

Rent regulation: a big tax on N.Y.: The law needs a massive overhaul

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The issue of amending and extending rent regulations governing more than 1 million [New York City](#) apartments is now before the Legislature. The Assembly recently passed legislation extending current rent laws, and [Gov. Paterson](#) has his own proposal for an extension.

Regrettably, the push to continue rent regulation is fueled by far more populist rhetoric than economic reason. As a corrective, a new report by the [Citizens Budget Commission](#) reveals some startling facts about the current system: It is poorly targeted, it provides inadequate relief to the neediest New Yorkers - and it drives up costs for many others.

Protecting tenants from dramatic increases in rent sounds like a worthy objective, but the costs of [New York's](#) system are imposed on a much wider group than just landlords.

Our report uses differentials between regulated and unregulated rents for apartments with similar sizes and locations to estimate that tenants in the unregulated rental market, many of whom are low- and moderate-income New Yorkers, are paying an average of \$2,800 more a year for their apartments than they would pay if there were no rent regulation. That is \$1.9 billion a year that the more than 669,000 unregulated renters pay as a consequence of rent regulation. And more than 500,000 households in unregulated units have incomes below \$75,000.

Moreover, lower rents attributable to rent regulation drive down property values and, therefore, property tax collections. Without rent regulation, the city's property tax revenue would grow by about \$283 million annually. That's \$283 million in revenue that could be used to pay for teachers, cops, senior citizens programs or other services, including better- targeted housing assistance.

What are we getting in exchange for all these costs to tenants and taxpayers? Unfortunately, rent regulation is not achieving the goal of making housing affordable to those who need help and, in addition to its costs, it has other negative impacts:

* Rent regulations are not well-targeted to low- and moderate-income households. Based on 2008 data, the average discount provided by rent regulation is about 31% (for an