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Response to: *"Recommended Emendation of Hoboken Municipal Capital code 155: Rent Control"*

PREAMBLE:

The paper submitted by Jenny Labendz in support of draconian changes to the Hoboken rent control ordinance is rife with misapplication of facts to create the argument that the Hoboken rent control ordinance provides insufficient protection to tenants. In fact, the Ordinance as it exists now inexcusably deprives property owners and tenants of quality housing and fiscally burdens the City to the point where the Ordinance itself should be abolished.

On its face, the comparison table is dishonest, in that it fails to mention that Secaucus, Harrison and Kearny have no rent control at all. All are in Hudson County. To try and suggest that Hoboken's rent control should mimic any City's, when it is so unique unto itself, is in itself a ridiculous premise, but to cherry pick the comparisons in order to arrive at a woke outcome shows just how immature an approach to regulation this proposal is. In addition to completely ignoring the real-world economic realities of supplying housing, the paper's recommendations represent a threat to the stability of the housing market in Hoboken.

NOTE 1:

Exempt properties are adding supply to the market. So, by including mention of them here, is the argument that if they were not here, the rents on the existing product would be lower? The real argument here is why do the rent-controlled property owners need to continue to suffer a competitive disadvantage to property owners who can respond to market demands and charge appropriate rents when the rent control owner is constrained from creating a housing environment to respond to the market?

NOTE 2:

The object of rent control is to provide consumer protection, not to provide affordable housing. It is government's role to provide affordable housing, and yet, has the City endeavored to use its Affordable Housing funds to support one tenant in need of a subsidy? And yet this legislation seeks to have every private property owner deliver rents at a discount regardless of whether the tenant needs them or not. There are important studies that prove this fact again and again, most notably Anthony Downs study for the Brookings Institute called On Rent Controls, which was underwritten by tenant and housing advocates. The selection of tenants for rent control units, if anything, assures that they will not be available to households that need subsidies.

NOTE 3:

"The inordinate rise in rental prices..." suggests that Hoboken's rent control properties have substantially risen. First, has there been a study to determine the relationship of the rent control units to market rents? And have rents in rent-controlled units in Hoboken risen faster than inflation? There is no factual basis to make this statement, and, in fact, it is far more likely that rents in rent control units have lagged far behind the rise in wages paid by the tenants who occupy them. This burdens landlords unfairly, as it reduces the cost of housing for tenants inequitably.

NOTE 4:

If only 2/3 of the county has rent control, why would the methodology used to determine a direction for Hoboken's rent control ONLY consider those with rent control as the comparative components? Further, the chart does not indicate that Jersey City units can self-certify for VCI construction allowance increases that can be essentially unlimited as a function of percentage rent increase. This encourages upkeep of the housing stock and allows building owners to recover the costs of increased upkeep through rents to new tenants rather than existing tenants.

RECOMMENDATIONS SECTION:

CPI

Without a consumer price index increase, the costs of inflation are unduly placed on property owners of all types. Not only will maintenance and ownership of property in Hoboken become impossible, the devaluation of the property will transfer property tax burdens to other homeowners.

Capital Improvement

How many applications for capital improvement surcharges have there been? Bayonne and other communities have full vacancy decontrol or no rent control at all, which balances off the need for a capital improvement surcharge in the first place. From a public safety viewpoint, aging buildings that provide no capacity to underwrite needed renovations and modernizations are contrary to the interests of the municipality and the tenancy.

Vacancy Decontrol

“Hoboken, in contrast, allows a staggering 25% increase.” Some of the rents in Hoboken for long-occupied apartments rent for \$600 per month. The 25% increase brings the rent for a new tenant to \$750, and that tenant typically has an income of more than \$100,000. With only \$150 per month increase, the property owner cannot afford to underwrite the typical cost of renovating a unit, which ranges from \$10,000 to \$30,000 or more. This sentences the housing stock to decay, it limits housing choices for prospective residents, it encourages conversion, and it does not in any way support an affordable housing agenda because households in need do not get those apartments anyway. The sum result of vacancy decontrol in Hoboken has been to reduce the count of rent-controlled units in Hoboken from more than 11,000 early in the regime to not 8000, but 6500 now, and it will continue to decline – in particular in 1-4 family structures, where there remain only 300 or so from an original stock of more than 3000. In fact, vacancy decontrol was enacted in the 1980s to staunch condominium conversion and even at this level it fails to do so. How is it beneficial for the City to enact a housing policy that reduces the quantity of affordable housing?

Further, the very notion that anyone could suggest that vacancy decontrols taken legally could be reversed is a clear indication of a complete lack of responsibility to lawful enforcement. You cannot cause someone to be in violation of a law by retroactively changing the law.

FACTS THAT SHOULD INFLUENCE RENT CONTROL POLICY:

Inflation of rents should be tied to CPI, as not only are costs increasing across the economy and a dictum of fairness would proportionately burden the property owner and the tenant, BUT wages are increasing, providing greater resources for tenants to pay higher rents. According to the Bureau of Labor Statistics:

Unemployment rate in Hudson County/New Jersey (State data usually lags behind national data by about one month):

-Via BLS: Statewide (May Preliminary) 3.9% <https://www.bls.gov/regions/new-york-new-jersey/data/xg-tables/ro2xglausnj.htm>

-Via BLS: Hudson County (April) 3.7% <https://fred.stlouisfed.org/series/NJHUDS7URN>

Wage inflation past year

-Over last 12 Months – average hourly earnings for all employees **on private non-farm payrolls increased 5.2% in May** (BLS) <https://www.bls.gov/news.release/empsit.nr0.htm>

Unfilled jobs (Nationally):

-Overall, the labor market was short 1.2M workers from pre-pandemic levels (May)

-April 2022 Job openings: 11.4M – (BLS)

Job Openings Per industry (National Snapshot – April 2022):

-Construction: 449,000

-Manufacturing: 996,000

-Retail: 1.1M

-Professional and Business Services: 2.1M

-Education and Health Services: 2M

-Leisure and Hospitality: 1.5M

-Government: 1M (*state and local: 914,000*)

Source: BLS JOLTS report - <https://www.bls.gov/news.release/jolts.a.htm>



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