

**The Maine Heritage Policy Center
Testimony to Support LD 522
“An Act To Prohibit the Imposition by Municipalities of
General Restrictions on Rents and Rental Properties”**

Senator Bellows, Representative Sylvester and distinguished members of the Joint Standing Committee on Labor and Housing, my name is Adam Crepeau. I am a policy analyst at The Maine Heritage Policy Center. Thank you for the opportunity to testify in support of LD 522.

Restrictive rent policies do not benefit those they are intended to help. They are also at odds with private property rights. Maine people need LD 522 to prevent municipalities from imposing burdensome restrictions on rental properties.

In 2017, a municipality in Maine considered implementing a rent stabilization policy in an attempt to prevent rent from increasing annually.¹ Rent control is a policy that seeks to artificially cap the amount landlords can charge for rent by decree, while rent stabilization controls the increases of rent annually. Both of these policies conflict with the basic premise of private property rights. Property owners deserve to freely choose how they would like to utilize their property. Both rent control and rent stabilization programs force landlords to become government assistance programs by mandating that they keep their rent below market value.

Not only does rent control cast away private property rights; it is ineffective. Rent control has the opposite effect of what its proponents intend.² The idea is to keep rent within the price range of low-income individuals and families. However, the opposite tends to happen when rent control policies are in place.

A survey of economists from the American Economic Association showed that 93 percent agreed that a cap on rental prices “reduces the quality and quantity of housing available.”³ Rent control reduces the quantity of housing because landlords are “incentivized” to convert their properties into something that will yield a larger return.⁴ For example, landlords in San Francisco began “converting to condos and redeveloping buildings so as to exempt them from rent control” after rent control was expanded to small multi-family housing built prior to 1980.⁵ This reduced

¹ <https://www.pressherald.com/2017/11/07/portlanders-soundly-reject-rent-limits/>

² <https://www.themainewire.com/2017/08/fair-fair-rent-portland/>

³ <https://www.nmhc.org/news/articles/the-high-cost-of-rent-control/>

⁴ <https://www.governing.com/gov-institute/voices/col-rent-control-bad-idea-making-comeback.html>

⁵ <https://web.stanford.edu/~diamondr/DMQ.pdf>

the available supply of rental housing by 15 percent.⁶ In addition, the number of renters protected by rent control declined by 25 percent because the buildings were converted to avoid the onerous regulations.⁷ In other words, rent control squeezed the housing supply such that it drove out many low-income renters from the market, while housing geared toward high-income individuals increased.⁸

While rent control may work for some individuals and families if their landlord does not convert the rental unit, they may be confronted with other issues. For example, because of a cap on the price of rentals, landlords are incentivized to neglect maintenance and regular up-keep in order to keep rent low.⁹ The result is lower overall quality of rental units.¹⁰

This bill also seeks to prohibit rental registry laws in the state of Maine. Rental registry laws often mandate that property owners register their rental property with the municipality, pay a fee, and allow a code enforcement officer to inspect the property without a warrant.¹¹ Landlords are required to jump through these hoops if they want to rent out their properties. Not only do these laws contradict private property rights, they subject prospective landlords to coerced inspections by way of “administrative warrants.”

The United States District Court for the Southern District of Ohio found that warrantless administrative inspections are a violation of the Fourth Amendment of the United States Constitution if criminal charges are brought as a result of non-compliance.¹² While violations against municipal rental registry ordinances in Maine typically result in a civil violation, property owners should not be subjected to unreasonable search in order to rent their property to tenants. The free market is well-equipped to prevent individuals and families from living in unsanitary and dangerous conditions. A simple web search will bring up reviews of rental properties, which can aid prospective tenants in their decision from whom to rent. Mandatory rental registration programs are burdensome and unnecessary.

For these reasons, The Maine Heritage Policy Center urges the committee to vote, “Ought to Pass” on this bill. Thank you.

⁶ Ibid.

⁷ Ibid.

⁸ Ibid.

⁹ <https://www.cato.org/publications/commentary/rent-control-old-bad-idea-wont-go-away>

¹⁰ Ibid.

¹¹ <https://www.portlandmaine.gov/1680/Rental-Registration>

¹² <https://ohioconstitution.org/wp-content/uploads/2018/01/035-Order-on-MSJ-1.pdf>