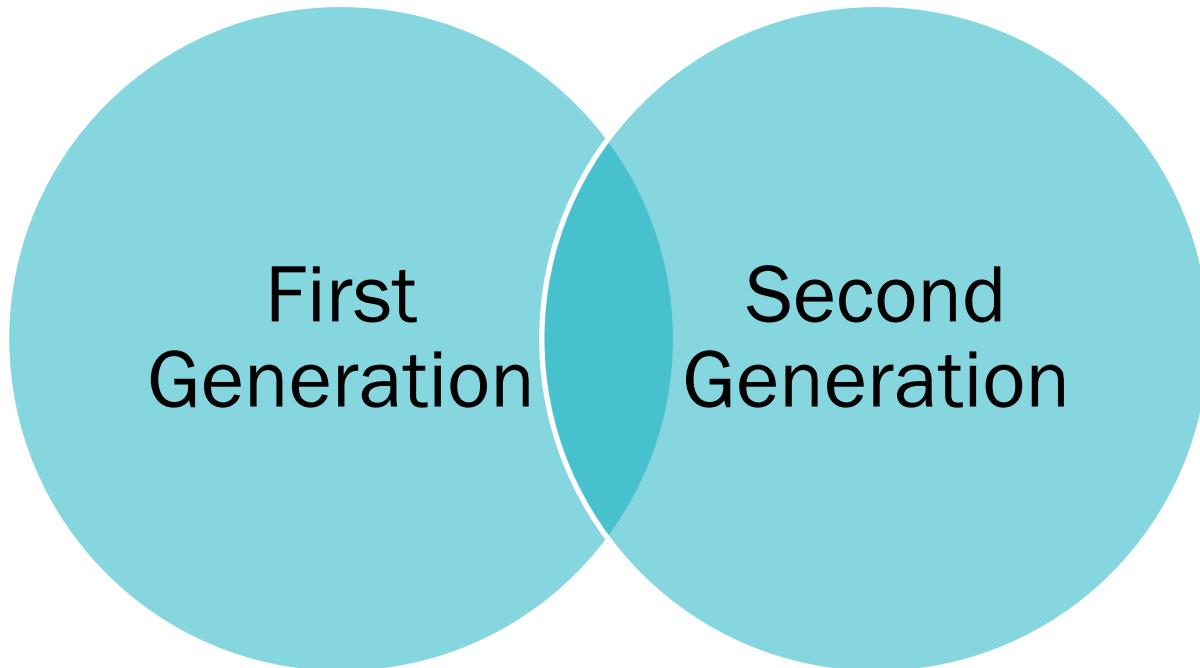


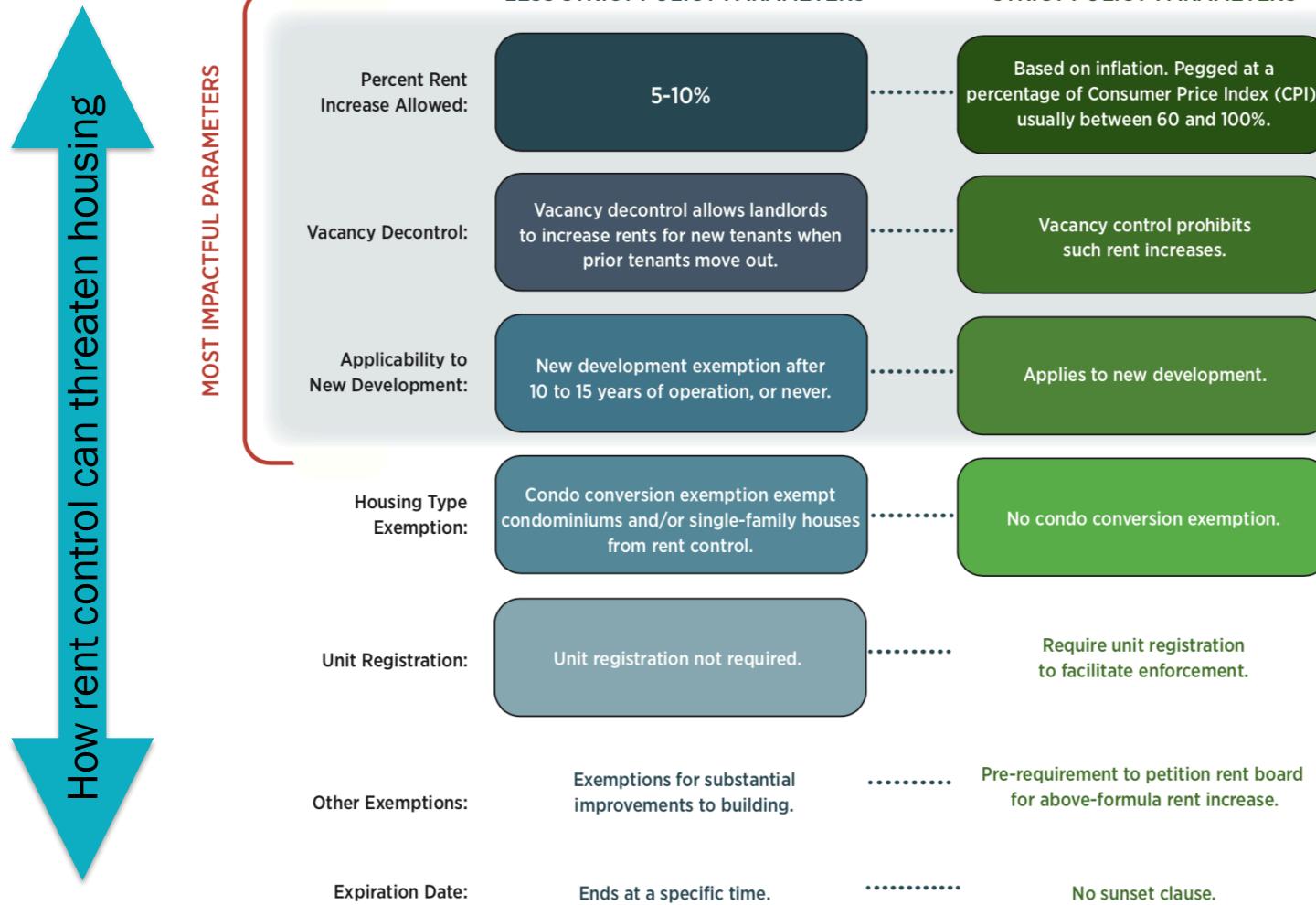
Price controls lead to tenant selection based on income and make renting to lower-income households riskier and more expensive. Housing scarcity also impacts lower-income households disproportionately.

Rent control does not make housing more affordable. Lower returns encourage landlords to convert units into uncontrolled or nonresidential space or discourage investors to develop new buildings.

Housing quality deteriorated because landlords have fewer incentives/resources to maintain the building. Regardless of housing condition, demand remains high.

Rent control has changed over time.

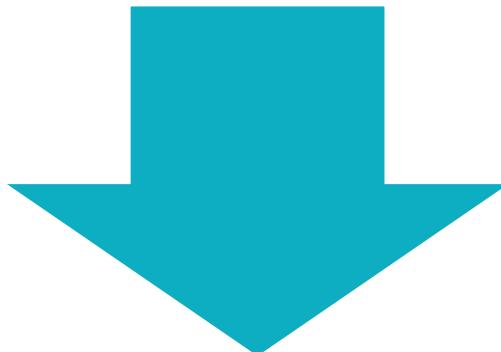




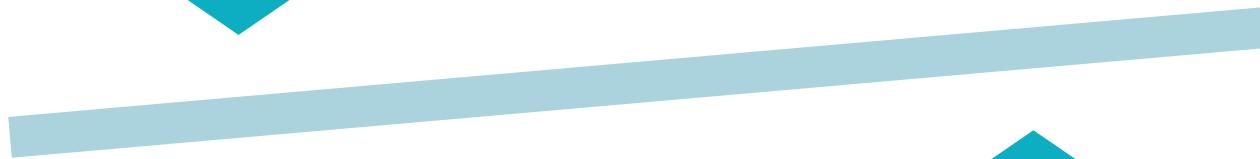
Research Overview + Findings

ECONorthwest
ECONOMICS • FINANCE • PLANNING

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

\$300 million loss on controlled units



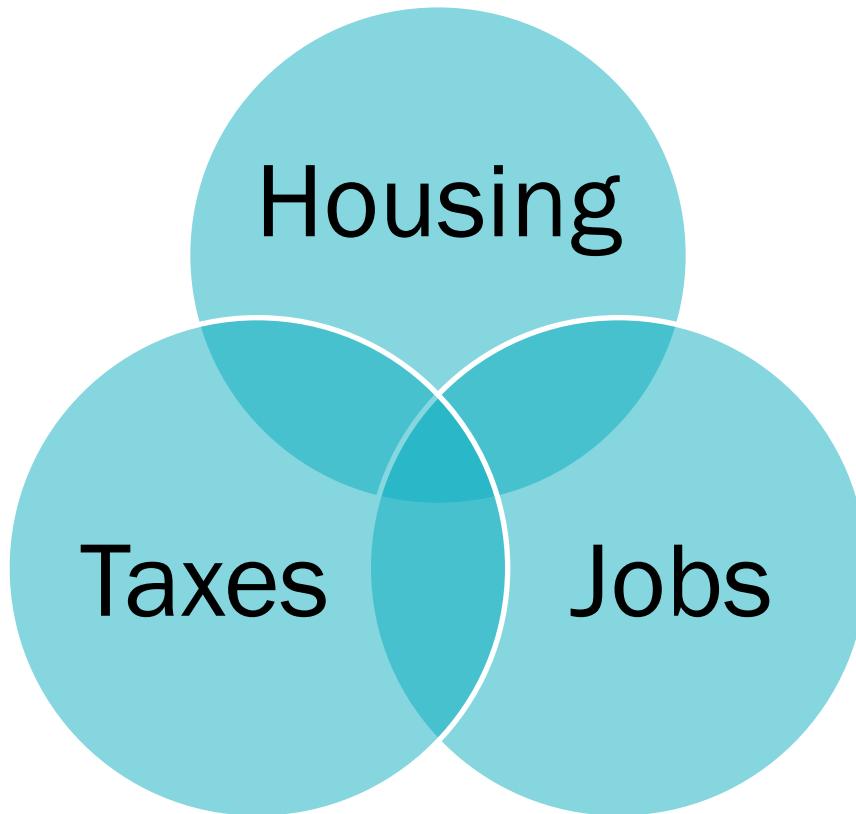
\$1.7 billion in spillover effects



\$2.0 billion in lost property value

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

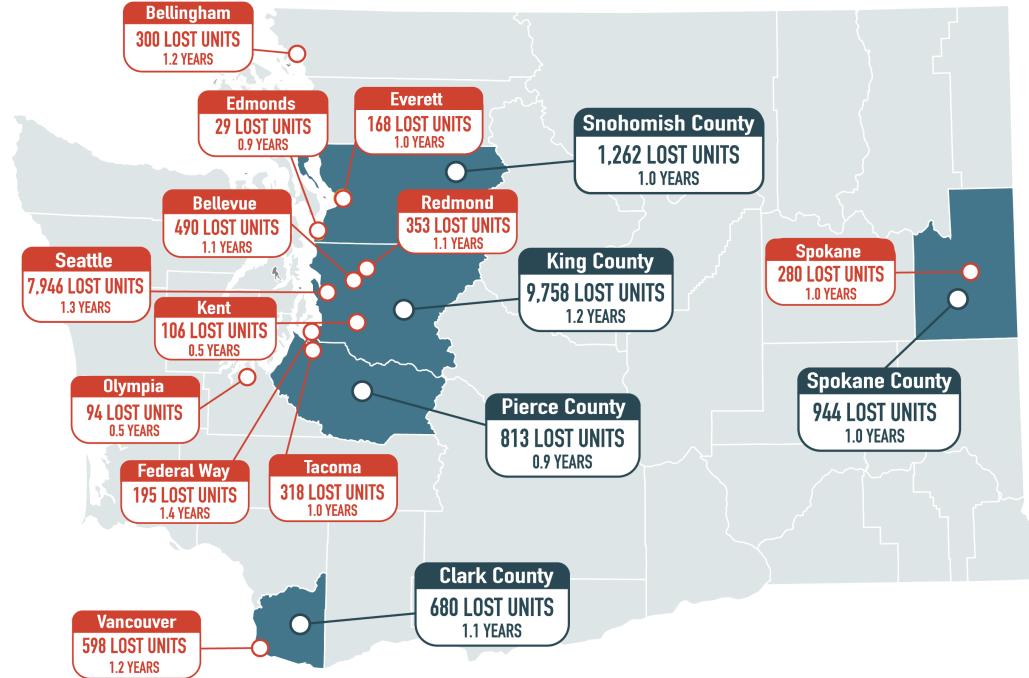
Impacts in Washington, not just housing



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

\$301 million

\$200 million



ECONOMIC
INVESTMENT



CONSTRUCTION
SALES TAXES



PROPERTY
TAXES

Moving Forward + Solutions

ECONorthwest
ECONOMICS • FINANCE • PLANNING

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)

ECONorthwest

ECONOMICS • FINANCE • PLANNING



Eugene



Portland



Seattle



Boise