

## Study Overview

A study by Kenneth R. Ahern and Marco Giacoletti (2023) analyzed the economic impact of St. Paul's 2021 rent control ordinance, which capped rent increases at 3% annually with no exemptions for new construction. Using parcel-level transaction data, the study measured the ordinance's effects over the nine months following its enactment, highlighting unintended consequences for renters, landlords, and the broader housing market.

## Key Findings

### Property Value Declines

- Real estate values fell by 4.4% to 5.8%, with larger declines for rental properties.
- Apartment buildings (8+ units) lost over 13% in value, discouraging investment in multi-family housing.
- Owner-occupied homes also saw losses due to negative spillover effects from rental market instability and deferred maintenance.

### Unequal Benefits and Landlord Incentives

- Higher-income renters benefited more than low-income renters, contradicting the policy's affordability goals.
- Small and large landlords suffered equal losses, disproving the assumption that rent control primarily affects corporate landlords.
- Declining property values reduced landlord incentives to invest in maintenance and property improvements, accelerating property deterioration.

### Housing Market Consequences

- New housing construction dropped significantly, signaling disincentives for development.
- Rental housing stock shrank as landlords converted rental units into owner-occupied properties to avoid restrictions.
- Investment in rental housing declined, worsening long-term housing shortages and affordability issues.

## Implications for Legislators

### Housing Affordability vs. Supply

While rent control aims to stabilize affordability, the study finds that it reduces housing availability, discourages investment, and exacerbates long-term affordability challenges.

### Regressive Wealth Redistribution

- Higher-income renters disproportionately benefited, while low-income households saw minimal relief.
- Homeowners and landlords absorbed the financial burden, reducing overall market stability.

### Spillover Effects on Local Economy

- Declining property values reduced tax revenues, limiting funding for public services.
- Neighborhood quality suffered as rental property investment and upkeep declined.

## Policy Recommendations

1. Shift from rent control to expanding housing supply through zoning reform and financial incentives for developers.
2. Implement targeted rental assistance for low-income households instead of broad, inefficient price caps.
3. Encourage mixed-income developments to promote economic diversity and long-term affordability.
4. Introduce property maintenance incentives to ensure rental housing quality without discouraging investment.

## Relevance

This study underscores how rent control policies often backfire, failing to protect low-income renters while reducing supply and investment in housing. Policymakers should consider market-based, supply-side strategies over restrictive price controls to achieve sustainable affordability.



### CONTACT INFO: