

DISCUSSION & REVIEW QUESTIONS:

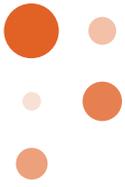
- Miss Gelinas informs us that, “...once a city adopts rent control, it’s almost impossible to dislodge it.” Why is this the case? Why do you think that a region would adopt rent control in the first place?
- We learn from Miss Gelinas that, “...a ceiling on rents reduces the quantity and quality of housing available,” partially because, “...it’s an accepted economic principal that government imposed price controls – and that’s what rent control is – always leads to price distortions — in this case rents.” What does this mean, exactly? What are some other examples of government imposed price controls leading to price distortions?
- Miss Gelinas explains that, “The [city rent guidelines] board members base their decisions [on how much landlords can charge for rent] not on supply and demand but on an estimate of how much costs such as fuel and insurance have risen.” How does controlling lease prices based on anything other than what the market will bear and available inventory negatively affect the renting community and counter the intent of rent control?
- We learn in the video that, “...landlords can’t afford to improve or even maintain their rent-controlled apartments. Since they can’t raise rents to market levels, they can only make a profit by keeping their costs to an absolute minimum.” How does this negatively impact renters, especially the low and mid-income renters?
- Miss Gelinas ends the video by stating, “So rather than dream of the day when New York or Los Angeles and other rent controlled cities might abandon this self-destructive urban policy, maybe we should see this as a cautionary tale that well illustrates a valuable maxim: be wary of government programs bearing gifts.” What exactly does Miss Gelinas mean by this? What do you think can be done to improve or eliminate rent control? What else do you think can be done to help low and mid-income renters?

EXTEND THE LEARNING:

CASE STUDY: New York City landlords

INSTRUCTIONS: Read the article “City Landlords to Cut Staff and Repairs, Blaming Rent Freeze,” then answer the questions that follow.

- What did the Rent Guidelines Board decide, and how is it projected to impact renters? What will some landlords be doing as a consequence of the decision?
- Why do you think renters are celebrating the decision, considering that they are facing neglect of maintenance for their buildings? Do you think they should be celebrating? Why or why not? What options will tenants have if they encounter problems with their building?
- How are landlords supposed to pay for building upkeep if their costs go up but their income doesn’t? Do you think rent control works as intended? Why or why not?



QUIZ

WHY RENT CONTROL HURTS RENTERS

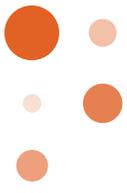
1. **Nearly all economists, on the right and left, agree that rent control:**
 - a. Is vital for renters.
 - b. Reduces the quantity and quality of housing available.
 - c. Is only important for the elderly.
 - d. Makes housing more available.

2. **Government imposed price controls always leads to:**
 - a. Equal opportunity.
 - b. Fair prices.
 - c. Price distortion.
 - d. Cheap housing.

3. **In New York, the city board votes on how much owners of rent-regulated apartments can raise the rent for the following year based on:**
 - a. How much fuel and insurance has risen.
 - b. Supply and demand.
 - c. How much of an increase voters will tolerate.
 - d. Both A and C.

4. **Those who benefit most from rent control are:**
 - a. The few who live in the richest neighborhoods and have remained in their apartments for decades.
 - b. The poor who live in government subsidized housing.
 - c. The middle class who rent short term.
 - d. None of the above.

5. **Ultimately, rent control:**
 - a. Hurts the people it's supposed to help.
 - b. Gives landlords little incentive to improve their housing stock.
 - c. Discourages construction of new housing for all but the rich.
 - d. All of the above.



QUIZ - ANSWER KEY

WHY RENT CONTROL HURTS RENTERS

1. Nearly all economists, on the right and left, agree that rent control:
 - a. Is vital for renters.
 - b. Reduces the quantity and quality of housing available.
 - c. Is only important for the elderly.
 - d. Makes housing more available.

2. Government imposed price controls always leads to:
 - a. Equal opportunity.
 - b. Fair prices.
 - c. Price distortion.
 - d. Cheap housing.

3. In New York, the city board votes on how much owners of rent-regulated apartments can raise the rent for the following year based on:
 - a. How much fuel and insurance has risen.
 - b. Supply and demand.
 - c. How much of an increase voters will tolerate.
 - d. Both A and C.

4. Those who benefit most from rent control are:
 - a. The few who live in the richest neighborhoods and have remained in their apartments for decades.
 - b. The poor who live in government subsidized housing.
 - c. The middle class who rent short term.
 - d. None of the above.

5. Ultimately, rent control:
 - a. Hurts the people it's supposed to help.
 - b. Gives landlords little incentive to improve their housing stock.
 - c. Discourages construction of new housing for all but the rich.
 - d. All of the above.

<http://nynmedia.com/news/city-landlords-to-cut-staff-and-repairs-blaming-rent-freeze>



New York Nonprofit
Media

[General](#) - Jul 14, 08:26 PM

City Landlords to Cut Staff and Repairs, Blaming Rent Freeze

By Frank G. Runyeon



The New York City Rent Guidelines Board's historic decision to freeze stabilized rents with a zero-percent increase on one-year leases late last month has tenants celebrating and landlords fuming.

Now, representatives for the city's landlords say their constituents may forgo maintenance and building services on their properties due to the board's decision to freeze rents on stabilized apartments.

"You can't have costs that go up and rents that are frozen in place," said Jack Freund of the Rent Stabilization Association, which represents the interests of the city's landlords. "That's not a practical way to run buildings."

Though landlord and tenant advocates disagree on many of the basic facts surrounding the rent freeze, they do agree on one disconcerting forecast: Landlords for over a million tenants of rent-stabilized units will cut services or neglect building repairs and maintenance in the near future.

With that in mind, tenant advocates have urged nonprofits serving low-income clients to ask them about their housing situations and make sure they are both safe and stable.

If a landlord is not performing important repairs and maintenance, tenants have the option to organize in the building to press for changes or they can call 311 with questions or complaints.

There are a few nonprofits that will provide professional maintenance services for certain renters in need.

Metropair, a city project run by the Metropolitan Council on Jewish Poverty, provides free handyman services for disabled seniors. The service makes basic repairs for tenants at no charge if they are at least 60 years old, live in New York City and can show financial need. While a spokesperson for organization says they're the only such citywide service for renters, some neighborhoods have local groups that can help.

Owners insist that the costs of maintaining their buildings have outpaced the rent they receive from tenants in stabilized units for over a decade. They cite data that show building expenses will increase 6 percent while rent-stabilized tenants will only pay a 1 percent increase in their rent over a two-year period.

"Ultimately, if this keeps up—and I believe these inordinately low increases will continue—then owners are going to have to cut back somewhere," Freund said. Some of the largest expenses, like oil for heating and hot water, are fixed by city regulations mandating that landlords provide those basic services. This may leave other maintenance or service expenses on the chopping block.

"If you don't have the money to put into the building, you know who's going to suffer?" Freund asked. "The landlord will suffer, but the tenants will also suffer."

Tenant groups disagree with this logic.

“I think the landlord objections to a rent freeze are not only false, but laughably offensive to tenants,” said Ilana Maier at the Metropolitan Council on Housing, noting that landlords have made record profits in the last decade. “The idea that they’re going to have to cut back on services is absurd. So if landlords stop giving services, it’s because they’re greedy. Not because they’re having financial problems.”

Potential problems in apartments will vary based on whether a tenant’s building owner is a large management company or a small operator, landlords say.

For larger buildings and management companies that employ more workers, problems could stem from layoffs. One major owner of rent-regulated apartments told RSA that they are planning to cut staff, Freund says.

For smaller building owners, property upkeep, cleanliness and maintenance will likely be postponed or neglected, landlords say.

“My phone is ringing off the hook every day, people are so disappointed and disgusted,” said Chris Athineos, head of the Small Building Owners of New York, who also rents stabilized units. “We talk about preserving and creating new affordable housing, but we have to preserve the affordable housing that we have now.”

Athineos is weighing what maintenance and repairs he will forgo on his own buildings as a result of the decision to freeze rents, he said. A prewar building he owns needs to be completely rebricked, but he can’t afford to do that. It’s just one example of the kind of half-measures landlords are going to have to take, he explains. “You have a leaking roof. It creates mold, mildew in top-floor apartments. Are you considering putting on a new roof? No, you’re just going to patch it. More patches, more patchwork.”

Without income that goes above and beyond the buildings’ operating costs, Athineos and others argue, landlords have to shift from a proactive, preventive maintenance approach to a reactive approach, because they say they simply don’t have the funds to take on major projects like replacing plumbing or reroofing an apartment.

“It’s frustrating. I want to do the right thing,” Athineos said, adding that he runs violation-free buildings and has good relationships with his tenants. “These are my customers, I want to provide them the best service I can. But it’s very hard to do when your income is so severely restricted.”

Small operators will be the most affected by these rent freezes, according to several landlord advocates. All this could lead to a flight of responsible landlords from the city, building owners warn.

“We’ve been through this cycle of disinvestment before,” Freund says. “Hasn’t happened in a while, so maybe people are short on memory. Nobody on the board probably lived through that period of time when the Bronx was burning.”

Tenant groups dismiss such gloomy forecasts and reject landlord claims that the Rent Guidelines Board’s decision was unfair. Building owners in New York City, they contend, are still turning a profit every year.

The Rent Guidelines Board essentially agreed. The board, which voted 7 to 2 to freeze rents, cited a consistent rise in landlords’ income after expenses over the last decade.

While tenant advocates may not believe that building owners won’t have enough money to take care of their buildings, they do believe landlords when they threaten not to make repairs.

“Now they have an excuse to do it,” Maier said. “But they’ve been doing it for so long that it’s just going to be another day in a stabilized unit.”