



OHIO MORTGAGE BANKERS ASSOCIATION

Chairman McColley, Vice Chairman Schurring, Ranking Member Williams and members of Senate Energy and Public Utilities Committee, my name is Jay Pascoe, and I am the Executive Director and Chief Operating Officer of the Ohio Mortgage Bankers Association (OMBA). Thank you for the opportunity to offer written testimony on R.C.5321.19 – Rent Control Limits Affordable Housing.

Steadily rising housing rents in many of the country's large, productive cities have ignited the discussion on whether to expand or enact rent control provisions. On behalf of OMBA, I am writing to support of the amendment.

There is a multitude of research examining how rent control affects tenants and housing market, and consumers and investors. While rent control appears to help current tenants in the short run, these studies clearly show in the long run it decreases affordability, fuels gentrification, and creates negative spillovers into surrounding neighborhoods.

Of course, rent control appears to offer benefits to tenants, but at what cost? Obviously, rent control provides insurance against rent increases, potentially limiting displacements. Some affordable housing advocates argue these insurance benefits are valuable to a certain percentage of tenants. For instance, if long-term tenants have developed neighborhood-specific capital, such as a network of family and friends, proximity to a job, child-care, and schooling, then the tenant may face large risks from being "priced out" of their current rental due to increases. However, if a renter is unwilling to make the move to becoming a homeowner because of rent control this will only increase the wealth gap problem we as an industry are working to address. As you are aware, from previous testimony I have provided, homeownership is one of the fastest ways of producing individual wealth. The concern of us becoming a Nation of renters would magnify this wealth and homeownership gap as a result of rent controls.

Economic research, going back decades, also points to the potential negative efficiency consequences to keeping rents artificially below market rates. They argue that a cap on rent would lead landlords to seek other ways, more detrimental to tenants, of recouping their losses. Landlords would sell their rental properties to still earn the market price for their real estate. Whether these properties become condos or are raised to erect high-end rentals, the impact is the same on the current tenants who are forced out.

Rent control can also lead to mismatch between tenants and rental units, further exacerbating the market. Once a tenant has secured a rent-controlled housing unit, they may not choose to move in the future, even if their needs change. You will have empty-nest households living in family-sized apartments and young families crammed into small studios. Rent control can also lead to decay in our current rental housing stock as landlords may not invest in the maintenance because they cannot recoup their investment by raising rents.

The economic effect of rent control on the value of housing stock in neighboring communities is large as well. Studies show that more than half of the capitalized cost of rent control was borne by owners of non-rent-controlled properties. Rent controlled properties create a substantial negative impact on the nearby housing markets - lowering the value of these neighborhoods and making them less desirable place to live or for businesses to invest in, both crucial for any thriving community. By removing rent-control the entire community increases in investment opportunities, bringing jobs, economic growth, and increases in property values which helps address the wealth gap issue.

As noted, rent control appears to help affordability in the short run for current tenants, but let's be clear the myriad of studies done over decades show in the long run it decreases affordability, fuels gentrification, and creates negative external pressures on the surrounding neighborhoods. These results highlight that forcing landlords to provide insurance to tenants against rent increases can ultimately be counterproductive. We need to look at other solutions to offer socially just assistance to a vulnerable community. OMBA is committed to affordable housing, closing the homeownership and wealth gap and are willing to work with all interested parties to achieve these goals.

Thank you for the opportunity to offer support of Amendment R.C. 5321.19 – Rent Control Limits Affordable Housing.