



Testimony of Jeffrey H. Gelman
Board of Directors
District of Columbia Building Association
Before the Committee on Housing and Community Development
Honorable Anita Bonds, Chair
Public Hearing

on
B21-884, the "Rental Housing Affordability Stabilization Amendment Act of 2016"
B21-880, the "Rent Concession and Rent Ceiling Abolition Clarification Amendment Act
of 2016"
and
B21-885, the "Four-unit Rental Housing Tenant Grandfathering Amendment Act of
2016"

The John A. Wilson Building
1350 Pennsylvania Avenue, N.W. Room 123
Washington, D.C. 20004
October 19, 2016
10:00 a.m.

Good morning Chairwoman Bonds, members of the committee, and staff. I am Jeff Gelman, Partner at Saul Ewing and a Board member of the District of Columbia Building Industry Association (DCBIA). DCBIA represents over 450 organizations and thousands of real estate professionals in the District of Columbia Metropolitan area. Our members are professionals in all aspects of real estate development. DCBIA looks forward to working with you and your committee on the issues of housing affordability and opportunity, and we appreciate the opportunity to continue to participate in the effort for improving our communities and ensuring that there are safe, decent places for all residents to live.

Today, I will testify on B21-884, the "Rental Housing Affordability Stabilization Amendment Act of 2016", Bill 21-880, the "Rent Concession and Rent Ceiling Abolition Clarification Amendment Act of 2016," B21-885, the "Four-unit Rental Housing Tenant Grandfathering Amendment Act of 2016," and their general impact on development in the District of Columbia. We are committed to working with you, your Council colleagues, and your staff to create and adopt sensible improvements to the laws

governing the relationship between tenants and landlords in our city that are in line with the Housing Preservation Strike Force recommendations.

Before delving into each particular piece of legislation, I would like to note that I believe that you are the tenth committee chair that I have testified before involving complaints that rent control does not provide sufficient housing affordability. As I have noted for the record many times before, rent control is a price stabilization program and was not intended nor designed to be an affordable housing program. There are no government subsidies and there are no income determinations of need under rent control. Rent control is as likely to cause a landlord to subsidize the housing costs of a higher income resident as it is a lower income resident. The true solution to the rental affordability problem is a robust and adequately funded DC government rental subsidy program tailored to those residents that are in need of rental assistance. With that backdrop, I will now delve into the pending legislation.

Rental Housing Affordability Stabilization Amendment Act

DCBIA recognizes the intent of Bill 21-884, which is to ensure that tenants who need the stability of affordable units don't see sudden or dramatic rent increases. However, temporary rent concessions are beneficial to tenants. As noted earlier, rent controlled units aren't "affordable" units in the same sense as ADU's, IZ units, or other income-limited housing. Rent control is a mechanism to even out the pace at which rents increase, not to guarantee affordability. If landlords are faced with the option of 1) offering a temporary concession and then never being able to go back to the base rent or 2) charging the base rent and never offering concessions, it will always make sense to charge the base rent – which is more expensive for tenants. Further, landlords are already required to disclose the full base rent so that tenants can make informed decisions about whether they can truly afford a particular unit. Rent concessions, such as a "move-in special" are clearly temporary discounts meant to attract renters who can later afford the full rent when the discount expires.

The caps on rent increases which are included in this bill would severely limit landlords' ability to maintain their buildings and make it more difficult to obtain funding from investors, who expect a certain rate of return. Landlords would be forced to rely on more petition-based rent increases, which might not be granted. While CPI is expected to be flat, annual increases in operating expenses and real estate taxes for buildings already far exceed rent increases. Housing is not truly stable if we create a regime under which we know buildings will fall into disrepair.

Rent Concession and Rent Ceiling Abolition Clarification Amendment Act

This legislation would negate the important role and value of voluntary agreements entered into between landlords and at least 70% of the tenants that provide for incremental rent increases over time, and deny both tenants and landlords of the opportunity to reach agreement to renovate and rehabilitate housing with incremental future rent increases. Many projects would not be able to be rehabilitated under this legislation, which requires charging tenants immediately any voluntary increases because any right to future increases will expire after 30 days of the first agreed to increase. This would force landlords to seek higher immediate actual rents under voluntary agreements because they would be denied the right to follow a tenant approved schedule of increases over time. This legislation should be rejected in its entirety as bad for tenants and landlords.

Four-unit Rental Housing Tenant Grandfathering Amendment Act

This legislation would undermine the long-established and very important 4-unit or less exemption from rent control. If an individual owner of a housing accommodation owns no more than 4 units, then that owner qualifies for exemption from rent control. This was carefully and intentionally enacted years ago to address the disproportionate impact of the financial constraints and adverse effects of rent control on very small property owners. If such a property is owned by a legal entity other than an individual, no such exemption from rent control is available.

This legislation would provide that such very small properties are not exempt from rent control because it is owned by a legal entity or an individual that owns more than 4-units in DC, but rather shall always be subject to rent control. All prior direct attempts to negate the 4-unit exemption have been opposed and defeated with the support of many residents of the District. The late former Mayor Marion Barry was a long-time champion of protecting and defending the importance of the 4-unit exemption from rent control for those small property owners. This legislation should be rejected in its entirety as bad for the thousands of small property owners that rent their homes, condominium units and small buildings.

This concludes my testimony on Bill 21-884, Bill 21-880, and Bill 21-885. In the spirit of collaboration, we hope that the Committee will work with the Administration as it carries out the Preservation Strike Force recommendations. DCBIA looks forward to seeing this groundbreaking, citywide strategy unfold, and commits to be helpful in that process. We also look forward to continuing to participate in the working groups that you have established – to iron out the rent caps and to discuss other ways of furthering the District’s housing strategy that benefit everyone.

I would be happy to answer your questions at this time.