

IN THE KNOW: RENT CONTROL

Key Context

1. Colorado is [the 9th least affordable state](#), and half of renters are cost-burdened, spending more than 30 percent of their income on housing. [BIPOC Coloradans are twice as likely to be housing cost-burdened](#).
2. Rents have increased significantly over the past several years, [rising over 20 percent](#) since 2021.
3. This crisis is predominantly due to a deficit of housing stock, [with an estimated 500,000 new units needed by 2030](#). In the long run, policies that encourage greater production of housing through zoning reforms and tax credits targeted to low- and middle-income Coloradans can help build supply.
4. Housing production is slow and costly. Meanwhile, declining real wages make rent increases difficult for households to bear.

What is Rent Control?

Rent control is a cap on price increases, limiting a landlord's ability to increase rent while a tenant resides in the property or sometimes beyond a tenant's occupancy. **There are different forms of rent control or stabilization.** [Recently, two states passed broad rent control](#). Oregon now caps rent increases to 7 percent plus inflation, while California caps at 5 percent plus inflation. Cities such as New York, San Francisco, and Washington D.C., have limited rent control in some housing units.

Colorado banned rent control in 1981 in a deregulatory wave then sweeping the country. Attempts to overturn this statewide ban, however, have been ongoing over the past several years. Bills [circulated in the legislature in 2019](#) and 2020 but did not reach a vote. A [bill in the 2023 session](#) would repeal the ban and allow local authorities to determine their own form of rent control. Rent control has evolved from the old forms of the 1970s and 1980s, and with it the research on best practices.

As alluded to above, rent control is not a uniform policy with uniform impacts. Instead, rent control policies have different features that are reflective of community preferences. A brief exploration of rent control's varying permutations is provided below.



Allowable Price Increases

Capping allowable increases on rent is one of the most common features of rent control policies. This is meant to ensure that rent does not grow faster than people's incomes. However, the caps can be indexed differently.

- At a minimum, most caps are tied to inflation plus a few percentage points to allow for profit and maintenance costs. In fact, a recent study in Seattle found that a [mere 2 percent reduction in profits](#) for real estate investors would equal as much as 50 percent reduction in rent prices.
- As such, rent stabilization can be seen as a [cap on price gouging](#) rather than profit.



Geographic Continuity

Another important feature of rent control policies are how broadly they're applied. Rent control can be specific to neighborhoods, towns, or statewide. The flexibility of different caps based on varied economic conditions across regions is appealing. Likewise, baseline standards have strong merit.

- Rent control works well when consistent within regional economic zones. Patchwork policies can inhibit new housing construction as developers move their planned constructions to neighboring cities. After rent control passed in St. Paul, [new rental construction went down 30 percent](#) while rising 30 percent in the greater Twin Cities metro area.
- Additionally, some cities – like New York – employ vacancy decontrol measures, which permit landlords to return to market rate rent after a resident moves out. This approach is less effective as the rent-controlled housing stock diminishes over time.



Unit or Building Applications

Another major way communities diverge in their adoption of rent control policies centers on which housing units are subject to the law.

- In several cities, new construction is initially exempt from rent control policies – the first ten years in some cases. Exemptions could also be based on the number of rental units within a property, by placing a cap only on larger apartment units and exempting apartments with 6 or fewer units, for example.
- When rent control only touches a segment of the housing market, studies have shown that [landlords may try to reclassify their properties](#) so as to not be subject to new rules. To address this problem, some cities, like Portland, Maine, [levied fines on landlords](#) who convert their rental properties to condos in order to skirt the laws.

Rent control is a non-static policy. It can be designed in many ways - and as a result, its impacts will vary by community. Understanding these variations can help to ensure policymakers have the information they need to make the decisions that work best for their communities.

When well-directed, rent control can deliver targeted relief. [BIPOC communities often see immediate benefits from rent control](#), as they and low-income households are most likely to realize the savings. While there is a rigorous debate around its use as a long-term solution, it should certainly be a tool on the table as a [short-term response to limit displacement and stabilize families' budgets](#).

Percentage Cost Burdened Renters by County

