The Effects of Rent Control: Evidence from New York City

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Introduction

Research question: **How did the Rent Act of 2011 of New York influence the tenants and landlords in New York City?**

Rent Act of 2011: some amendments that further protect tenants

For example,

- Frequency of vacancy increases: Landlords cannot increase the rent upon vacancy more than once in any calendar year.
- Less rent increase if apartment improvements were made: the landlord can permanently increase the legal regulated rent by $\frac{1}{60}$ of the cost of the improvements if the buildings has more than 35 apartments (was $\frac{1}{40}$ under the prior Rent Law).

Theory

- Literature and models about the housing market.
  - Gyourko, J. and Linneman, P., 1989. Equity and efficiency aspects of rent control: An empirical study of New York City. Journal of urban Economics, 26(1), pp.54-74.
  - Basu, K. and Emerson, P.M., 2000. The economics of tenancy rent control. The Economic Journal, 110(466), pp.939-962.
  - ...

- Motivation:
  Diamond, Rebecca, Tim McQuade, and Franklin Qian. 2019. **"The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco."** American Economic Review, 109 (9): 3365-94.

- This paper studies the effect of a 1994 law change in San Francisco that changed the rent control system based on when each building was built.

Models for reference

Models in the Diamond et al. paper:

- To study the effect on tenants:

$$Y_{iszt} = \delta_{zt} + \alpha_i + \beta_t T_i + \gamma_{st} + \epsilon_{it}$$

- To study the effect on landlords:

$$Y_{kzt} = \delta_{zt} + \lambda_k + \beta_t T_k + \epsilon_{kt}$$

- Y_{iszt}: the outcome variables that is 1 if the tenant i is still living at the same address by the end of 1993.
  Y_{kzt}: for a parcel k, the number of renters and owners living in the building, the number of renovation permits associated with the building, and whether the building is ever converted to a condo or TIC
- δ_{zt}: zipcode-by-year fixed effects. This is to control for any differences in the geographic distribution of treated buildings versus control buildings.
- α_i: individual tenant fixed effects.
  λ_k: parcel fixed effects
- T_i: denotes treatment. $T_i = 1$ if on December 31, 1993, the tenant is living in a multi-family building with less than or equal to four units built between the years 1900 and 1979.
- γ_{st}: fixed effects, denoting the interaction of dummies for the year s with calendar year t time dummies.

Findings of the Diamond et al. paper

- With more rent control measures, tenants may tend to stay in the same address.
- Landlords may be pushed to redevelop the building or find other measures to mitigate the impact of rent control.

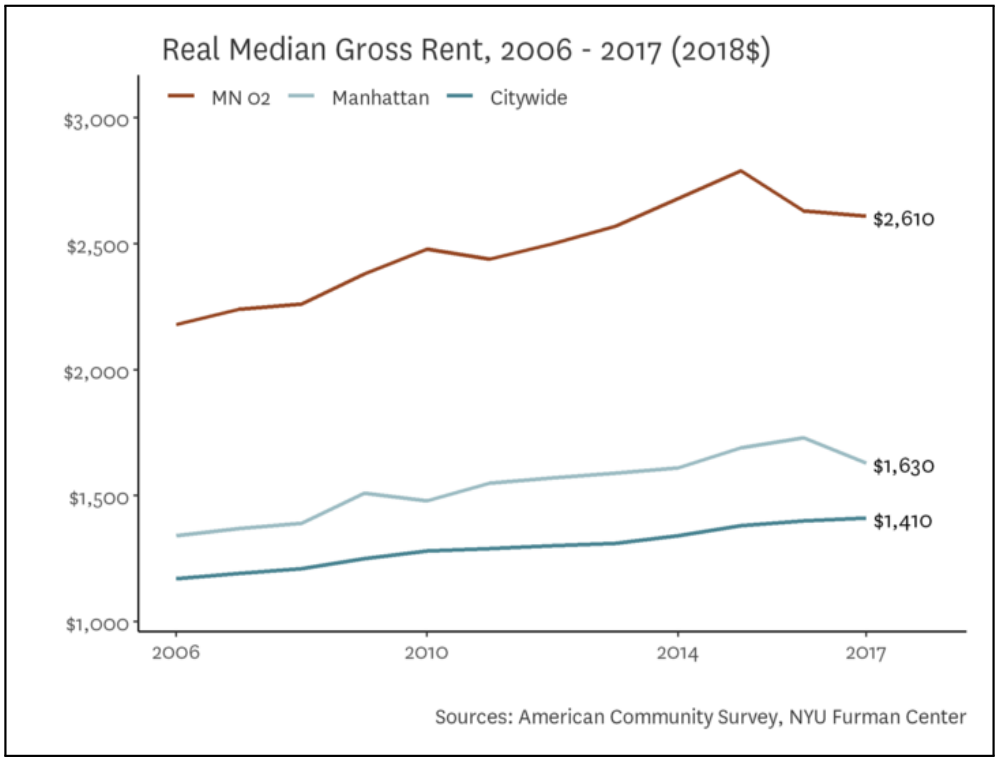
Could it be the same in the case of New York?

Data

- Sources of data to be examined:
  - New York City Housing and Vacancy Survey (NYCHVS)
  - Coredata.nyc (NYU Furman Center)
  - Housing New York Units by Building(Department of Housing Preservation and Development (HPD)) and other available data on NYC Open Data
  - Data from real estate agencies such as StreetEasy

Data Figure

Figure: Rent in Greenwich Village/Soho (Code: MN 02)



Source: https://furmancenter.org/neighborhoods/view/greenwich-village-soho

Some Computational Methods to be Considered

- Logistic regression
- Cross-validation
- Interpolation to improve the data
- SVM to categorize and predict
- Simulation: what would happen if all landlords respond in a certain way to the rent control measures?

Possible Contribution

- Develop methods that are applicable to other regions with similar datasets
- Policy implications: In 2019, New York passed new rent laws.

Summary

- This project aims at study the effect of rent control using evidence from New York City.
- Build on and extend existing studies (Diamond et al.).
- Computational methods.