



March 31, 2022

The Honorable Raymond A. Hull
Chairman
House Committee on Municipal Government & Housing

RE: H 7466 – “An Act Relating to Property – Residential Landlord and Tenant Act”

Dear Chairman Hull and Committee Members:

On behalf of the more than 6,000 members of the Rhode Island Association of REALTORS® (RIAR), we thank you for the opportunity to raise concerns regarding H 7466, which seeks to limit residential rent increases to ten percent annually.

REALTORS® appreciate the leadership in the House of Representatives and your commitment to improving homeownership opportunities and access to affordable housing. As you are aware, the foundation of our economy is housing. According to the National Association of REALTORS®, the Rhode Island real estate industry accounted for nearly \$11 billion or 18 percent of the gross state product in 2020.¹

However, RIAR remains concerned that thousands of low-income renters don't have access to an affordable home. According to the 2021 HousingWorksRI Housing Fact Book, there are only six communities complying with the state's Low- and Moderate-Income Housing Act that designates ten percent of homes in every municipality as affordable.² RIAR is worried that cities and towns are not producing their fair share of units to address housing in their respective communities. H 7466 would intensify the housing shortage in Rhode Island, as property owners would reduce the supply of new and current rental housing and would motivate owners to charge the maximum rent increases each year.

RIAR raises the following concerns relative to H 7466:

Taking Units Off the Market

Our members believe that approving outdated and overly burdensome policies, such as H 7466 will create significant barriers to affordability and will only add pain to Rhode Island's housing crisis. While Rhode Island has never imposed rent limits on property

¹ <https://cdn.nar.realtor/sites/default/files/documents/2020-state-by-state-economic-impact-of-real-estate-activity-rhode-island-3-31-2021.pdf>

² https://www.housingworksri.org/Portals/0/Uploads/Documents/FINALHFB21-revised_2021-11-02.pdf?ver=s3DdsTMeA07Fq-D28P9x1A%3d%3d

owners, RIAR is deeply concerned that consideration of rent control policy would ultimately lead to the removal of units from the local real estate market. Once off the market, apartments would be sold as condominiums or demolished to make room for new single-unit homes. ***At a time when affordable units are sorely needed, can Rhode Island afford to add more households to the one-third that are already cost-burdened?*** By imposing rent control measures, the House of Representatives would exacerbate the core issue of why housing is expensive in Rhode Island: lack of supply. Measures such as H 7466 would only harm the local economy and renters who would ultimately be displaced because of imposing rent control.

Regulatory Problem

If Rhode Island is serious about addressing our housing supply shortage, the multitude of rules and regulations relative to housing development needs to be reduced. Sadly, our state has made the home building trade unattractive to constructing single-unit and multi-unit houses, while ignoring density using smart growth techniques. In 2018, research found that on average regulations comprised of 32 percent total development costs.³ Moreover, if H 7466 is approved developers would construct other product types or build elsewhere. ***Can Rhode Island continue to ignore the reputation it has built of opposing development to the detriment of residents who are housing cost burdened?***

High Taxes

It is no secret that Rhode Island has some of the highest property taxes in the United States. In fact, WalletHub recently ranked Rhode Island fifth nationally for property tax burdened residents.⁴ Moreover, Rhode Island currently ranks 42nd nationally regarding property taxes by state.⁵ Before the House of Representative considers failed policies to address Rhode Island’s housing crisis, please think about the impact of high property taxes that vulnerable residents are already paying (directly or indirectly). Moreover, consider how changes in property taxes can burden property owners in rent-controlled units. ***Does the House of Representatives believe that housing providers who own one or two dwellings should absorb higher property taxes, while creating an unsustainable system of housing?***

Unintended Consequences

Studies have proven that rent control hasn’t addressed the affordable housing crisis the United States is facing. It is not a surprise that units in major cities are not being built as a result of government overregulation of the real estate market. Another unintended consequence that rent control fails to consider is maintenance and quality of housing all tenants should enjoy. H 7466 would reinforce negative housing conditions which are counter to the expressed intent of rent control policies. If the General Assembly approves

³ National Association of Home Builders and National Multifamily Housing Council, “Regulation: Over 30 Percent of the Cost of a Multifamily Development” (2018).

⁴ <https://wallethub.com/edu/states-with-highest-lowest-tax-burden/20494>

⁵ <https://wallethub.com/edu/states-with-the-highest-and-lowest-property-taxes/11585>

H 7466, RIAR fears that property owners will be discouraged from maintaining and reinvesting in their properties over time. Owners will be forced into a dilemma where they ultimately may forgo repairs and maintenance and large capital improvements. ***Is it fair to tenants that their quality of life is jeopardized because the House of Representatives is considering failed and outdated policies such as rent control?***

If lawmakers thought government regulation would have solved Rhode Island’s affordable housing crisis, policies such as rent control would have been approved decades ago when this public policy was popular. Unfortunately, cities like New York and San Francisco have found that rent control has accomplished nothing in addressing housing. The Rhode Island Association of REALTORS® believes that basic economics should be the solution to solving our state’s housing needs: create supply by developing more housing for all.

RIAR respectfully urges this committee to take no action on H 7466.

Sincerely,

A handwritten signature in blue ink that reads "David A. Salvatore". The signature is written in a cursive, flowing style.

David Salvatore
Government Affairs Director