
How Rent Control Hurts Renters

Segment Length: 6:25 minutes

Lesson Description:

Does rent control help or hurt the communities it's supposed to serve? What are the potential consequences of rent control on housing markets? In this segment, John Stossel discusses efforts by policymakers to enact rent control and the unintended consequences of their actions.

Objectives:

Students will be able to:

- Discuss the positive and negative impact of rent control policies
- Give examples of the negative impact of rent control
- Differentiate between the intended and unintended consequences of rent control

Concepts and Key Terms:

Extractive: Relating to or involving the extraction of resources, typically with a focus on economic gain.

Predatory: Involving or characterized by preying on others; exploiting or victimizing others for personal gain.

Profiteering: The act of making excessive profits, typically by taking advantage of a situation such as high demand or a shortage of goods.

Preview Activity and Questions:

Distribute copies of the K-W-L worksheet to the class. Have students fill in the K and W sections. After showing the video, have students complete the L section and answer the questions at the bottom of the worksheet.

Viewing Guide:

We recommend that teachers show the video segment twice: first to allow students to view the video and focus on the issues presented, and second to allow them time to complete the viewing guide. After they complete the viewing guide, allow students a few minutes to work in pairs to share and verify answers.

Answers to Viewing Guide

1. housing
2. shrink
3. down
4. single
5. worse

How Rent Control Hurts Renters

Viewing Guide

Name _____

Date _____

Class _____ Per _____

Teacher _____

Directions: As you watch the video, fill in the blanks with the correct words.

1. When profits are high, other builders rush in to grab those profits. Soon there'll be more _____, and that will lower rents. That's just how markets work.
2. What St. Paul is doing is actually gonna hurt renters because they're gonna have fewer choices. The market's gonna _____ and quality's gonna fall.
3. But the way you have a city is if people build apartments and houses, and that's what eventually brings the price _____.
4. I live in the only town in Maryland that has rent control. We've had it since the '70s. We have not built a _____ multi-family building since that law was passed.
5. Today, rents are up, and that's hard. But in the long run, rent controls will only make the problem _____.

Now, take a few moments to reflect on the video and answer the questions below:

Why does rent control lead to fewer new rental units? _____

Why do landlords often stop or reduce maintenance on rent-controlled units? _____

Would you vote for rent control? Why / Why not? _____

Discussion and Analysis:

1. How does supply, demand, and price apply to rental housing?
2. What factors contribute to drastically rising rental costs?
3. Why do rent controls reduce the supply of rental housing?
4. Why do you think Aisha Chughtai, a Minneapolis city council member, paused so often when she spoke?
5. Imagine you owned apartments that you can easily charge \$1500 a month for rent, however the government tells you can only charge \$1,000. How might that impact your economic situation? What happens if your taxes and costs go up but you can't charge more for rent?
6. If there is a 3% rental increase limit, should there also be a 3% property tax increase limit? Why /Why not?
7. Why is the Minneapolis City Council hesitant to adopt St. Paul's rent control rules?
8. Consider the perspective of builders presented in the video. Why are they reluctant to invest in a market with strict rent control measures?
9. Discuss the term "profiteering" as used in the context of the video. Why do they use such a strong word when advocating for rent control?
10. If you were a politician, who would you speak to before offering up a solution in favor of rent control?
11. There are many more renters than landlords. Do you think there might be a political reason that politicians advocate for rent control?
12. Historically, rent control doesn't work well for cities, so why do people still advocate for it?
13. Aisha Chughtai argues for a 3% cap on rent increases. Why might this be challenging for builders, especially in the context of inflation?
14. How does rent control impact the relationship between tenants and landlords? Does it foster cooperation and stability, or does it create tensions and conflicts over rent levels and property maintenance?

Discuss These Lines from the Video:

1. It's predatory practice.
2. Profits are what persuade people to build things. When profits are high, other builders rush in to grab those profits. Soon there'll be more housing, and that will lower rents. That's just how markets work.
3. We don't need more studies, we don't need to collect more data, we need action now.

4. Every rent control ordinance that even lefties have supported has had an exemption for new construction.
5. If you're a person who lives in this city and you can't stay here anymore, then we don't have a city anymore.
6. Building permits were up 65% last winter. But in St Paul, they're down 60% because of rent control. You're not going to get more apartments by pausing that.
7. Short of aerial bombardment, the best way to destroy a city is through rent controls.
8. Because landlords couldn't make money, some started fires for insurance.
9. Landlords just don't reinvest. They don't take care of their properties. They don't send a plumber promptly when water starts leaking.
10. What we need to do is build more houses. That is the solution to the rising housing costs.

Quotes for Discussion:

In many cases rent control appears to be the most efficient technique presently known to destroy a city, except for bombing. – Assar Lindbeck

Bad laws and disregard for property rights are not good for anyone. They're not good for landlords, they're not good for tenants, and they're not good for the economy. – Zachary Rothken

When you hear about rent control or gun control, we may think about rent or guns but the word that really matters is 'control.' This is what the political left is all about, as you can see by the incessant creation of new restrictions in places where they are strongly entrenched in power, such as San Francisco or New York. – Thomas Sowell

Rent control has in certain Western countries constituted, maybe, the worst example of poor planning by governments lacking courage and vision. – Gunnar Myrdal

Rent control, however, encourages wasteful use of space. – Henry Hazlitt

Politically, sometimes you get situations where rent control will go through. It is especially true in an emergency, where there is a sudden, sharp increase in demand for housing or a cut back in supply. People will simply not allow the marketplace to allocate housing resources and so you get pressures for rent control. Once you have it, it is hard to eliminate. – James M. Buchanan

New York's rent stabilization laws were instituted at a very different time to address a very different problem. They have been pushed, exploited, and abused to the limit, and neither the legislature nor the courts can continue to ignore the problem. – Zachary Rothken

Activities:

1. Have students complete the K-W-L chart in class or for homework.
2. Have students complete the Venn Diagram after viewing the video.
3. Have students complete the political cartoon activity prior to or after viewing the video.
4. Have students work individually or in groups to complete the Fair or Not? Do the Math activity.
5. Write a persuasive essay supporting or opposing rent control.
6. Research one or more of the other people who appeared in the video: Melvin Carter, Aisha Chughtai, Salim Furth, Barbara Pecks, Mitra Jalali, and a few others). Research what they have written or said about rent control, analyze their perspective or motivations, and then write whether you think they understand the intended and unintended consequences of rent control.
7. Research the evolution of rent control laws and the documented outcomes, including Minneapolis, St. Paul, and your own town or neighboring city, and create a timeline on poster board.
8. Separate the class into groups, and assign each student one of the following roles: city officials, activists, economists, landlords, and renters. Conduct a town hall meeting called to discuss rent control. Encourage the students to work together to find a solution that might work for all parties.
9. Research and write a paper about rents one or more major city in the last five years. Connect the themes in the video to recent current events (COVID, inflation, etc.) and explain how rent control might have had an effect on these issues or vice versa. Include what other cities have done recently in lieu of rent controls.
10. Produce a "man-on-the-street" video in which you ask people if they have lived in a rent-controlled apartment. If they did, ask them to explain the pros and cons of doing so. If they have not, ask them think about what might be good/bad about doing so. Then, follow up by telling them more about what you learned in the video, and ask for their reaction. Finally, ask them if they were the owner of the building, would they feel different about rent controls?
11. As a newly elected politician, you have been asked to solve the problem of affordable housing in your community. Research what you can do, besides enacting rent control, to help attract and keep people in your community. Brainstorm ideas with classmates that may work. Write a paper documenting at least three options and what the outcomes should be.

12. Read and write a summary of one of the following articles. Be sure to look for bias in the article and make note of it in your summary.

A) Supreme Court Won't Take Up Landlords' Challenge to New York's Rent Regulations

<https://www.thecity.nyc/housing/2023/10/2/23900463/supreme-court-rent-regulations>

B) A Brief History of Rent Regulation in New York

<http://hypocritereader.com/81/rent-regulation-nyc>

C) The Perpetual Tragedy of New York's Rent Control

<https://www.aier.org/article/the-perpetual-tragedy-of-new-yorks-rent-control/>

D) Issues 2020: Rent Control Does Not Make Housing More Affordable

<https://manhattan.institute/article/issues-2020-rent-control-does-not-make-housing-more-affordable>

E) A Rent Control Renaissance Is Underway in the US—and It's Sure to Make the Housing Shortage Worse

<https://fee.org/articles/a-rent-control-renaissance-is-underway-in-the-us-and-its-sure-to-make-the-housing-shortage-worse/>

Name _____

Date _____

Class _____ Period _____

Teacher _____

How Rent Control Hurts Renters Renters vs. Builders Venn Diagram

Directions: Complete the three different sections below in the Venn Diagram. What does each group think of rent control and why do they think that? What do the two groups have in common?

Renters

Both

Builders

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Name _____

Date _____

Class _____ Period _____

Teacher _____

How Rent Control Hurts Renters K-W-L Chart

Directions: Complete the **K** and **W** sections prior to watching the video. After you have seen the video, complete the **L** section and answer the questions in the boxes below the K-W-L chart.

K	W	L
What I know about rent control...	What I want to know about rent control...	What I've learned about rent control...
How does rent control affect renters?	How does rent control affect builders and landlords?	Does rent control achieve the objective of providing more affordable housing in a city? Why/Why not?

Name _____

Date _____

Class _____ Per. _____

Teacher _____

How Rent Control Hurts Renters

Fair or Not? Do the Math Activity

In this **simplified scenario**, a landlord charges \$1800 rent for an apartment, including water, sewer, and trash. Fill in the empty boxes in the chart below and then answer the questions that follow.

Expense Item	Monthly Cost This Year	Increase	Monthly Cost Upcoming Year
Mortgage	\$800	0	
Water & Sewer	\$100	15%	
Trash	\$100	12%	
Taxes	\$300	8%	
Property Insurance	\$200	12%	
TOTAL			
Profit			

1. If a rent control law limits the landlord to a 3% rent increase for the coming year, how much will the new rent be? _____
2. How much monthly profit will the landlord make? _____
3. The furnace in the apartment breaks. The repair service call alone is \$250. The cost to replace the furnace is \$5000. How many months (at the new rental rate) will it take the landlord to cover the cost? (Hint: The cost must come from the monthly "profit.") _____
4. What happens if the tenant moves out, and the apartment is vacant for two months? How does the landlord pay all the bills for the apartment? _____

5. Does looking at the math change your thoughts on landlords, renting, and rent control? _____ Why / why not? _____
6. Had you previously understood the expenses a landlord must pay out from the rent, or did you think the landlord just "pocketed" all the money from the rent each month? _____

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Fair or Not? Do the Math Activity

Answer Key & Additional Discussion Questions:

Expense Item	Monthly Cost This Year	Increase	Monthly Cost Upcoming Year
Mortgage	800	0	800
Water & Sewer	100	15%	\$115
Trash	100	12%	\$112
Taxes	300	8%	\$324
Insurance	200	12%	\$224
TOTAL	1500		1575
Profit	\$300		\$225

1. If a rent control law limits the landlord to a 3% rent increase for the coming year, how much will the new rent be? **\$1854** - Ask students, did the increase in the rent cover the increase in the expenses? Is that "fair?" Why/why not? What will happen if that pattern continues over several years?
2. How much monthly profit will the landlord make? **\$279**
3. The furnace in the apartment breaks. The repair service call alone is \$250. The cost to replace the furnace is \$5000. How many months (at the new rental rate) will it take the landlord to cover the cost? (Hint: The cost must come from the monthly "profit.") **Almost 19 months / 18.82 months / Over a year and a half.**
4. What happens if the tenant moves out, and the apartment is vacant for two months? How does the landlord pay all the bills for the apartment? **The landlord will either need to have saved some of the profit from prior months or take a loan. Either that or the landlord might have to sell the apartment to cover the costs.**
5. Does looking at the math change your thoughts on landlords, renting, and rent control? _____ Why / why not? _____
Answers will vary. The emphasis should be that landlords do not get to "keep" all the rent money every month. There are expenses they are paying too.
6. Had you previously understood the expenses a landlord must pay out from the rent, or did you think the landlord just "pocketed" all the money from the rent each month? **Answers will vary.**

Remind students this was a simplified exercise. Have the class brainstorm other expenses that landlords might have to pay (upkeep on the building, landscaping, maintenance costs, etc.) What happens if the tenant doesn't pay rent? What happens if the tenant damages the apartment or appliances? Why do landlords invest in rental properties? Finally, ask students if they would want to be a landlord. Would their answer change in a city with rent control? Why/why not?

Name _____

Date _____

Class _____ Period _____

Teacher _____

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Political Cartoon Activity

Directions: Use the political cartoon to answer the questions below.



Briefly describe what is happening in the cartoon. _____

Imagine you own the three homes, and your taxes and maintenance costs went up. Would you consider the wolf greedy? Why/why not? _____

How does the cartoon relate to the video? _____

What can the three little pigs do if they think the rent is too high? _____
