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To: House Judiciary Committee
Subject: Opposition to H8108 & S2271

Follow Up Flag: Follow up
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Dear Committee Clerk DiMezza,

To the Members of the Rhode Island General Assembly, We write to urge your opposition to bills H8108 and S2271, which would impose state-wide rent control on Rhode Island's housing market. While these proposals aim to address legitimate concerns about housing affordability, economic evidence and real-world experience demonstrate that rent control policies are counterproductive and will ultimately harm the very communities they intend to help.

The Economic Consensus Against Rent Control Rent control has been studied extensively by economists across the political spectrum. Over 94% of economists conclude that rent control creates more housing problems than it solves. In a 2012 survey by the American Economic Association, 93% of economists agreed that rent control reduces both the quality and quantity of available housing. This remarkable consensus reflects decades of evidence from cities worldwide.

Real-World Examples: Rent Control Failures The failures of rent control are not theoretical; they are documented in cities across America:

New York City: With over one million rent-controlled apartments, New York faces a historic housing shortage. Between 26,000 and 88,000 rent-stabilized apartments sit vacant because the allowable rent increases are insufficient to pay for necessary repairs and renovations. The city's vacancies have plummeted to 1.41%, the lowest since 1968. Meanwhile, New York City has the highest rent-to-income ratio in the U.S. at 64.9%, meaning rent control has failed even its stated goal of affordability.

Saint Paul, Minnesota: When rent control was approved by ballot initiative in November 2021, housing development collapsed. Building permits dropped 84% in the six months after the vote from 2,180 to 352 even before the policy took effect. **Producer expectations matter:** developers immediately shifted investment elsewhere.

San Francisco: Expanded rent control in 1994 led to a 15% reduction in available rental units between 1979 and 1994 as landlords converted properties to condos. Stanford research on San Francisco's rent control found that while some tenants saved money, this came at the cost of higher rents for new tenants and accelerated gentrification toward high-end construction.

Cambridge & Brookline, Massachusetts: Following imposition of stringent rent controls in the 1980s, rental units fell by 8% and 12% respectively.

Los Angeles: A RAND Corporation study found that 63% of the financial benefit to consumers from lowered rents was offset by losses in available housing due to deterioration and disinvestment.

Critical Problems with H8108 and S2271

1. Distortion of Housing Markets

H8108 and S2271 cap annual rent increases at 4%, with limited exemptions requiring bureaucratic approval from the Secretary of Housing. This artificial price ceiling distorts the housing market by holding rents below levels set by supply and demand. When rental income is restricted:

- Property owners choose not to rent units or delay necessary improvements
- Developers cannot justify the financial case for new apartment construction
- Lower projected rents cannot offset rising construction costs driven by inflation and higher interest rates
- New housing production declines precisely when supply is needed most

2. **Reduced Maintenance and Housing Decline** The restricted rental income imposed by H8108 and S2271 affects building upkeep and long-term housing quality. When property revenue cannot keep pace with rising expenses:

- Building maintenance is deferred as owners cannot afford full repairs
- Aging housing stock gradually declines in condition and habitability
- Owners with recent mortgages can only afford basic repairs, not major upgrades
- Nationally, 61% of housing providers have deferred or expect to defer maintenance due to rent control limiting their revenue

3. Interference with Housing Mobility

Rent control policies, particularly the vacancy control provisions in these bills, fundamentally interfere with normal housing market function:

- Households who could afford market-rate housing remain in regulated units, occupying space others need
- Tenants with the greatest need struggle to find available apartments
- In San Francisco, tenant mobility fell 19%, with empty-nesters staying in larger units, pushing young families out.
- The policy discourages construction of new rental and multifamily housing

4. **Problematic Regulatory and Legal Provisions** Beyond the economic harm, H8108 and S2271 contain provisions that will create administrative burden and unnecessary litigation:

- Bureaucratic approval process for rent increases above 4% creates uncertainty and regulatory risk
- Private right of action for tenant lawsuits increases litigation costs
- Treble damages (three months' rent) and attorney fee awards create disproportionate liability
- These provisions will deter property investment and management in Rhode Island

5. **Rent Control Benefits the Wrong People** Paradoxically, research shows that rent control often fails to help those most in need. In New York City after the 2019 expansion of rent stabilization, the Wall Street Journal reported that the biggest beneficiaries are not low-income tenants across the city, but rather more affluent, educated, white residents who have the stability to remain in units long-term. Studies across California and New York show that both high- and low-income households receive similar benefits, meaning rent control is a poorly targeted policy that benefits the less needy.

Proven Solutions That Work

Rather than rent control, evidence-based alternatives have proven more effective at expanding affordable housing while maintaining supply and quality:

Housing Vouchers and Subsidies: Direct rental assistance (Section 8 vouchers) allows housing subsidies to reach 5.4 times more families per dollar than traditional public housing projects. For a family of three, the 10-year subsidy cost under a voucher program is \$65,040 versus \$352,480 for public housing a savings of \$287,440. Housing vouchers provide tenants with choice and mobility while maintaining landlord incentives to maintain properties and accept renters.

Strengthen Accessory Dwelling Units (ADUs) with More Financing Support:

ADUs are "missing middle" housing that is smaller, more affordable, and uses existing structures. Rhode Island passed statewide ADU legislation in 2024 allowing one ADU per lot by right, eliminating restrictive zoning. While RI Housing offers FHA 203(k) loans for refinancing to build attached and interior ADUs. Neighboring states have implemented even more robust support programs:

- Massachusetts: Home Modification Loan Program provides 0% interest loans up to \$50,000 for ADU creation, helping seniors and disabled residents age in place
- Vermont: Housing Improvement Program 2.0 offers up to \$50,000 per ADU in grants or forgivable loans

- Connecticut: Apartment Conversion for the Elderly (ACE) Program provides loans up to \$80,000 at low interest rates
- Boston: Deferred equity loans of up to \$30,000 to help homeowners afford ADU projects
- Montpelier, Vermont: Grants up to \$20,000 plus 0% interest loans for homeowners developing ADUs

Why ADUs Work: ADUs increase housing supply without requiring new land acquisition or large-scale development. They generate over \$287,000 more per family in cost efficiency compared to traditional affordable housing. They support aging in place, multigenerational living, and flexible housing for all income levels. Unlike rent control, ADU policies encourage property maintenance and expansion, not disinvestment.

Zoning and Permitting Reform: Streamlining land use regulations and building approval processes reduces construction costs and accelerates housing development, directly addressing supply shortages that drive up rents.

Tax Credits and Developer Incentives: Tax credits and subsidies for developers who build affordable units encourage the private sector to address housing shortages through new construction, expanding the overall housing supply.

Targeted Income-Based Support: Direct assistance to households most in need such as income-based rental assistance or property tax relief is more efficient and equitable than policies that artificially suppress market prices.

The Path Forward

Rhode Island can learn from decades of rent control failures in other states and the success of ADU and subsidy programs already implemented in neighboring Massachusetts, Vermont, and Connecticut. Rather than imposing rent controls that will suppress investment and reduce housing supply, Rhode Island should build on its 2024 ADU legislation, expand financing programs like those available in Massachusetts and Vermont, and pursue targeted subsidies that directly help those in greatest need.

Conclusion

For these reasons, I urge policymakers to oppose H8108 and S2271 and instead pursue solutions grounded in economic evidence. Rent regulation policies risk reducing supply and housing quality while ultimately failing to help those most in need. The real-world examples from New York, San Francisco, Minneapolis, and other cities demonstrate this painful pattern. Rhode Island deserves housing policy that involves policies that increase the supply of affordable housing through ADU incentives, targeted subsidies, zoning reform, and developer support rather than through price controls that have repeatedly failed.

Respectfully submitted,

Joseph Solomon

Sincerely,

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