

POLICY BRIEF

Rent control is dead, long live rent control

Rent control almost became law in WA in the 2023-24 legislative session—it should be left to rot on the scrap heap of economic folly and ignorance

By Scott Fallon,
Washington Policy Center Adjunct Scholar

April 2024

Key Findings

1. Washington state came as close as ever to state-wide rent control during the 2023-24 legislative session and its promoters will likely be back in the next session with another rent control proposal.
2. Supporters of the proposed rent control legislation misleadingly labelled their bill “rent stabilization” in a transparent attempt to avoid constitutional prohibitions against rent control and to sidestep negative reaction to rent control.
3. Rent control has failed globally to improve housing affordability as it disincentivizes investment in, creation of, and maintenance of rental housing.
4. Rent control ignores supply/demand dynamics and thereby would exacerbate housing affordability and homelessness crises in Washington state which are caused by a combination of restrictive building regulations and rapid population growth.
5. Some supporters of the rent control bills openly promote rent control as a step towards a radical socialization of housing in the state.
6. Immediately freeing housing development and management from onerous state and local regulations around zoning, growth management, and other restrictions on supply is the only solution to the housing crisis.



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Summary

In 2024 the Washington state legislature nearly passed a bill to impose rent control statewide. The house passed HB 2114, but the companion bill, SB 5961, died in committee in the senate.¹ The bills would have capped rent increases on existing rental properties at no more than 5% in a 12-month period with exemptions for rental units that are less than 10 years old. Both bills would have allowed rent increases without restriction for new tenants.

Calling the concept “rent stabilization”—based on allowing those uncapped increases for new tenants--was an attempt by the bill’s promoters to get around state legal prohibitions on rent control while also attempting to soften harsh reactions some might have to the concept of rent control.²

Nevertheless, the core purpose of the bill was to impose statewide rent control and rent control in most other states includes such provisions exempting new buildings and new tenants and is still called rent control.

The lack of affordable housing and the high homelessness rate in Washington are indisputable, but HB 2114—like any rent control scheme—failed to address those issues at every level.³ It failed to solve the core causes of the problems. It ignored and then violated basic laws of economics. It served as a Trojan horse for far more radical and damaging policies that are sought by fringe political groups. It distracted from efforts that could effect real solutions. It violated property rights. It violated rights to contract freely.

In exchange for the expedient of locking in low rent increases for existing tenants willing to stay in their current rentals beyond the term of their current lease, rent control measures such as HB 2114 exacerbate the problems they claim to solve. They do nothing to address the primary cause of the housing unaffordability crisis,

1 House Bill 2114 – 2023-24. <https://app.leg.wa.gov/billssummary?billnumber=2114&year=2024>

2 The legality of any type of rent price restrictions in Washington state is questionable but will not be examined here. At least one publication (“A WA bill to cap rent increases just failed in the Senate. Here’s what your city can do,” by Daniel Schragger, The Bellingham Herald, February 27, 2024. <https://www.bellinghamherald.com/news/politics-government/article285994171.html>) and state legislator see all such efforts as legally prohibited.

3 “Housing/Homelessness – Continued momentum, faster construction needed to tackle housing and homelessness crisis,” Proposed 2023-25 Budget and Policy Highlights, Washington State Office of Financial Management. https://ofm.wa.gov/sites/default/files/public/budget/statebudget/highlights/budget23/04-Homeless_Housing_.pdf

which is restrictive housing development regulations in the face of rapid population growth.⁴

Rent control measures do nothing to incentivize the creation of new housing stock and additionally reduce housing availability.⁵ Increases in broader housing unaffordability and homelessness rates are the Faustian bargain rent control advocates inexplicably propose in exchange for their unwillingness to look at the big picture.

Why is rent control—a demonstrable failure in terms of improving housing affordability in every city where it has been employed—being considered at all in Washington when a regulation-induced supply shortage is the main problem?⁶ Forces opposing a free market in housing development—including NIMBYism, central planning enthusiasts, and radical political movements—along with a poor understanding of economics among many lawmakers stand in the way of burying the foolhardiness of rent control once and for all.

The housing crisis exists because of crushing government restrictions on allowing a healthy housing development market to function. Rather than pursuing the nonsensical and failed idea of rent control, officials at all levels of government should focus on eliminating supply restrictions which have for decades suppressed the amount of housing stock required to meet the demand from a rapidly growing population. Local policy makers should do it now and not wait for another counterproductive stab at implementing rent control by the state legislature next year.

Introduction

In the 2024 legislative session twenty-three cosponsors introduced House Bill 2114, designed primarily to control the annual rent increase percentage that landlords could impose on existing tenants in many rental units. Under the bill, existing tenants could be charged by landlords with no more than a 5% rental increase in any 12-month period, unless the rental unit is less than 10 years old, in which case the landlord could impose uncapped annual rent increases. When a rental unit of any age turns over to a new tenant with a new lease, the landlord would be allowed to raise the rent without restriction for that new tenant.⁷

4 “UW expert says the housing market is the key factor causing homelessness,” by Kim Malcom and Andy Hurst, KUOW radio, August 2, 2022, at <https://www.kuow.org/stories/why-is-homelessness-such-a>

5 “What does economic evidence tell us about the effects of rent control,” by Rebecca Diamond, The Brookings Institute, October 18, 2018, at <https://www.brookings.edu/articles/what-does-economic-evidence-tell-us-about-the-effects-of-rent-control/>.

6 “Why Rent Control Doesn’t Work,” by Stephen J. Dubner, Freakonomics, April 3, 2019. <https://freakonomics.com/podcast/why-rent-control-doesnt-work/>

7 Specific percentage and unit age details vary, but this is typically how rent control works in other cities, including San Francisco. “Learn about rent increases in San Francisco,” The City and County of San Francisco, March 1, 2023. <https://www.sf.gov/reports/march-2023/learn-about-rent-increases-san-francisco>

The bill’s short introductory section uses the term “excessive rent increases” no less than four times—as though an excessive rent increase level is self-evident—or even calculable—and as if the problem of “excessive rent increases” is caused not by economic factors distorted by government regulation but rather by exploitation of renters by “greedy” landlords.

The implication is that a housing shortage can be solved by legislating against “greed.” Rather than addressing the true and primary causes and applying the laws of economics to assess the supply/demand imbalance, lawmakers engage in demonizing landlords. However, before settling on 5% as the threshold for what lawmakers decided to call an “excessive rent increase,” the bill’s sponsors changed the level multiple times. The many changes in the proposed rent limit proves that there is no way to objectively define what “excessive” is in this case and that the rate chosen was arbitrary.

Additionally, the bill would have mandated multiple restrictions on fees, including a \$10 limit on late fees, and limiting move-in fees and security deposits to one month’s rent amount. These restrictions would further add to legally-imposed disincentivizes on developers and landlords to create and maintain rental housing units. One can only hope that a landlord’s mortgage holder is as lenient with their late fee charges because at \$10 there is almost no incentive for a tenant to pay rent on time, which would leave landlords in a bind for how to make their mortgage payments each month.

The bill passed the house by a partisan vote of 54-43 and was sent to the senate with the following descriptor:

“Improving housing stability for tenants subject to the residential landlord-tenant act and the manufactured/mobile home landlord-tenant act by limiting rent and fee increases, requiring notice of rent and fee increases, limiting fees and deposits, establishing a landlord resource center and associated services, authorizing tenant lease termination, creating parity between lease types, and providing for attorney general enforcement.”⁸

The companion bill, Senate Bill 5961, was introduced by fourteen state senators but did not make it out of committee, ending the rent control effort for this session. Given the myriad of organized groups advocating for rent control and that the legislation came so close to passing more rent-control bills will likely be introduced in future sessions.⁹

8 House Bill 2114 – 2023-24. <https://app.leg.wa.gov/bills/summary?billnumber=2114&year=2024>

9 Among those in the most prominent alliance promoting rent control are the City of Olympia, multiple municipal housing authorities including Seattle Housing Authority, Habitat for Humanity, Hopelink, League of Women Voters, YWCA, United Way, and many more. Washington Low Income Housing Alliance, accessed on April 8, 2024. <https://www.wliha.org/about/membership>

A misguided concept can lead only to a misguided bill

HB 2114 was the result of decades of poor policy decisions. The bill's sponsors incorrectly concluded that Washington now has only two housing policy choices: Either impose rent control in an attempt to relieve the pain renters feel (but in so doing exacerbate the problem that causes the pain—although supporters never acknowledged such), or do nothing while too many people become unable to afford housing. In reality, there is no answer that immediately eliminates the suffering caused by government policy in this case. Rent-control doubles down on further housing shortages and increases the suffering.

The only viable path is to look to a solution that obviates the dilemma. That solution is to get rid of the government policies that prevent the market from delivering more housing. Increased housing supply would then make housing more affordable and remove the temptation to consider counterproductive “solutions” such as rent control (which is emotionally driven as evidenced by bill language that grouses about greed, and is unsupported by logic or empirical evidence).¹⁰

In the 2024 session just enough Democrats understood the counterproductivity of rent control measures like HB 2114. From Sen. Mark Mullett, D-Issaquah, the vice-chair of the committee that considered the senate bill:

“I’ve always felt this concept [rent control] is fundamentally flawed...If you want to lower the price of something, you need to have more of it, and any bills you pass that lead to less of that commodity being produced isn’t going to help.”

He said the state is building roughly only 45,000 units per year of new residential housing when the goal should be 55,000 new units a year.

He said that if HB 2114 had passed, the number of new units would have dropped to 35,000 per year, with developers looking to other states to invest their money.

“When you pass rent control bills, you’re sending all that private capital we are trying to attract, you’re sending all that money to other states.”¹¹

Others with political influence (including many Democrat legislators) were not so insightful and that may not bode well on future rent control bill votes. The Seattle Times editorial board published an op-ed riddled with errors and unreasonable statements in support of passage of the rent control legislation.¹²

10 As far as there are in the meantime renters who will not be able to afford their rents, a means-tested and short-term direct aid program would be the most effective and least disruptive response. The details of such a program are not explored here as the focus is on addressing a long-term solution in response to the proposed imposition of rent control in perpetuity.

11 “Rent stabilization bill fails to advance in Washington legislature,” by Matt Markovich, 97.3 FM KIRO News Radio, February 26, 2024. <https://mynorthwest.com/3952389/rent-stabilization-bill-fails-to-advance-in-washington-state-legislature/>

12 “Pass bill limiting rent hikes to help stabilize households,” by The Seattle Times editorial board, The Seattle Times, February 21, 2024. <https://www.seattletimes.com/opinion/editorials/pass-bill-limiting-rent-hikes-to-help-stabilize-households/>

The Seattle Times board erred in claiming that allowing uncapped rent increases for new tenants but limiting increases for existing tenants is somehow not rent control and would not have deleterious impacts.¹³

It called rent increases above 10% “gouging”—reflecting a lack of understanding of the economics at play by blaming profit-seeking. This ignores that the problem is one of insufficient supply and instead baselessly blames greed.¹⁴ This view ignores that if a market price can be raised that much then something is constricting the supply of that product in the face of rising demand.

In a truly unsupportable statement, the Times’ editorial board found it compelling that two landlords testified in favor of the bill and yet the board chose not to write that many more landlords opposed the bill. One of the landlords the board apparently referenced owns just one small rental property and is a long-time low income housing activist working with one of the primary supporters of the rent control bill, Washington Low Income Housing Alliance.¹⁵ Every person has a right to have their voice heard, of course, but it is irresponsible for The Seattle Times to imply that just two voices in this case are somehow representative of landlord interests or opinions.

Acknowledging that rent control creates negative effects, the bills’ authors inserted an exemption for rentals less than 10 years old. However, as shown in San Francisco, New York City, and other cities, rent control with such an exemption—which is intended to remove the discouraging effect rent control has on developers who might otherwise build new rentals—still decimates housing affordability.¹⁶

But what about the emergency that this crisis constitutes? Independent of how we got here, wouldn’t HB 2114 be a good idea given that we are here? The authors of the bill seem to think so. To wit, from the bill:

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- 13 In San Francisco rent control measures were found to reduce rental supply by 15%. See “The effects of rent control expansion on tenants, landlords and inequality: Evidence from San Francisco,” by Rebecca Diamond, Tim McQuaid, and Franklin Qian, Stanford University, March 4, 2019, at <https://web.stanford.edu/~diamondr/DMQ.pdf>. Similar results were seen in Berlin, where the city “saw a significant drop in rental listings because tenants were not moving from their rent-capped apartments. Renters navigating the market then found it almost impossible to find a new home.” See “Would rent control solve affordable housing crisis?” by Ria Ryder-Marks, The Columbian, August 5, 2023, at <https://www.columbian.com/news/2023/aug/05/would-rent-control-solveaffordable-housing-crisis/>.
 - 14 Other factors contribute to rising housing costs such as federal monetary policy that overall has increased inflation. “Deficits, Inflation, and Conflict,” by Arnold Kling, In My Tribe, March 24, 2024. <https://arnoldkling.substack.com/p/deficits-inflation-and-conflict>
 - 15 “Wash. House passes bill that limits rent increases to 7% annually,” by Matt Markovich, 97.3 FM KIRO News Radio, February 13, 2024. <https://mynorthwest.com/3950674/wash-house-passes-bill-limits-rent-increases-7-percent-annually/>
 - 16 Despite such exemptions in San Francisco, rent control measures were found to reduce rental supply by 15%. See “The effects of rent control expansion on tenants, landlords and inequality: Evidence from San Francisco,” by Rebecca Diamond, Tim McQuaid, and Franklin Qian, Stanford University, March 4, 2019, at <https://web.stanford.edu/~diamondr/DMQ.pdf>.

“NEW SECTION. Sec. 1. (1) The legislature finds that:

(a) The state is in the midst of a housing affordability crisis. Homes cannot be built fast enough to meet the urgent need to keep families, seniors, and all Washington renters housed.”

The “cannot be built fast enough” lament has been trotted out for decades by opponents of a free market solution to housing. The evidence shows that housing can be built rapidly if government regulation gets out of the way. The experience of Houston, Austin, and Minneapolis demonstrates this.¹⁷ The premise underpinning the call for rent control—that homes cannot be built fast enough—is wrong.

Certainly, enough housing cannot be built if the time frame is weeks or just a handful of months but rent control would lock in the crisis for the long term in exchange for attempting to lessen the pain in the shortest of terms for a subset of tenants. Unleashing the forces of free market development would most quickly lead to a true solution.

HB 2114 also included no means testing. As with rent control measures in most cities it would have gifted the richest renters—not just those truly in need—the benefit of government-mandated lower rent. Radical political movements advocating social housing typically oppose means testing because they seek to establish broader change beyond providing a charity benefit on the margins where it may be needed. Mainstream politicians who support a civil society should never agree to giveaways and transfers of wealth to citizens who are not in need.

Rent control dodges the real housing problem

Rapid population growth in Washington in recent decades is no secret. The population has increased by over three million people in the past 30 years, a growth rate of over 60%. Population growth is one ingredient in Washington’s low housing affordability recipe, but by itself it would not have led to unaffordable housing and homelessness.

Where population growth is met with YIMBYism (Yes, In My Back Yard—a recognition that housing must be built), then housing affordability remains more stable, as evidenced in cities such as Houston.¹⁸ YIMBYism sentiment in Washington has been weak and like many states we now face a housing shortage of epic proportions. Precisely because Washington state and local governments used zoning, growth management, fees, taxes, and other regulations to cater to the desires of existing residents to restrict the availability of housing for new residents

17 A rapid increase in supply in Minneapolis led to rents rising just 1% in a period when rents increased 14% in the rest of Minnesota. Not just in Minneapolis, but also in Houston and Tysons, VA, large housing supply increases in the last few years led to rents remaining level even while wages rose. “The hottest trend in U.S. cities? Changing zoning rules to allow more housing,” by Laurel Wamsley, NPR, February 17, 2024. <https://www.npr.org/2024/02/17/1229867031/housing-shortage-zoning-reform-cities>

18 “The New Feudalism: Why States Must Repeal Growth-Management Laws,” by Randal O’Toole, SSRN, December 1, 2016. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2877824

we face the predicament that an estimated one million more homes are needed in Washington over the next 20 years.¹⁹

Federal policies have also negatively impacted housing affordability in Washington and across the country. From inflation of the money supply to the 2008 subprime mortgage debacle, there are larger negative national forces at work that policy makers in Washington state cannot address.

Other factors also include immigration restrictions that limit work force supply and tax subsidies such as the home mortgage interest deduction which distorts market preferences by encouraging home ownership over renting. However, Washington has significantly worse affordability and homelessness than many other states because of local issues. Those issues originated at the local and state level and can be fixed by government officials in Washington state.

As we have shown elsewhere, combined with rapid population growth a myriad of specific state and local policies contribute to the affordability crisis:²⁰

- Growth management laws such as Urban Growth Area housing restrictions which dropped the rate of new housing construction.
- Zoning regulations. Restrictive zoning laws artificially inflate the price of land per house.
- High permit fees charged by city and other government agencies.
- Rising property taxes make it more expensive to own rental housing and inflate rents.
- Building regulations which increase costs and have long approval times.
- Requirements for low-income unit inclusion in larger projects.
- Lengthy environmental reviews.
- Historical preservation regulations.
- Local NIMBY opposition to even small building projects.

Rent control is price control and price controls always fail

Rent control, rent “stabilization,” or whatever term one uses serves only to mask the true identity of the concept which is price control. Price controls do not work for bread, gasoline, or other products because they always lead to shortages. For the same reason, price controls fail when applied to housing.

19 “Washington state will need more than 1 million homes in next 20 years,” Washington State Department of Commerce, March 2, 2023. <https://content.govdelivery.com/accounts/WADOC/bulletins/34c0853>

20 “Citizens’ Guide to Initiative 2 to impose rent-increase limits in Bellingham,” by Scott Fallon, Washington Policy Center, September 2023. <https://www.washingtonpolicy.org/library/doclib/Fallon-Citizens-Guide-Initiative-2-1.pdf>

Landlords and housing developers are subject to the same immutable laws of economics as any other business managers. Landlords have a particular challenge in that they lock in their pricing long-term through leases, often for 12 months at a time. Unlike a fast-food restaurant, a landlord cannot react quickly to inflationary inputs and other business disruptions. When prices are set arbitrarily and externally with no reference to market costs, as would have been the case under the price controls of HB 2114, the attractiveness of such a business for investment plummets.²¹

Lack of investment in rental housing does not help people struggling to find affordable housing.

Still, proponents of rent control grasp at any “evidence” that rent control can lower housing costs while still providing for adequate supply. They ignore the logical contradiction that in a supply shortage investors are deterred when policy is enacted that eliminates what should be an enhanced opportunity to make more profit than alternative investment options. Some rent control supporters tout a single piece of research which they claim makes the economic case for rent control.²²

That research is specious for a number of reasons:²³

- It is inconsistent with other economic studies which debunk the promises of rent control, as noted above.
- It is based purely on a mathematical model which relies on a myriad of behavioral expectations with no analysis of how rent control works in the real world.
- It acknowledges that if rent increases are restricted too much that housing stock will decline and welfare will drop. This captures precisely the problem with attempting centralized control rather than allowing markets to set pricing: What government planner can know what price increase level is too low? Does anyone believe that a renter/tenants board that some advocates promote would be omniscient?

The elephant in the room: Is rent control a gateway to social housing?

The implications in the previous section about central planning and rent control are not idle speculation. Washington politics over the past decade saw the rise of socialist Seattle council member Kshama Sawant. She opposed privately-owned

21 “Rent Control Problems: Banks Begin Flashing Warning Signs,” by Roger Valdez, Forbes, March 7, 2024. <https://www.forbes.com/sites/rogervaldez/2024/03/07/rent-control-problems-banks-begin-flashing-warning-signs/?sh=54e1eaac784a>

22 “Rent Stabilization Backers Aim to Beat Deadline to Keep Bill Alive,” by Doug Trumm, The Urbanist, February 13, 2024. <https://www.theurbanist.org/2024/02/13/rent-stabilization-backers-aim-to-beat-deadline-to-keep-bill-alive/>

23 “Speculative housing markets and rent control: insights from nonlinear economic dynamics,” by Noemi Schmitt and Frank Westerhoff, Journal of Economic Interaction and Coordination, Volume 17, pages 141-163, January 7, 2021. <https://link.springer.com/article/10.1007/s11403-020-00312-3?>

housing and supported full-throated rent control as a means towards that end.²⁴ The Democratic Socialists of America—who were prominent organizers of recently-passed rent control laws in Tacoma and Bellingham—do not hide their agenda.²⁵ Their demand:

“Pass a universal tenants’ bill of rights that includes right to renew your lease, universal rent control, right to organize a tenants’ union in your home, and a universal right to free counsel in housing court”

With clear ultimate goals:

“We seek to counter the dangers we are facing by building on the insurgent tenant movement, and further decommodifying housing and land. This can be done through canceling rent, closing eviction courts, and, as landlords exit the market, using state action to acquire private property and transform into public democratically controlled housing.”²⁶

Prominent supporters of HB 2114 such as Washington Low Income Housing Alliance explicitly tie rent control and social housing, calling simultaneously for social housing as the organization’s top priority, and rent control as its second.²⁷

Social housing suffers from the same fatal practical flaw as socialism in general: It cannot solve socialism’s problem with calculation in planning. Lacking access to natural market pricing dynamics and consumer choices to guide production decisions, the central planning of socialism cannot match the ability and efficiency of a free market to create goods—including housing. Declaring housing or any other good as “essential” does not magically wipe away the laws of economics—the role of scarcity and the interaction of supply and demand forces still apply.

Removing the pricing data generated by a voluntary free market removes the best signal for where productive investment should allocate its efforts. Because it relies on public funding, the top-down force of social housing pushes risk on everyone rather than leaving housing to the private market where private developers bear the risk.

But isn’t social housing in cities such as Vienna, Austria—where most residents live in government-owned housing—an unqualified success and something cities such as Seattle, Spokane, Vancouver, Tacoma, and even smaller cities such as Bellingham, Yakima, Bellevue, and Redmond can emulate?

24 “Renters Face Compounding Crises: We Need A Movement Against For-Profit Housing!” By Keely Mullen, Socialist Alternative, August 24, 2021. <https://www.socialistalternative.org/2021/08/24/renters-face-compounding-crises-we-need-a-movement-against-for-profit-housing/>

25 “Begrudgingly, Landlords Are Finally Paying Relocation Assistance,” by Katie Wilson, Publicola, February 19, 2024. <https://publicola.com/2024/02/19/sometimes-begrudgingly-landlords-are-finally-paying-relocation-assistance/>

26 “DSA Political Platform,” Democratic Socialists of America, accessed on April 8, 2024. <https://www.dsausa.org/dsa-political-platform-from-2021-convention/#housing>

27 “Roadmap to Housing Justice,” Washington Low Income Housing Alliance, access on April 8, 2024. https://www.wliha.org/roadmaptohousingjustice#Fund_housing

First, Vienna's results are not as distinctive as often claimed:^{28 29}

Vienna social housing is only marginally less expensive than Vienna's private housing, especially when considering that the Viennese pay high taxes plus social housing residents must cover separately the maintenance and upkeep costs of their rentals. Vienna social housing is also only marginally less expensive than private apartments in other European cities of comparable size.

Private housing in Vienna has accounted for 80% of the new housing built in the past 10-15 years.

The real lesson to draw from Vienna is not that the government needs to build housing but rather that building per se is the way to go: Vienna social housing isn't filling an unfillable niche—it's operating in an environment that allows more housing and layers on far fewer restrictive regulations than most cities in Washington state.³⁰ The private sector could and did fill that niche in Vienna for the past 10-15 years.

Second, the ability to convert (or build) any meaningful housing in Washington state as social housing is exceedingly low. Will homeowners surrender their homes to the state? Even if enough people could be convinced to ignore the depravity of such an endeavor, any effort at private-home takings would take so long that it would only further extend the existing housing crisis. Social housing is not a serious solution because it ignores the real problem of regulatory suppression of market dynamics that would otherwise increase supply to meet demand. Rather, it is a part of the larger political goals of many of the groups promoting rent control.

Third, the poor conditions and high cost of Vienna's social housing stock is unlikely to be acceptable to Washingtonians.³¹ Vienna social housing is plagued with rising costs, deteriorating quality, and unfair allocation of units—the latter issue being common in socialist regimes where those in power are tempted to allocate goods based on personal bias. Long wait lists for apartments are also common.³²

28 "What can we really learn about housing from Vienna?" by Matthew Yglesias, Slow Boring, May 30, 2023. <https://www.slowboring.com/p/what-can-we-really-learn-about-housing>

29 "Does social housing actually work? Setting the record straight on the Vienna Model," by Tobias Peter, AEI Housing Center, August 2023. <https://www.aei.org/wp-content/uploads/2023/09/Setting-the-record-straight-on-the-Vienna-Social-Housing-Model-final.pdf?x91208>

30 "2021 highest residential construction activity since the beginning of the 1980s," [Statistics Austria](#), November 15, 2022.

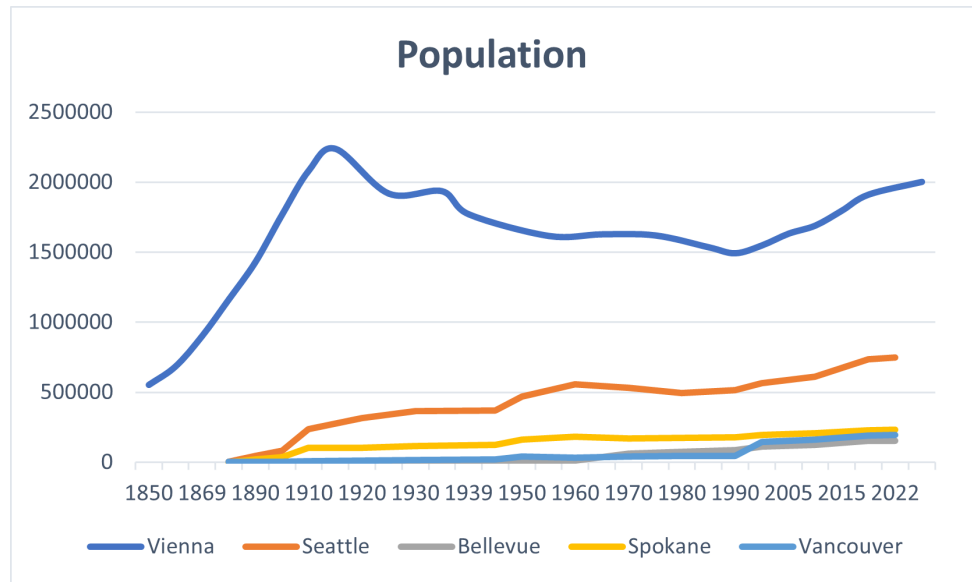
31 "Does social housing actually work? Setting the record straight on the Vienna Model," by Tobias Peter, AEI Housing Center, August 2023 <https://www.aei.org/wp-content/uploads/2023/09/Setting-the-record-straight-on-the-Vienna-Social-Housing-Model-final.pdf?x91208>

32 "Flat Allocation Criteria," City of Vienna, accessed on April 8, 2024. <https://socialhousing.wien/tools/flat-allocation-criteria>

Vienna social housing units—exclusively apartments; there is no single-family housing zoning in Vienna—are typically much smaller and packed more densely than Washingtonians would accept.

Lastly, Vienna’s social housing has an irreproducible unique origin: A crashing population level for seven decades after World War I which took pressure off housing and left many pre-existing buildings vacant to be taken by the city to be used as the foundation for the social housing stock.

The housing woes of Washington are tied to a rapidly growing population in the face of a regulatory regime that functions as though it were designed to prevent the housing development needed to keep up with that population growth. Comparing the population growth over time for Vienna to Washington cities makes starkly obvious that the genesis of Vienna’s social housing program is not replicable here.³³



The real lesson from Vienna is that the only way to housing affordability is to remove the government-imposed barriers that hold back building in the quantities needed. Period. Rent control, rent stabilization, subsidies for renters, and the like are worthless and exacerbate the problem. Vienna housing is no utopia, but it succeeds where it does in recent years because it has an aggressive and streamlined approach to new building compared to major cities in Washington.

Solutions for the real problems

Contrary to the claims of the authors of HB 2114, Washington can build housing fast enough to impact affordability and reduce homelessness. Texas cities such as Austin have dramatically improved affordability in just a couple of years

³³ Source for population data: Wikipedia, <https://www.wikipedia.org>

in response to population growth. The minimal level of regulations in Texas cities allowed housing to be built in a freer market to meet the new demand.³⁴

Supply and demand interplay is what got Washington into this crisis when state and local policy makers—egged on by existing homeowners who among other demands cried out to preserve the “character” of their neighborhoods—buried their heads in the sand by ignoring the increased demand from population growth. Other cities that accepted growth and allowed supply to meet it fared better:

“That supply increase appears to have helped keep rents down too. Rents in Minneapolis rose just 1% during this time, while they increased 14% in the rest of Minnesota. Horowitz says cities such as Minneapolis, Houston and Tysons, Virginia., have built a lot of housing in the last few years and, accordingly, have seen rents stabilize while wages continue to rise, in contrast with much of the country.

In Houston, policymakers reduced minimum lot sizes from 5,000 square feet to 1,400. That spurred a town house boom that helped increase the housing stock enough to slow rent growth in the city, Horowitz says.”³⁵

Policymakers should not underestimate the crisis and simply nibble around the edges in loosening the strangling effects of housing regulation—the crisis is massive and needs a commensurate response:

“We’re going to need to build about 800 units a year in Bellingham. We built a little over 400 units in Bellingham this past year. So we have to build more housing period. Otherwise, our affordability crisis will get even worse,” Taysi said.³⁶

Subsidizing demand (especially when it is already increasing) while restricting housing supply will not work.³⁷ Rent control will fail because it does nothing to encourage relaxation of the restrictions on supply, and, in fact, it increases such restrictions. The housing supply problem is so stunningly obvious as to make utterly baffling that policymakers would spend energy pursuing worthless and supply-damaging legislation that would impose rent control.

34 “What Texas can teach San Francisco and London about building houses,” by John Burn-Murdoch, Financial Times, February 22, 2024. <https://www.ft.com/content/de34dfc7-c506-4a81-b63d-41d994efaa89>

35 “The hottest trend in U.S. cities? Changing zoning rules to allow more housing,” by Laurel Wamsley, NPR, February 17, 2024. <https://www.npr.org/2024/02/17/1229867031/housing-shortage-zoning-reform-cities>

36 “A net loss for our city’: Bellingham residents push back against housing development to preserve trees,” by Rachel Showalter, The Bellingham Herald, March 15, 2024. <https://www.bellinghamherald.com/news/local/article286710495.html>

37 “Biden’s Plan to Subsidize Homebuyers Won’t Work,” by Christian Britschgi, Reason, March 7, 2024. <https://reason.com/2024/03/07/bidens-plan-to-subsidize-homebuyers-wont-work/>

What about the claim that the market will not build affordable housing?³⁸ Other products in a free market are available at all price points, including from producers on the low end ranging from McDonalds to Old Navy to IKEA. Housing used to be available across a range of prices and almost everyone could afford decent shelter in Washington. That was until regulatory market distortion met population growth. That said, research shows that even housing built for higher income tenants is valuable for everyone else.³⁹ When more housing is built at the high end the market frees up existing housing for those with lower incomes.

Do we really want more wealthy residents competing for starter homes as they do today because little else is available? Or do we want to build so much housing even at the high end that those with higher incomes stop competing for housing with those with lower incomes? Further, the market for high end housing is not infinitely large. When developers saturate that market they must expand to other niches, such as lower income housing. It is why car makers do not make only premium-model cars. In a more naturally functioning market producers go where the demand is.

Finally, what about the short-term pain that is actively pushing lower income tenants out of their homes and onto the streets? Must we just sit by and let that happen? This problem must not be addressed with such short-term thinking as expressed by advocates of rent control. That makes the problem worse while at the same time kicking the can down the road.

Policy making needs a version of the Hippocratic oath: First, do no harm. Because rent control exacerbates and extends the sickness of housing unaffordability, it must be off the table for any consideration.

The answer is for policy makers to focus on allowing increased housing supply to match rising demand by eliminating or at least greatly reducing the myriad of anti-development regulations.

For the shortest-term problem of today's renters unable to afford housing there is no perfect answer. As we have noted before elsewhere:

“Still fraught with negative side effects but less onerous would be a temporary program with a set end date that provided aid to low-income renters derived from general tax funds. Landlords would not be disincentivized by such a solution. However, even this is a problematic “solution” because it would require that the work to remove anti-development and anti-landlord regulations is underway when that is not yet happening. It would also exacerbate the supply/demand distortion by creating more demand without increasing supply. More

38 “Roadmap to Housing Justice,” Washington Low Income Housing Alliance, accessed on April 8, 2024. <https://www.wliha.org/roadmaptohousingjustice>

39 “No, Really. Building More Housing Can Combat Rising Rents,” by Sarah Holder, Bloomberg, November 20, 2023. <https://www.bloomberg.com/news/articles/2023-11-20/does-building-new-housing-cause-gentrification?>

dollars would be chasing the same limited supply which would lead to even higher price increases.”⁴⁰

Conclusion

Washington local and state government anti-housing policies combined with rapid population growth have created a housing and homelessness crisis. Searching for some other activist government policy such as rent control to get us out of the crisis is a waste of time and energy. Differences exist on how to do it, but President Joe Biden captured the fundamental solution, “The bottom line is we have to build, build, build. That’s how we bring housing costs down for good.”⁴¹

Rather than throwing additional impediments such as rent control in the way of creating more housing supply, the focus needs to be on removing the existing regulatory roadblocks to building. Eliminating those roadblocks and allowing a freer market would do what markets have always done in every sector: Produce more product at lower prices accessible to more people than any other economic system can.

There is no point in “fixing” HB 2114 or any rent control measure. Legislators are fond of tweaking their bills to make them more palatable and coming back for another bite at the apple in a later session. There is no amendment or adjustment that can fix rent control—even the most diluted version of it imposes a deterrent to production of sufficient long-term housing, while distracting from real solutions, and thereby harms affordability and increases homelessness.

The attempts of rent control advocates to “decommodify” and remove housing from market forces are completely misguided and based on failed socialist ideas. Markets produce more product at better quality and better pricing for a reason—the market incentivizes productive forces to build what people want and to compete for their business by delivering a product closest to what they demand and at the lowest price possible. Markets work best because both producers and customers make decisions that are voluntary, choosing market options that they individually deem are best for their particular situations. Rent control and other coercive measures fail because they eliminate markets and force people to accept the consequences of a handful of policy makers attempting the impossibility of central planning.

If supporters of rent control act as political activists and see it as the road to social housing, we are in for a deepening crisis as that is a “solution” that requires a revolutionary transformation of the American economic system from mixed capitalism to pure socialism. That is both highly unlikely to ever happen and even if it did would take so many years that homelessness would just keep rising in the meantime. Already, even in a best-case scenario of government moving at lightning speed to get out of the way and letting a market-based system work would take a few

40 “Citizens’ Guide to Initiative 2 to impose rent-increase limits in Bellingham,” by Scott Fallon, Washington Policy Center, September 2023. <https://www.washingtonpolicy.org/library/doclib/Fallon-Citizens-Guide-Initiative-2-1.pdf>

41 “User Clip: Biden on Housing: BUILD, BUILD, BUILD to Bring Housing Costs Down,” C-SPAN, March 11, 2024. <https://www.c-span.org/video/?c5109759/user-clip-biden-housing-build-build-build-bring-housing-costs>

years to build enough housing to get fully out of the affordability mess created over decades.⁴²

There is no instantaneous fix to the decades of missteps, but there is only one answer to a government-induced supply shortage: End government policies that restrict supply. There will be only negative consequences from any other approach, including subsidizing demand or restricting prices through political schemes such as rent control.⁴³ Here's to hoping legislators next session recognize the false promise of rent control and spend their time passing laws that remove the obstacles on the path to solving Washington's housing crisis.

42 "Here's how long it would take to build enough homes to fix the housing crisis," by Madison Hoff, Business Insider, March 11, 2024. <https://finance.yahoo.com/news/heres-long-build-enough-homes-192301144.html>

43 "Everything Is Getting Bigger in Texas," by Christian Britschgi, Reason, March 5, 2024. <https://reason.com/2024/03/05/everything-is-getting-bigger-in-texas/>

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