

OPINION

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LETTER TO THE EDITOR

Why New York City needs rent regulation

The rules add fairness and stability to a distorted housing market



To the editor:

The purpose and effects of rent stabilization are often confused. Contrary to a popular myth engineered by the real estate lobby back in the early 1990s, affordability was never the primary goal of rent regulation. The founding purpose was to neutralize market distortions and produce fair rents for tenants who occupied a particular class of housing. That is, it was enacted to end landlord profiteering and stabilize neighborhoods.

After popularizing the notion that rent regulation is a kind of welfare or housing-affordability program, the industry—operating through a variety of surrogates—was able to argue that the system is broken because deserving tenants were not precisely targeted and some undeserving tenants gained unjustified windfalls.

By focusing on a few of the incidental and unintended consequences in the system, *Crain's* editorial "[A system of perverse incentives for landlords and tenants alike](#)" only adds to the confusion.

Independent of the effects of rent and lease renewal protections, the city's housing market is riddled with massive distortions in both supply and demand—most of which are so deeply baked into the milieu of public/private relations they go unnoticed when considering the ultimate sources of property values. In its legitimate quest to protect quality of life, the city limits congestion through zoning and other land-use regulations, sets costly standards for housing construction, quality and safety, preserves historic landmarks and maintains a wide variety of green spaces. All of these market interventions limit housing supply.

Through publicly funded infrastructure—transportation systems, water and waste systems, etc.—government, largely with taxpayer dollars, maintains a functional metropolis with many highly attractive places to live. It is no surprise, for example, that entire neighborhoods have been built and rebuilt around subway lines or that a condo on Central Park West is worth two or three times what an otherwise comparable unit may go for only a block or two away.

These public actions along with the special qualities that draw people to the city have the effect of simultaneously limiting housing supply and increasing demand. It is this high pressure mix that fuels explosively high rents and other housing prices.

Landlords seem to believe they have a fundamental—almost Biblical—right to assume that all of these inputs should accrue to their benefit. They fail to recognize that a good portion of their profits effectively rest upon what amounts to a smorgasbord of government privileges and indirect subsidies. Indeed, while residential real estate values in New York City have risen far faster than national real estate averages, bettering the stock market and beating inflation in multiples, it is not uncommon for landlords to claim that legally mandated rents are forcing them to subsidize their tenants.

As the editorial identifies, many landlords consistently attempt to evade legal limits. As tenant attorneys, our practice routinely provides us with evidence of this behavior. If the point of this editorial is to encourage these loopholes get fixed and the rent laws get improved, we applaud that sentiment. However, we know that the real estate industry would prefer to eliminate this regulatory system entirely.

Tenant advocates are clear in their advocacy: Rent regulation is not welfare. It is a program to eliminate profiteering in a highly distorted market, to secure market fairness and to promote stable neighborhoods.

The real estate industry will argue that unregulated rents are inherently fair. Their argument assumes that in the absence of rent regulations the city's housing market is a neutral and even playing field. That assumption is both myopic and cruel.

Unlike some other markets, the city's housing market has never amounted to a graceful tango between supply and demand. It more closely resembles a match between two Sumo wrestlers—Need and Greed—with democracy serving as a necessary referee.

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