MINUTES

MONTANA SENATE
52nd LEGISLATURE - REGULAR SESSION

COMMITTEE ON LOCAL GOVERNMENT

Call to Order: By Chairman Esther Bengtson, on January 15, 1991, at 1:05 p.m.

ROLL CALL

Members Present:
Esther Bengtson, Chairman (D)
Eleanor Vaughn, Vice Chairman (D)
Thomas Beck (R)
Dorothy Eck (D)
H.W. Hammond (R)
Ethel Harding (R)
John Jr. Kennedy (D)
Gene Thayer (R)
Mignon Waterman (D)

Members Excused: none

Staff Present: Connie Erickson (Legislative Council).

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Announcements/Discussion: Senator Bengtson covered a weekly agenda showing status of bills in committee. A written proxy vote form is available from the secretary if a member needs to leave a meeting before the vote or will not be at a hearing to cast their vote.

HEARING ON SJR-3

Presentation and Opening Statement by Sponsor: Senator Delwyn Gage, District 5, assessed that until we reorganize the entire state of Montana the problems in way counties are organized and boundaries defined. This is usually a political issue. There are counties, like Liberty, Toole, Pomeroy and Glacier in a four county area have a population of approximately 400 people. All four counties have a complete contingency filling the county offices. According to the {book} the planning and structuring of Montana counties was done according to someone's criteria in a county with a boundary. No real planning was used, and there has not been any improvement. County Consolidation can be undertaken based on provisions in the legislation under the Montana Constitution. It is not happening, nor will it, because like school consolidation by in large is not taking place. We legislators, do not address it here because it's a political issue that may or may not hinder us from being re-elected, so we choose not to tackle it. Many people feel that money can be saved, but how much is unclear? This resolution would allow a study group to look at the whole picture. Do we need this many counties? Can we save taxpayer dollars and still provide the services? Many residents seldom go to their court houses, and the current technology in automating communication the need to travel because of the current situation could be avoided. Some think this is a "kooky idea" and should not be done. By and large they are people supported by the tax system of the state of Montana. A survey of the four county area showed that 3 to 1 wanted the legislature to take a look at consolidation as a means to save money while providing the same services. People want to know the savings and the possibilities of consolidation. Senator Gage requested that the committee do pass this resolution to have it placed on the list for the Legislature to approve, and direct the Legislative Council to conduct this interim study.

Proponents' Testimony:
J. Riley Johnson did not testify, but he filled out a testimony statement (Exhibit #3)

Opponents' Testimony: Gordon Morris, Executive Director of Montana Association of Counties (MACo) spoke against this study. A tax supported employee speaking against this study. This study is redundant and unnecessary in light of the many mechanisms in place to provide for consolidation, i.e. by voter initiative. Obviously there is a lack of local interest in the need to consolidate. MACo opposes any legislative consideration to mandate county reorganization and or consolidation in light of existing statutory authority for local citizens to undertake by petition county reorganization and or consolidation. The wonderful Montana Constitution is unlike any other in the union. Opportunities by petition, as well as in 1994 by way of the voter review process that can be taken at any time to the voters by County Commissioner. In 1984, 25 counties passed consolidation, and in those 25 counties nothing happened. This study flies in the face of the apathy out there of the taxpayers and voters perspective. Until the constituents we serve overcome their apathy about reform then no study is going to worthwhile. The interim is going to be filled with significant issues of study by the Legislature, and this one does not have a high priority. I recommend a DO NOT PASS on SJR-3.

Charlotte Edwards, from Powder River County, presently living in Helena. She is not currently receiving taxpayer money, but did for 39 years. She supported MACo's view. After seeing and thinking about consolidation in Eastern Montana with 90 townships it is quite a trip to get to town as it is. There are a few counties that might benefit from consolidation, but it is up to the people living there to decide.

Questions From Committee Members:
Senator Hammond asked Mr. Morris whether there had not already been two studies on consolidation? Mr. Morris assumed he was referring to the study done in 1977 that examined the laws that deal with local government, but did nothing in the way of consolidation, and ended in the 1977 Legislature with House Bill 122. This HB-122 was a major reexamination of all local government laws in addition, in 1984 under the provision of the Montana Constitution, we had the first opportunity for state wide review of local government by the voters. Another required Constitutional Review in 1994. In 1984, 25 in about 126 municipalities actually going through the review process, and all defeated the charters or recommendations of the study commissions.

Senator Waterman asked Mr Morris if the Constitution Review in 1984 and the one coming in 1994 allows consolidation? Mr. Morris stated that yes it did, and through the review process of consolidation as well as the current petition process.

Senator Beck asked Mr. Morris what the resolution had to do with consolidation of counties. It just asks for a study of the money to be saved. Maybe the study would answer these questions and other valuable information would arise from this. Let's find out if there are any savings, and then give this information to the voters and let them decide.

Senator Bengtson asked Mr. Morris what happened to a similar resolution in the last legislature? Mr. Morris recalled that the Senate passed the resolution, but that it died in the House.

Senator Thayer asked Mr. Morris if he thought all voters were aware of the process and the possibility of consolidation? Might some of them mobilize if they did know the monetary savings? Mr. Morris recognized that there are skilled, active participants in Montana's cities and counties. The review of the Missoula County Charter option was self initiated. The League of Women Voters are well versed on public issues, too. Mr. Morris, who has a Ph.D in Political Science does agree that reorganization of local government and consolidation are financially prudent. There are savings to be realized 5-10 years down the road, but not at the beginning. There are more costs associated with the changes. Studies prove this already. Voters have to be convinced by the professionals that this is the case. The "home rule" option going back to the establishment of Dade County in 1967. The tide did not sweep across the country as predicted because voters have confidence in information the professionals are giving, and they see it as "un-American". This would be the best indorsement for a study to show voters the advantages to this case. Maybe this is the strongest endorsement for an interim study.

Senator Bengtson felt that Mr. Morris was giving a mixed message. He complained that we do not have voter review because of the apathy. Would an interim study conducted by a non-partisan group be better able to communicate the benefits of this process. All the experts could then provide the evidence from the study as well as others to prove the benefits are there. Mr. Morris apologized for confusing the committee. He felt that there would be a ground swell like in the 1987 session that dealt with County School consolidation. To suggest that the legislature is going to take and preempt the right of constituents to decide what is in their own best interest. He closed by opposing this on behalf of those he represents, county commissioners who likewise have the same constituents they serve as you do.

Closing by Sponsor: Senator Gage closed by stating that the 1987 bill did die in the House and probably on purpose. He did not want to leave the message that there are tremendous savings in consolidation or reorganization, but that is exactly why the study should be done to determine what savings really can be achieved. If findings result in a tax break for the taxpayer it would certainly get their attention. A study would provide this kind of information. Senator Gage asked for a DO PASS on SJR-3.

HEARING ON SB-65

Presentation and Opening Statement by Sponsor: Senator Bill Yellowtail, District 50, stated that this bill was short and direct, and uncomplicated. It is preemptive prohibition of rental control of privately funded, privately financed rentals in Montana. This is all contained in subsection 1. Subsection 2 disclaims any effect on public properties or government subsidized rental. His sponsoring of this bill is founded on principle that rental control is poor public policy because it deters private investors and developers from committing any dollars to housing development. Private investors the economic truth is that they must be able get a return on their investment. Why then preemptive prohibition? We don't have rent control anywhere in Montana presently. Investors are in this for the long term. The presence of even of the potential of new rental control down the road is enough deterrent to scare away private money. So this is a long term view. Can you imagine trying to undo rent control if we take a wait and see attitude. Twenty other states, including many of our neighboring states, have enacted bills like SB-65. Studies affirm the damaging effects that rent control has housing availability and housing quality, particularly low-income housing.

<u>Proponents' Testimony:</u> Don Chance, Montana Building Industry Association, a trade association of general contractors, suppliers, subcontractors engaged in the construction of residential properties in the state. The MBIA represents about 25,000 members. We support this bill.(Exhibit #1, #2).

Tom Hopgood, Montana Association of Realtors, representing the private property owners in the state of Montana and protect their rights. We stand in strong support of the free market and we strongly support minimum government control. We strongly support this bill and commend Senator Yellowtail for his grasp of the larger issues that are involved. This bill is about more than the protection of the rights of the private property owners. This bill is about the availability of housing, which is a proven fact that rent control decreases the availability of affordable housing for low and medium income families. In particular, it affects the availability for low income people. He endorsed the comments of Mr. Chance. Big numbers have been used, Mr. Hopgood has his own word, "illion", which is a bigger number than he's used to dealing with. Rent Control in New York City cost that city 4 billion dollars in taxable value in their property. We encourage a DO PASS on SB-65.

Walter F. Jackovich, manager of an apartment complex of 160 units in Butte. (Exhibit #7).

<u>Opponents' Testimony:</u> LoreAnn Saunders, Butte Community Union, opposed SB-65. (Exhibit 8).

Chris Chapman, Montanans for Social Justice, opposed SB-65.(Exhibit 9)

Chester Kinsey, Montana Senior Citizens Association. We don't have rent control in Montana, and this bill proposes to tie the hands of cities, and this tying has been done too much at the state level without much thought in the past. No cities put in rent control until the situation gets out of hand. It is very hard to convince city councils to enact rent control. When it does get out of hand then people are going to find that no rent control may leave many people living in closets for $200 a month. An escalation of rent that is out of reason. We don't have rent control, and it shouldn't come about unless needed. Do not pass a bill that will tie the hands of the city. When the cities need it they should have the choice when facing the problem in their particular city.

Marcia Dias, Montana Low Income Coalition, opposes SB-65. (Exhibit #4,A,B,C,D,E,F,G,H). She stated that within the next five years, several government contracts with private property owners that accept section 8 families will expire. They do not have to renew those contracts. Without rent control, the landlords can raise rent beyond these families means. Where those people go if there are no low income units available.

Housing problems in Helena differ from Butte, as do those in Belgrade, Libby, and Great Falls. And housing problems in Montana are greatly different than housing problems in New York.

Questions From Committee Members:
Senator Hammond asked if there was anything in the code to restricts communities from establishing rent control? Senator Yellowtail understood at present the local government can deal with rent control.

Senator Waterman asked Senator Yellowtail if she understood it correctly that this would eliminated low income housing? Senator Yellowtail said subsection 2 addresses this with a disclaimer.

Senator Beck said that rent control would seem to appear unconstitutional. Has it ever been challenged in the courts, and could they set controls on autos, etc? Senator Yellowtail was unsure if it had been challenged, but 20 other states had enacted bills like SB-65. Cities in the country have tried rent control, its never been declared unconstitutional. Mr. Chance stated that there are cities with rent control that have been challenged, but it would depend on the drafting of rent control. If done properly, local jurisdiction can enact rent control.

Senator Eck understood that most municipalities could not enact legislation without enabling legislature. Cort Harrington, County Treasurers' Association, affirmed that if a city has home rule they can enact rent control, otherwise they would need legislation to do so.

Senator Bengtson suggested that the question be researched. Senator Eck felt most people feel that local government was always being restricted in its power, and here this was trying to restrict powers that no city has asked for.

Senator Thayer asked Mr. Chance is the wording in subsection 2 takes care of the situation in subsidized housing? What percentage of low income housing is currently provided by private owners? Mr. Chance was not sure of the percentage. He stated that it is very difficult for private sector landlords to make a positive cash flow on low income rental property. Examples in Missoula, Bozeman, and Butte of negative cash flows in these properties is available. Federal income tax provisions until 1986 provided tax benefits to provide low income rental properties. Marcia Diaz said that 71% of low income families live in the private sector. The remaining 29% live in subsidized housing. M. Dias was concerned about the government contracts for subsidized housing that will expire. What will happen then. Senator Bengtson wanted to know the dates of expiration of these contracts. M. Dias had no specific date, but said that most expire within the next five years. M. Dias wondered if this bill's enactment could be related to these contract expiration dates.

Senator Beck asked if low income families want rent control? M. Dias knew of now measure pushing for controls. The fear is that they may need to do it, and will be prohibited from enacting rent control.

Senator Vaughn asked Mr. Chance if there are no rent controls now, can private industry do anything they want with the rent at this time? Mr. Chance said that landlords could do that. Senator Vaughn asked if they were afraid that if the law did not specifically prohibit it that they will try to set rent controls? Mr. Chance said that fear of rent controls retards investment in multi-family units. Senator Vaughn asked if they fear this will start happening in Montana? Mr. Chance said six or nine months ago rental housing market has grown very tight, due in part to the 1986 tax change taking away the tax benefits for multi-family units. Some sharp rent increases in some cities to the point that there is economic consent to start to build multi-family units, and rent control has also reared its head.

Senator Thayer asked Senator Yellowtail why he wanted to sponsor this bill. Senator Yellowtail said he had always been a friend to low income issues, but the studies he saw affirmed the long term benefits. The long run market will dictate private in housing.

Senator Bengtson wanted to know if there will be public funds invested in housing. Senator Yellowtail was unsure about public funds, but stated that rent control threats chill investment prospects from private funds.

Senator Hammond asked Mr. Chance if rent control is established what is rent set according to? Mr. Chance said some states freeze the rent as a certain date, others have boards similar to the PSC that hear cases for increases. Senator Hammond felt that maybe local jurisdiction might be best suited to handle this. Mr. Chance felt no government can second quess the market place. Senator Hammond felt that the local government would have a better sense and feel of the local market place.

Senator Eck understands that the contracts that expire in 5-10 years are seeing a big movement to buy up those contracts, so the properties that were to have been low income housing will be relieved of that responsibility. Mr. Chance said most the contracts for public subsidized housing consists in several forms. Much of the public housing is actually owned housing authorities and does not have contracts, and would not be affected by this bill. The previous Federal Government funds provided for rental and low income family construction has become more constrained. The private sector has never been successful in terms of being able to provide housing at a cost that they could afford that would work for low to moderate income people. The economics just don't work for the private sector to provide, so it's always been some government program to provide this. The contracts were created to allow ten years of tax breaks for keeping rents at certain level. Many of those contracts will not be rolled over. Senator Eck represents many communities that have real housing issues. How would they respond to the argument that if we ban rent control it removes one reason your industry would participate in looking for solutions to the housing program. Mr. Chance does not believe the landlords and builders share the responsibility to solve the low income housing problem. That's a gigantic problem that all society must confront. The other response is that rent control long term studies show it does not bring more low income housing units on line. The MBIA has been looking to draft legislation that recognizes this problem. They put forth a 1/4% real estate excise tax to provide 10-15 million dollars a year, with 40% earmarked specifically to construct low to moderate income housing to be administered by the State Housing Board. The response has not been good.

Senator Beck asked Senator Yellowtail if SRS monies for subsidized rent are not actually a rent control measure? Senator Yellowtail agreed that the property owners can only charge what the income of the people can afford to pay. The trade-off is between immediate relief and restructuring new development. Senator Beck stated that housing availability is the biggest problem.

Senator Bengtson felt that this preemptive measure might be premature. Senator Yellowtail suggested that it would remove one impediment to investment.

Senator Thayer asked what amount of housing is involved in the contracts that will roll over? Mr. Chance said that the private industry does not track this, and the state of Montana lacks a comprehensive housing policy that addressed housing availability and affordability for low to moderate income families.

Senator Bengtson asked if anyone present had some good ideas for such a policy. Mr. Kinsey stated again, that he fears this bill will hamstring local communities, so they can't do rent control.

<u>Closing by Sponsor:</u> Senator Yellowtail closed by stating that shelter is the matter of highest priority for allocation of our nation's resources. In that spirit he appears here today. The long range view supported by the market view is what he feels this bill supports. He urged the committee to look into the studies and credible material, and draw their conclusions from that information. Senator Yellowtail appreciated the thoroughness of the committee.

EXECUTIVE ACTION ON :SB-10

Discussion: Cort Harrington, County Treasurers Association provided monetary figures about these nontax revenues. (Exhibit 5). A question from the previous meeting from Senator Eck about putting the money into the school fund. There is more paper work with deciding which school district would get the money.

Motion: Senator Thayer moved that we do pass SB-10.

Recommendation and Vote: A voice call vote was taken and recorded as a roll call vote. The motion passed unanimously.

EXECUTIVE ACTION ON: SB-25

Discussion: Senator Bengtson received information from Mae Nan Ellingson, Dorsey & Whitney of Missoula, concerning the bonding questions. (Exhibit 6). Ms. Ellingson had to leave the meeting, but will come again to testify. She would like to have someone from D.A. Davidson talk about selling bonds. The legislative auditor prepared figures of taxable value of in a sample of fire districts, and the amounts allowable for bond issuance. This report will be made available at the next discussion.

The concerns from the bond council is if annexation of a fire district occurs how is the indebtedness then paid for. The wording about how bonds will be repaid is very important. There is a great split of authority. The letter suggests some solutions.

Senator Thayer asked if the bill sponsors have be notified of this recommended language which might require a change to the bill title. Senator Bengtson agreed that the title would need to be amended and mention of bonding indebtedness and how it would be handled. The language can be added to make the bill work, but the concern is annexation procedures and how indebtedness follows.

Dan Kemmis, Mayor of Missoula, stated that they are concerned about the potential problem that could arise. First of all, they would like to support Fire Districts effort to acquire bonding capacity, but we are concerned about the possibility that they would have bonded for equipment, which then is affected by annexation that takes away part of the fire district. Those newly annexed are subject to all city bonds outstanding. It does not seem just that they would have to pay the city bonds for equipment plus the former fire districts bonds for which they no longer benefit.

Senator Bengtson asked if there was wide support for this bill, but how many fire districts might be in proposals for annexation? C. Erickson cited from the codes 7-2-4734, passed in 1974, which prohibits the annexation of fire districts by municipalities if the fire district has been in existence longer than 10 years. Under the title : STANDS TO BE MET BEFORE ANNEXATION CAN OCCUR: No part of the area can be included within the boundary as existing at the inception of such an attempted annexation of any fire district organized under any of the provisions in part 21, chapter 33, if the fire district was initially organized at least 10 years prior to the inception of said such annexation. Senator Waterman asked if the whole district could be annexed? C. Erickson read that it is no part. Mayor Kemmis asked to address this citation. That bill was passed in 1974, but in 1975 there was a fairly comprehensive revision of the annexation laws. There has been litigation since about that subsequent revision repealed that act. His understanding is that it did repeal 7-2-4734. Missoula has dealt with a long time, and it no longer extends as a bar to annexation of a fire district.

Senator Beck asked Mayor Kemmis if when they annex a portion of the fire district do you actual annex the fire district or is the district left intact? Mayor Hammond said there is usually a de-annexation from the fire district and then they are annexed into the city, but their is never an overlap. Senator Beck asked if an area might be annexed for city water and sewer, but would you still leave the fire district? Mayor Kemmis said there is never an overlap.

Senator Beck asked if you have existing bonds in the city and you annex into another area, do you pass that indebtedness onto the newly annexed, even if it occurred before? Mayor Kemmis said yes they do. Senator Hammond asked to have the last question and answer repeated. Senator Beck restated the question.

Senator Hammond asked if the previous indebtedness of the fire district area being annexed went then to the city? Mayor Kemmis was not sure if the municipality would assume any former indebtedness of the former area being annexed from the fire district. Senator Bengtson felt that this is unclear with regard to fire districts. School, water, hospital districts all address this issue a little differently.

Senator Bengtson felt the bonds would not sell if the wording on protection of the bond holders was not in the bill.

Senator Beck asked if you annexed something with bond indebtedness does the municipality have to assume that bond indebtedness from the annexation. Mayor Kemmis did not know of any situation where that has occurred. Senator Bengtson said that the letter from M. Ellingson suggested that a percentage of the previous indebtedness of the fire district be assumed by the municipality

Senator Hammond said if this is clearly stated the fire districts will have the authority to sell bonds, but they won't have any buyers. Senator Bengtson agreed, and more information will be required before the committee takes Executive Action.

Vern Erickson, MSFA, has consulted an attorney about annexing and liability. He will report back to the committee after a second consultation.

ADJOURNMENT

Adjournment At: 3:01 p.m.

Esther Bengtson

Esther Bengtson, Chairman

Joyce Inchauspe-Corson

Joyce Inchauspe-Corson, Secretary

EB/jic

Yellowstone Contractors Association
259-1703

S.W. Montana HBA
(Bozeman)
587-5423

Great Falls HBA
452-1380

Montana
BUILDING INDUSTRY
ASSOCIATION

Helena Chapter of NAHB
442-1886

Flathead HBA
(Kalispell)
755-1014

Missoula Chapter of NAHB
543-6623

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SENATE LOCAL GOVT. COMM.
EXHIBIT NO. 1
DATE 1-15-91
BILL NO. SB-65

The High Cost of Rent Control

That rent control is an ineffective and often counter-productive housing policy is no longer open to serious question. The profound economic and social consequences of government intervention in the nation's housing markets have been documented in study after study by some of the nation's most respected institutions, over a twenty year period. Economists are virtually unanimous in their condemnation of rent control. In a survey of economists of the American Economic Association, fully 98 percent agreed that "a ceiling on rents reduces the quality and quantity of housing available."

Nevertheless, a number of communities around the country continue to impose rent controls, usually with the stated goal of preserving affordable housing for low and middle-income families. Rent control does not advance this important goal. To the contrary, in many communities rent control has actually reduced the quality and quantity of available housing, particularly for the poor.

Legislation is being proposed which is highly similar to that which has been adopted in 18 other states including Oregon, Washington, South Dakota, Utah, and Colorado. It pre-empts local governments from enacting rent control ordinances on privately held properties.

Harm Caused by Rent Control

By forcing rents below the market price, rent control reduces the profitability of rental housing and significantly increases investor risks, severely retarding new rental housing construction. Many studies have documented this long term impact. For example, a study conducted by the Urban Land Institute found that multi-family housing construction declined by 92.4 percent in response to rent control in Washington, D.C. and the United Kingdom, and 67 percent in Boston.

By reducing the return on investments in rental housing, rent control also can lead to a drop in the quality and quantity of existing rental stock. Rent control ordinances have historically fueled the conversion of rental units to condominiums, and in some cases, abandonment of unprofitable property with a decline in maintenance. A study by the Rand Corporation of Los Angeles' rent control law found that 63 percent of the benefit to consumers of lowered rents was offset by a loss in available housing due to deterioration. Studies in New York and Boston have found similar results.

Rent control also reduces the market value of controlled rental property, both in absolute terms and relative to an increase in property values in unregulated markets. The tax implication of this reduction can be significant. A recent study of rent control in New York City calculated the loss in taxable value due to rent control at approximately $4 billion with an estimated cost to the City of $370 million in tax revenues.

Administration of rent control regulations is also very costly, often outweighing any short-term benefits of rent regulation. For example, in Santa Monica, it costs more than $3 million a year to control rents, or an annual cost of $84 per rental unit. Such ordinances also eventually result in substantial consumer entry costs through "finder's fees" and other "gray-market" transactions that develop.

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NATIONAL ASSOCIATION OF HOME BUILDERS OF THE UNITED STATES

(More)

Social Implications of Rent Control

In addition to the economic costs associated with rent control, the long-term social costs to the low and moderate income component of our society, is particularly ironic. The substantial costs of rent control fall most heavily on the poor. Middle class households receive the lion's share of the benefits of rent control, but the costs of rent control fall disproportionately on the poor.

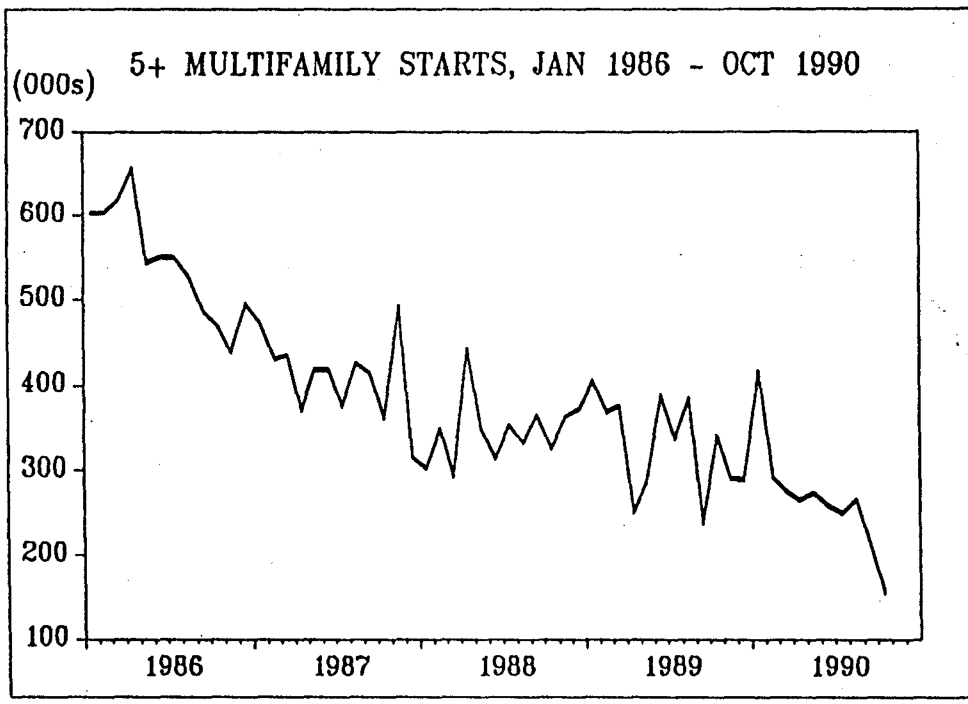
Poor families suffer a marked decline in existing housing as the effects of rent control take hold in a local housing market. Building abandonment and condominium conversion strikes the poor most heavily. A recent study of 50 American cities, nine of which had rent controls, showed that the cities with rent control had a far higher rate of homelessness and the homelessness was "significantly correlated" to the presence of rent control and low vacancy rates.

Poor families are at a substantial disadvantage when it comes to finding new housing. In an unregulated market, renter selection will be governed by the level of rents. However, in rent control markets extreme competition among potential competitors start to force such factors as income and creditworthiness as the primary rental criteria. Study after study has found that as a result of these factors, it is the predominately white, well-educated, young, professionally employed and affluent that benefit. Rent control has also been found to contribute to unlawful housing discrimination.

Pre-Emptive Rent Control Legislation

Sec. 1. (1) As used in this section, "local governmental unit" means a political subdivision of the state of Montana including, but not limited to, a county, city, village, or township, if the political subdivision provides local government services for residents in a geographically limited area of this state as its primary purpose and has the power to act primarily on behalf of that area.

Sec. 2. A local governmental unit shall not enact, maintain, or enforce an ordinance or resolution that would have the effect of controlling the amount of rent charged for leasing private residential or commercial property. This section does not impair the right of any local governmental unit to manage and control residential property in which the local governmental unit has a property interest.


5+ MULTIFAMILY STARTS, JAN 1986 - OCT 1990
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1988
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SENATE LOCAL GOVT. COMM.
EXHIBIT NO.
DATE
BILL NO.

RESIDENTIAL RENT CONTROLS

AN EVALUATION

ANTHONY DOWNS

Senior Fellow
The Brookings Institution

The views in this book are solely those of the author and not necessarily those of The Brookings Institution, its Trustees, or its other staff members.

EXECUTIVE SUMMARY REPRINT

ULI the Urban Land Institute

SENATE LOCAL GOVT. COMM.
EXHIBIT NO. 3
DATE 1-15-91
BILL NO. SJR-3

WITNESS STATEMENT

To be completed by a person testifying or a person who wants their testimony entered into the record.

Dated this 15 day of January, 1991.

Name: J. Riley Johnson

Address: 330 Fuller Ave
Helena, MT 59601

Telephone Number: 443-3797

Representing whom?
National Federation of Independent Business (NFIB)

Appearing on which proposal?
SJ3

Do you: Support? X Amend?____ Oppose?____

Comments:
NFIB survey it's 6,437 members on county consolidation in 1990. The results showed 51% favored county consolidation while 37% did not favor and 12% were undecided. It is clear to NFIB small business owners that the future of cost savings would be served by consolidating local governments. NFIB believes the handle must be found in funding local governments and this could be an important first step. At least, let's look at the issue with an interium committee.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

CENTER ON BUDGET AND POLICY PRIORITIES

236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
202-544-0591

Robert Greenstein
Director

SENATE LOCAL GOVT. COMM.
EXHIBIT NO. 4
DATE 1-15-97
BILL NO. SB-65

FOR IMMEDIATE RELEASE:
Monday, April 17, 1989

~~CONTACT~~: Art Jaeger
(202) 544-0591
Barry Zigas
(202) 662-1530

**SEVERE SHORTAGE OF AFFORDABLE HOUSING
SQUEEZES NATION'S POOR, REPORT FINDS**

A severe shortage of affordable housing has forced most poor households to pay extremely large portions of their limited incomes for housing, according to a report issued today by the Center on Budget and Policy Priorities and the Low Income Housing Information Service.

According to the report by the two nonprofit research and education organizations, some 45 percent -- or nearly half -- of all poor renter households in the United States paid at least 70 percent of their incomes for housing in 1985. More than three million poor renter households bore housing burdens of this magnitude.

Among low income homeowners, the housing squeeze was almost as serious. The report found that nearly a third -- 31 percent -- of poor homeowners spent 70 percent or more of their income for housing costs in 1985.

The report is based on data collected as part of the American Housing Survey for 1985 and issued in February 1989 by the Census Bureau and the U.S. Department of Housing and Urban Development. These data represent the first comprehensive set of data issued in four years on housing conditions nationwide.

While the data in the report are for 1985, the latest year for which Census data on housing cost burdens are available, the housing cost burdens of low income households are not likely to be appreciably different today. Census data show that the average income of the poorest fifth of all U.S. families rose 11 percent from 1985 to 1987 but that residential rental costs rose 10.1 percent during the same period.

Among other key findings in the report, titled *A Place to Call Home: The Crisis in Housing for the Poor:*

- The nation's housing problem has worsened considerably since the mid-1970s and has affected poor whites, blacks and Hispanics alike.

-- more --

- Despite the severe housing squeeze, government aid through subsidized housing programs is not available to most poor households overburdened by high housing costs.

- Affordable housing problems are likely to deteriorate further in the years ahead unless major changes are made in government policies and in the actions of the private sector.

The report is the first major study to focus on housing problems of those with annual incomes below the federal poverty line -- $9,056 for a family of three in 1987. Most previous analyses have been unable to do this due to a lack of appropriate data, a problem largely remedied in the data released in February.

For certain comparisons for which data by poverty status remain unavailable, the report looks at all households with incomes of less than $10,000 and "very poor" renter households -- those with incomes of less than $5,000.

Housing Costs for Poor Exceed Federal Standards

Under federally established standards, housing costs -- including rent and utilities -- are considered affordable if they consume no more than 30 percent of household income. In 1985, according to the analysis of the housing data, five out of six poor renters -- or 5.8 million renter households -- exceeded that standard. Likewise, almost three of every four homeowner households -- or 73 percent -- paid at least 30 percent of their income for housing.

Some 63 percent of poor renter households paid 50 percent or more of income for housing, and 46 percent of poor homeowners paid that much, according to the report.

"For many low income households, housing has become an increasingly unaffordable commodity," Center director Robert Greenstein said. "With nearly two-thirds of all poor renters and nearly half of all poor homeowners paying more than 50 percent of their incomes for housing -- and with substantial numbers of the poor paying more than 70 percent -- little money is left for other necessities, such as food, clothing and medical care."

"The housing crisis is a clear and present danger, which has driven millions of poor people into homelessness and threatens millions more," said Barry Zigas, executive secretary of the Low Income Housing Information Service.

The report notes that the low income housing shortage is likely to have contributed substantially not only to the problem of homelessness but also to other problems such as hunger.

"The likelihood that a poor family will be without adequate food for part of a month is made considerably greater when the household's rent consumes so much of its income that the household has too little money left to buy enough food to last through the month," Paul Leonard, principal author of the report, observed.

Increases in Housing Burdens Since the 1970s

In 1970, the report found, the number of units renting for no more than 30 percent of the income of a household earning $10,000 a year (that is, for no more than $250 a month) was approximately 2.4 million greater than the number of renter households with incomes at or below this level. (All figures for incomes and rents for years before 1985 are adjusted for inflation to be comparable to 1985 dollars.)

But by 1985, the report said, there were nearly 3.7 million *fewer* units renting for no more than $250 a month than there were households with incomes at or below $10,000.

According to the report, the shortage of affordable housing was most severe for those who were the poorest: renter households with incomes below $5,000 per year. In 1985, some 5.4 million renter households had incomes this low.

For housing to have consumed no more than 30 percent of the incomes of these households, it would need to have rented for no more than $125 per month. Yet while there were 5.4 million households with incomes this low, only 2.1 million rental units had monthly costs of $125 or less.

The high housing costs borne by poor households stand in sharp contrast to the housing burdens of more affluent households, the report noted.

While 63 percent of poor renters paid more than half their income for housing, only eight percent of non-poor renters paid that much. Similarly, while 46 percent of poor homeowners paid more than half of their income for housing, just four percent of non-poor homeowners paid at this level.

According to the report, as income rises, the portion of income spent on housing declines. While the typical household with an income of less than $5,000 paid at least 69 percent of its income for rent in 1985, the typical household with an income of

$20,000 to $25,000 spent 19 percent of its income for housing. The typical household in the $40,000 to $60,000 range spent 14 percent of its income for housing.

Factors Contributing to the Affordable Housing Squeeze

The report attributed the growing shortage in housing for the poor to a number of factors, including "rapid growth in the number of poor families, a decline in the incomes of families below the poverty line, a substantial reduction in the number of affordable rental units in the private housing market, and a resulting increase in the rents charged by landlords" since the late 1970s.

Between 1978 and 1985, the report said, the number of poor households grew by more than 25 percent -- from 10.5 million to 13.3 million. At the same time, the number of housing units renting for $250 or less (30 percent of a household's income at the $10,000 income level) declined by 1.8 million, from 9.7 million units in 1970 to 7.9 million in 1985. That represents a decline of almost 20 percent.

The growing number of poor households competing for a shrinking number of low-cost units has contributed to increasing housing costs for the poor, the report found. From 1978 to 1985, the housing costs of the typical poor renter household rose 16 percent, after adjustment for inflation.

"Large declines in household incomes and increases in housing costs have driven housing out of the affordable range for many low income households," the report concluded.

Substandard and Overcrowded Housing

Just as the poor pay a higher proportion of their income for housing than the non-poor, so too are they more likely to live in substandard housing.

More than one in five poor renters -- and one in six poor homeowner households -- lived in housing that HUD classified as having physical deficiencies in 1985, according to the report. By contrast, one in 10 non-poor renters -- and fewer than one in 20 non-poor homeowners -- lived in housing units with deficiencies that year.

Similarly, while poor households constituted 15 percent of all households, they occupied 39 percent of the units with signs of rats, 46 percent of those with holes in the floor, 32 percent of those with cracks in the walls, 29 percent of those with exposed wiring, and 31 percent of those with peeling paint, the report said.

-- more --

Gaps in Government Assistance

Despite the severe housing squeeze, the report found that fewer than one in three poor renter households -- 29 percent -- received any kind of federal, state or local rent subsidy or lived in public housing in 1987. Poor applicants for housing assistance are generally placed on waiting lists and often must wait a number of years before getting assistance.

The report noted that due to the steady shrinkage in the number of low rent housing units in the private market, it is necessary -- in order to keep the shortage of affordable housing from worsening further -- for the number of low income households receiving government housing assistance to be increased each year. Yet while HUD, through its low income housing programs, was making commitments in the late 1970s to provide rental assistance to an additional 316,000 low income households each year, this number was cut to an average of 82,000 new households each year in the 1980s, a reduction of 74 percent.

These sharp reductions in the number of additional low income households provided housing assistance each year -- coming at the same time that the number of poor renter households has burgeoned -- served to swell the number of poor renter households not receiving housing assistance, the report concluded.

From 1979 to 1987, the report said, the number of poor renter households receiving no housing assistance increased by more than a third -- from 4 million to 5.4 million.

In contrast to the declining federal commitment to low income housing assistance, the report said, there has been a substantial increase in housing assistance to middle and upper income families through tax deductions for mortgage interest payments and property taxes that reduce taxable income. The amount of federal "tax expenditures" through housing deductions in just the past two fiscal years -- $107.4 billion -- is virtually identical to the amount spent on all HUD subsidized housing programs to date during the 1980s, the report noted.

Federal housing subsidies are tilted strongly toward those who are already most affluent, the report said. While the number of households with incomes below $10,000 a year is nearly the same as the number of households with income over $50,000, the total amount of federal subsidies -- from both subsidized housing programs and tax benefits -- going to the higher income group is more than triple the amount going to the low income group, the report said.

Future Trends in Subsidized Housing

Most national analyses forecast that the gap between the number of low income households and the number of units affordable by these households will grow substantially larger in the years ahead, the report noted. One of the reasons is that many federal housing commitments made under various housing programs are scheduled to expire.

In the next five years, contracts between HUD and private landlords to provide subsidized housing to nearly one million low income households will expire. If these contracts are not renewed or continued in some form, owners will have the option of raising rents and converting the units to occupancy by a higher income clientele, converting the units to condominiums or shifting them to non-housing uses.

In addition, under another set of housing programs, the federal government has been providing mortgage subsidies to private developers who agree to lease their units to low and moderate income tenants for 40 years. Developers participating in this program have the option to "pre-pay" their mortgage after 20 years and thereby free themselves of any further obligation to rent their units to low income households. For many of these units, the 20-year period is nearly up.

The report also noted that a recent HUD study found that more than half of all households in public housing live in projects needing rehabilitation and that more than $20 billion would be needed just to meet the backlog of major capital repairs. Federal funding provided for such repairs totaled $1.6 billion in fiscal year 1989, but the Bush Administration has proposed to reduce this funding by more than a third, to $1 billion in fiscal year 1990, the study observed.

Housing Problems of Black and Hispanic Households

Black and Hispanic households are more likely to have excessive housing cost burdens and to live in crowded or substandard housing than are white households, the report found. While 27 percent of white households had housing costs in excess of 30 percent of their income in 1985, the comparable figures for both blacks and Hispanics were 42 percent.

While blacks and Hispanics in general bear significantly higher housing cost burdens than do whites, the report found housing cost burdens for poor whites to be as severe as the housing burdens borne by poor blacks and Hispanics. The proportion of poor white households with housing costs in excess of 30 percent of income -- 82 percent

-- more --

in 1985 -- actually exceeded the proportion of poor black and Hispanic households with housing costs of this magnitude (76.5 percent and 79 percent, respectively).

Blacks and Hispanics are much more likely than whites to live in housing that is substandard or overcrowded, according to the report. In 1985, blacks and Hispanics constituted 17 percent of all households but 42 percent of the households living in substandard conditions.

Some 33 percent of poor black households and 27 percent of poor Hispanic households lived in substandard housing in 1985 while 14 percent of poor white households lived in such conditions, the report said. In fact, the proportion of *non-poor* black and Hispanic households living in substandard housing was greater than the proportion of poor white households living in such housing.

Other groups with high housing cost burdens included the elderly and young families. The report found, for example, that nearly three of every four poor elderly households spent at least 30 percent of their income for housing in 1985, placing their housing costs beyond the range considered affordable under the HUD standards.

The Center on Budget and Policy Priorities specializes in the analysis of data and policy issues affecting low and moderate income Americans. The Low Income Housing Information Service provides information and assistance to encourage the availability of decent and affordable housing for low income people. The Center conducted its portion of the low income housing study under a grant from the Edna McConnell Clark Foundation in New York. The Low Income Housing Information Service's work on this report was supported in part by grants from the Ford Foundation and the Villers Foundation.

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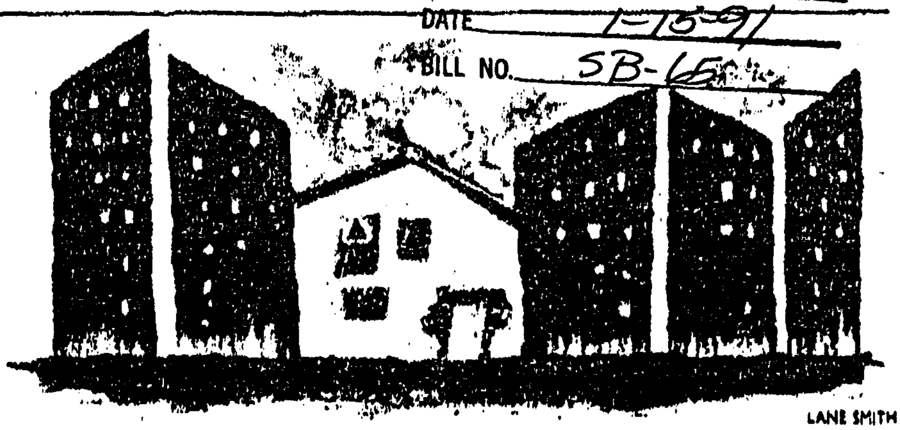
SENATE LOCAL GOVT. COMM.
EXHIBIT NO. 4A
DATE 1-15-91
BILL NO. SB-65

Local Success Stories



LANE SMITH

During the past decade, a backyard revolution has been taking place in inner cities and rural areas across the United States. Despite the withdrawal of Federal housing funds, nonprofit community-based groups have been building and renovating affordable housing. They could provide Jack Kemp, Secretary of Housing and Urban Development, with a promising direction for Federal housing policy.

The emergence of this new wave of socially committed developers "may be the only silver lining in the dark cloud of the housing crisis during the Reagan years," says Mayor Ray Flynn of Boston, where more than twenty-five nonprofit groups have built thousands of housing units.

¶ Thirty low-income families in Omaha have become home owners thanks to the Holy Name Housing Corporation, a church group that trains and employs neighborhood residents to rehabilitate abandoned buildings and sells them to the poor. The group persuaded several local insurance companies to provide low-interest loans to reduce the fix-up costs.

¶ In Santa Barbara, California, where the average home sold last year for more than $275,000, the nonprofit Community Housing Corporation has constructed 462 units for the city's low-income families and elderly residents.

¶ Working with local parishes, the Archdiocese of St. Paul and Minneapolis has established twenty-four nonprofit groups which now manage 2,200 apartments for poor families, seniors, and handicapped persons.

¶ In Boston, the bricklayers' union, using a low-interest loan from the bank that holds its pension funds, set up a nonprofit housing group that in two years has already built more than 200 town-houses—which sold at half their market value.

¶ Dallas's Common Ground Community Development Corporation has rehabilitated fifty inner-city homes slated to be bulldozed, using funds from churches, charitable donations, local government, and conventional bank loans.

¶ Residents of New York City's decaying East Brooklyn neighborhood raised more than $8 million from local and national churches to create the Nehemiah Homes; more than 1,000 houses—to be sold to lower-income families for less than $50,000—have already been built on thirty blocks of vacant land donated by the city.

The burgeoning of the nonprofit housing movement began in earnest during the 1980s as Federal housing funds were slashed and the number of new low-income apartments declined from more than 200,000 a year to fewer than 15,000.

Today more than 2,000 nonprofit builders—with origins in community organizations, churches, tenant groups, social-service agencies, and unions—are trying to fill the vacuum, according to a just-completed survey by the Washington, D.C.-based National Congress for Community Economic Development. Most groups began by fixing up a small building or two; soon, quite a few were constructing multi-million-dollar developments—sophisticated builders with a social conscience.

"We're not just developers. We're involved in improving people's lives too," explains Mary Nelson, a former teacher of English who now heads Bethel New Life, Inc., in Chicago's West Garfield Park neighborhood. Started by a local church ten years ago, the group has already built 400 homes, with 400 more in the pipeline. It also runs job-training and recycling efforts, a comprehensive health center, and home-care services for the elderly—programs that employ more than 300 local residents.

Private foundations have played a key role in supporting the nonprofit housing sector. A few years ago, Boston's United Way began funding community-development corporations. That experience was so successful that the United Way of America is now funding similar programs in Houston, Chicago, Pontiac, Rochester, and York, Pennsylvania.

In 1980, the Ford Foundation set up the Local Initiatives Support Corporation to channel corporate funds to nonprofits. The corporation has supported nonprofit groups in twenty-six cities that have produced more than 14,000 low- and moderate-income housing units.

In Cleveland, Boston, New York, Baltimore, Chicago, and other cities, corporate leaders have also joined with government officials and community activists to promote nonprofit housing projects.

Even with these allies, however, this bootstrap approach has its limits. Subsidy funds—required to fill the gap between what working-class families can afford and what housing costs to build and operate—are scarce. Even the most penny-pinching nonprofit groups acknowledge that the Federal Government has to play a role if their local success stories are to expand to help relieve the national housing shortage.

Congress may finally be willing to put the Federal Government back in the housing business if nonprofits play a significant role. Last year, Representative Joseph Kennedy, Democrat of Massachusetts, filed the Community Housing Partnership Act—legislation to provide Federal funding to community-based housing groups, and immediately found more than 100 cosponsors. The bill would provide three Federal dollars for every dollar the nonprofits can raise from local sources. The Federal matching grants would help those communities that help themselves.

"On its own, this $500 million program is not an immediate solution to the national housing crisis," Kennedy says. "But it provides a vehicle for the steady growth in the nonprofit sector's capacity, so that within a few years it can have a major impact." This nonprofit approach, ironically, could have a decidedly Republican appeal. With their emphasis on self-help, entrepreneurship, and grass-roots initiative, these initiatives are a cost-effective way to address inner-city housing needs.

—P. D.

(A version of this article was first carried by Pacific News Service.)

Look for the Union Label

SENATE LOCAL GOVT. COMM.
EXHIBIT NO. 4B
DATE 1-15-91
BILL NO. SB 26

Labor unions are beginning to pick up the slack for the Government's disastrous housing policy.

Last December, Local 26 of the Hotel Workers Union signed an innovative contract requiring Boston's hotel owners to pay $1 million over three years into a housing trust-fund to build affordable housing, help union members buy homes, and provide rent subsidies for low-wage hotel workers. The militant union, which will also contribute to the trust fund, was prepared to strike over the housing clause.

The agreement represents an important precedent: It treats housing as a fringe benefit similar to health care and pensions.

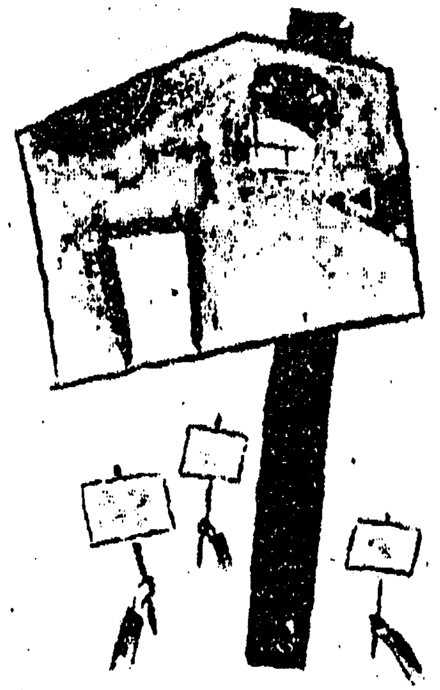
The victory is a credit to Local 26, which has become a model of progressive unionism. In 1981, Dom Bozzotto, a charismatic former waiter, organized a successful grass-roots challenge to the union's entrenched leadership and was elected president. A self-described leftist, Bozzotto turned around the do-nothing local, mobilizing the predominantly minority and female membership through community organizing, confrontational tactics, and tough bargaining.

Bozzotto, a waiter's son who earned a master's degree in business while waiting on tables at Boston's fancy hotels, rose to leadership by mobilizing the "back of the house"—the bellhops, chambermaids, and kitchen help who had long been neglected by the union.

Local 26 conducts its revival-like meetings in five languages (English, French, Portuguese, Spanish, and Chinese), reflecting its diverse membership. During organizing drives and contract talks, union members and community supporters can be seen wearing bright yellow buttons with the word JUSTICE printed in English, Spanish, and Portuguese.

And Bozzotto has put Local 26 squarely in support of other community struggles. He himself was arrested at a demonstration opposing the sale of South African Krugerrands. These expressions of solidarity have paid off, as the local enjoys the support of community groups—an important bit of leverage for union members.

Bozzotto has never been afraid to depart from traditional labor-management negotiations. His most dramatic departure occurred after he and other union leaders realized they had to do something about housing costs for their members. Boston's exorbitant rates have



LANE SMITH

wiped out much of their members' hard-won wage increases. By the mid-1980s, the booming Boston area had the nation's highest housing prices. A 1987 city-sponsored study found that the Boston area had the widest gap between housing prices ($177,000 for a single-family home) and wages ($23,000) of any metropolitan area.

For several years, Local 26 groped for a way to address its members' housing problems. When the union conducted a survey asking its members to list their priorities for union action, housing topped the list: 75 per cent of the members reported housing problems. For example, 98 per cent make too little to purchase a market-rate home in Boston's hot real-estate market. More than two-thirds don't earn enough to afford a typical two-bedroom apartment. One-third reported living in overcrowded apartments—with more than two persons per bedroom.

Early last year, Local 26 found a vehicle to mobilize its membership around their housing woes. Just as the city's "linkage" program requires downtown developers to contribute $5 for every square foot of new office space into a city-run affordable housing fund, Local 26 would demand that employers contribute a specified amount (5 cents per employee per hour) into a union-sponsored housing trust fund. Local 26 then refined the plan to mix the employer funds with the union's pension funds so that the plan could build housing as well as assist members with rent subsidies.

Bozzotto pledged to make the housing plan the key issue at the bargaining table. Throughout 1988, the union garnered support for the unorthodox plan from community and religious leaders, including Mayor Ray Flynn. And the union threatened to strike when its contract with nine Boston hotel owners expired November 30 unless the trust-fund proposal was accepted.

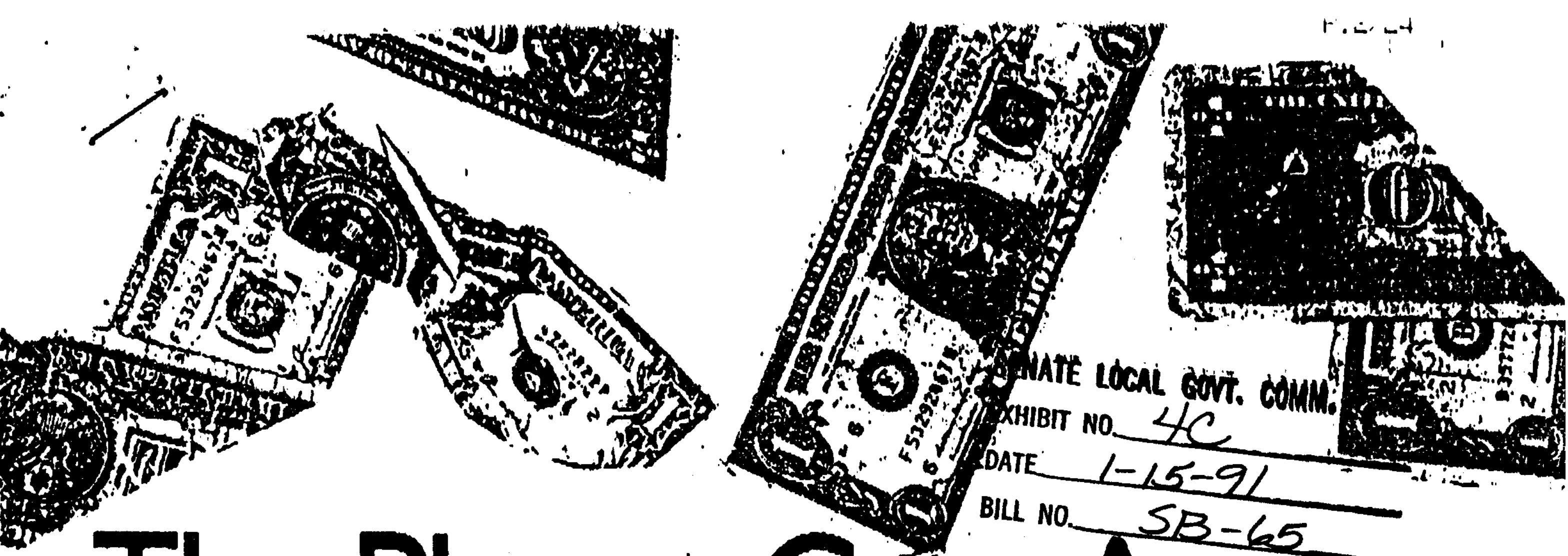
The union complemented the organizing drive with a high-profile propaganda campaign. It distributed a glossy fourteen-page pamphlet, WHO PROFITS FROM BOSTON'S HOUSING CRISIS? which contrasted its members' housing woes with the luxurious property owned by the individuals and firms that control the city's hotels—including such insurance giants as Prudential, John Hancock, Equitable, and Aetna, as well as local developers. The brochure listed all of the hotel owners' local property holdings (and their appraised value), included photos of the employers' expensive suburban homes, and even inserted a photograph of a parked Volvo owned by Gary Saunders, whose family owns three downtown hotels. "Saunders owns this parking place valued at $37,000," the caption read. "In addition to his home in Brookline, he owns a condominium, #N17, at 220 Boylston Street, worth $875,000."

Local 26 simply out-organized the hotel magnates. When the showdown came, the owners of Boston's nine unionized hotels acquiesced under pressure from Mayor Flynn, who wanted to avoid a strike while his colleagues from the National League of Cities were in town.

But the union still faces a major legal obstacle. The Taft-Hartley Act needs to be amended to recognize housing trust funds as an allowable fringe benefit. If the law isn't changed, the three-year $1 million fund targeted for housing would be diverted into the union's health-and-welfare fund.

Like many rank-and-file initiatives, the housing trust-fund concept is new to the AFL-CIO leadership, which has other priorities in Congress. So, having mobilized his members, community supporters, and local politicians, Bozzotto may now have to wage a campaign to convince his union colleagues in Washington to help make his housing trust fund a reality.

—P.D.



The Phony Case Against RENT CONTROL

BY JOHN ATLAS AND PETER DREIER

The nation's housing crisis is a manageable problem. It is simply a matter of national priorities. In 1980, for every dollar spent on housing, the Federal Government spent $7 on the military. By 1988, for every housing dollar, Washington spent more than $40 on the military. Federal housing policy needs a major overhaul, based on the premise that decent affordable housing is a basic right.

Today, among the most urgent tasks are to defend rent control and to promote the construction of affordable housing for poor and working-class families.

The National Coalition for the Homeless estimates the homeless population at between two and three million. An increasing percentage of these are families and the working poor who simply can't afford housing on their low wages. Workers near the poverty line are now paying more than half of their limited incomes just to keep a roof over their heads. The only roof that many can find is over a vacant building, or an abandoned car, or an emergency shelter.

"Homelessness is a national tragedy of appalling proportions," said Jack Kemp, George Bush's Secretary of Housing and Urban Development, at his confirmation hearings. But if Kemp pursues the right-wing agenda on housing, he will only deepen that tragedy.

Housing advocates hope that Kemp, who probably harbors greater political ambitions, will take a pragmatic rather than an ideological approach as a way of building a constituency among the poor, the housing industry, and big-city mayors. One early test of Kemp's thinking will be his response to pressure from the real-estate industry, right-wing think tanks, and conservatives in Congress who are waging a holy war against rent control.

Across the country, rents are skyrocketing. According to a recent study by the Harvard Center for Housing Studies, rents are now at their highest level in two decades. Tenants are intensifying their demands for rent control, but the basic premise of rent control is under assault by right-wingers and their allies.

What's behind this new attack on rent control? For landlords, it's a simple matter of greed. While studies demonstrate that rent control allows apartment owners a reasonable profit, it does limit unbridled rent-gouging and real-estate speculation. For New Right thinkers, the battle is part of the larger ideological assault on regulation of the private sector; they view rent control as both an unwarranted interference with private-property rights and a misguided effort to preserve affordable housing. And for some politicians, opposition to rent control is an easy—if obvious—way to curry favor with campaign contributors from the real-estate industry and win plaudits from conservative opinion-leaders.

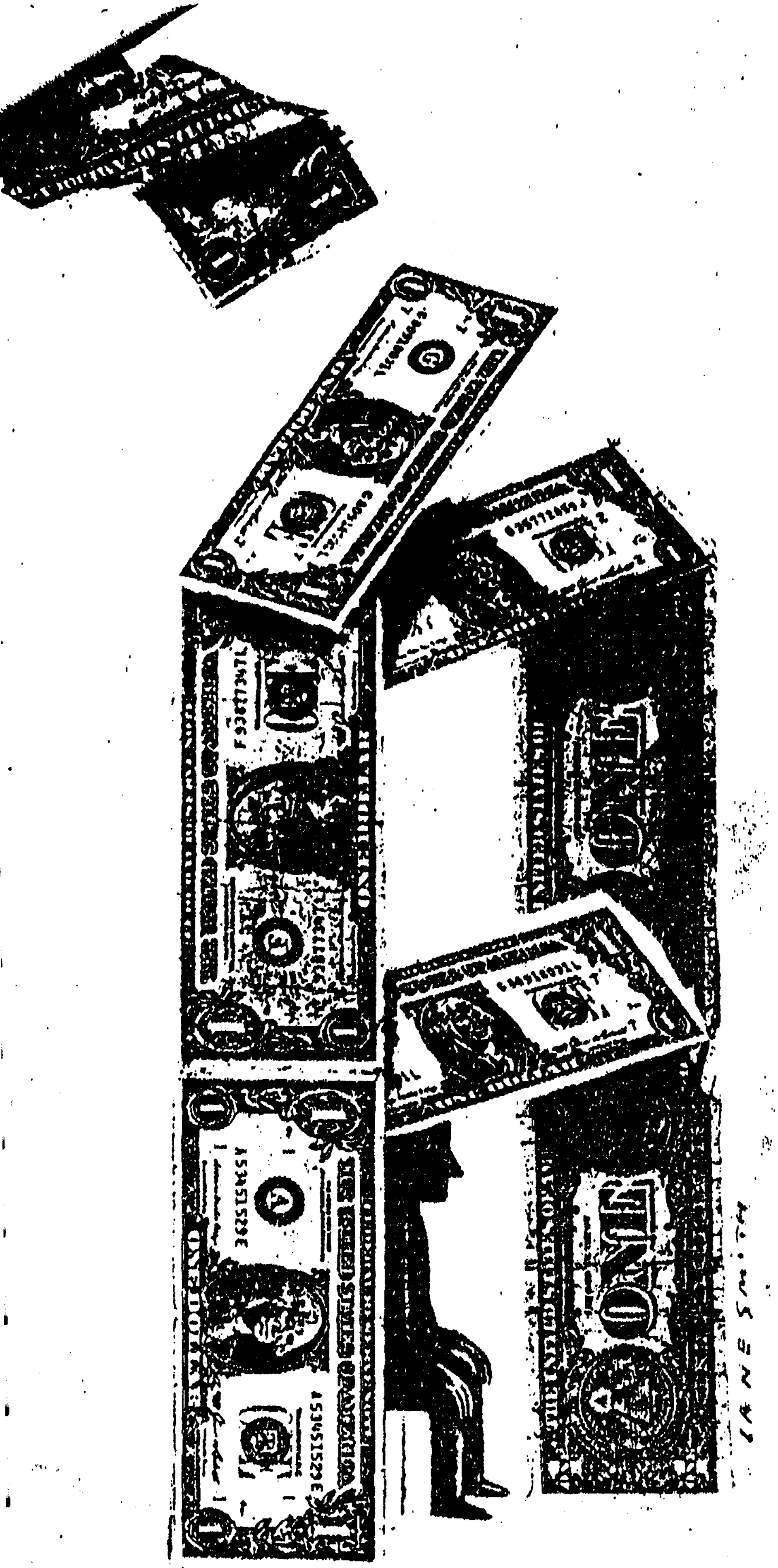
But the case against rent control is a fraud: Rent control is a scapegoat for the nation's housing ills and for the failure of free-market housing policy.

Rent control has helped slow down gentrification, curb displacement of poor and working-class families, and minimize the disruption of neighborhoods that otherwise would have collapsed under the pressure of free-market forces. In housing, the invisible hand often carries an eviction notice.

The Heritage Foundation claims that rent control actually causes homelessness. In a recent study prepared by right-wing journalist William Tucker, the Heritage Foundation purported to show that rent control makes housing "more scarce and expensive for everybody."

Tucker looked at fifty cities and found that seven out of nine with rent control also have the largest homeless populations. The fact that forty-one of the cities with sizable homeless problems did *not* have rent control—proving that rent control doesn't cause homelessness—didn't bother Tucker. He noticed a strong correlation between low vacancy rates and rent control. "A 1 per cent decline in the vacancy rate was roughly associated with a 10 per cent increase in homelessness," he said. By some twisted logic, he then concluded that rent control causes homelessness.

John Atlas is president of the National Housing Institute and co-chair of New Jersey Citizen Action. Peter Dreier is the director of housing for the Boston Redevelopment Authority.



LANE SMITH

In fact, the reverse is true. When there is a severe housing shortage and low vacancy rates, rents begin to escalate. Low-income tenants get pushed into the streets and shelters. Those tenants who can hold on start to push for rent control.

Arguing that rent control causes homelessness is like arguing that the sun comes up because the rooster crows. Tucker concedes that his analysis "cannot prove cause and effect"—it can only demonstrate coincidence. But, he claims, "once correlations have been discovered, however, we can *theorize* about what the causal connections might be."

Despite the obvious holes in Tucker's theorizing, he has become an intellectual stalking horse for the Right. Though he had demonstrated no prior expertise in housing policy, his initial study of rent control was funded by the libertarian Cato Institute and housed at the Manhattan Institute, another right-wing think tank that sponsored Charles Murray, whose *Losing Ground* attacked welfare as the cause of poverty.

Tucker has sold himself as a housing expert, and his articles have appeared in *The American Spectator*, *The Wall Street Journal*, and *The New Republic*, on the cover of William Buckley's *National Review*, and on the op-ed pages of *The New York Times*.

He is a clever propagandist. In an article in *New York* magazine, he offered readers $50 to send in examples of "rich and famous" New Yorkers living in rent-

...rtments. When Morton ...ould a show on rent control, he ...Tucker, who dutifully bashed ten-...activists. Just a few days before Bush announced his choice of Kemp for Housing and Urban Development, the Heritage Foundation called a press conference and brought Tucker to the podium to remind the audience that the thousands of New Yorkers sleeping on grates and in shelters only had rent control (and its liberal proponents) to blame.

Tucker and the Right have made headway in their attack. Twice in the last two years, *The New York Times* has run editorials opposing rent control. One of these, attacking Governor Mario Cuomo's plan to retain rent control, was headlined MR. CUOMO PROMOTES HOUSING CRISIS.

And last May, conservative Senator William Armstrong, Republican of Colorado, added a last-minute amendment to the bill reauthorizing McKinney Act funds for the homeless. Armstrong's measure required HUD to study how rent-control laws might be causing homelessness. The amendment passed, and HUD has until October to produce the report.

About 200 cities—including New York, Boston, Los Angeles, Washington, and San Francisco—have adopted some form of rent control. Conservatives are hoping that Jack Kemp will withhold Federal housing funds from these municipalities until they eliminate rent control.

Most people, using common sense, recognize that rent control helps *prevent* homelessness. In fact, the arguments against rent control crumble when confronted with evidence based on experience.

Rent control has had no adverse impact on new construction, housing maintenance, abandonment, or property taxes, conclude two social scientists, Richard Appelbaum of the University of California and John Gilderbloom of the University of Louisville, in their book, *Rethinking Rental Housing.*

For example, in New Jersey, which has about half of all cities in the country with rent control, developers continue to build as many apartments in communities with rent control as in communities without it. Indeed, Appelbaum and Gilderbloom have shown that some cities with rent control actually outpaced those without in the construction of new apartments.

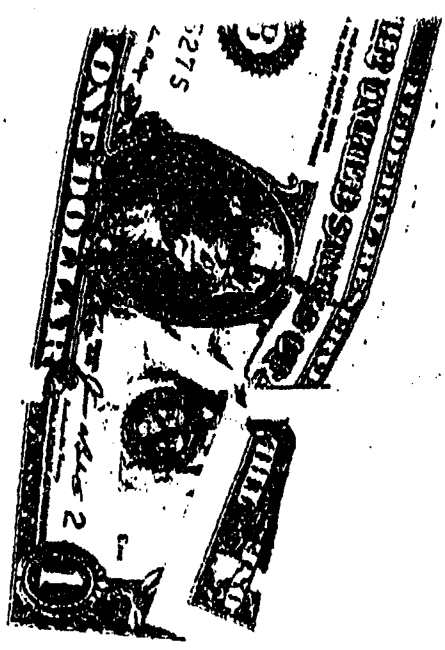
A recent study of local rent control conducted by the Urban Institute to evaluate the program in Washington, D.C., found that rent-control policy primarily benefited the elderly, the poor, and families with children, typically saving households $100 a month. Rent control in Washington was found to have little impact on new construction, repairs, or housing values.

Most local rent-control laws exempt all newly constructed housing, guarantee a fair and reasonable return on investment, and allow annual rent increases as necessary to cover increases in operating costs. Rent control simply limits extreme rent increases where landlords can otherwise take advantage of tight housing markets. And any builder will confirm that the volume of new apartment construction depends less on rent control than on land prices, zoning laws, changes in interest rates, the income and employment of an area, and the availability of Government housing subsidies.

Still, some neoliberals claim that housing assistance, like Social Security, should be limited to the poor to make it more efficient and equitable; in other words, they favor a means test. But programs that serve only the poor are demeaning and often less efficient, requiring an added bureaucracy to check for cheats and, more importantly, to undercut broad public support for the program itself. Compare Medicare for the middle class with Medicaid for the poor.

In New York City, such critics as William Tucker complain that rent control helps Mia Farrow, Ed Koch, and other affluent tenants. But even in New York City, most tenants pay more than they can afford: 70 per cent of all renters have household incomes of less than $25,000 a year.

Rent control was not designed to be a welfare program but a consumer-protection policy. Appelbaum and Gilderbloom demonstrate that despite the diversity of apartment ownership in many cities, landlords operate as a monopoly, setting price levels through networks such as real-estate boards. In that way, they resemble a local gas or electric utility. And no one asks government utility boards to regulate the price of gas and electricity only for low-income consumers.



'Rent control helps prevent homelessness, not create it.'

Those who attack rent control because it assists the wealthy along with the poor should logically favor Federal housing entitlements for low-income tenants and a beefed-up Federally subsidized housing-production program. But that would cost billions of Federal dollars and probably require a tax increase on the rich—policies conservatives and neoliberals don't like.

And if fairness is the overriding issue, the Government should cap the homeowner tax deductions for mortgage interest and property taxes so that they primarily help poor and working-class families, not the wealthy, whom they currently favor. These deductions cost the Federal Government more than $35 billion last year—four times the HUD budget. About $8 billion of that went to the 2 per cent of taxpayers who earn more than $100,000—with a bonus for those with two expensive homes. Most home owners benefit minimally from such deductions; half do not claim them at all. Tenants, of course, whose incomes are on average half that of home owners, are not eligible.

As President Bush and Secretary Kemp will soon discover, the housing crisis is intensifying, not only for the poor but also for the middle class. The level of home ownership is declining for the first time in decades, and the rate of home-mortgage foreclosures is the highest in memory.

The entire housing system—including the savings-and-loan industry—is in shambles, with the homeless only its most visible victims. Ronald Reagan must bear much of the blame. His housing policy was designed to eliminate Federal subsidy programs, particularly those that helped build low-rent housing. Reagan cut housing subsidies more than any other Federal program—from $33 billion in 1981 to $8 billion this year. In the 1970s, Federal assistance helped to build 200,000 to 300,000 new low-rent apartments a year. This year, the number will barely reach 15,000.

Home ownership has actually declined in the 1980s, the first decade since World War II to register such a drop. Many would-be home owners, especially couples with young children, are now reluctant renters. As a result, demand for apartments has increased and rents have skyrocketed, placing an extra burden on the poor, who now must compete for scarce apartment dwellings.

How will Bush and Kemp respond to the crisis?

At the press conference announcing Kemp's appointment, Bush was asked point-blank whether he intended to ex-

...ing budget and how he ex...al with the homeless problem. ...eclined to answer the first question ... In response to the second, reaffirmed his support for the McKinney Act. That law—establishing a small-scale program to help private agencies and church groups create more shelters and soup kitchens—appears to be his favorite solution.

In his Inaugural Address, Bush talked about the tight Federal budget. "Our funds are low," he said. "We have a deficit to bring down. We have more will than wallet; but will is what we need." And though he mentioned the problem of homelessness in his first budget speech in February, Bush continued to slight housing expenditures, implicitly endorsing Reagan's proposed $1 billion cutback.

Kemp, for his part, has pledged to hold the line. "I don't believe we're going to balance the budget by cutting housing," he said at his first press conference with Bush. But Kemp is no New Dealer or Great Society advocate. He told *The Wall Street Journal* on February 16 that he wants to use "the greatest tool that has ever been designed to battle poverty: entrepreneurial capitalism."

Kemp's most likely response will be to expand the Reagan program to give poor people "housing vouchers" to help them pay rent for apartments in the private market. Conservatives like the voucher approach because it relies on private market forces and is obviously cheaper than building new subsidized apartments. In the December 12 *Wall Street Journal*, economist Edgar Olsen claimed that vouchers can serve more poor families for the same money than building new low-rent apartments. But because apartments are so scarce, that's like providing food stamps to the poor when the grocery shelves are empty.

In fact, about half of the low-income tenants who now receive vouchers return them unused because apartments are scarce and most landlords prefer more affluent tenants to the poor—even those with Government vouchers. Despite all the talk about the cost-effectiveness of vouchers, the Reaganites last year provided only 100,000 vouchers nationwide—far from the six or seven million low-income households that potentially need subsidies in the private market.

Even an expanded voucher program won't work unless Washington helps enlarge the overall supply of affordable housing. The National Low-Income Housing Coalition wants Bush and Congress at least to double the housing budget (to about $20 billion) from its current level of 1 per cent of all Federal spending.

Such an increase—which few housing advocates on Capitol Hill expect will get a friendly reception in the White House—would still leave housing programs far poorer than they were when Reagan took office in 1981. A bill introduced by Representative Barney Frank, Democrat of Massachusetts, calling for an additional $15 billion for affordable housing, is considered a big-spending proposal in today's Gramm-Rudman climate.

The challenge for housing activists, however, is not only finding more money to allocate but ensuring that the money is well spent. Here, housing activists have scored some successes. In cities across the country, thousands of community-based nonprofit housing developers are meeting the housing needs of poor and working-class people. (See Page 28). With virtually no Federal funding, these nonprofit entrepreneurs have patched together financial support from local governments, private foundations, and churches to build and rehabilitate low-income housing. To turn these local efforts into a successful national housing program will require support from Washington.

Where are we now? Unfortunately, the political conditions do not exist to guarantee that every American has decent and affordable housing. Bush and Congress are in no mood to make additional expenditures. To free up the money, Congress would have to cut the military budget and increase taxes on big business and the wealthy, neither of which seems likely.

Yet, public-opinion polls sponsored by the National Housing Institute and other groups reveal widespread support for a renewed national housing program and even for tax increases to pay for such a program. This sentiment must be transformed into political support before specific legislation can be enacted.

The legislation lies waiting. Representative Ron Dellums, Democrat of California, has sponsored a bill that would provide direct Federal capital grants for public or nonprofit housing, an approach common in Europe. Such a program would represent a radical departure in the nation's housing history as significant as the tenement-reform laws at the turn of the century or the public-housing acts of the 1930s.

But a comprehensive progressive housing program is unlikely to get serious attention in Congress so long as progressive forces are fragmented and isolated. The strategic question is what housing agenda is both politically possible and progressive—a stepping stone toward more fundamental reform.

At the moment, a key strategy must be to defend rent control. On its own, it can't solve the housing crisis; it is, simply, one tool available to local government to deal with astronomical rents and a shortage created in Washington. But rent control can enable large numbers of poor and working Americans to have a roof over their heads. That is the least we can do. ■

Economic Policy Institute

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SENATE LOCAL GOVT. COMM.
EXHIBIT NO. 4D
DATE 1-15-91
BILL NO. SB-65

HOLD FOR RELEASE
Friday, October 6, 1989

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Housing Experts Find Biased Methodology Invalidates Conservative Claim to Prove Rent Control Causes Homelessness

Washington, DC -- A briefing paper released today by the Economic Policy Institute finds that an influential study which claims that rent control causes homelessness--by William Tucker of the Hoover Institute--is seriously flawed and does not demonstrate such a link.

The growth of national concern about the homeless--represented by Saturday's planned "Housing Now" March--has led to a renewed public discussion of the causes of homelessness and of innovative ideas to deal with what has been called the new housing crisis. While most of the discussion has focussed on the growth of poverty in recent decades, on the sharp cuts in federal low-income housing funding, and on the continuing failure to house the mentally ill, some conservative analysts have begun promoting another explanation for the increase in homelessness: they blame it on rent control.

The researcher who claims to have found evidence for this explanation, William Tucker of the Hoover Institution, is a featured speaker at an October 6th conservative conference on housing organized in Washington by the Cato Institute and the National Center for Privatization on the eve of the "Housing Now" March . Speaking on "Rent Control, Housing Regulation and the Homeless," he will present the research he has already summarized in widely-quoted articles for the politically conservative Manhattan Institute, the Heritage Foundation and the *National Review*, which purport to demonstrate that rent control causes homelessness. This alleged link between homelessness and rent control has already begun to be reflected in legislative proposals.

The new analysis of Tucker's work, ***Scapegoating Rent Control: Masking the Causes of Homelessness***, released today by EPI finds that his claim to have demonstrated that cities with rent control have higher levels of homelessness is seriously flawed by methodological errors and that his statistical findings do not stand up to serious scrutiny. The authors reanalyze Tucker's own data using standard statistical methodology and find that there is no statistically significant relationship between rent control and homelessness. If anything, they find the relationship is negative, with cities with rent control exhibiting lower rates of homelessness, other things being equal.

The EPI critique of Tucker's study was conducted by Professors Richard Appelbaum and Michael Dolny of the University of California, John Gilderbloom of the University of Louisville, and Peter Dreier of the Boston Redevelopment Authority. They made a systematic examination of the statistical methodology Tucker used to determine whether homelessness is greater in cities *with* rent control than in cities without rent control.

The authors note that Tucker started with a universe of 40 cities from categories selected by a Department of Housing and Urban Development (HUD) survey which used an appropriate, random sampling procedure. They find, however, that Tucker then proceeded to arbitrarily subtract several cities from the sample and arbitrarily add 15 new cities. They conclude that these changes to the HUD sample violated generally accepted sampling procedures with no apparent justification, and they note that among the 15 added cities, the three cities with rent control had the highest homeless rates of any cities with rent control. The effect of Tucker's inappropriate sampling procedure, the authors find, is to bias his results toward his findings.

Appelbaum, Dolny, Gilderbloom and Dreier note that Tucker's study was additionally flawed in its use of a measure of homelessness which has been widely criticized for understating the extent of the homeless problem in metropolitan areas.

Finally, the EPI authors find that Tucker's findings were biased by his omission of several important factors from his analysis. They find, for instance, that Tucker failed to consider median rents in the cities in his sample, and, since median rent is correlated with both rent control and with homelessness (higher rents creating both greater pressure for controls and more severe affordability problems), the effect of omitting it from the analysis is to produce a spurious correlation between rent control and homelessness. Even among the variables Tucker does consider, the authors find his method of doing so is dubious. They point out that he never considered the influence of all the variables together, in a complete model, but rather tested each for its effect on homelessness one-by-one to decide whether it was an important factor. The authors cite standard scientific practice to show that where multiple causes are at work, this is an inappropriate technique; it amounts to running a series of uncontrolled experiments. The authors show that in a complete model, controlling for the other factors which affect homelessness, Tucker's results do not hold up.

The authors reanalyzed Tucker's data, first replicating his results for the simple models he considered. They then used a complete model incorporating all of the variables Tucker had considered singly or in pairs, along with two variables omitted altogether from Tucker's analysis--median rents and the percent of the population who were renters. This model was employed for the HUD random sample, the 15 cities Tucker added and the combined sample, in turn. The results were striking.

First, in the more complete model, they found that <u>rent control has no statistically significant effect on homelessness and, if anything *reduces* homelessness</u>. Second, they found that the results differ as between the HUD random sample and the 15 cities Tucker added. For the former, rent control was found to be insignificant but negative, meaning that rent control is associated with *lower* homelessness in the random sample. For the 15 cities Tucker added, on the other hand, rent control was found to be *positive*--rent control was associated with greater homelessness--and was the most significant explanatory variable in the equation. Thus, using this more complete model, they found that the evidence for a positive relationship between rent control and homelessness is confined to the 15 cities Tucker arbitrarily and improperly added to a random sample, biasing the overall results. They found no relationship between rent control and homelessness for the HUD random sample nor for the combined sample. What correlation they did find indicates that rent control, if anything, *reduces* homelessness.

This new critique of Tucker's study has important implications for current policy because Tucker's conclusions have been widely and uncritically cited to support attempts to influence federal policy on homelessness and rent control. Based on Tucker's work, an amendment by

(more)

Senator William Armstrong to a homeless assistance bill passed last year directed HUD to study the relationship between rent control and homelessness and report its findings by this October. In addition, Senators Cranston and D'Amato have included a provision in their pending national Affordable Housing Act giving the HUD Secretary discretion to withhold federal funds from cities which cannot prove to his satisfaction that their rent control regulations are not counter-productive.

Given the errors in Tucker's analysis, Appelbaum, Dreier, Dolny and Gilderbloom conclude that it should not be used for policy purposes. They argue that the spurious connection it makes between rent control and homelessness threatens one of the few tools cities have to cushion the blows of the affordability crisis.

The authors go on to put forward their views of the major causes of homelessness, relating the growth of the problem in the 1980s to the parallel growth in poverty, especially among the working poor; the decline in low-rent housing, including sharp cuts in federal low-income housing assistance; and the erosion of support services for those suffering from alcoholism and mental illness during the decade. They conclude that the attempt to blame rent control for homelessness can only divert attention from an attack on the real causes of the problem.

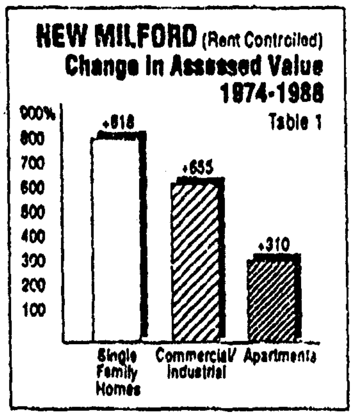
SENATE LOCAL GOVT. COMM.
EXHIBIT NO. 4E
DATE 1-15-91
BILL NO. SB-65

Rent Control and Property Taxes

New Jersey study shows no link between rent control and higher homeowner taxes.

BY MITCH KAHN

In a new wave of taxpayer revolt, rent control is being placed in the crossfire of angry public debate over New Jersey Governor James Florio's tax increase package. New Jersey landlords have been carrying out a decade-long public relations and political campaign aimed at enlisting homeowner support in their fight against local rent control laws. Landlords have argued that rent control limits their income, thus depressing the value of their apartment buildings and causing a tax shift toward homeowners.



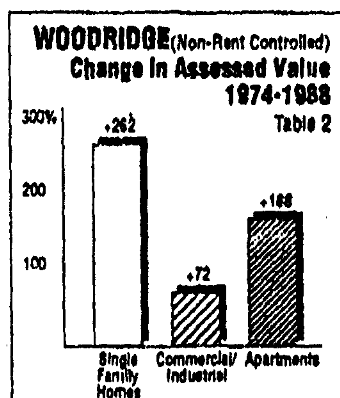
Organized tenant resistance has neutralized much of the landlords' crusade around this issue during the past decade but a changing political climate in New Jersey is giving the landlords' claim renewed prominence. A study conducted by the Bergen County Housing Coalition under the direction of this author disproves the charge that rent control causes a tax shift and should be useful in countering future landlord attempts to use this issue. Among the findings of the study were:

- There were negative tax shifts for homeowners in both rent controled and non rent controlled towns.
- Negative tax shifts appeared in communities with no apartment buildings.
- All communities showed comparable increase in assessed value regardless of whether they had rent control.
- Increases in assessed value is always the product of factors other than rent control.

Twenty Year Battle

New Jersey has long been a rent control battleground. During the 1970's the New Jersey Tenants Organization (NJTO) led the drive to win enactment of rent control laws in 120 municipalities. The NJTO's well organized affiliates consistently beat landlords in the local political arena. Unable to defeat rent control at the local level landlords attempted to use the courts. They brought a series of cases to the State Supreme Court during the 1970s. Each time the Court ruled that rent control was constitutional and within the police power of local municipalities. Landlord organizations also failed to get the state legislature to pass a weak state law that would have superseded strong local rent control laws.

By 1980 it was clear that landlord attempts to use the courts and the state legislature to defeat rent control had failed. New Jersey landlords then embarked on a new strategy developed by Gerald Freeman, a public relations consultant hired to handle their anti-rent control campaign. He advised landlords to file large numbers of tax appeals in rent controlled municipalities for the purpose of threatening homeowners with a sudden and noticeable tax shift.



Freeman was aware that in New Jersey, as in many other states, local assessors use a *capitalization of income* formula to determine the value of apartments for property taxes. This formula provides that the value of a building be based solely on its *net operating income* (rents less operating expenses). This method fails to take into account the actual current resale value of the building and the actual rate of return on cash invested. It ignores hidden income due to depreciation al-lowances and tax shelter benefits. *Under this formula, landlords can have tax assessments on their buildings reduced while the property is actually appreciating in value.*

Additionally, the tax appeal process for landlords in New Jersey is rather generous. There is no requirement that landlords' income and expense statements be certified. Some counties even provide expense allowances for items such as vacancies when none may be warranted. Also, many towns are apt to make deals with landlords rather than incur costly legal defenses of tax assessments. Armed with these advantages landlords began to use the tax appeal strategy in rent controlled towns as a political lever to divide homeowners from tenants.

Typical of what happened statewide, in 1980 108 landlords in Hackensack simultaneously filed tax appeals and launched a public relations campaign designed to generate an anti-rent control hysteria among homeowners. In other municipalities across northern New Jersey, parallel efforts included landlord initiated voter referendums on local rent control laws.

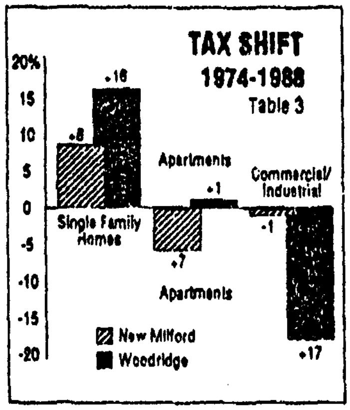
Landlords were victorious in having rent control laws repealed in the suburban towns of Clark and Parsippany and new rent control initiatives were defeated in a half dozen other municipalities. Also, provisions which decontrolled rents upon vacancy were enacted in a majority of New Jersey's municipal rent control laws, though future increases for new tenants are often under rent control.

Tenants, however, scored some victories in this battle. In Hackensack, tenants pressured city officials to vigorously and successfully defend property assessments on apartments. Attempts to have rent control placed on the ballot were blocked in more than a dozen municipalities and the discovery of fraudulent petitions led to the indictment of landlords in Elizabeth. Tenants won rent control referendums in Fair Lawn, Cedar Grove, Hamilton, and West Orange, towns with large homeowner majorities. The Jersey City Tenants Council blocked the implementation of vacancy decontrol and later led the successful drive to unseat that city's anti-tenant mayor.

On the state level the NJTO organized a broad based tenant-homeowner coalition to win passage in the state legislature of the "Tax Appeal Procedures Reform Act", a bill designed to close loopholes available to landlords in the tax appeal process. This bill required landlords to include certified income and expense statements with full documentation when filing a tax appeal. In addition, it set limits on certain expenses such as management fees and defined income to include tax-sheltered benefits.

Responding to real estate industry pressure, then Governor Thomas Kean vetoed this bill but the tax reform campaign raised public consciousness about the inherent lack of fairness in New Jersey's property tax system. More than 50 municipal mayors and councils and the Bergen County Board of Freeholders passed resolutions supporting this legislation. A number of rent-controlled municipalities amended their rent laws to direct a rebate to tenants of any savings a landlord won through a tax reduction. By 1985, the landlords' tax appeal campaign began to recede. (See "Tenants and Homeowners Support Tax Appeal Reforms," *Shelterforce*, Vol.8 No.3, 1984).

The current wave of public opposition to higher taxes in New Jersey has prompted landlords to renew the tax appeal/tax shift strategy as their principal weapon to fight rent control. This past year, landlords in the Bergen County towns of Bogota, Teaneck, and New Milford came to town council meetings and charged that rent control destroys the local tax base and shifts a



greater tax burden to homeowners. In Bogota, landlords were successful in preventing the passage of a rent control law and Teaneck's city council voted to weaken the existing rent law. New Milford landlords have waged an expensive campaign to block pro-tenant changes in that town's rent law.

As these recent Bergen County battles indicate, landlords have made inroads using the tax shift argument against rent control. At many public hearings held on rent control landlords produce studies that give credence to this argument. However, most of these studies have been financed by landlord associations and upon close analysis reveal methodological flaws that skew the results in their favor. Fortunately, there is now significant evidence that disproves the claim that rent control causes tax shifts, particularly when it is moderate in nature as in New Jersey. All New Jersey rent laws provide landlords with a "just and reasonable return" on their investment and "prompt, fair, and efficacious administrative relief" in the event of hardship as required by state case law. Also, landlords are allowed a guaranteed annual rent increase and most towns permit additional increases for capital improvements and taxes. New Jersey's laws are structured to provide landlords with a constant rate of return on their investment.

The Bergen County Tax Shift Study

Bergen County has the highest level of rent controlled housing of any county in the United States. More than one-third of its municipalities have some form of rent control. Almost all of the county's 25 rent control laws were enacted between 1971-1974. A new study conducted by this author examines the impact that 15 years of rent control (1974-1988) had on municipal tax structures in Bergen County, New Jersey. The county's 25 communities with rent control were compared with the 45 non-rent controlled communities. The vast majority of these towns are suburban in nature with none having a population that exceeds 40,000 people. The housing stock tends to be older and population density greater in the rent controlled communities. The study looked at 18 factors including rent control, that might cause a negative tax shift for homeowners over this 15 year time period using a multiple regression analysis to weigh the importance, in any, of each factor. A tax shift is defined as an increase or decrease in the percentage that each property classification pays of the total tax burden. For example, if homeowners paid 80% of the total property tax in 1974 and 82% in 1988, they experienced a slight, but negative tax shift.

The study found that negative tax shifts for homeowners tended to be pervasive in *both* rent controlled and non-rent controlled towns. There were negative tax shifts in 80% of the rent controlled towns and in 76% of the non-rent controlled towns that had apartments. There also were negative tax shifts in 55% of the non-rent controlled towns that had no apartments. Statistically, there was no significant correlation between rent control and tax shifts. However, tax shifts did occur in all types of communities. Tax shifts in some communities reulted from factors such as large numbers of condo conversions or a major plant closing. But, the study found two key factors were responsible for tax shifts in the vast majority of communities.

The first significant variable was *the dramatic increase in assessed value of single* *family homes* in relation to increases in apartment assessments from 1974-1988.

Table 4 **Appreciation Rates** **In Bergen County, NJ, 1974-1988**	
Homes	427%
Apartments	269%
Consumer Price Index	99%

The rise in assessed value of single family homes was more than four times the 99 percent increase in the Consumer Price Index during this time period. Appreciation of apartment properties, while considerable, lagged behind the rates for single family homes. Therefore, when *municipalities equalized assessments at 100% of current value, homeowners faced a tax shift that was due to no other factor than the significant inflation in single family homes.*

Many towns that had the largest tax shifts often had appreciation rates for single family homes in the range of 600-900%, double to triple the rate of increase for apartments. Reassessments naturally reflected the "bonanza" gained by homeowners during this time period.

Sharp changes in the assessed value of commercial and industrial property also affected tax shifts. For example, in the non-rent controlled town of Woodridge the appreciation rate for single family homes was more than triple the increase for commercial property. Homeowners in that town faced a striking negative tax shift of 16%.

The second major factor that led to tax shifts was a substantial change in the number of parcels in a specific property classification. In the town of Mahwah without rent control, a dramatic increase in the number of single family homes shifted a greater tax burden to homeowners. In Hasbrouck Heights, a rent controlled town, homeowners experienced a positive tax shift due to a sizable increase in commercial/industrial parcels.

The study also revealed that apartments were under-assessed in relation to their true market value and more so in rent controlled towns. In towns where apartment sales had occurred in 1988, the sales price of apartments exceeded their assessed value in 93% of the cases in rent controlled towns and in 75% of the cases in non-rent controlled towns. These figures were virtually the same for 1974. Yet, when landlord tax appeals are processed in New Jersey, insufficient consideration is given to the building's fair market value. Ironically, tax appeals can be won while the building's fair market value is actually increasing.

Contrary to landlord charges, rent control did not erode any municipal tax base. Bergen County's rent controlled municipalities showed increases in total aggregate assessed value comparable to non-rent controlled towns.

Why Do Apartment Buildings Increase in Value?

Historically, for landlords, the tax advantages accompanying ownership of apartments have been a decisive factor in determining their value. Tax advantages were the primary motivation behind the creation of real estate syndications for the past four decades and these were important contributors to the escalating value of rental property. Landlord tax incentives declined with the passage of the Federal Tax Reform Act of 1986. The loss of tax incentives may retard the growth in apartment values. However, value gained or lost through tax incentives are rarely reflected in a building's assessed value.

Also, the potential for speculative profits from condominium and co-op conversions influence what a buyer will pay for a building. In Fort Lee, a city where thousands of apartment units have been converted, the assessed value of unconverted buildings increased 988% between 1974-1988. This increase was nearly four times greater than the county average and it occurred in a rent controlled municipality.

Consumer demand, which includes the ability to pay, impacts on appreciation of residential property. Those people who rent and those who buy have drastically disparate financial means. In Bergen County, which is the second wealthiest county in New Jersey and among the ten wealthiest in the United States, the annual income gap between homeowners and tenants is striking. In 1986 the average homeowner household in Bergen County earned $68,561 compared to $27,025 for the average tenant household. (This data excludes senior citizens.) The income gap between these two groups has increased significantly during the past decade. In 1979 the average tenant household earned 58% of the average homeowner household. Today, it has dropped to 34%. During this time period average homeowner income increased by 106% compared to an increase of 39% for tenants. The purchasing power of housing consumers is ignored when local assessors examine property values. ■

Mitch Kahn is director of the Bergen County Housing Coalition, vice-president of the New Jersey Tenants Organization and a professor at Ramapo College.

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DATE 1-15-91
BILL NO. SB-65

Table 1
Effects of Modern Rent Control Laws on
Rents, Affordability, and Investment in Rental Housing
Summary of the Results of Existing Studies

I. Effects on Rents and Affordability
  A. Effect of rent increase formulas
    1. vacancy decontrol-recontrol provisions: result in large rent increases on decontrol.
      Clark, Heskin, and Manuel, 1980 (Los Angeles)
      Gilderbloom, 1986 (New Jersey)
      Gilderbloom and Keating, 1982 (New Jersey)
      Los Angeles RSD, 1985 (Los Angeles)
    2. full CPI formulas: bring percentage rent increases in line with national average Gilderbloom, 1984 (New Jersey)

  B. Effect on overall affordability: minor except for strong rent controls (Santa Monica, Berkeley, West Hollywood)
  Appelbaum, 1986 (Santa Monica, Berkeley, West Hollywood)
      Clark and Heskin, 1982 (Los Angeles)
      Daugherbaugh, 1975 (Anchorage and Fairbanks, Alaska)
      Gilderbloom, 1986 (New Jersey)
      Gilderbloom and Keating, 1982 (Springfield, New Jersey)
      Hartman, 1984 (San Francisco)
      Haffley and Santerre, 1985 (New Jersey)
      Levine and Grigsby, 1987 (Santa Monica)
      Los Angeles RSD, 1985 (Los Angeles)
      Los Angeles RSD, 1988 (Los Angeles)
      Mollenkopf and Pynoos, 1973 (Cambridge, Massachusetts)
      Rydell, 1981 (Los Angeles)
      Shulman, 1980 (Santa Monica)
      Vitaliano, 1983 (New York State)

II. Effects on Investment in Rental Housing
  A. Effect on New Construction: none
      Appelbaum, 1983 (Santa Monica)
      Clark, Heskin, and Manuel, 1980 (Los Angeles)
      Gilderbloom, 1983 (New Jersey)
      Gruen and Gruen, 1977 (New Jersey)
      Los Angeles Community Development Department, 1979 (Los Angeles)
      Los Angeles RSD, 1985 (Los Angeles)
      Sorenson, 1983 (Alaska)
      Vitaliano, 1983 (New York State)

  B. Effect on maintenance and capital improvements: none
      Apartment and Office Building Association, 1977 (Montgomery County, Maryland)
      Clark, Heskin, and Manuel, 1980 (Los Angeles)
      Eckert, 1977 (Brookline, Massachusetts)
      Gilderbloom, 1978 (Fort Lee, New Jersey)

Los Angeles RSD, 1985 (Los Angeles)
Los Angeles RSD, 1988 (Los Angeles)
Rydell, 1981 (Los Angeles)
Sternlieb, 1974 (Boston)
Sternlieb, 1975 (Fort Lee, New Jersey)
Urban Planing Aid, 1975 (Boston area)
Vitaliano, 1983 (New York State)
Wolfe, 1983)Berkeley, Oakland, and Hayward, California)

C. Effect on abandonment and demolitions: none
Gilderbloom, 1983 (New Jersey)
Marcuse, 1981 (New York City)
U.S. General Accounting Office, 1978 (various cities)

D. Effect on overall valuation of rental housing and tax base: minimal
Clark, Heskin, and Manuel, 1980 (Los Angeles)
Eckert, 1977 (Brookline, Massachusetts)
Gilderbloom, 1978, 1983 (New Jersey)
Gilderbloom, 1981 (Fort Lee, New Jersey)
Los Angeles RSD, 1985 (Los Angeles)
Massachusetts Department of Corporations and Taxation, 1974 (Cambridge, Massachusetts)
Revenue and Rent Study Committee, 1974 (Brookline, Massachusetts)

Table 3
Analysis of the Determinants of Homelessness, Utilizing a Multivariate Model, For 41* HUD Randomly-Sampled Cities, 15 Cities added by Tucker, and All 56 Cities Combined

Sample (Number of Cities)

variable	HUD (41) coeff	HUD (41) t-value	Tucker (15) coeff	Tucker (15) t-value	Total (56) coeff	Total (56) t-value
median rent	0.03	1.36	0.05	.55	0.02	.76
poverty rate	- 0.28	-1.27	-0.02	- .04	- 0.13	- .81
unemploy. rate	0.56	2.09[b]	0.46	.70	0.32	1.42
mean temp.	0.25	2.73[c]	0.08	.48	0.19	2.66[b]
vacancy rate	- 0.53	-1.91[a]	0.54	.81	- 0.20	- .85
pop. growth	- 0.05	-1.56	-0.15	-1.70	- 0.06	-1.95[a]
pct renters	0.26	3.21[c]	-0.21	- .85	0.17	2.46[b]
rent control**	- 1.88	-1.02	7.08	1.72	- 0.13	- .08
(constant)	-26.56		-9.08		-18.39	
Adj R-square	.473		.428		.394	

*Includes Lincoln Nebraska. See note to Table 2.
**Coded 1=rent control, 0=no rent control (as in Tucker).

[a]sig. at p≤.10
[b]sig. at p≤.05
[c]sig. at p≤.01

Table 2
Replication of Tucker's Analysis, Based on 41* HUD Randomly-Sampled Cities, 15 Cities added by Tucker, and Combined 56 Cities

Table 2A
Effect of Rent Control and Temperature on Homelessness Rate

	Sample (Number of Cities)					
	HUD (41)		Tucker (15)		Total (56)	
variable	coeff	t-value	coeff	t-value	coeff	t-value
rent control	4.42	2.93[c]	4.83	2.81[b]	4.67	4.10[c]
mean temperature	0.10	1.47	0.02	.20	0.08	1.46
(constant)	-2.20		3.05		-0.74	
Adj R-square	.193		.297		.243	

Table 2B
Effect of Rent Control and Vacancy Rate on Homelessness Rate

	Sample (Number of Cities)					
	HUD (41)		Tucker (15)		Total (56)	
variable	coeff	t-value	coeff	t-value	coeff	t-value
rent control	4.49	2.93[c]	6.00	3.89[c]	4.85	4.12[c]
vacancy rate	-0.28	-.90	0.57	2.23[b]	0.08	.38
(constant)	5.41		-0.28		2.96	
Adj R-square	.165		.501		.215	

*Tucker included Lincoln, Nebraska in his analysis, even though it is in HUD's tier of small metropolitan areas (see text). We have therefore also included it in this analysis.

[a]sig. at $p \leq .10$
[b]sig. at $p \leq .05$
[c]sig. at $p \leq .01$

Economic Policy Institute

Briefing Paper

1730 Rhode Island Ave., NW • #812 • Washington, DC 20036 • 202/775-8810

SCAPEGOATING RENT CONTROL: MASKING THE CAUSES OF HOMELESSNESS

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Introduction

After less than a year in office, the Bush Administration has already paid more attention to the nation's epidemic of homelessness than President Reagan did in eight years. Housing and Urban Development (HUD) Secretary Jack Kemp has met with advocates, visited homeless shelters, and frequently decried what he has called the "national tragedy" of homelessness.

But in that time we have seen very little in the way of government action to address this mounting problem. Speeches and tours of shelters must soon give way to commitments of resources and changes in policy. The true test of the Bush Administration's commitment to addressing the tragedy of homelessness will be the kind of public policies and level of resources it devotes to the problem.

What policies is the Bush Administration likely to develop to address the homelessness problem?

One early test of the Administration's thinking will be its response to pressures from the real estate industry, which is urging Congress to pass legislation that would withhold federal housing funds from the numerous locales that have adopted rent control. While such efforts are not new, the present attempt is unique in claiming that rent control should be dismantled because it is the chief underlying cause of homelessness. The seemingly counter-intuitive claim that rent control causes homelessness can be traced to a much-quoted study by conservative journalist William Tucker (1987a, 1987b, 1989a, 1989b).[1]

Based on Tucker's research, Senator William Armstrong (R-Colorado) year added an amendment to a homeless assistance bill requiring HUD to issue a report by October, addressing the question of how rent control laws might cause homelessness. In a similar vein, Senate housing committee co-chairs Alan Cranston (D-California) and Alphonse D'Amato (R-New York) have included a provision in their pending National Affordable Housing Act giving the HUD Secretary the discretion to withhold federal funds if cities cannot prove to his satisfaction that their rent control regulations are not counter-productive.[2]

Despite the widespread attention it has received, Tucker's research is seriously flawed. The link between rent control and homelessness it purports to demonstrate does not stand up to serious scrutiny. Given the political context in which it appears, our critique of Tucker's thesis is doubly important. Unchallenged, Tucker's work represents a serious threat to local rent control by linking it with a national problem of high visibility. Second, pointing the finger at rent control can only divert attention from the true causes of homelessness, thereby thwarting any serious efforts to deal with the problem.

The growth of homelessness during the 1980s has nothing to do with the efforts by local governments to regulate skyrocketing rents. Homelessness is directly related to the overall level of poverty, to the availability of affordable housing, and to the accessibility of support services for people suffering from mental illness or alcoholism. It is no accident that the number of homeless Americans increased dramatically during the 1980s. The past decade has witnessed growing poverty, especially among the "working poor;" a decline in low-rent housing, including sharp cuts in federal low-income housing assistance; and a failure to adequately serve the deinstitutionalized mentally ill. As a result, since the early 1980s the homeless population has increased from 20 to 25 percent a year, according to the U.S. Conference of Mayors' (1989, p. 2) annual surveys. Moreover, the profile of the homeless population includes a growing number of families with young children, as well as individuals with jobs (*Ibid.*).

This assessment of the underlying causes of America's homeless problem would seem to be uncontroversial. It would also seem to suggest fairly straight-forward remedies directed at increasing the wages of America's working poor, expanding the supply of affordable housing, and providing residential and social support programs for the nation's mentally ill. A sober examination of the evidence gives no support to Tucker's claim that rent control is somehow the root cause of homelessness.

In this paper we shall first examine the previous evidence linking rent control with housing scarcity, and conclude that no such relationship has been found. We then turn to Tucker's study, showing in detail how the connection he finds between rent control and homelessness is spurious. We conclude with a more extensive analysis of the real causes of homelessness.

The Effect of Rent Control on Investment in Rental Housing

Some 200 cities and counties currently have some form of rent regulation, including over one hundred communities in New Jersey, as well as cities and counties in Massachusetts, New York, Virginia, Maryland, Alaska, Connecticut, and California. Most of these ordinances were first enacted in the early 1970s. It is estimated that approximately ten percent of the nation's rental housing stock is presently covered by some form of rent control (Baar, 1983). These measures can be categorized as *moderate*,[3] in comparison with the more *restrictive* rent control which characterized New York City in the immediate post-war period.[4]

Moderate rent controls permit rent increases sufficient for the landlord to maintain an adequate return on investment,[5] while protecting tenants against rent gouging. All ordinances currently in effect are moderate in nature. Such controls typically peg annual rent increases to increases in the landlords' costs, and exempt newly constructed rental units from controls altogether. They also often require adequate maintenance as a condition for annual rent adjustments: tenants in buildings that are inadequately maintained can appeal their rent increases. Some permit vacated units to be temporarily decontrolled so that rents can be raised to market levels for the incoming tenants, after which they are recontrolled. Moderate rent controls thus contain a number of provisions explicitly designed to encourage both construction of new rental housing and maintenance of existing units.

In a few highly inflationary California housing markets,[6] controls include an additional provision: they exclude increased mortgage costs from the formulas relating landlords' costs and allowable rent increases. This provision is designed to discourage speculation in rental housing. It means that a landlord who has incurred increased capital costs (either through recent purchase or through refinancing to obtain equity capital) cannot pass the higher financing costs through to tenants in the form of rent increases.

In sum, current rent controls contain provisions which are intended to guarantee the landlord a fair and reasonable rate of return on investment, while at the same time protecting the interests of tenants, by preserving affordable housing. Maintenance is strongly encouraged; newly-built units are not controlled at all.

Nonetheless, critics continue to argue that rent control discourages investment in rental housing. According to Tucker (1987a, 1987b, 1989a), for example, localities which enact rent control rob landlords of their rightful returns. So deprived, landlords cut costs. Maintenance suffers; buildings are abandoned. Badly-needed new units are never constructed. Although rents may be lowered in the short run, housing scarcity eventually results. Scarcity, in turn, causes homelessness. In posh areas like Santa Monica, Cambridge, or the Upper West Side of Manhattan, yuppies squeeze out low-income tenants. In blighted areas like the South Bronx, buildings are abandoned, and eventually razed by arsonists or government bulldozers. Either way, says Tucker, the poor wind up in the streets and the shelters.

This analysis is not original to Tucker; on the contrary, it is shared by a number of housing economists as well as the real estate community in general. For example, ten years ago a national survey of economists found virtually unanimous agreement that "a ceiling on rents reduces the quantity and quality of housing available" (Kearl, *et al.*, 1979). These conclusions are not based on empirical studies, but on theoretical assumptions about how housing markets are supposed to operate. The real estate lobby has been highly effective in communicating this analysis to its members and the media. Major news organizations, including the *Wall Street Journal* and *Forbes* magazine have editorialized against rent controls (Gilderbloom, 1983, pp. 137- 138).

There are numerous empirical studies of the effects of moderate rent control on rental housing investment; none support the preceding views. A comprehensive review (summarized in Table 1) finds that such controls have not caused a decline in construction, capital improvements, maintenance, abandonment, or demolition of controlled relative to noncontrolled units. This is due to the non-restrictive nature of moderate controls, which as we have seen guarantee landlords a fair and reasonable rate of return. Rent controls eliminate extreme rent increases, particularly in highly inflationary markets, but they do not eliminate the profits necessary to encourage investment in private rental housing (Gilderbloom, 1984, 1986; Heffley and Santerre, 1985; Mollenkopf and Pynoos, 1973; Daugherbaugh, 1975; Vitaliano, 1983). In particular, the vacancy control-recontrol provision in some localities results in significantly higher average rents than those that would occur in the absence of such a provision (Gilderbloom and Keating, 1982; Hartman, 1984; Clark and Heskin, 1982; Rydell, 1981; Los Angeles Rent Stabilization Division, 1985). While moderate rent control is successful in eliminating rent gouging, its impact on redistributing income from landlords to tenants clearly depends on the degree to which market conditions would otherwise have led to rent increases that greatly exceed the allowable rent levels.

Anthony Downs, in a recent and influential monograph, cites Tucker in concluding that rent controls are "damaging to some of the very low-income renters they are supposed to protect. They may even promote homelessness--the most severe of all low-income housing problems (Downs, 1988: 40)." In what amounts to a virtual declaration of war on rent control, Downs relied almost exclusively on a handful of existing studies that drew mixed conclusions about the effects of rent control. Yet after summarizing these studies, Downs reaffirms his belief that "rent controls provide short-run benefits but have immense long-run disadvantages," particularly when the controls are stringent (*Ibid.*, 6). This conclusion does not follow from the 21 empirical studies Downs reviews, even though the studies in many cases were conducted on behalf of real estate interests. Downs' study itself was published by the Urban Land Institute, a real estate industry think-tank, and sponsored by a virtual Who's Who of the real estate industry.[7]

Rent Control and Homelessness: Tucker's Analysis

Tucker's study is the first to look at the impact of rent control on homelessness. In order to support his argument that rent control produces homelessness by discouraging investment and thereby creating housing scarcity, Tucker sought to show that cities with rent control had lower vacancy rates and greater homelessness than cities without rent control.

For his primary dataset, Tucker relied on the single comparative study of homelessness that had been done at the time of his study--the HUD (1984) survey of homelessness in 60 metropolitan areas.[8] HUD had conducted a random sample of 20 cities in each of three size strata (50,000-250,000; 250,000-1,000,000; and over 1,000,000). Tucker took the HUD estimates for the 40 metropolitan areas in the two largest size strata. He then computed a homeless rate for each city by dividing HUD's estimate of the total number of homeless by the population of the core city for each metropolitan area.

Tucker's study did not rely exclusively on HUD's random sample of places; rather, he modified the HUD sample in several ways. First, Tucker dropped six cities from among HUD's 40 metropolitan areas over 250,000 population: Dayton, Davenport, Colorado Springs, Scranton, Raleigh, and Baton Rouge.[9] These six places were reportedly eliminated because of "the great difficulty in determining local vacancy rates" (Tucker, 1989a, p. 5, n. 4).[10] For unexplained reasons, Tucker then added one of HUD's smallest (under 250,000) metropolitan areas to his list: Lincoln, Nebraska.[11] He also mistakenly classified Hartford as a city with rent control (Hartford does not have rent controls). Finally, Tucker (1987a, p. 1) added 15 additional cities "to include some notable HUD omissions"; he does not explain how these cities were selected out of thousands of possible places across the United States.[12] Since these cities were not a part of HUD's original study, Tucker developed his own homeless estimates by making telephone calls to unspecified informants in each city.[13] This misguided sampling methodology yielded a final list of 50 places for his analysis.

Once he had obtained his list of places, Tucker's second task was to identify a number of factors which might be important determinants of homelessness. He chose rates of poverty, unemployment, public housing availability, rental housing vacancy, population growth; total population; mean annual temperature and rainfall; and the presence (or absence) of rent control.[14] High rates of poverty and unemployment are indicative of an economically marginal population, and therefore should be associated with greater homelessness. Public housing availability, on the other hand, provides one form of protection against homelessness, and so should be associated with lower rates.[15] Low vacancy rates indicate scarcity in the private rental housing market, and--according to Tucker--should be associated with both rent control and homelessness.[16] Finally, larger, faster-growing places might well attract the homeless, as might places with warm temperatures and low rainfall.

Having selected these key variables, Tucker's final task was to employ them in two- and three-variable regression equations predicting homelessness.[17] While his results vary somewhat between his different reports, he generally found that the only variables that made any substantial difference in the rate of homelessness were the local vacancy rate and rent control--and that the latter statistically accounts for much of the impact of the former.[18] In fact, Tucker found that rent control by itself explains fully 27 percent of the difference in homelessness between cities;

when combined with mean temperature, it accounts for 31 percent. According to these findings, homeless people are attracted to cities with hospitable climates; when such places have rent control, increased housing scarcity is assumed to result, and--with it--greater homelessness.

In evaluating Tucker's findings, it is important to bear in mind that he classified only nine of the 50 cities as having any form of rent control at all.[19] Since all of the cities had homeless problems to varying degrees, it is obvious that rent control cannot be the principal cause of homelessness as Tucker contends. Miami, with the highest rate of homelessness in the cities under study, does not currently have rent control. Nor does St. Louis, which ranks second. Nor does Worcester, which ranks fourth. The fact that three out of four places with the most severe homeless problems lack rent control would seem to provide a *prima facie* case for rejecting Tucker's claim out of hand.

Tucker made numerous serious errors in conducting his study. The first major difficulty lies with his use of HUD's (1984) measure of homelessness as his key variable. According to two Congressional hearings that examined HUD's methods in detail, that measure was highly unreliable.[20] HUD relied on what it called "knowledgeable informants"--police departments, social service agencies, shelter staffs--who simply guessed at the numbers of homeless people in the 60 areas HUD reviewed. There was no actual count of the number of homeless in the streets, park benches, abandoned cars, and elsewhere--and certainly no estimate of the "invisible" homeless living in overcrowded apartments. Although the guesses were mainly for downtown neighborhoods, HUD acted as if they applied to much larger metropolitan areas--areas with four or five times as many people. This method, not surprisingly, produced very low rates of homelessness for the metropolitan areas HUD studied, since they guaranteed that homeless people outside the downtown areas would be excluded from the study. *Tucker's principal variable, therefore, substantially undercounts the homeless.*[21]

The second major problem results from the questionable procedures by which Tucker arrived at his 50 cities. As noted above, he began with HUD's random sample of 40 medium and large metropolitan areas, added one smaller HUD metropolitan area, selectively eliminated five places, and then added 15 others of his own choosing. Since only five of HUD's cities were among the more than 200 places with rent control,[22] Tucker made certain that three rent controlled cities were included among those he added. But sampling problems are compounded by the fact that the three rent controlled cities he added are already presumably included in HUD's homeless estimates: Newark and Yonkers are part of the New York City metropolitan area, while Santa Monica is part of Los Angeles.[23] As we demonstrate in the next section of this paper, the 15 cities Tucker added to HUD's random sample systematically--across several model specifications--provide greater support for Tucker's conclusions than the HUD cities alone. In the most complete specification, strikingly, *only* Tucker's added cities provide any support for a positive relationship between rent control and homelessness.

Tucker's third major error is his failure to consider the possibility that high rents might themselves be a chief cause of homelessness, while at the same time causing tenants to demand rent control. In other words, his reported correlation between rent control and homelessness might be an artifact of the association of both with high rents. Nowhere does he look at the possible causal effect of rent on homelessness. More generally, even for those variables Tucker does consider, his method of using them or not according to how they perform in simple two- or three-variable regressions is invalid.

Reanalysis of Tucker's Data

We have reanalyzed Tucker's dataset,[24] using more standard methodological techniques. Our strategy is as follows. First, we replicate Tucker's three variable equations, comparing the results for three groups: HUD's original random sample of 41 larger cities,[25] the 15 cities Tucker added, and all 56 cities combined. In this fashion we hope to be able to determine to what extent Tucker's results stem from his selective addition of 15 cities of his own choosing. The results of this analysis are presented in Table 2A, which examines the effect of mean temperature and rent control on homelessness, and Table 2B, which examines the effect of vacancy rate and homelessness on rent control.

Next, we do our own more comprehensive analysis, a model which examines the combined effect of a larger number of variables on homelessness (Table 3). Tucker's highly simplified two- and three-variable equations are likely to omit other possible important determinants of homelessness, thereby producing erroneous results. In addition to the variables Tucker considered singly or in pairs,[26] we have added median rents and the percentage of housing units that are renter-occupied.[27] *Median rents* are an index of housing affordability; high rents might be expected to contribute to homelessness.[28] High rents might also encourage tenants to enact rent controls, in which case both high rates of homelessness and rent control would be found in the same (high rent) cities. Omitting this variable, as Tucker did, would then impart an upward bias to the observed association between homelessness and rent control. The *proportion of households renting* is an index of the population at risk of being homeless, since renters in most cities are heavily concentrated among lower-income groups, and--if evicted--are the most likely to wind up in streets and shelters.

Looking first at Tables 2A and 2B, we find that rent control shows approximately the same association with homelessness in HUD's 41 randomly-sampled cities, Tucker's 15 additional cities, and all 56 cities combined. This is true whether rent control is paired with mean temperature or vacancy rate: in all cases, there are from four to six more homeless people per thousand population in rent controlled cities than in non-rent controlled ones, and this difference is statistically significant. But how are we to interpret these results? Could rent control and homelessness both result from some other factors that are not considered in these simple three-variables models? Notice, too, that the estimated coefficient relating rent control to homelessness is somewhat larger for the 15 cities Tucker added than for the HUD randomly-sampled cities. This suggests that there may be problems with the way Tucker selected his 15 cities.

These questions are addressed in Table 3, which examines the combined effect of a number of variables on homelessness, including whether or not a city has rent control.[29] Looking at the first two columns, we see that among the 41 cities in HUD's original sample, rent control has no statistically significant effect on homelessness. Indeed, the coefficient has a negative sign, indicating that rent control is associated with *lower* rates of homelessness rather than the reverse, although the coefficient is not significantly different from zero. Of the eight variables in the equation, homelessness is significantly associated with only four: higher rates of unemployment, higher mean temperatures, higher percentages of renters, and lower vacancy rates. *In other words, in a randomly-selected list of cities, homelessness is associated with unemployment, temperature, percentage of renters, and vacancy rate, but not rent control.*

In contrast, if one looks only at the 15 cities selectively added by Tucker (columns 3 and 4), one finds the reverse is true: rent control is one of the only variables that approaches significance,[30] with rent controlled cities averaging seven per thousand more homeless people than non-rent controlled cities. Among these 15 cities, the three with rent control are among the four with the highest homeless rates (only St. Louis is reportedly higher). Thus, in this more completely specified model, only the 15 cities that Tucker added provide any support for Tucker's contention that rent control increases homelessness, while the cities in HUD's random sample do not. Finally, in this more complete model, when we combine HUD's randomly-selected list with Tucker's hand-picked list, rent control is not significantly associated with homelessness (columns 5 and 6).

Even had Tucker's data provided a strong positive connection between homelessness and rent control--and, as we have shown, they do not--such a result would have limited import. First, as noted, the dependent variable is a highly doubtful measure of homelessness. Second, results from this type of cross-section regression pertain not to the causes of homelessness but to its differential rate between cities--not always the same thing. For example, mean temperature proves to be significantly connected with homelessness in the more appropriate model we have tested (Table 3). It does not thereby follow that rising homelessness in the 1980s was one more (little-noted) consequence of the "greenhouse effect" or that national homelessness would be mitigated if aid to cities were tied to local initiatives aimed at lowering mean temperatures. Once the problem is posed in this way--what changes in the 1980s are responsible for the alarming growth in the problem of homelessness over the decade--the answers become obvious to a fair-minded observer.

Why Do We Have a Homelessness Problem?

The United States now faces the worst housing crisis since the Great Depression. The underlying problem is a widening gap between what Americans can afford to pay and what it costs to build and operate housing. In this situation, the poor are the most vulnerable to joining the ranks of those without a home.

The number of poor Americans (now about 33 million people) is growing, and the poor are getting poorer (Center on Budget and Policy Priorities, 1988, p. 1; Children's Defense Fund, 1989, pp. 16-26, 100-106 and 115; U.S. Joint Economic Committee of Congress, 1988, ch. VII). The largest increase is among the "working poor"--people who earn their poverty on the job because of low wages. Among the "welfare poor"--primarily single mothers and their children--AFDC and other benefits have declined far below the poverty level. These are people who are only one rent increase, hospital stay, or layoff away from becoming homeless. In fact, a recent report by the U.S. Conference of Mayors (1989:2) found that almost one-quarter of the homeless *work*, but simply have wages too low to afford permanent housing.

The plight of the poor is worsened by the steadily rising housing costs that have plagued the economy throughout the past decade (see U.S. Comptroller General, 1979, for an early announcement of the housing crisis). On the one hand, rising homeownership costs have forced many would-be first-time buyers into the status of reluctant long-term renters, greatly increasing pressures on the rental housing market. Homeownership rates have been declining steadily since 1980, particularly among first-time homebuyers. Among households where the head was under 25, for example, ownership declined from 23.4 percent to 15.1 percent of all households, a drop of 36 percent; for those headed by someone aged 25-34, the decline was from 51.4 percent to 45.1 percent, or 12 percent (Apgar, 1988, p. 24). In 1973, it took 23 percent of the median income of a young family with children to carry a new mortgage on an average-priced house. Today, it takes over half of a young family's income (Children's Defense Fund, 1988, p. 57).

On the other hand, renters confront chronic production shortages and rising rents. Between 1970 and 1983 rents tripled, while renters' incomes only doubled. As a result the average rent-income ratio grew from roughly one-quarter to one-third; the proportion of tenants paying 25 percent or more of their income for rent increased from one-third to one-half. By 1985, close to one out of every four renters paid over half of their income for housing costs. Eleven million families now pay over one-third of income in rent; five million pay over half.

The problem is especially acute for the poor, who are now competing with the middle-class for scarce apartments. It is estimated that by 1985 there was a national shortage of some 3.3 million affordable units for households earning under $5,000--an increase of more than 80 percent since 1978 (Leonard, *et al.*, 1989, p. 9). Among the nation's nearly seven million poor renter households, 45 percent spent more than 70 percent of their income on housing in 1985; two out of three paid more than half; while fully 85 percent--some 5.8 million households--paid more than the 30 percent officially regarded as "affordable" under current federal standards. The median poor tenant household paid almost two-thirds of its income on rent (Leonard, *et al.*, 1989, pp. 1-2). The typical young single parent pays 81 percent of her meager income just to keep a roof over her childrens' heads (Children's Defense Fund, 1988, p. 59).

Despite the severity of these problems, less than one-third of poor households receive any kind of housing subsidy--(Leonard, *et al.*, 1989, p. 27; U.S. Congressional Budget Office, 1988, p. 3). This is the lowest level of any industrial nation in the world. Some six to seven million low-income renter families receive no housing assistance whatsoever, and are therefore completely at the mercy of housing markets which place them immediately at risk of being homeless. And, while the number of poor families has risen during the 1980s, the number of low-rent private apartments has plummeted as a result of rising rents, urban redevelopment activities, condo conversions, and arson. Between 1974 and 1985, the number of privately owned, unsubsidized apartments renting for less that $300 (measured in 1988 dollars) fell by one-third, a loss of nearly three million units (Apgar, *et al.*, 1989, p. 4). The swelling waiting lists of even the most deteriorated subsidized housing projects are telling evidence of the desperation of the poor looking for affordable homes.

The already existing shortage of affordable private housing was worsened considerably by the short-sighted actions of the Reagan-Bush Administration. The 1986 Tax Reform Act, for example, removed many of the tax benefits which previously made it profitable for the private sector to rent housing to poorer families. It is estimated that the loss of tax shelters for housing will eventually reduce the value of income from property by some 20 percent, forcing compensating rent increases of 25 percent by the early 1990s. The National Association of Home Builders predicted that rental housing construction would decline by half as a direct result (Furlong, 1986, p. 16); an MIT market simulation predicted an eventual loss of some 1.4 million units (Apgar, *et al.*, 1985, p. 1).

The Reagan Administration's budget cutbacks virtually eviscerated publicly owned and subsidized housing, all but eliminating the already small federal commitment to providing housing for the poor. Not only were safety net programs cut in general, but housing was selected to bear the brunt of budgetary retrenchment. Between 1981 and 1989 federal expenditures for subsidized housing declined by four-fifths, from $32 billion to $6 billion. Total federal housing starts declined from 183,000 in 1980 to 20,000 in 1989 (Low Income Housing Information Service, 1989). The Administration even proposed to sell off 100,000 units of public housing, an effort that was stymied largely because public housing tenants were too poor to afford their units. A number of specific programs were "zeroed out" in the 1989 budget, including several directed at the needs of the homeless. It should be pointed out that even as draconian as these measures may appear. President Reagan's proposed cuts were still deeper: philosophically committed to ending federal involvement in housing altogether, he was prevented from doing so only by the lobbying efforts of low-income housing advocates before a Democratically-controlled Congress. A single statistic tells the story in unambiguous terms. When Reagan came to office in 1981, the federal government spent seven dollars on defense for every dollar on housing. When he left office in 1989, the ratio was 46 to one.

Conclusion

In sum, declining incomes at the bottom have converged with rising housing costs to produce a potentially explosive situation, which unwise short-term federal policies have served to worsen. Rent control plays no role in this unfolding tragedy. According to one estimate (Clay, 1987, i), by 2003 "the gap between the total low-rent housing supply (subsidized and unsubsidized) and households needing such housing is expected to grow to 7.8 million units," representing an affordable housing loss for nearly 19 million people. This figure represents the potential constituency of the homeless, as the United States moves into the 21st century.

On its own, rent control cannot solve the housing crisis. It is merely one tool available to local governments with which to confront skyrocketing rents and a shortage of affordable housing. Until the federal government renews its responsibility to help poor and working class people fill the gap between what they can afford and what housing costs to build and operate, rent control can at least help to keep a roof over their heads. Tucker's study does not demonstrate what it sets out to do and so cannot be used to rationalize a scapegoating of rent control for the mounting tragedy of homelessness.

Home Builders, the National Association of Realtors, the National Multi Housing Council, and the National Realty Committee, among others.

8. HUD (1989) has since completed a second survey of shelter operators across the country; the Urban Institute (1989) has conducted a study of prepared meals for the homeless in a sample of cities. The original HUD study and these two recent surveys are the only systematic studies of homelessness in a random sample of places that have been done, as far as we know.

9. Oddly, Tucker (1989a, p. 5, n. 4) claims that he eliminated only five cities, incorrectly naming Grand Rapids as one, while failing to mention Raleigh and Baton Rouge.

10. This reasoning is poor, since local vacancy data are readily available from utility companies, local governments, real estate organizations, and the Census.

11. See the table in Tucker (1987a, p. 35, reproduced as an appendix to Tucker, 1989a) for a complete listing of Tucker's cities.

12. Tucker's (1989a, p. 5, n. 4) claim that these places were added "using similar methods" (to HUD's) apparently contradicts his earlier (1987a, p. 1) contention that the 15 others were chosen "to include some notable HUD omissions." The selective addition of cities to HUD's sample undermines the original sampling procedure.

13. Personal telephone conversation, September 7, 1988.

14. In his original studies, Tucker (1987a, 1987b) apparently did not utilize population growth rate nor mean annual rainfall; while his most recent (1989a) study does, the appendix reports only the original seven independent variables.

15. This strikes us as doubtful reasoning, given the enormous waiting lists for public housing in most cities--in some cases, more than five years. It is more likely that the relative size of the public housing stock is an index of local poverty or low-income housing shortages.

16. In fact, there is evidence that average vacancy rates are not a true measure of rental housing scarcity, especially for particular submarkets--see Gilderbloom and Appelbaum (1988, ch. 5); and Apgar (1988, pp. 9-11).

17. Regression analysis is a statistical method for looking at the effect of a number of causal variables on a single dependent variable--in this case, the rate of homelessness. It enables the researcher to measure the independent effect of each variable in the equation while holding constant the effects of the others. Tucker apparently ran only two- and three-variable regressions, using various combinations of his independent variables. As far as can be

25. Since Tucker had included Lincoln, Nebraska among the cities he selected from HUD's medium- and large-sized cities, we did likewise, although technically Lincoln belongs in HUD's small city sample. The inclusion of Lincoln did not alter the results.

26. Since public housing and poverty are highly correlated (r=.77), including both in the same equation would have created multicollinearity problems. We therefore ran two complete sets of equations, the first including poverty among the independent variables (reported here), the second including public housing (not reported). The latter equation did not produce significantly different results than the former, and did not affect the final conclusions.

27. Both of these variables were obtained from the 1980 Census of Housing.

28. A better index would be the proportion of renters paying half or more of their income in rent, since median rent figures do not measure affordability; unfortunately, we do not have this index.

29. We first ran the equation with all variables, then eliminated population size, since it was highly correlated with rent control (r=.7), resulting in problems of multicollinearity.

30. It is difficult to obtain statistically significant relationships in so small a sample size, but for the 15 cities Tucker added, the rent control variable has the highest t-value (1.7). In a two-sided test, the hull hypothesis (that the true coefficient is zero) is rejected at a significance level of .136.

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Endnotes

1. The Tucker study has received widespread attention as the result of a well-orchestrated effort on the part of conservative research institutes and publications. Both the Manhattan Institute and the Heritage Foundation published Tucker's study and distributed it to opinion leaders and policy-makers. Heritage, which provided HUD Secretary Kemp with his top policy aide, called a press conference soon after President Bush's inauguration, where Tucker reported that the nation's homeless had rent control (and its liberal proponents) to blame. Different versions of his report have appeared in the *National Review* and *American Spectator* (both publications of the conservative movement), as well as the mainstream *New York Times* and *Wall Street Journal*. Its claims have even been cited in the popular weekly *Parade* magazine, and even reprinted in at least one college textbook (Tucker, 1989b).

2. The effort to outlaw rent control on the grounds that it is destructive of housing markets long predates Tucker's study. Landlord organizations have been lobbying state legislatures to ban rent control at least since 1972. In 1983, the President's Commission on Housing called for federal legislation banning local rent controls (see also Downs, 1983). The California State legislature routinely considers legislation that would inhibit the ability of localities to enact rent control; a 1986 measure, for example, would have required all local rent control ordinances to provide for the decontrol of recently vacated units -- a measure which would have significantly weakened the voter-adopted measures in Berkeley, Santa Monica, and West Hollywood. (It was eventually killed in committee.)

3. For a more detailed discussion, see Gilderbloom (1981, 1983, 1986, and 1987); Gilderbloom and Appelbaum (1988, ch. 7); Appelbaum and Gilderbloom (1990); Gilderbloom and Capek (1990).

4. Although restrictive rent controls are no longer enacted, many opponents of rent control continue to associate all current versions with this type.

5. The courts have repeatedly upheld rent control laws so long as they do not constitute an unfair "taking" of the landlord's property. In 1988, for example, the U.S. Supreme Court ruled in Pennell vs. San Jose that the city could take tenants' welfare into account in setting rent ceilings.

6. Santa Monica, Berkeley, and West Hollywood are the only rent control ordinances which disallow refinancing costs with which we are familiar.

7. The sponsors included the Building Owners and Managers Association International, the California Housing Council, the Mortgage Bankers' Association, the National Apartment Association, the National Association of

determined from his published reports, he never incorporated all of his variables into a single equation.

18. In his original study, Tucker (1987a, p. 2) found that in simple two variable correlations, poverty accounted for five percent of the variation in homelessness, unemployment two percent, public housing was negligible (although the relationship was "slightly positive"), city size and temperature were not significant, vacancy rate accounted for 15 percent, and rent control 27 percent. In his three variable equations, when homelessness was regressed on temperature and rent control together, temperature became significant, now accounting for four percent of the variation in homelessness; when homelesseness was regressed on rent control and vacancy together, vacancy lost its significance. In the 1989a (p. 6) report on the same data, however, the results are somewhat different. Public housing and city size remained non-significant, while unemployment and poverty lost their initial significance. Temperature was now found to be significant; growth lightly so (the actual relationship was found to be negative); the rent control and vacancy effects remain the same. No explanations are offered for these differing results, presumably obtained from the same data analysis.

19. In fact, the actual number is eight, since as we have noted Hartford was incorrectly classified as having rent control. Among the original HUD cities, San Francisco, Los Angeles, Washington, Boston, and New York have rent control; among the 15 Tucker added, Santa Monica, Newark, and Yonkers have rent control.

20. For detailed analyses of the shortcomings of the HUD Study, see Appelbaum (1984, 1985, and 1990). Recall that Tucker relied on HUD's data for 35 cities, while presumably replicating HUD's methodology for the remaining 15.

21. Tucker (1989a, pp. 4-5) was aware of the problems with HUD's measure, but argued that any inaccuracies would be randomly distributed across cities. He offers no evidence for this assertion. Note that Tucker's use of core city population as the denominator in computing a homeless rate still leaves the city homeless rate biased downward if HUD's numbers were, at best, estimates of the downtown homeless.

22. We are here reclassifying Hartford as a non-rent controlled city; see footnote 18.

23. Recall that while Tucker is applying HUD's homeless estimates only to the principal city, HUD in fact claims that their figures cover the entire metropolitan area. To the extent that this is true, Tucker's figures for the three cities he added are double-counted with the figures for the New York and Los Angeles metropolitan areas.

24. Data were first verified in the City-County Fact Book.

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MONTANA COUNTY TREASURERS ASSOCIATION

TESTIMONY SB 25

At the request of the Senate Local Government Committee, several County Treasurers were contacted to determine the fiscal impact of SB 25 and to clarify the types of revenues that would be affected by the bill.

Counties surveyed

The counties surveyed include: Toole, Fergus, Cascade, Yellowstone, Lake and Mineral.

Fiscal Impact

It is estimated that the annual state-wide revenue affected by SB 25 would be between $30,000 and $40,000. The estimate is based on the estimates received from the surveyed counties which varied from a low of $100 per year in Mineral County to Yellowstone and Cascade counties which estimated less than $1,000 per year. Fergus and Toole estimated $500 per year and Lake estimated $300 - $400 per year. ($600 per year X 56 counties = $33,600)

Revenue affected

Representitive examples of non tax revenue affected by this bill including:

- corporate license tax. Typically these payments are in the thousands of dollars. It is unusual for one to be less than $25.
- custom combine fee. Typically these fees exceed $25.
- copying charges
- fax fees
- bad check fees
- fees for searching the treasurers records (these are typically paid by mortgage companies in smaller counties)

Cost savings

In the example of the corporate license tax used at the hearing, the County Treasurer was required to spread the tax manually to a number of taxing entities. This bill would save the time required to do that manual work. Many of the fees such as the bad check charge, fax fee, copying charges, etc., can be spread by the computer. However, each of those receipts requires the preparation of a journal voucher (JV) for each fund into which that money is distributed. The JV serves as the source document to support the computer entry. The time required to prepare the JVs is the same for a $10 receipt as it is for a $10,000 receipt. The elimination of the requirement to prepare the JVs for this type of revenue would be a time saver for the treasurer and would not have a material impact on the revenue of any fund.

The majority of the non-tax revenue affected by this bill is related to a service provided by the treasurer. i.e. fax charges, bad check fees, copy fees. The county general fund is the most expedient place to deposit this money.

If the committee amended the bill to give this revenue schools the treasurer would need guidance in splitting the revenue amoung the different school districts in the county. The amount of money lost by any entity would not be material and the purpose of the bill to eliminate unnecessary work would be defeated if the money were given to schools.

MISSOULA
OFFICE OF THE CITY ATTORNEY
435 RYMAN • MISSOULA, MT 59802-4297 • (406) 523-4614

SENATE LOCAL GOVT. COMM.
EXHIBIT NO. 6
DATE 1-15-91 91-008
BILL NO. SB-10

January 9, 1991

Alec Hansen
Montana League of Cities & Towns
P. O. Box 1704
Helena, Montana 59624

Mayor Dan Kemmis
Missoula City Hall
435 Ryman
Missoula, Montana 59802

Chuck Stearns
Missoula City Hall
435 Ryman
Missoula, Montana 59802

Chuck Gibson
Missoula Fire Department
200 West Pine
Missoula, Montana 59802

RE: SB-10 AUTHORITY FOR RURAL FIRE DISTRICT BONDS

Gentlemen:

Enclosed please find a copy of a fax letter received last evening from bond attorney Mae Nan Ellingson concurring that SB-10, pertaining to authority for rural fire district bonds, does in fact need clarification on tax issues and as currently written does pose a potential annexation problem for municipal governments.

Mae Nan Ellingson suggests a couple of possible solutions in the final paragraph of her letter on page 2.

Please provide me with your comments on both SB-10 as well as potential solutions as soon as possible. Thanks!

Yours truly,

Jim Nugent

Jim Nugent
City Attorney
cc: Legislative file; City Council; Dennis Taylor; Marshall Kyle

DORSEY & WHITNEY

[illegible]

310 FIRST INTERSTATE PLAZA
127 EAST FRONT STREET
MISSOULA, MONTANA 59802
(406) 721-6025
TELECOPIER (406) 543-0863

[illegible] FIRST BANK PLACE EAST
MINNEAPOLIS, MINNESOTA 55402
[illegible]

[illegible] PARK AVENUE
NEW YORK, NEW YORK [illegible]
[illegible]

[illegible] FIRST NATIONAL BANK BUILDING
P. O. BOX [illegible]
ROCHESTER, MINNESOTA [illegible]
[illegible]

[illegible] NORTH CENTRAL LIFE TOWER
[illegible] MINNESOTA STREET
ST. PAUL, MINNESOTA [illegible]
[illegible]

[illegible] FIRST NATIONAL BANK BUILDING
WAYZATA, MINNESOTA [illegible]
[illegible]

[illegible] FIRST INTERSTATE CENTER
[illegible] NORTH [illegible] STREET
P. O. BOX [illegible]
BILLINGS, MONTANA [illegible]
[illegible]

[illegible] DAVIDSON BUILDING
[illegible] THIRD STREET NORTH
GREAT FALLS, MONTANA [illegible]
[illegible]

[illegible] RUE LA BOETIE
[illegible] PARIS, FRANCE
[illegible]
[illegible]

[illegible] GRACECHURCH STREET
LONDON [illegible], ENGLAND
[illegible]

January 8, 1991

MAE NAN ELLINGSON

Mr. Jim Nugent
City Attorney
City of Missoula
435 Ryman Street
Missoula, Montana 59802

VIA FACSIMILE

Re: SB 10

Dear Jim:

We have now reviewed SB 10 and the questions you raise, which are good ones, are not now dealt with in the legislation.

Our research indicates, although there are no Montana cases on point, that generally speaking, property annexed to a municipality is liable for all taxes thereafter imposed by the municipality, including any tax levies for indebtedness incurred before the annexation.

There is a greater split of authority as to whether the newly annexed property which has been detached from another taxing jurisdiction remains liable for taxes imposed by that taxing jurisdiction such as taxes for indebtedness incurred before the detachment. It seems unlikely that detached property would be subject to any general tax or service tax. There are some cases where those properties are held liable for their share of debt service for bonds issued while they were included within the issuing jurisdiction. Legislation of this type in other states address this. It would seem to us that the better approach would be for SB 10 to specifically address/provide for what should happen since it is highly possible that annexation of property within a rural fire district will occur. In the absence of such a provision, the bonds for some rural fire districts may not be marketable depending on proximity to a municipality and that particular municipality's plans for or history of annexation. It is

Better approach

Better Approach

JAN 09 '91 14:45 MISSOULA POLICE DEPT

DORSEY & WHITNEY

conceivable that a large detachment from a rural fire district, assuming the detached or newly annexed property would not be subject to the debt service levy of the rural fire district, could be construed to be or result in a breach of contract with the bond holder, if it severely reduced the remaining taxable valuation of the district.

Annexation Problem

Failure to address this might render the statute useless for some fire districts; but at the same time, providing that detached property remains liable for debt service of the rural fire district, might significantly impair a municipality's ability to annex that property, given that the newly annexed property would be subject to all the municipal taxes as well. Chilling Effect on municipal annexations

Possible solutions

Would a reasonable solution be for the statute to provide that the property remains subject to debt service (1) payments for bonds issued by the rural fire district while such property was part of the rural fire district until such bonds are paid and authorize (or require) the annexing municipality to reduce the total municipal tax liability for that property for that period of time by such amount? Alternatively, the annexing municipality could be responsible for paying to the (2) rural fire district each year an amount equal to the taxes for debt service for bonds issued by the rural fire district while property annexed by the municipality was part of the rural fire district, and the annexed property would be liable for normal municipal taxes.

Po
Sol

Very truly yours,

Mae Nan Ellingson

Mae Nan Ellingson

MNE:67

9500A

SENATE LOCAL GOVT. COMM.
EXHIBIT NO. 7
DATE 1-15-91
BILL NO. SB-65

WITNESS STATEMENT

To be completed by a person testifying or a person who wants their testimony entered into the record.

Dated this 15TH day of JANUARY, 1991.

Name: WALTER F. JACKOVICH

Address: 3400 HILL AVE

BUTTE, MT. 59701

Telephone Number: 494-3400

Representing whom?

Self.

Appearing on which proposal?

SB 65

Do you: Support? X Amend? ____ Oppose? ____

Comments:

RENT CONTROLS CREATE MORE BUREAUCRACY AND LESS HOUSING FOR THOSE IN NEED. HOUSES BUILT TODAY ARE LOW INCOME HOUSING 20 YEARS FROM NOW. LOW INCOME HOUSING WILL ONLY SUFFER AS THOSE NOW IN EXISTENCE WILL BECOME SLUMS. INVESTORS MUST HAVE ASSURANCES THAT THEIR PROPERTIES WILL BE PROFITABLE AND THE INCOME PRODUCED WILL ALSO MAINTAIN THE PROPERTY TO INSURE "MAXIMUM" RENTAL INCOME.

I HAVE BEEN IN THE RENTAL HOUSING FOR 17 YEARS. I MANAGE 160 UNITS OF LOW, MODERATE, ELDERLY, AND MARKET INCOME.

THANK YOU

~~Sith~~

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

SENATE LOCAL GOVT. COMM.
EXHIBIT NO. 8
DATE 1-15-91
BILL NO. SB-65

WITNESS STATEMENT

To be completed by a person testifying or a person who wants their testimony entered into the record.

Dated this 1-15 day of [illegible], 1991.

Name: [illegible]ANN [illegible]

Address: [illegible] W. GRANITE [illegible] 101

Telephone Number: 782-46[illegible]

Representing whom?

[illegible] Community Union

Appearing on which proposal?

[illegible] and Rent [illegible]

Do you: Support? _____ Amend? _____ Oppose? X

Comments: ~~oppose~~
~~[illegible]~~ [illegible] Rent control [illegible] think it will
hurt [illegible] more than help the people of Mt.
right now people have a hard time paying
rent [illegible] it is same [illegible] to pay rent
who [illegible] say the money the landlords get will
be [illegible] to help the low income they could
go [illegible] and buy a [illegible] Boats or cars [illegible]
[illegible] and what [illegible] different things
I think they should leave things as
they are right we don't need a bill
for something we don't have

SENATE LOCAL GOVT. COMM.
EXHIBIT NO. 9
DATE 1-15-91
BILL NO. SB-65

WITNESS STATEMENT

To be completed by a person testifying or a person who wants their testimony entered into the record.

Dated this 15 day of January, 1991.

Name: Chris Chapman

Address: 521 Breckenridge Helena, MT

Telephone Number: 449-7269

Representing whom?

Montanans for Social Justice

Appearing on which proposal?

SB 65

Do you: Support?_____ Amend?_____ Oppose? X

Comments:

I can't see where this can benefit the state of Mt. Approximately 1/3 of the population of Mt. is low income. this would be detrimental to the ~~ov~~ good of the state & its people. This ~~p~~ bill will make the rich, richer at the ~~cost~~ expense of the poor. once again the poor will pay ~~through~~ and pay.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

SENATE STANDING COMMITTEE REPORT

January 15, 1991

MR. PRESIDENT:

We, your committee on Local Government having had under consideration Senate Bill 25 (first reading copy -- white), respectfully report that Senate Bill 25 do pass.

Signed: Esther G. Bengtson
Esther G. Bengtson, Chairman

BB 1/15/91
Amd. Coord.

1-15-91 9:35
Sec. of Senate

ROLL CALL

SENATE LOCAL GOVERNMENT COMMITTEE

DATE 1-15-91

52 LEGISLATIVE SESSION

NAME	PRESENT	ABSENT	EXCUSED
Senator Beck	X		
Senator Bengtson	X		
Senator Eck	X		
Senator Hammond	X		
Senator Harding	X		
Senator Kennedy	X		
Senator Thayer	X		
Senator Vaughn	X		
Senator Waterman	X		

Each day attach to minutes.

ROLL CALL VOTE

SENATE COMMITTEE LOCAL GOVERNMENT

Date 1-15-91 Bill No. SB-25 Time 2:45 p.m.

NAME	YES	NO
Senator Beck	X	
Senator Bengtson	X	
Senator Eck	X	
Senator Hammond	X	
Senator Harding	X	
Senator Kennedy	X	
Senator Thayer	X	
Senator Vaughn	X	
Senator Waterman	X	

Joyce Inchauspe-Corson
Secretary

Senator Esther Bengtson
Chairman

Motion: Due Pass SB-25

DATE 1-15-91

COMMITTEE ON SENATE LOCAL GOVERNMENT

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One Support	Check One Oppose
Chuck Rinney		65		✓
Charlotte Edwards	Custom Mt.	SJ 3		✓
Lyle Nagel	Mt. St. Vol. Fire Fighters Assn	SB 10	✓	
Brendan Beatty	Montana Realtors	SB 65	✓	
Tom Bergstrom	MSFA	SB 10		
Vern Erickson	MSFA	SB 10	✓	
Richard Seddon	MSFA	SB 10	✓	
Edward L Flies	STATE COUNCIL of Professional Firefighters	SB 10	✓	
WALTER F. JACKOVICH	Self	SB 65	✓	
Gordon Morris	MACo.	SJR 3		✓
Tom Hopgood	Mont Assoc. Realtors	SB 65	✓	
Don CHANCE	MONT. BUILDING IND. ASSN.	SB 65		
Riley Johnson	NFIB	SJ 3	X	
Chris Chapman	Montanans For Social Justice	65		✓
Lozzann Saunders	Butte community Union	65		✓
Sen Bill Yellowtail	Sponsor	SB 65	✓	
Kristin Page	Mont PIRG	SB 65		✓

(Please leave prepared statement with Secretary)