



Dear Senator Port and Representative Howard.

The Twin Cities Housing Alliance (TCHA) appreciates the opportunity to provide input and resources related to the proposed recommendations outlined by the **Task Force on Long-Term Sustainability of Affordable Housing**. We applaud you and the task force for the thoughtful work to support housing for low-income residents as well as ensuring the sustainability of the housing ecosystem to encourage more housing supply and maintain the viability of existing housing.

Twin Cities Housing Alliance (TCHA) is a solutions-oriented alliance of experienced and knowledgeable professionals across the region's housing continuum and ecosystem. Our members have decades of experience building, preserving, managing, financing, and helping develop policies for housing in Minnesota.

We are deeply involved in and concerned about finding practical solutions to address the alarmingly short supply of affordable housing, preserving and enhancing existing housing that is naturally affordable to minimize displacement all while ensuring that permanent supportive housing is provided with the necessary services for those who are most vulnerable to housing instability.

We understand that the work of the task force is not complete but believe we have information to share that could be helpful in providing context to validate the support for specific items outlined in **recommendation 4**. Please find attached the **"Public Cost of Rent Control"** resource that provides a summary of the reasons why, backed by data, rent control/stabilization policies are an ineffective tool to address housing affordability. Further, the document outlines the many effective alternatives to rent control that targets assistance to lower income renters while encouraging new housing.

Thank you again for the opportunity to provide these resources and we hope you will share this as testimony in support of items outlined in recommendation 4. As the process moves forward, we would welcome a conversation to discuss in more detail other ways to support the housing market in the production and preservation of housing while targeting protections to those residents most vulnerable to housing displacement.

Sincerely,

A handwritten signature in black ink, appearing to read "Cathy Capone Bennett".

Cathy Capone Bennett  
Executive Director  
Twin Cities Housing Alliance

Attached: TCHA Public Cost of Rent Control

# THE PUBLIC TOLL (AND COST) OF RENT CONTROL

While rent control aims to address housing affordability, it does not directly solve the challenges that many renters face. Lower-income renters are burdened by limited incomes that make it difficult to keep up with rising rent costs, and wages have not kept pace with the escalating cost of housing. In addition, rent control hinders the ability to accommodate population growth imperative to supporting thriving communities and economically sustainable region and state. These realities highlight the urgency of addressing housing affordability, but rent control fails to effectively tackle these issues. Instead, it leads to decreased housing production, discourages capital investment, reduces property maintenance, and disproportionately impacts the very renters it seeks to protect.



## Rent Control Disproportionately Impacts Low Income Renters

- **Affluent Renters Reap the Benefits at a Higher Rate:** Rent control, at best, may provide short-term relief from rent increases but that relief proportionately benefits more affluent households while failing to adequately support the most vulnerable, cost-burdened residents. Nationally, 58% of housing providers report higher-income residents received the benefit from rent control. In New York City, 39% of affluent renters and 37% of white renters receive a discount due to rent control, compared to only 16% of black and 17% of Hispanic renters.
- **Reduction in Housing Mobility:** Rent control incentivizes renters to stay in units even when their needs change, limiting the availability of units for new renters. This creates a bottleneck in the housing market and limits housing choice, especially for lower-income renters and renters of color.
- **Ineffectiveness Against Predatory Practices:** Rent control does not specifically target bad actors, such as property owners engaged in predatory or discriminatory behavior, and often fails to penalize neglectful property owners. Instead, the policy creates broad disincentives for all property owners to maintain their buildings.



## Rent Control Reduces Housing Production

- **Discourages New Construction:** Rent control discourages housing providers from building new housing due to reduced returns on investment which in turn, limits investor interest and reduces necessary capital contributions needed to construct new housing. In our region, St. Paul experienced an 80% decline in multifamily building permits after adopting rent control. In the first half of 2024 in St Paul, permits dropped to 140 units compared to 1,025 units during the same period the previous year.
  - *Example:* At Highland Bridge, plans for over 2,000 market-rate apartments were largely suspended, with only a fraction of the intended units completed or under construction.
  - *Broader Affordability Impact:* This also impacts the financial viability of income restricted units which need the increased tax revenue from the market rate apartments to support the income restricted units.
  - *National Comparison:* This trend mirrors what has occurred in other cities with rent control, such as Portland and Santa Ana, where 70% of developers reported delaying or canceling projects.
  - *Contrasting Success:* In contrast, Minneapolis and Rochester have experienced their strongest residential construction year in decades, demonstrating that policy incentives can drive growth.

- **Diminishes Investment in Housing Supply:** Housing providers increasingly avoid cities with rent control. St. Paul's slowdown started earlier and has been more pronounced than neighboring Minneapolis, which does not have rent control and has consistently seen higher construction levels. However, investors have a regional view, and St. Paul's rent control impacts ability to attract capital for the entire region.
- **Exacerbates Housing Shortage:** By limiting the ability to increase housing supply, rent control worsens the existing housing shortage, making it harder for new residents to find affordable housing.



## Rent Control Results in Negative Economic Consequences

- **Lowers Property Values:** Rent control leads to decreases in property values. In St. Paul, a recent study found that rent control will result in an aggregate loss of \$1.6 billion in total property values impacting not only city revenues but also county and schools.
- **Budget Deficits and Tax Shifts:** Lower property values shrink the city's tax base for funding essential services like public safety, parks and infrastructure maintenance, compelling municipalities to compensate through increased property tax levies. St. Paul saw a total property tax increase of over 20% across the city, school district, and county. Consequently, the average St. Paul homeowner saw a 14.65% increase in their property taxes in 2023. In 2024, the St. Paul City Council approved a budget that included a 3.7% property tax levy increase. For 2025, the City Council approved a 5.9% property tax levy increase.
- **Hidden Public Costs:** Rent control forces municipalities to rely heavily on tax incentives and state or federal funding to make housing projects financially viable. Since passing rent control, St. Paul increasingly depends on state and federal tax credits to offset the financial impacts of reduced housing development.
  - *Example:* The Landmark Tower redevelopment in St. Paul required \$21 million in tax increment financing to proceed; which is estimated to be a 20% increase in public financing needed due to the added risk and cost of rent control.
- **Municipal Administrative Burden/Cost:** St Paul's budget for administering the rent stabilization ordinance was \$370,000 in 2024. Other municipalities in the nation that have rent control have spent millions administering the program. The result is that St. Paul staff is over burdened, there is high turnover and limited customer service to renters and property owners.
- **Misallocation of Burden:** Rent control allocates the burden to naturally occurring affordable housing (NOAH) resulting in diminished unregulated lower rents. In addition, much of the NOAH housing is family owned and operated rather than large corporate entities. This puts more burden on small family owned businesses which is counter productive to serving the needs of the community.



## Rent Control Lowers Housing Quality and Discourages Housing Maintenance

- **Deferred Maintenance and Deterioration:** Rising costs and limited revenue under rent control force property owners to defer maintenance or repairs and limits capital investment due to limited ability to recoup these costs. In St. Paul, 61% of property owners have reported reducing maintenance spending. This dynamic contributes to a widening gap in housing quality, with lower-income renters more likely to live in properties lacking modern amenities or upgrades.
  - In St. Paul, the requirements to receive a waiver to enable increasing rents to cover capital investments is complex and onerous. If pursued these costs are passed onto renters which is counterproductive to the intent of keeping rents stable. As an alternative, owners automatically increase their rents 3% per year to build reserves rather than pursue waivers impacting the lowest of incomes who are most vulnerable to any increase in rent.

- **Deterioration of Neighborhood Quality:** An unintentional side effect of rent control shows up in the overall quality of neighborhoods. When housing providers' costs go up and maintenance goes down, there's a notable rise in residents reporting serious crimes, complaining of trash and litter in the streets and on sidewalks, and finding that their units are severely inadequate.
- **Loss of Naturally Occurring Affordable Housing (NOAH):** Rent control especially discourages investments in the acquisition and maintenance of older, naturally-affordable properties by limiting the ability of the property owner to recoup the costs of necessary repairs and upgrades. Even when exemptions exist, they fail to solve the problem because they introduce uncertainty, administrative costs, delays, and other risks that deter investors and make maintaining these properties financially unviable.
  - *Example:* In St. Paul, 95% of rent-controlled units are in buildings constructed before 2005, many of which are naturally-affordable. Union Park Management, a property management company in St. Paul, highlighted the challenges of maintaining and improving rent-controlled NOAH properties. They acquired a building in severe disrepair for well below market value due to its condition. Without rent control, the company could have gradually increased rents to fund substantial improvements, ensuring the property's long-term habitability while aligning rental rates with market conditions. This would have created a sustainable cycle of investment, benefiting both tenants and the broader housing market. To bring the building up to standard, they instead had to apply for a one-time exemption to raise rents significantly.
  - *In Contrast:* A policy framework allowing market-aligned rent adjustments would enable property owners to maintain and improve properties while protecting tenants through targeted affordability programs. And cities can support 4D tax programs that income-restrict up to 20% of the units for 10 plus years.
- **Displacement through Demolition and Conversion:** Rent control policies often create incentives for owners to demolish older buildings and replace them with new ones to avoid rent control restrictions, leading to tenant displacement and a decrease in overall neighborhood affordability. This dynamic has been observed in cities like New York City and San Francisco.
  - In New York, rent control has led to landlords converting rent-controlled buildings into condominiums or cooperative housing to circumvent rent restrictions, significantly reducing the availability of affordable rental units.
  - Similarly, in San Francisco, rent control policies have incentivized property owners to withdraw units from the rental market altogether, often through redevelopment. These patterns result in a reduced supply of rental housing, particularly affordable units, as older, naturally occurring affordable housing is replaced with properties catering to higher-income tenants. This exacerbates housing shortages and reduces options for lower-income renters, undermining the intended goal of rent control to protect tenants.

## Our Priorities: Produce, Preserve, Protect



**PRODUCE** more units across the entire housing continuum from deeply affordable, income-restricted units to new market-rate units with interventions that:

- Improve available stock at a variety of price points
- Close the widening production gap
- Reduce unnecessary barriers and costs to construction
- Increase housing choice



**PRESERVE** and enhance existing Naturally Occurring Affordable Housing (NOAH) with interventions that:

- Support quality and reinvestment in NOAH
- Minimize risk of displacement
- Replenish and expand NOAH for future residents
- Promote good housing conditions



**PROTECT** and prioritize residents who are most vulnerable, experiencing the worst income disparities, and at the greatest risk of displacement with interventions that:

- Alleviate cost burdens
- Reduce displacement and evictions
- Promote fair housing

## There are Many Effective Alternatives to Rent Control that Target Assistance to Lower Income Renters While Encouraging New Housing

Cities have ample tools to effectively address rental housing affordability, rather than imposing rent control. These public sector tools, in partnership with the private and non profit sectors, should be utilized to their full extent.



### **PRODUCE: Increase the production of new housing of all types and at all income levels**

#### **PRODUCE**

To meet the growing demand for housing, cities need to accelerate the production of new housing units of all types while providing support for more income restricted and mixed-income housing.

#### Programs and Policies:

- Increase Production:
  - Leverage and/or create an affordable housing trust fund to increase new affordable and supportive housing. Dedicate local sales tax revenue to an affordable housing trust fund for new housing opportunities in partnership with the public and private sectors.

- Evaluate expansion of the Tax Increment Finance tool through bonding to support new income restricted housing developments.
- Support an office/hotel conversion tax credit and flexible zoning/permitting to increase housing options in place of underutilized properties.
- Eliminate Unnecessary Barriers:
  - Remove density restrictions and allow higher densities in areas where such density is supported, such as resource-rich neighborhoods and along transit corridors
  - Streamline and standardize approval processes to avoid delays and reduce costs associated with new housing projects.
  - Inclusionary housing ordinances only work if there is support from the city to fill the gap in providing income restricted units within market rate developments.

## Why This Matters

Increasing the housing supply is crucial for alleviating the pressure on the current housing market, making it easier for residents to find affordable housing and reducing overall housing costs. Public investment and strategic policy adjustments can significantly boost housing production and availability.



PRESERVE

## PRESERVE: Improve Housing Quality While Retaining and Expanding Affordability

Preserving existing housing is essential to maintaining the current stock and ensuring that it remains available and in good condition for future generations.

### Programs and Policies:

- Maintain Affordability of Naturally Occurring Affordable Units:
  - Utilize property tax incentives such as the 4D Tax Program to provide property improvements while ensuring long-term affordability.
  - Expand partnerships to support the strategic housing opportunity acquisition program, allowing the city to buy/repossess delinquent owned buildings and sell them to private and non-profit housing providers who agree to maintain renter affordability.
- Funding for Reinvestment & Rehabilitation:
  - Provide funding and support for a renter relocation fund when a property's rental license is revoked, and residents are forced to move. Recapture the fund through assessment back to the property.
  - Provide capital and operating subsidies to property owners to help reinvest in and maintain older buildings. Offer tax incentives and low-income housing tax credits for rehabilitation projects.

## Why This Matters

Preserving existing affordable housing ensures that current residents are not displaced, and that the quality of the housing stock is maintained. It also helps prevent the loss of affordable units due to deterioration or conversion to higher-rent properties.



PROTECT

## PROTECT: Protect and Prioritize Vulnerable Residents

Some of the most vulnerable residents are those that are experiencing rent shifts the most. Cities must prioritize their most vulnerable residents by providing direct assistance and enforcing protections to ensure they can remain in their homes and communities.

### Programs and Policies:

- Direct Rental Resident Assistance:
  - Partner with public housing agencies to deploy over \$100 million in annual state funding from the "Bring it Home" renter assistance voucher program. Target the assistance to those who may be experiencing rent increases beyond their ability to pay.
- Promote Safe and Fair Housing:
  - Enforce tenant protections against unfair practices and provide legal assistance for tenants facing eviction or dealing with unsafe housing conditions.
  - Invest in code enforcement staff for more proactive inspections and swift response to housing quality conditions where the health and safety of residents may be at risk.
  - Partner with law enforcement to address safety and security concerns.

## Why This Matters

Protecting vulnerable residents ensures they have the stability needed to thrive and contributes to the overall health and vitality of our communities. Direct assistance programs help to mitigate displacement and promote equity.



The Twin Cities Housing Alliance (TCHA) is a collaborative network dedicated to addressing housing challenges and strengthening community vitality in the Twin Cities region. Through strategic policy development, education, and impactful advocacy, TCHA works with local governments and allied organizations to ensure affordable, stable, and safe housing is attainable for all in our region.

TCHA focuses on facilitating dialogue, developing solutions, and catalyzing action at the local and regional level. We provide substantive expertise and technical assistance for policy development, as well as guidance and support for better communicating and engaging with diverse housing stakeholders.