



## **Property Management: The 2015 battle over rent regulation: Time to rethink the failing system**

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2015 is the year that everything needs to change. We need to rethink housing. For over 70 years New York's rent regulation system has been in effect in an attempt to eradicate a housing shortage. And for nearly the entire period of time, the shortage has not been eradicated but has been perpetuated by stringent policies that restrict the free markets from resolving the inefficiencies. Over one million rent regulated units throughout New York City have rents that are restricted with no means testing, no correlation between the very people who live in the units and the actual question on if they actually need rent regulations to maintain affordability.

Every few years the battle over the extension of New York State's Rent Laws bubbles up in Albany. In the year proceeding, pro-tenant and pro-owner groups posture attempting to convince the legislators why their positions are the best for New York State.

Each time the laws sunset, normally every 3-4 years, tenants argue that the protections are not strong enough and that affordability is a growing issue, making it nearly impossible for tenants to afford living in New York. They lobby Albany, attempting to implement several changes that would sometimes help tenants but more often than not, simply hurt owners. Many of these changes seeking to increase government regulation would have little financial effect on tenants, but would just make it more difficult for owners to operate their properties.

Meanwhile on the other side of the aisle, owners attempt to convince State Senators that the eradication of the rent laws would result in the improvement of what is clearly a broken housing system. But rarely is the sunset of the laws seriously considered. For most politicians it's simply easier to rubber stamp the extension of a failed policy or to make slight changes in one sides favor. It is time to turn New York State's housing policy on its head and to change the way we approach housing policy. Clearly our current system is not working.

Affordability remains a critical necessity and a politically popular buzz word. It is time that New York State introduce means testing for all regulated apartments. Tenants who make sufficient income should not be entitled to rent protections. Tenants who cannot afford their rents will be protected if the State is willing to make this a priority. Similar to food stamps, welfare payments and Medicaid, if the public sector wishes to create a safety net for those who cannot afford to get by, or wishes to place value in preserving neighborhoods to existing residents, then it needs to launch a program that can support this initiative.

For decades the reliance on the private sector to support what is essentially a welfare program to tenants has created a lack of incentives for investment in properties when rents are restricted. A new program similar to the Senior Citizen Rent Increase Exemption (SCRIE) program, in which the government subsidizes rent payments above a certain affordability level would be required to make this happen.

Clearly this would be a major municipal initiative, but the amount of value that would be unleashed in NY property would generate millions of dollars in taxes to help fund this program.

A recent court decision in *Santiago- Monteverde v. Pereira* stated that rent regulation is a public subsidy. If this is true, then the government has confiscated private property rights, and has performed an "unconstitutional taking" against New York property owners. It's time to right this wrong.

It's time to rethink the system which has failed New York for nearly 75 years. Let's rethink housing. This is the year to do it.

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