

Honorable Sandra L. Thompson  
Director  
Federal Housing Finance Agency  
400 7<sup>th</sup> St SW  
Washington, DC 20024

Dear Director Thompson:

We wanted to reach out to you regarding your current policy considerations surrounding the national rental markets. This is a complicated and nuanced area that requires careful consideration. We wanted to give insight into this industry. Conservice, LLC is the nation's largest utility management and billing services company. As a third-party billing company, we manage and pay more than \$15 billion annually in utilities for our clients for millions of service locations across North America. Conservice works as an intermediary between utility providers, property owners, and tenants to facilitate efficient and reliable service, regulatory compliance, and resource conservation.

Tenant protections must be delicately balanced. Legislators must weigh tenant rights, habitability, and economic stratification against market realities and landlord incentives. The FHFA must balance the stability and supply of the rental market and account for the negative effects of tenant protection that get passed back to tenants. The FHFA must also consider the direct and indirect effects certain tenant protections have on other efforts such as conservation.

As the FHFA considers national tenant protections such as rent control, it is crucial to learn from communities that have aggressively employed such actions. One such community is San Francisco, CA. San Francisco originally introduced a rent control ordinance in 1979 which expanded in 1994 to limit rent increases at buildings with one to four units occupied that year or before to 60 percent inflation. Stanford University released a study in 2019 demonstrating that tenants in San Francisco buildings subject to the rent control ordinance were more likely to have moved than tenants in non-rent-controlled buildings and the supply of rental housing fell by fifteen percent as landowners converted their buildings to condominiums or took other actions to escape economic handicaps. Stanford's conclusion was that harsh limitations on landlords produced a high turnover rate, lower quality maintenance of properties, or forced landlords to withdraw from the rental market entirely. New York's rent control and eviction protections have also demonstrated the flaws of excessive rent control. New York tenant protections closed the "eviction loophole" but still prevented landlord income from keeping up with increasing costs, often resulting in lower living standards, insufficient upkeep, and withdrawal from the rental market.

The types of tenant protections being considered by the FHFA such as rent regulation, source of income mandates, restrictions on evictions, etc., will have the same effect on the national rental industry as the San Francisco and New York markets have experienced. In order to remain economically solvent, landlords will have to forego crucial services which protect tenants through regulatory compliance in areas such as habitability and utility billing. Under rent control, they might also be forced evict tenants because instead of raising rent on a current tenant to keep up with market costs, a landlord would need a new tenant in order to charge market value rent. Landlords could also choose to withdraw completely from the rental market further reducing the limited supply of much needed non-owner residential options.

The effects of rent control reach far beyond the landlord and tenant relationship, potentially handicapping the critical effort of conservation. Submetering and ratio utility billing systems (RUBS) have been effective tools to incentivize individual utility conservation which has had a large-scale impact on the environment. Submetering accounts for a unit's utility consumption through an individual meter and RUBS is an allocation method used to divide a property's utility expenses fairly among tenants in the absence of individual meters. These methods hold tenants accountable for their consumption and encourage conservation habits. Tenants are more conscious of their utility consumption because they can see the direct impact on their bills. However, rent control can undermine these affective tools because it prevents landlords from being able to pass along the full cost of the utilities the tenants consume. Indirectly, rent control can reduce awareness of consumption and remove the incentive to conserve resources.

The current legislative trend is to mandate tenant utility billing as demonstrated by California's SB7. SB7 requires that submeters be installed on all new multifamily units and requires landlords to bill residents for the amount of water each unit uses. Such legislation protects both landlords and tenants while incentivizing all to conserve resources. Tenants are responsible for their consumption and landlords are held accountable for fair billing practices.

While it is critical to keep housing costs affordable for low- and moderate-income renters, it is equally important to look beyond the immediate effect of rent control. Aggressive tenant protections handicap landlords as they are unable to support the costs of properly running and maintaining their properties. Ultimately, these effects are felt by tenants as they fall victim to evictions, lower quality residences, and fewer rental options on the market. Increased regulation would interfere with the natural progression of the market and disincentivize property owners from being in the rental market. On a larger scale, it is crucial not to remove the major incentive for resource conservation. Without the accountability and incentive created when tenants are responsible for their fluctuating utility bills, conservation efforts would be derailed.

It is tempting to look only at the immediate relief that rent control would give low- and moderate-income renters, but there is a ripple effect for such a mistake. The ripples would cause disruption in widening circles. Landlords would struggle and tenants would feel the affects of lower budgets. The rental market would be disrupted as landlords are disincentivized to have their properties on the market. Most importantly, the planet would likely suffer as the massive conservation of resources produced by tenant utility billing through submetering and RUBS would disappear.

Thank you for your consideration.

Sincerely,

Jessica Penner

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