

Rent Control Rears Its Head in Multiple States

Direct action and potential power shifts in states mean many in CRE could face an impact.

By Erik Sherman

With rents rising annually at double-digit percentages and inflation cranking up, even as wages haven't kept pace, it's little wonder that people have started pushing for rent control. Call it unrealistic in the long run, as landlords who don't think they're getting an adequate return on their investment won't be improving properties and developers are less keen on building housing.

But the issue is an emotional one and people are frustrated. Since early fall, rent control talk and action has been taking place in many states across the country, including Florida, California, Minnesota, New York and Nevada.

"Despite the fact that rent growth in the Twin Cities rarely inches ahead of the national norm, voters in the city of St. Paul just approved one of the country's most drastic rent control measures, and those in the city of Minneapolis granted local government office holders the right to enact unspecified rent control measures," said a recent report from RealPage.

The ongoing fight in Orange County, Florida is an example of how thorny the issue has become. Voters approved an ordinance that prevents owners of existing apartments from raising rents at a rate higher than the inflation rate for the region. The vote in favor of the rent-control ordinance was 217,168 while 151,936 voted no, margin of 59% to 41%. Though the measure can't go into effect yet because of an ongoing lawsuit filed by the Florida Apartment Association and the Florida Association of Realtors.

The National Multifamily Housing Council has pointed to two aspects of rent control in its 2022 NMHC Midterm Election Report. One was the extent of other local rent control ballot measures that appeared in the recent election. In Portland, Maine and then three places in California—Pasadena, Richmond, and Santa Monica—there were votes, all but one that immediately passed, with the Pasadena measure still too close to call. In each case, at stake was a limit on how large annual rent increases could be.

And then there was the issue of which political party controls state governments. It looks as though Democrats are positioned to fully control Michigan's legislature and the governor's office. What makes that important is state law that currently prohibits localities from implementing rent control. That could go out the window.

In Minnesota as well, Democrats seem likely to hold the state House and possibly flip the Senate. That state also preempts local rent control actions. Again, if Democrats gain enough control, that limitation could be pushed out.

Also, Massachusetts now has a Democrat in the governor's mansion and one who would be unlikely to veto a measure overturning a local rent control preemption.