

To the City Council:

I have written two prior letters voicing my opposition to the City's rent stabilization ordinance. My wife and I are the owners of a 4-unit apartment building in Beverly Hills, which is our residence. As outlined in my previous letters, as a rental housing provider in our City, I am completely against the rent stabilization ordinance. Not only is rent control bad for me personally, but the City's ordinance will have long and lasting negative consequences in our City.

Unfortunately, none of the members of our City Council, nor any of the City's staff that has helped to craft the rent stabilization ordinance actually own rental housing, and are clearly not qualified to craft a rent stabilization ordinance. In a purely political move, our City Council has turned an emergency ordinance into a permanent ordinance. As a small, one location rental housing provider, I am being overwhelmed with regulation, forms, and my income, property value and ability to maintain my property will all suffer.

Our City Council instituted the rent control ordinance in such a hurry, no one ever stopped to ask some basic questions:

- Who's really going to benefit from the City's rent control ordinance?
- What's the cost of implementing and maintaining the rent control ordinance?
- How will success be measured so that the effect of the City's rent control ordinance can be measured over time?

Unless there is a means to actually assess the financial needs of the City's renters, the law of unintended consequences will result. Young, healthy, successful professionals will benefit by receiving cheap rent, and rental housing providers will see less income and have difficulty maintaining their properties. Rent control should assist the fixed income seniors or others in financial need within our City that can demonstrate a proven need. Rent control should not serve to benefit the young, healthy professionals in our City such as rent control advocate, Mark Elliot, who probably just wants a break on rent so he can afford to buy a new, high end bicycle and more expensive biking vacations. As Margaret Thatcher, former Prime Minister of the United Kingdom once said: "The trouble with Socialism is that eventually you run out of other people's money."

The costs of the rent stabilization ordinance are slowly becoming clear. Within a recent City Council agenda package, the City's consultant, Management Partners, reported the preliminary estimate of the rent stabilization program costs for the next two years. The start-up and one year costs are expected to be \$1,492,200 of which \$250,000 has already been appropriated. The fiscal year 2018-19 costs are expected to be \$1,649,200. However, what is not included in these estimates are the cost impacts within other City departments and the resulting allocation of these costs. In actuality, the true cost of the rent control ordinance will be north of \$2.0 million per year!

Other than the success of rolling back rent increases and making themselves feel good with my money, our City Council has not even contemplated how to measure its success. But, unfortunately, what we will see is guaranteed failure. Over time, there will be less turnover of apartments, therefore less opportunity for young families to move into our City. Less families moving into our City will negatively impact our

schools. Rent control lowers property values, which will result in lower property taxes. Less families, and less basic aid providing property taxes will ultimately negatively impact our schools, which will ultimately have an adverse impact on all property values of and property tax revenue from both rental housing and single family residences.

Yet, my opinion expressed here is only the opinion of a small, one location, rental housing provider. But, there are numerous, sophisticated economic studies supporting my anti-rent control argument.

In its 2003 study, "Rent Control and Housing Investment: Evidence from Deregulation in Cambridge, Massachusetts" sponsored by the Manhattan Institute, M.I.T. economist Henry O. Pollakowski concluded that "...when price controls (rent regulation) are imposed on housing stock, housing quality declines over time because landlords are unable to recoup their investment and routine maintenance costs." Once deregulated, the study concluded that Cambridge, Massachusetts experienced a tremendous boom in housing investment, which led to "major gains" in housing quality, which would not have otherwise occurred. The study further noted that these investments, or "investment boom" occurred across both affluent and modest income neighborhoods.

In a 2015 Manhattan Institute commentary paper, "New York City Would Be Better Off Without Rent Control," author and economist, Howard Husock, noted that New York City, which has had rent controls for 7 decades, experiences the lowest housing turnover of America's 10 largest cities. Mr. Husock refers to New York City as the "frozen-city" noting "regardless of their capacity to pay a higher rent, households protect their good, rent-regulated deals even if they no longer need the space." Mr. Husock further notes:

"...more turnover would open NYC's housing market to newcomers, blunting the notion that the only way to accommodate a growing population is to build more subsidized housing that few tenants ever leave. Further, as more housing came on the market, upward pressure on market-rent costs would be reduced, as supply better adjusted to demand. In short, deregulating NYC's housing market, notwithstanding potential disruption to some rent-regulated Manhattan tenants, would immeasurably improve it."

Somehow, New York City always suffers from a severe housing emergency. To this, Mr. Husock asks the question: "Could it be that current law is to blame?"

In the Journal of the American Institute for Economic Research's study, "Rent Control: Do Economists Agree?," 76.3% of economists surveyed "generally agreed" that "a ceiling on rents reduces the quantity and quality of housing available." Another 16.6% of economists surveyed "agreed with provisions" to this statement. Overall, more than 90% of economists surveyed agreed that rent control is detrimental to both housing quality and quantity of available housing. The Journal of the American Institute for Economic Research's study also notes that rent control "...creates an incentive to stay in the same apartment, which leads people to remain in the same apartment even if their tastes and conditions change." As a result, rent control causes housing shortages in addition to other adverse consequences such as "discrimination, quality deterioration, substitution of tenant for landlord maintenance...finder's fees, side payments and bribes..." In comparing the cities of Chicago and New York, the study further notes:

“It is hard for the casual observer not to notice the difference in the supply of new construction for rental purposes in Chicago (which is very much a non-rent controlled city) and New York City (which has among the most Byzantine and volatile rent control rules). Chicago’s lakefront is dotted with apartment buildings built after World War II for rental purposes. New York’s Upper East Side is filled with one-time rental buildings that were gradually turned into cooperatives and lacks new rental buildings despite the fact that technically these buildings would be free from rent control.”

Rent controls are just another form of price controls. Unfortunately, our City Council is under a misguided opinion that these price controls will somehow protect tenants from extortion and exploitation without hurting landlords or housing supplies. Yet, the negative effects of the rent control ordinance will become far worse the longer it remains in place. Incentives to build new housing will or the ability to maintain the City’s 70-80 year old rental properties will become non-existent. As the costs of operating rental housing increase, the level of rents will result in shrinking returns for rental housing providers, which will then have trouble remodeling and/or maintaining their properties. As a result, property conditions and values will decline, property tax revenue will decline, and revenues of both our City and schools will decline.

The City rent control ordinance is a blatant injustice that is being imposed on our City’s rental housing providers like me. Our City Council, none of which has actually taken the risk and invested in multi-family rental housing, has literally thrust their hands into my pockets to subsidize tenants, many of which are not in need of financial assistance and many of which are far wealthier than my wife and me. If our City Council’s heart bleeds for the City’s tenants, I urge our City Councilmembers to contribute their own money to rent subsidies in order to assist those who they perceive are the “true” needy within the City of Beverly Hills. After all, as the author Terry Goodkind once said in his book the “Pillars of Creation,” “Charity, if you have the means, is a personal choice, but charity which is expected or compelled is simply a polite word for slavery.”

Daniel M. Yukelson
Beverly Hills, CA