

# The Impact of Rent Control in St. Paul: Economic Consequences & Policy Implications

# study #**11**

Source: Ahern, Kenneth R., & Marco Giacoletti (2023) The Redistribution of Housing Wealth Caused by Rent Control



## **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

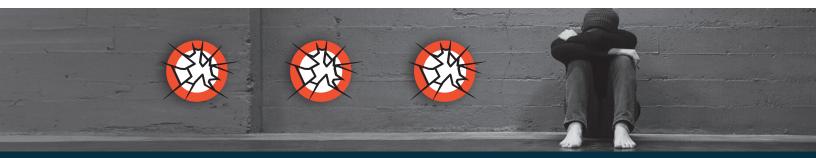
- Declining property values reduced tax revenues, limiting funding for public services.
- Neighborhood quality suffered as rental property investment and upkeep declined.

## **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.



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