

## OPPOSE HOUSE BILLS 7989 7891

I've been a practicing attorney for 32 years, a real estate investor for 15 years and a real estate broker for 10 years. I, together with my partners, clients and fellow investors, resent the fact that these proposed bills, together with a slew of other anti-landlord bills, and the justification behind them unfairly singles us out. It mis-characterizes landlords as the greedy money-grubbing enemy of residential rental market seeking to unjustly profit from our tenants while providing sub-standard housing accommodations, egregiously jacking up rents and abusing the rights of our tenants with unjust evictions. While there certainly are some individual cases of bad landlord's, we believe that these examples are the exception to the general rule. The vast majority of landlords serving some 400,000 or more tenants in this state are good and honorable people who take seriously their obligations as housing providers.

The supporters of this legislation have done a great job ensuring that the two high profile cases involving Pioneer Investments and Elmwood Property Management have remained at the top of the news cycle and falsely propped up as examples of the typical Rhode Island landlord, distorting the true state of landlord tenant relations in this state. We must dispel the false notion that the Rhode Island real estate market has been cannibalized by greedy venture capitalists, hedge funds and Wall Street corporate interests that prioritize profit over the rights of tenants.

Most Rhode Island landlords truly are mom-and-pop investors. Owning more than one rental property does not disqualify you as a mom-and-pop and convert you to a greedy corporate real estate conglomerate. Mom-and-pops are ordinary Rhode Islanders who own rental properties and have invested their hard-earned money, together with their sweat equity, to try to get ahead in pursuit of the American Dream. Many mom-and-pops have toiled away over many years to improve their properties and make rental real estate a viable business to support their families. These landlords are the vast majority of people who will suffer the consequences of these bills.

Rent Control seeks to regulate and limit the amount that landlords can charge for rent. House Bills 7989 and 7891 declare, among other things, that there is a shortage of affordable housing and that landlords are responsible for egregious rent increases. It is clear to everyone in this room that the cost of everything in life has increased dramatically since the Covid-19 pandemic and we continue to live with the post-pandemic hangover. Rhode Island, like the rest of the United States, is a capitalistic free market economy struggling to find its footing in the aftermath of Covid-19.

Of many various business enterprises in this state that tenants utilize for all of their goods and services, landlords and real estate investors represent the only business type that has been singled out for price regulation to subsidize the cost of living of Rhode Islanders who struggle to make ends meet. I am not aware of any other proposed bills seeking to regulate prices tenants are charged by grocery stores, Rhode Island Energy, gas stations, liquor stores, hairdressers, Dunkin Donuts, Starbucks, fast food establishments, restaurants, Twin River Casino, pet stores, clothing stores or any of the other myriad businesses in an effort to help Rhode Island citizens make their lifestyle more affordable. Many struggling tenants surely line up outside of Rhode Island's marijuana dispensaries to spend their limited funds on highly taxed THC products, while the State of Rhode Island rakes in a fortune in tax revenue from them. Against this backdrop, these bills identify landlords as the primary problem affecting tenants' ability to pay their rent, with rent control being the only way that this legislature can help them during these inflationary times.

Contrary to the popular belief of the supporters of these bills, most Rhode Island landlords are not deep pocketed millionaires with hoards of cash available to subsidize the cost of living for their tenants. Landlords are struggling just as much as tenants to keep their properties afloat against soaring property taxes and insurance premiums, higher interest rates, higher utilities and maintenance costs, and other

inflationary pressures affecting every aspect of their personal and businesses life. It is unconscionable in a free-market society that landlords would be singled out and discriminated against as the only price regulated businesses in the state required to subsidize tenants' cost of living.

There is no emergency crisis in this state involving economically abusive relationships between landlords and tenants. The only crisis that currently exists is a housing shortage that has persisted for many years, and which currently exists across the entire United States. Housing Secretary Stefan Pryor's recent Channel 12 interview confirmed that Rhode Island has the absolute "worst housing production rate" in the United States of America. As many of you know, Rhode Island is regularly ranked at the bottom of all 50 states as a friendly place to do business. Yet the supporters of this legislation believe that one important solution to the housing crises is to defame, attack, and punitively regulate the private sector housing providers who develop the vast majority of new housing and apartment rental opportunities in this state. If these bills are passed, we will ensure that Rhode Island remains at the bottom of the barrel in housing production and one of the least friendly states to conduct business. These bills, punitive in nature, assert multiple ways to punish, fine and prosecute landlords. This approach will certainly result in a flight of capital out of Rhode Island and exacerbate the housing shortage as property investors decline to continue investing in the development of rental housing in Rhode Island. I and many other investors are now considering investment opportunities outside of Rhode Island because of the fervent effort underfoot to substantially and dramatically regulate every aspect of the landlord tenant relationship against property owners and in favor of tenants.

Rent control is also bad for tenants. Many of Rhode Island's landlords do not regularly raise their rents, despite what you might hear in the anti-landlord propaganda. On the contrary, there are many examples of tenants who have resided in an apartment for many years without any significant increase in rent. If these rent control bills pass, heavily

regulated landlords, stripped of the discretion to increase rental prices, will certainly include provisions in their new leases mandating annual increases in rent to the maximum amount permitted by law and cite to the enabling legislation passed by the General Assembly. The unintended and drastic result is that many tenants will now be subject to automatic rent increases every single year, and the clear perception will be that this was authorized and approved by the Rhode Island General Assembly.

The creation of more housing units is the only way out of the housing crises. It really is driven solely by supply and demand issues; economics 101. Just cause evictions and the creation of perpetual tenancies are wholly contrary to Rhode Island's desperate need to create an abundance of housing units as quickly as possible. The right of perpetual tenancy created by this legislation will permanently freeze most of Rhode Island's sub-standard housing stock by disincentivizing investment in the purchase, rehabilitation and re-development of such properties. No investor will purchase these substandard properties if they must inherit perpetual tenancies with submarket rents and a statutory limitation on future rent increases. There simply is no return on investment for any private investor to purchase such properties, renovate them to current code or otherwise re-develop the property.

By way of example, I would like to cite to two residential apartment complexes on Federal Hill. The first one is at 408 Atwells. In 2019 the investor purchased the severely distressed properties 408 Atwells Avenue and the three family behind it. At 408 Atwells only one of two residential apartments was occupied. The commercial unit was vacant and the three family behind had one family occupying the house. The developer purchased the properties and worked cooperatively with the existing tenants as they relocated. The developer then invested \$6,000,000 to renovate the commercial unit and the two residential units at 408 Atwells, and replaced the three family house with a 20 unit apartment building resulting in a net increase of 19 residential apartments.

The same developer purchased a two unit building at 386 Atwells Avenue which contained a commercial office unit and one residential apartment. The developer worked cooperatively with the tenants as they relocated and then invested \$4,000,000 to build a 24 unit apartment building. A net increase of 23 residential apartment buildings.

While we acknowledge that tenants in the three residential units were displaced in the process of these two developments, the net result is that the completed development now provided 42 housing units as well as a commercial unit that now houses a thriving vegan restaurant serving the community. This substantial increase in housing not only contributed to reducing the housing shortage, but it also improved the neighborhood by removing blighted properties, adding an additional business and many more residents to the neighborhood to patronize the businesses on Federal Hill. If House Bills 7989 and 7891 were law in 2019, these developments would not have occurred.

The practical implications of this proposed legislation are that investors will not undertake projects like these if these bills become law. These bills, will tenants to remain permanently in place, at their sole discretion, in perpetuity, to the disadvantage of reducing the housing shortage and the surrounding community as a whole. These laws would have precluded the developer's \$10,000,000 investment in Providence.

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