

To the members of the House Municipal Government and Housing Committee,

I am a housing provider in Providence and have been active in real estate in Rhode Island as a housing provider, real estate agent, and property renovator since the early 2000s. I am also a registered voter and generally align with the position of the RI Coalition of Housing Providers on housing issues.

I believe rent control is a well-intentioned but fundamentally misguided effort to address the increase in rents that has resulted from a supply-demand imbalance in our State, the fruit of a history of exclusionary zoning practices.

Like other forms of government price controls, economists nearly universally agree that rent control tends to have the exact opposite of its intended effect.

It disincentivizes creation of new rental units, which is the only long-term solution to address the supply-demand imbalance, and discourages owners from functionally improving our aging housing stock by limiting the benefit they can realize from upgrading housing units. Fewer units will be built and existing units will deteriorate because developers and owners will be prevented from being compensated for investing in new and better units.

It has been shown that where rent control exists, it is only to the benefit of existing occupants, who have an incentive to remain in their units long past the time they might have departed, and actually increases housing costs to new tenants who have greater difficulty finding available units and must bear a higher cost to subsidize the existing rent-controlled units. All in an environment of little-to-no new supply being delivered due to the removal of profit incentive to potential builders of new housing units.

Rent control also forces housing providers who might otherwise leave existing rents as-is without increase for several years—and I personally know many such housing providers—to raise them consistently to the maximum extent allowable, because if they do not increase it in one year they will never be able to recoup the amount they didn't increase that year, in a future year.

Finally, it is unfair to cap housing providers' ability to increase income when both property taxes and insurance expenses have risen in double-digit

percentages in recent years. If that trend continues as expected, this Bill will in short order make it impossible for rental property owners to provide housing.

Efforts at lowering rent should be addressed at the root of the problem, the lack of supply to meet the amount of household demand, and should focus on creating new supply rather than constraining existing supply—which discourages new supply and creates a class of winners (current tenants) and losers (future tenants who find there are fewer available rental units because no current tenant wants to give up a rent-controlled unit).

I also oppose other elements of proposed Bill 7891.

The “just cause eviction” provisions of the Bill prevent housing providers from being able to renovate and upgrade units as needed, sell their properties to prospective owner-occupants who usually (with their lenders) demand at least one unit be vacant for themselves, and reconfigure their properties to provide more bedrooms and/or units as the market requires.

Limiting and restricting condominium conversions prevents owners and developers from dynamically responding to the needs of the housing market.

Adding notification requirements and relocation payments to substantial renovations and demolition/construction only adds to the raft of costs and bureaucracy already faced by developers, discouraging developers from creating new housing units (the only true solution to the high rents caused by the supply-demand imbalance) and performing the upgrades necessary to fight increasing functional obsolescence in our aging housing stock.

For these reasons, I urge the Committee to hold Bill 7891 for further study.

Thank you for your consideration, and your service to our State,

Anthony Thompson