

Testimony from John Souza of the Connecticut Coalition of Property Owners (CCOPO)
Before The Housing Committee 2/21/2023

Good afternoon esteemed members of the Housing Committee. My name is John Souza and I volunteer as President of the Connecticut Coalition of Property Owners and I'm a full-time landlord. The Connecticut Coalition of Property Owners (CCOPO) is one of Connecticut's largest landlord/property owner organizations. CCOPO has affiliates in Enfield, Windham, Hartford, New Haven, Bridgeport, New Britain and Stamford, as well as the CT Association of Real Estate Investors (CAREI) in West Hartford. Our members own thousands of rental units throughout Connecticut, consisting of mostly small and medium sized landlords.

For over 20 years CCOPO has been a constructive voice for responsible landlords on such issues as: nuisance abatement, bedbugs, domestic violence and many others. We are here to represent the responsible small to midsize property providers, and most members are local residents of the towns they serve. These small business people often have other jobs as well as operating their property part time nights and weekends. We often know our tenants by their first names and value the relationship that benefits us both.

I OPPOSE Rent Caps (aka rent control) HB 6588 and HB 6589 for many reasons

Rent controls have a long history of failure around the country. Many are rescinded because they don't work as intended and the misallocation of resources becomes apparent to the residents. While initially helping the few people who obtain a stabilized /controlled unit the mass majority of renters end up losing in the long run as properties become unprofitable and maintenance ceases, eventually units become uninhabitable or are removed from the market for other purposes. Without the ability to increase rents to keep up with rising costs landlords have little incentive to improve the property, and builders are discouraged from creating new housing stock.

- **We are already limited in rent increases:** we can only get what my tenants can afford. In Hartford where I manage property, in the last two years my expenses have sky rocked by \$ 120 a month per a unit but I could only raise the rents about \$80 because I know that's the most many already struggling tenants can afford. I'm torn by inflation forces, wanting to stay afloat like everyone else and keeping my good tenants. The State should do

its part by controlling regulations and expenses it has influence over but that always seems to be an afterthought.

- **Last year the State greatly expanded the Fair Rent commission statute ([C.G.S. §§ 7-148b through 7-148f, 47a-20 and 47a-23c](#)),** requiring larger towns to have a Fair Rent Commission. Many towns are just starting them up now. This was specifically set up to control unjust rent increases. Why won't we give the commissions a chance to work? Why would the state need both rent caps and the commissions?
- **The Connecticut State Constitution is clear: SEC. 11 Specifically states “The property of no person shall be taken for public use without just compensation”.** This provision protects everyone from government confiscation of property without just payment. When rent caps or rent controls are enacted the government deprives the property owner of cash flow to operate the building and a reasonable return for the efforts thus lowering the value of the property in the process. This is clearly a form of government “taking”.
- **The Connecticut Supreme Court shot down the power of municipalities to enact rent controls** but allowed for municipalities to establish fair rent commissions to “control and eliminate excessive rental charges” (CGS §§ 7-148b to -148g) and empowers these commissions to enforce provisions of a landlord-tenant statute generally prohibiting landlords from increasing rent as a retaliatory action against tenants (CGS §§ 47a-20 and 47a-20a). (See #3 above), And any tenant residing in a building or complex consisting of five or more separate dwelling units who is (1) age 62 or older or (2) an individual with a physical or mental disability may bring action in Superior Court to contest an excessive rent increase or proposed rent increase (CGS § 47a-23c(c)).
- **Landlords will remove units for other profitable purposes** with the profit incentive removed, like converting to condos or redevelopment. Thus,

removing housing stock from the market and exasperating the shortage of rental housing.

- **Rent Control Makes It Harder to Find an Apartment**

Property owners will convert rental apartments into condominiums and replace structures with other types of buildings, resulting in a decline in housing supply and making rent increases likelier over the long run. The incentive to build housing of any kind is greatly curtailed, again lowering the supply of new apartments. Landlords will also raise their standards for renting as one bad tenant can have a detrimental effect on the bottom line, marginal tenants will suffer the most. [Rent Control Does Not Make Housing More Affordable | Manhattan Institute \(manhattan-institute.org\)](#)

- **Rent Caps will reduce City tax Revenues.** Rent controls clearly suppress property values and municipalities can expect lower revenues, hindering their ability to provide essential services.

- **If Rent Caps/controls don't affect the number of new apartments created then why does the bill exempt them for the first 15 years?** Older buildings are in as much need of cash flow to rehab and upgrade the units, which will be greatly curtailed with the caps.

- **Caps on increases effectively mandate property owners to lose money at some point.** What good will it do when there are no funds to maintain the property or incentives to do any upgrades when you can't recoup the costs with higher rent? Quality of living will deteriorate quickly as buildings fall into disrepair. There are over 40,000 mothballed units presently in NY City because its not economically feasible to remodel the units and return them to the rental market. https://therealdeal.com/issues_articles/that-empty-feeling/

- **These bills freeze rents during a " State wide public health emergency" and 1 year after.** We presently have national public health emergencies declared quite often, including Covid19 but also as we speak the Opioid Crisis is a public emergency, Monkey Pox is a Public health Emergency, the

Winter storms in Texas was declared a Public health Emergency. If a train derailment with toxic chemicals in New Haven is declared a Public Health Emergency, will that stop all rent increases for over a year Statewide? That doesn't seem to make any sense There is a bill in the legislature this year to declare homelessness a Public Health **crisis** (HB 6601) that's one step away to being elevated to Emergency level. Will any other businesses be subject to such controls? Will our taxes, utilities, insurance costs, labor costs be Frozen as well? I doubt it. It's too easy and politically expedient to give this power to the government when they have no business being involved and quite frankly will never relinquish the power once granted.

<https://aspr.hhs.gov/legal/PHE/Pages/default.aspx>

How the State can ACTUALLY help renters.

- Build MORE housing, of all types The state must encourage building by drastically removing zoning restrictions, environmental hurdles and other barriers. Create the infrastructure necessary to encourage and simplify building larger structures. ie. Public sewers, water supply etc.. for the small towns
- Create, creative financing solutions for building of affordable rentals and let each town come up with their own ways to encourage building of multi-families.
- Raise Wages so renters can afford to pay for Housing and a better life.
- Cap assessments for multifamily housing at a low level to help keep taxes predictable and reasonable (Hartford chose to increase taxes 40-60% last year, resulting in large rent increases)
- Cap electric rate increases (50% last year), Insurance rate increases (15% last year) Natural gas (40% increase this year), Cap interest rates on variable rate financing (most commercial loans have 5 year terms adjustments. 85% increase in two years)

- Increase direct payments to qualified renters, to offset rising rents. Expand the renters' rebate or UniteCT programs from the state.

IF the state wants to help struggling renters, then the cost burden should be upon the treasury of CT and not the individual property owners. In other words, if it's a public benefit then the public should pay for it.

"Next to bombing, rent control seems in many cases to be the most efficient technique so far known for destroying cities."- economist Assar Lindbeck_i