

# Anti-Rent Control Arguments Ignore the Dynamics of the Housing Market

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*Voice of San Diego, Opinion, by Alexandra Bakst, August 27, 2018*

Across the state, Californians are struggling to live. Here in San Diego, more than half of renting households are rent-burdened, paying more than 30 percent of their incomes in rent. It is no surprise that there has been a surge in support for rent control, referring to a broad set of policies that range from limiting exorbitant annual rent increases for existing tenants – frequently referred to as rent stabilization – to capping how much a landlord can raise the rent even after a tenant moves out. Come November, Californians will vote on Proposition 10: Passage of the measure will repeal the Costa-Hawkins Act, the infamous law that prohibits many forms of rent stabilization and control.

Recently, Voice of San Diego published an op-ed arguing against Prop. 10 and any form of rent control, cautioning that it will harm precisely those it is intended to help. It argues that the only way to stabilize rents is to increase the supply of housing. While I identify as a progressive YIMBY and there is little doubt that we need to build more homes, upon closer inspection, the argument against rent control falls short.

The most common argument against rent control is deceptive about how much various factors contribute to our housing crisis. For example, a recent and oft-cited Stanford study found that rent controls were associated with a 6 percent decrease in housing supply in San Francisco. The state Legislative Analyst's Office, however, found that a whopping 80 percent reduction in supply can be attributed to exclusionary zoning, often used to exclude new developments from affluent neighborhoods. The widely circulated Point Loma Nazarene analysis of the San Diego housing crisis states that 40 percent of housing cost is attributable to regulations and delays in the permitting process. If we want to get serious about increasing housing supply, let's focus on improving development regulations to incentivize more housing while protecting tenants at the same time.

It takes a significant amount of time to build enough housing to see prices fall. As noted in the op-ed, Japan spent *decades* building homes. The anti-rent control argument ignores the dynamics of the housing market, in which prices in different parts of the city fluctuate, sometimes rising, sometimes falling, before possibly settling on a static market equilibrium. Put simply, those who are at risk of being displaced from their apartments will have to continue to endure that risk until sufficient housing has been constructed. Intermediate measures are necessary while San Diego continues to work on long-term solutions.

The goal of rent control policies is to preserve the affordability of existing homes, and prevent the displacement of the families residing in them. And they are remarkably effective at doing so, as noted even by opponents of rent-control measures. Given that it may take decades to build enough homes for everybody, rent control is one tool that can help keep families in their

homes in a housing market that has failed to provide them with affordable options. The Turner Center, a real estate think tank, and other pro-housing groups have begun to outline strategies that both protect tenants and work toward achieving the long-term solution of building homes for everyone. More San Diegans should embrace this nuanced approach.

New construction and rent-control policies are completely compatible. Even before the passage of Costa-Hawkins, rent controls in California have traditionally exempted new construction from rent control, thus ensuring investors the ability to pay off their construction loans. Moreover, Prop. 10 and case law mandate that any enacted rent-control policy ensure a fair return on investment for landlords.

San Diego and California need to build more homes. A lot more homes. Which is why I encourage my friends to say, "Yes in my backyard" to the construction of new homes, and to new neighbors. But it is just as important that we say "yes in my backyard," to our long-time neighbors as well, which is why I also support passage of Prop. 10.

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