

EXHIBIT 3

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THE COUNCIL OF THE DISTRICT OF COLUMBIA
COMMITTEE ON CONSUMER AND REGULATORY AFFAIRS
Councilmember Jim Graham, Chair

PUBLIC HEARING ON:
Rent Control Reform Amendment Act of 2005;
Rights of Tenants to Organize Amendment Act of 2005;
Disclosure of Rent Ceiling Calculation
Amendment Act of 2005;
Tenants Rights to Information Act of 2005
And
Rent Control Statute of Limitations Amendment
Act of 2005

Wednesday, October 26, 2005

D.C. Council Chamber
John A. Wilson building
1350 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

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<p>1 PARTICIPANTS</p> <p>2</p> <p>3 Chair:</p> <p>4 COUNCILMEMBER JIM GRAHAM, Ward 1</p> <p>5</p> <p>6 Participants:</p> <p>7</p> <p>8 Councilmembers:</p> <p>9 DAVID A. CATANIA, At Large</p> <p>10 ADRIAN FENTY, Ward 4</p> <p>11 KATHY PATTERSON, Ward 3</p> <p>12 MICHAEL BROWN, At Large</p> <p>13 SHARON AMBROSE, Ward 6</p> <p>14 MARION BARRY, Ward 8</p> <p>15</p> <p>16 Panel 1:</p> <p>17 ANGIE ROGERS, Policy Analyst, D.C. Fiscal Policy</p> <p>18 Institute</p> <p>19 CHERYL CORT, Executive Director, Washington</p> <p>20 Regional Network for Livable Communities</p> <p>21</p> <p>22</p>	<p>1 VINCENT MARK POLICY, ESQUIRE, Law Firm of</p> <p>2 Greenstein, DeLorme & Luchs.</p> <p>3</p> <p>4 Panel 5:</p> <p>5 DR. BARBARA CRAFT, Director of the Quebec House</p> <p>6 Tenants Association</p> <p>7 JIM MCGRATH, Chair, TENAC Board</p> <p>8 CHRIS CROWDER, TENAC Board</p> <p>9</p> <p>10 Panel 6:</p> <p>11 C. THOMAS BORGER, President, Borger Management</p> <p>12 Corporation</p> <p>13 DENISE JOHNSON, Community Manager, Normandy</p> <p>14 Apartments</p> <p>15 JOYCE ROBERTS, Community Manager, Park Manor</p> <p>16 Apartments</p> <p>17</p> <p>18 Panel 7:</p> <p>19 KEVIN FITZGERALD, Economist</p> <p>20 MARILYN RUBIN, President, Columbia Plaza Tenants</p> <p>21 Association</p> <p>22 DOROTHY MILLER, ANC Commissioner, Columbia Plaza</p>
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<p>1 Panel 2:</p> <p>2 STANLEY JACKSON, Deputy Mayor, District Of</p> <p>3 Columbia</p> <p>4 LISA HODGES, Special Assistant to the Deputy Mayor</p> <p>5 TERESA LEWIS, Deputy Director and Chief Of Staff,</p> <p>6 Department Of Consumer and Regulatory Affairs</p> <p>7 RAYNELL ZAPATA, Rent Administrator</p> <p>8</p> <p>9 Panel 3:</p> <p>10 BETTY SELLERS, Tenant Action Network</p> <p>11 DAVID KAHN, Tenant Action Network</p> <p>12 JONATHAN STRONG, Brandywine Tenants Association</p> <p>13 OLIVIA CLAYBEN, 4000 Massachusetts Avenue Tenants</p> <p>14 Association</p> <p>15</p> <p>16 Panel 4:</p> <p>17 W. SHAUN PHARR, ESQUIRE, Senior Vice President and</p> <p>18 General Counsel, Government Affairs, Apartment and</p> <p>19 Office Building Association</p> <p>20 MICHAEL T. SIMS, President, D.C. Small Apartment</p> <p>21 Owners Association</p> <p>22 K. DAVID MEIT, Vice President, Darrow Realty</p>	<p>1 MICHAEL SUSSMAN, Unaffiliated</p> <p>2</p> <p>3 Panel 8:</p> <p>4 BENOIT BROOKINGS, ESQUIRE, Dorchester Rent</p> <p>5 Rollback Organization</p> <p>6 ELEANOR JOHNSON, Dorchester Rent Rollback</p> <p>7 Organization</p> <p>8 PETER PETROPOLIS, Dorchester Tenant, Board Member</p> <p>9 ROSE MARIE FLYNN, the Gray Panthers</p> <p>10</p> <p>11 Individual Witnesses:</p> <p>12 NATALIE LEBEAUX, Tenant Anti-Displacement Program,</p> <p>13 Housing Counseling Services</p> <p>14 M. MICHAEL HULL, Executive Vice President for</p> <p>15 Development, Cafritz Company</p> <p>16 KENNETH ROTHSCHILD, D.C. Coalition for Rent Control</p> <p>17 ALEX MARTIN, President, Cleveland House Tenant</p> <p>18 Association</p> <p>19 DONNA STINSON, Unaffiliated</p> <p>20 MALCOLM E. PEABODY, Peabody Corporation</p> <p>21 ED KRAUSE, Realtors Association</p> <p>22 LAUREN BLADEN WHITE, 245-249 8th Street Tenants</p>

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1 Association
 2 DEBORAH LINDEMAN, ANC Commissioner, 3C02
 3 FRED SILVERS, Bojan Management Corporation
 4 MARY R. HUEG, Regional Manager, Sawyer Realty
 5 Holdings, LLC
 6 CAMPBELL JOHNSON, Chair, Urban Housing Alliance
 7 and President of Dorchester Tenants Association
 8 JOHN B. MARGOLO, Vice President, Aldon Management
 9 Corporation
 10 KAREN WILLIAMSON, President, Barclay Tenants
 11 Association
 12 JEFFREY GBHLMANN, ESQUIRE, Greenstein, Delorme &
 13 Luchs, and Chair, D.C. Building Industry Association
 14 STEPHANIE CLIPPER, Unaffiliated
 15 AMY LAFAYRE DOLAN, Senior Residential Manger, QDC
 16 Properties, Incorporated
 17 JENNIFER BERGER, Legal Aid Services
 18 JAMES REID, 420 16th Street Southeast Tenants
 19 Association
 20 DWAYNE BROWN, Unaffiliated
 21
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1 statistic from that report. In a single year period
 2 between 2003 and 2004, the District of Columbia lost
 3 2,400 units of affordable rentals, while at the same
 4 time gaining 4,600 units of high cost or luxury
 5 rentals. Strengthening rent control, in my opinion, is
 6 a key element in keeping more affordable rentals from
 7 disappearing in the District of Columbia.
 8 And if you're wondering about how important these
 9 issues are, let me give you a couple of simple
 10 statistics. According to DCRA, the 2000 U.S. Census
 11 indicated that there were 147,124 occupied rental units
 12 in the District of Columbia. As of last year, also
 13 according to DCRA, there were about 90,000 apartments
 14 under rent control. So, what's at stake today are
 15 90,000 apartments and, of course, the many thousands -
 16 tens of thousands of people who live in those
 17 apartments.
 18 I want to say at the outset that I have requested
 19 an audit from the Inspector General. I did so in June.
 20 I asked the Inspector General to review landlord
 21 filings at the Rental Accommodations and Conversation
 22 Division of DCRA, and to generally conduct an inquiry

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1 PROCEEDINGS
 2 CHAIRMAN GRAHAM: Good morning. I'm Councilmember
 3 Jim Graham, chairperson of the Committee on Consumer
 4 and Regulatory Affairs. It is 10:10 on Wednesday,
 5 October the 26th, 2005. We're here in the Council
 6 Chamber of historic John A. Wilson Building at 1350
 7 Pennsylvania Avenue, Northwest, to conduct a public
 8 hearing on five bills which have been referred to this
 9 committee.
 10 We previously held a hearing on two of them, the
 11 Tenants Rights Information Act of 2005 and the Rent
 12 Control Statute of Limitations Act of 2005. We held
 13 that hearing on February the 16th. We consider them
 14 again today with three other bills in the context of
 15 that more comprehensive reform.
 16 Let me be very clear about what our purpose is
 17 here today. We are here to preserve and protect
 18 affordable housing in the District of Columbia, housing
 19 that is disappearing far too rapidly.
 20 To that end, we will hear testimony from the D.C.
 21 Fiscal Policy Institute, which recently issued an
 22 alarming report, and I'm just going to cite one

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1 into the effectiveness of rent control, and how rent
 2 control actually has been operating. And we're
 3 expecting the results of that Inspector General's
 4 report late this year or early next year.
 5 The world of housing law is a complex and
 6 convoluted subject, even for experts on the subject.
 7 But we're here today to make sure tenants get the
 8 information they need about their apartments and how
 9 their rent is calculated. Each of the five bills we're
 10 discussing protects and empowers tenants in the
 11 District of Columbia.
 12 I want to also note that this committee took the
 13 lead earlier this year in the creation of the position
 14 of Chief Tenant Advocate, for the moment within DCRA,
 15 and this office is currently being established and
 16 organized. We have committed a first-year budget of
 17 nearly \$800,000, and I wanted somebody to wake up every
 18 morning, and as their first waking thought say, I am
 19 the Chief Tenant Advocate of the District of Columbia.
 20 This person, while reporting to the director of
 21 DCRA, will be nominated by the mayor and must be
 22 confirmed by this Council, so that we did everything we

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1 could raise the stature of the Chief Tenant
 2 Advocate. And this advocate and his or her office will
 3 help tenants. They will help tenants organize. They
 4 will help tenants understand the law. They will work
 5 with tenant associations. They will cut through much
 6 of these complexities.
 7 Now, a brief word on the history of rent control,
 8 because a lot of people are newcomers to the District
 9 of Columbia, and they don't know how long and what a
 10 great tradition we have in D.C. associated with rent
 11 control.
 12 The Council enacted its first local rent control
 13 law in 1975, 30 years ago, but it had already been in
 14 place going back to 1971. The original rent control
 15 program provided a basic balance between tenants and
 16 landlords.
 17 In 1985, however, 20 years ago, the Council passed
 18 a number of amendments that have seriously weakened the
 19 program to the detriment of tenants. Among them, and
 20 this is one of the things that we're going to be
 21 focusing on today, is something called the vacancy high
 22 comparable. Acting on the advice of landlords and over

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1 bitter opposition, the Council approved legislation to
 2 provide it as an alternative to what had been just
 3 simply a straight 12 percent increase. The landlord
 4 under the new law could raise the rent ceiling to the
 5 highest comparably priced unit in the building.
 6 Two decades later, here we are at long last
 7 addressing what was to become an evisceration of rent
 8 control, and the subsequent loss of affordable housing
 9 caused by this vacancy high comparable provision.
 10 Now, let me briefly mention the bills. The first
 11 bill we have before us is the Rental Control Reform
 12 Amendment Act of 2005. This bill repeals and replaces
 13 the Act's vacancy rent ceiling adjustment provisions
 14 and caps rent increases at a proposed 10 percent
 15 annually, with a one-time only increase per year.
 16 I introduced this bill on October the 11th of
 17 2005. I was joined by the following co-introducers:
 18 Chairman Cropp, Councilmembers Barry, Brown, Evans,
 19 Fenty, Gray, Mendelson, Orange, and Patterson. And
 20 there were two additional co-sponsors, Councilmembers
 21 Catania and Schwartz. Thus, 12 of the 13
 22 councilmembers have announced their support for this

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1 measure.
 2 As I have mentioned, under the current law, each
 3 time a vacancy occurs in a rent control unit, the
 4 landlord has a choice. The landlord may increase the
 5 rent ceiling. We're going to be talking a lot about
 6 rent ceilings. This is this very curious device that
 7 we have developed in the District of Columbia. But the
 8 landlord may increase the rent ceiling either by 12
 9 percent or to the rent ceiling of a comparable unit in
 10 the building.
 11 Now, typically what we have found is that the
 12 landlord finds it far more advantageous to increase the
 13 rent to the highest comparable rent ceiling in the
 14 building, and that is often the case in apartments
 15 where there have been long-term residents, where
 16 someone has lived there for 20, 30 or more years. And
 17 so, that the rent ceiling on those apartments is likely
 18 to be lower.
 19 So, an example would be in a unit that was renting
 20 for \$800 a month with a rent ceiling of \$1,000. But
 21 with a comparable rent ceiling in the building of
 22 \$3,000, which is not uncommon at all, that the landlord

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1 would have the opportunity to raise the rent to the
 2 highest comparable rent ceiling, that \$3,000 limit.
 3 Now, maybe the market could only take a \$1,500 rent,
 4 but that would be permitted to be established.
 5 And what we have seen, and I can speak to this
 6 personally in Ward 1 apartments, what we have seen is
 7 that whole buildings, apartment by apartment, have
 8 moved from being affordable to being virtually luxury
 9 rentals in the span of just a few years.
 10 Any single vacancy high comparable increase allows
 11 the landlord to raise the rent much higher than they
 12 would be able to do otherwise. And under the current
 13 law, keep in mind rent increases are allowed not once,
 14 but twice a year. This is not, in my opinion, rent
 15 control.
 16 We know that the evisceration of rent control due
 17 to these vacancy rent ceilings adjustments has a lot to
 18 do with affordable apartments disappearing. Now, what
 19 our bill does is replace these adjustments with a fair
 20 and simple formula. When a rent control unit becomes
 21 vacant, the landlord may increase the rent ceiling by
 22 one percent for each year since the last vacancy. In

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1 other words, if someone has been in that apartment for
 2 30 years, there's a 30 percent increase allowed. We do
 3 this because it is likely that the rent ceiling on
 4 apartment that has been occupied for many years is
 5 probably going to be low.
 6 But we also know that we need more protection from
 7 rent increases of 25 or 50 percent. So, our bill also
 8 caps rent charged increases at 10 percent and permits
 9 it only once a year. This bill puts real controls back
 10 into rent stabilization. But one of the purposes of
 11 this hearing is to find ways in which we can improve
 12 upon this legislation.
 13 Our purpose here is to preserve affordable
 14 housing. Our purpose is not to provide cheap
 15 apartments for people who can afford to pay much more.
 16 So, we need to really consider a needs assessment, a
 17 needs control on this legislation so that when we have
 18 one of these affordable units, that it is clear that
 19 people with particular incomes are those who qualify
 20 for the units, because otherwise you might easily have
 21 a situation where you have a low rent -- a unit with a
 22 low rent, but somebody with a very high income just

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1 lucks out and gets it. We need to be sure that we are
 2 preserving economic diversity in our neighborhoods.
 3 I am not going to talk a lot about hardship
 4 petitions, but it's very important to keep in mind that
 5 under the existing law, landlords are entitled, and we
 6 don't change this. Landlords are entitled to a 12
 7 percent return on their investments. And there is a
 8 process in place both for individual apartments and for
 9 buildings for a rentsip -- excuse me, a hardship
 10 petition to be filed by the landlord with DCRA to get
 11 special considerations as a result of capital
 12 improvements or other factors.
 13 I'm not going to go into that right now because --
 14 but I do want you to keep in mind that we're not
 15 touching the hardship petition process.
 16 Now, the second bill is the rent -- the Right of
 17 Tenants to Organize Amendment Act of 2005. I
 18 introduced this bill on October the 11th, 2005, and it
 19 as co-introduced by Chairman Cropp and Councilmember
 20 Fenty. Councilmembers Gray, Mendelson, Patterson,
 21 Orange, Evans, and Brown co-sponsored. So, this is
 22 nine members in favor of this bill in terms of its

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1 introduction.
 2 This bill prohibits landlords from interfering
 3 with certain basic and reasonable rights, which are
 4 specified in the bill, and they include distributing
 5 literature in common areas of the building; placing
 6 literature at or under the doors of fellow tenants;
 7 posting information on bulletin boards; facilitating
 8 tenant participation in organizational efforts;
 9 convening tenant organization meetings at reasonable
 10 times and in appropriate spaces; formulating responses
 11 to owners' actions, such as rent increases, changes in
 12 facilities, and making proposals to the landlords on
 13 behalf of the tenants. Very reasonable, very
 14 reasonable rights which this bill acknowledges.
 15 This bill also imposes a range of penalties on any
 16 landlord who violates these basic rights. These
 17 penalties include civil fines, cease and desist orders,
 18 monetary damages, reasonable attorney fees, and
 19 suspension or revocation of a license or registration.
 20 During a suspension or revocation, the landlord may
 21 not increase the rent in any unit of the building.
 22 This is a very important sanction.

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1 I believe it is unthinkable in this day and age
 2 that tenants don't enjoy the basic right to organize
 3 and take concerted action on their own behalf.
 4 Landlords who interfere with these rights are engaging
 5 in an abuse of economic power. It's time that the
 6 Council put an end to these unacceptable practices.
 7 Let me mention in regards to the first two bills
 8 that we have worked very closely with tenant
 9 representatives, and we have also consulted with
 10 others. But as you'll see as the testimony is
 11 presented, we will be recognizing the people who really
 12 helped us with this.
 13 The third bill is the Disclosure of Rent Ceiling
 14 Calculation Amendment Act of 2005. I introduced this
 15 bill with co-introducer Councilmember Brown on January
 16 the 18th. Councilmembers Fenty, Gray, Barry, and
 17 Mendelson co-sponsored.
 18 This bill is important because enforcement of the
 19 Rental Housing Act simply doesn't happen unless tenants
 20 are aware of their rights. Yet rent control, rent
 21 ceiling calculations, house ceilings relate to rent
 22 charge, these concepts are a mystery even to many

1 lawyers and law makers, and more so to the average
2 tenant.

3 The tenant who gets hit with a large increase,
4 even if given proper notice, is asked to accept
5 whatever the landlord gave them without explanation.
6 So, the law's enforcement mechanism is poor at best
7 right now. Simply put, the disclosure requirements in
8 Bill 16-48 would enable tenants to better enforce their
9 rights. It provides them the information they need to
10 better understand their rent control, to acquaint them
11 with the rent histories of their own units, and to
12 alert them to what rent increases are lawful and
13 unlawful.

14 Under this bill, a landlord who refused to comply
15 with the tenant's request for rent ceiling information
16 is subject to a \$5,000 fine per violation.

17 We will want to look at this bill in terms of
18 linking it to the Chief Tenant Advocate and to his or
19 her staff. This bill was introduced and drafted before
20 we had created the Chief Tenant Advocate's position.

21 The next bill is the Tenants Rights to Information
22 Act of 2005. Councilmember Patterson introduced this

1 our rent control and rent stabilization laws than this
2 Council has undertaken for decades. And I'm very
3 pleased that this is happening during my chairmanship
4 of this committee.

5 And with that, I'm going to pause. We have been
6 joined by Councilmember Catania, At Large,
7 Councilmember Fenty from Ward 4. I believe
8 Councilmember Catania was here first, and he is a
9 member of the committee. Councilmember, do you have an
10 opening statement?

11 COUNCILMEMBER CATANIA: Thank you, Councilmember
12 Graham.

13 I want to state from the outset that I'm delighted
14 that there are some important provisions finally being
15 brought forward that I'm eager to support. And let me
16 just put a few on them on the record.

17 I'm eager to support the annual requirement that
18 there can only be one rent increase per year. I think
19 that is infinitely sensible. The current requirement
20 that permits more than one increase per year does
21 appear to be a hardship, and what we need to ask is for
22 the management to provide, at the outset, you know, and

1 bill with co-sponsors Councilmember Mendelson and
2 myself on February the 1st. Chairman Cropp and
3 Councilmembers Evans, Fenty, Schwartz, Brown, and Gray
4 co-sponsored.

5 This bill would entitle the tenant to know a whole
6 lot of information about their apartment and various
7 aspects of the rental relationship.

8 Again, we wish -- we may wish to link that to the
9 Chief Tenant Advocate as well.

10 And finally, the final bill is Bill 16-51, the
11 Rent Control Statute of Limitations Amendment Act of
12 2005. This bill was introduced by Councilmember
13 Mendelson and co-introduced by Councilmember Fenty and
14 myself on January the 18th. Councilmembers Gray,
15 Barry, and Brown co-sponsored.

16 This bill will allow a tenant to challenge any
17 rent adjustment since the original base rent was filed
18 with the rent administrator. It limits recoveries to
19 damages to those incurred within the three-year period
20 prior to the filing of the tenant petition.

21 So, you can see that these five bills taken
22 together represent a much more comprehensive reform of

1 to calculate within their projected rents one time per
2 year what those rents should be. I also think limiting
3 the annual rent increases to 10 percent seems very
4 reasonable.

5 I am a little concerned, however, Mr. Chairman,
6 that this bill doesn't seek to address the largest
7 issue out there, which is the affordability issue. I
8 heard in your opening statement the notion that going
9 forward -- and I want to be clear. I'm certainly not
10 suggesting, and I don't know if anyone else is
11 suggesting, that individuals who currently are in
12 rental housing and enjoy the rent controlled housing
13 would be subject to an income eligibility. I think the
14 horse has left the barn on that issue.

15 But with respect to future vacancies of rent
16 control buildings, it seems to me the most important
17 issue we ought to be addressing is an affordability
18 requirement to be eligibility for these rent controlled
19 properties.

20 The current practice of allowing anyone of any
21 income level whatsoever to have access to rent
22 controlled properties seems to be pretty short sighted.

1 And it's a little disappointing that that particular
 2 issue is not the subject matter of any of the pieces
 3 before us today, and I certainly hope it will be
 4 included going forward.

5 My point, Mr. Chairman, as you know very well,
 6 there are a couple of glaring omissions in our current
 7 rent control statute. Number one, we don't require
 8 individuals who take advantage of rent control to be
 9 District residents, which is a problem. We have
 10 individuals who are living in rent controlled
 11 properties who remain residents of other States, who,
 12 therefore, pay taxes to other States and not to the
 13 District of Columbia.

14 It seems to me that going forward, first and
 15 foremost, there needs to be a residency requirement to
 16 require individuals who will be eligible for rent
 17 control going forward to be D.C. residents and to pay
 18 taxes to the District treasury. And, secondly, there
 19 needs to be an income criteria, an income limitation,
 20 if you will, to be eligible to live in these units
 21 going forward.

22 Our current practice is not solving the problem.

1 hearing would be an opportunity to bring all sides to
 2 the table and have an honest dialogue about what can
 3 happen.

4 Now, a hearing presents an opportunity for people
 5 to state their point of view, but a hearing doesn't
 6 really provide an opportunity for people to sit around
 7 and to exchange ideas. And I think that's really
 8 important. And following that exchange of ideas
 9 between individuals who live in these units and the
 10 individuals who own them, and with you, Mr. Chairman,
 11 leading this effort, I think we might be able to move
 12 the progress forward.

13 What I hope today's hearing won't be, and I mean
 14 this sincerely, I hope it won't be a food fight where
 15 one side casts aspersion on the other side and back and
 16 forth. You know, it makes for interesting hearings,
 17 but it doesn't make for interesting solutions.

18 I want to look at what are the real costs of doing
 19 business for these older units, because, let's face it,
 20 there are real costs. Anyone who owns a home in the
 21 District appreciates that over the last few years,
 22 property taxes have gone through the roof. Well, these

1 We do have an affordability issue, which no one is
 2 denying in the city. And because of that and because
 3 of the very narrow stock of affordable housing, and
 4 certainly those subject to the reach of the statute, we
 5 ought to make these properties available, and we ought
 6 to decide as a community, in partnership frankly with
 7 the individuals who own these buildings, how can we
 8 best establish an infrastructure that meets the needs
 9 of both sides, that provides affordable housing for
 10 individuals who have income limitations and other
 11 limitations that need it?

12 And at the same time, I think it's important to be
 13 sensible and to realize that many of these buildings
 14 that are the subject of rent control are pre-1975
 15 buildings. By definition, they are older buildings.
 16 They are buildings that require a good deal of
 17 maintenance. And it isn't enough to have a place where
 18 our -- where individuals can live if the buildings are
 19 falling down around them.

20 I also think, you know, what we need is a greater
 21 spirit and a greater balance. And what I would hope,
 22 Mr. Chairman, is that what would come from today's

1 units have not been -- they've not escaped those
 2 increased costs, nor have they escaped any of the
 3 increased costs that apply to any of us, from the
 4 hiring of their employees to their contractors, et
 5 cetera.

6 And I don't mean to suggest that we should just
 7 take their word for it, Mr. Chairman. That's not what
 8 I'm saying. I'm saying, you know, a thoughtful
 9 conversation that permits a give and take where the
 10 representatives from this industry and representatives
 11 from the tenants associations can come together and
 12 share information and have a better understanding of
 13 what will it take to produce a stream of revenue that
 14 allows these buildings to be maintained, that allows
 15 them to be operated, that allows the owners of the
 16 building, Mr. Chairman, an ability to go to banks and
 17 borrow the money for the capital improvement.

18 We need to be very careful on how we do this
 19 because sometimes you kill the goose, right, to get to
 20 the golden egg. Sometimes you create a mechanism that
 21 becomes so difficult and so onerous that when they go
 22 to their banks to seek a loan for capital improvements,

1 if they can't establish any degree of predictability
 2 with how they're going to pay that note back, banks
 3 just say now.
 4 So, anyway, I think there are legitimate points,
 5 Mr. Chairman. I want to thank you for bringing all of
 6 these measures before us. I think they're very timely.
 7 They're very thoughtful. I think we can create some
 8 remedies immediately. But I do hope that this hearing
 9 will be -- will move forward with the spirit of finding
 10 real solutions and not just picking winners and losers
 11 and throwing, you know, aspersions from one side to the
 12 next.
 13 But with that, Mr. Chairman, thank you. I look
 14 forward to participating in this hearing as much as I
 15 can. I have two hearings of my own today, and so I'll
 16 only be able to stay until a few minutes before 12:00.
 17 And I also look forward to working with you to
 18 insist upon an income eligibility requirement going
 19 forward to make sure that the houses -- this housing
 20 stock that we hope to preserve as affordable goes to
 21 those who need it, and not to those who don't.
 22 Thank you, Mr. Chairman.

1 CHAIRMAN GRAHAM: Thank you very much, Mr.
 2 Catania.
 3 Councilmember Fenty?
 4 COUNCILMEMBER FENTY: Thank you very much,
 5 Chairperson Graham. I'm very pleased to be a member of
 6 this committee for the first time this year. I'm very
 7 pleased, as you noted, that we are moving forward on a
 8 number of these very important reforms to the Rent
 9 Control Act.
 10 Specifically, I do want to note that the District
 11 of Columbia, of course, has the highest percentage of
 12 rental property in the, I think in the country, or at
 13 least one of the highest percentages, way over 60
 14 percent. So, when residents talk about affordable
 15 housing, as they frequently do, it's by far one of the
 16 biggest crises we have here in the District of
 17 Columbia.
 18 They are definitely talking about the need to
 19 preserve affordable rental housing. And I just wanted
 20 to speak about how important this has been in my
 21 representation of my constituents over the past five
 22 years. It's tough to go a week without hearing from

1 residents of the Paramount or residents of the
 2 Rittenhouse apartment building, or any number of
 3 apartment buildings in my ward, from residents who talk
 4 about the problems with the increases in their rental
 5 properties, despite the fact that we have a so-called
 6 rent control law.
 7 I think what has occurred over the past couple of
 8 decades here at the City Council and in the government
 9 is we have had a law in place, and it's a law that is
 10 obviously ineffective. But it gets passed again in the
 11 same version every five years, and it's kind of just a
 12 way of maintaining the status quo. And everyone knows
 13 that we're not doing anything. That is why I really
 14 want to commend you, Chairperson Graham, for really
 15 starting to move some reforms that should've been
 16 moved.
 17 And I think it's also a dialogue that is important
 18 to show that the government is not comfortable with the
 19 status quo. If we're going to have a rent control law,
 20 if everybody agrees that that's important for the
 21 District of Columbia, then let's make it a rent control
 22 law. But if it's just going to be something with all

1 these various loopholes where you can just get around.
 2 Everyone knows the loopholes better than I do, the
 3 95/5 loophole, which I'm glad that we eliminated, or
 4 so-called loophole, eliminated earlier this year.
 5 The one that's been discussed today about the
 6 ability to increase rents twice a year all the way up
 7 to rent ceilings that have built up for years and
 8 years, obviously that's a huge loophole for people who
 9 are on fixed income or lower income, as many of our
 10 renters are here in the District of Columbia.
 11 And then the capital improvements loopholes. All
 12 of them need to be looked at very seriously. Most of
 13 them need to be changed. I am very proud to have
 14 either co-introduced or co-sponsored all of the pieces
 15 of legislation that we're discussing here today, and I
 16 do look forward as a member of the Committee o Consumer
 17 and Regulatory Affairs, to being able to vote on them
 18 very quickly. And I know that you will probably be
 19 moving them quickly.
 20 And I'm going to stay as long as I can for this
 21 hearing, and I thank you for calling it. I thank all
 22 of the witnesses for coming down to testify about how

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1 important this is.
 2 Thank you very much.
 3 CHAIRMAN GRAHAM: Thank you, Mr. Fenty. And now
 4 we'll proceed to our first panel. The way the hearing
 5 has been structured is that -- and the witness lists
 6 are available.
 7 MS. FLYNN: May I approach?
 8 CHAIRMAN GRAHAM: Pardon me?
 9 MS. FLYNN: May I approach?
 10 CHAIRMAN GRAHAM: Well, we're going to our first
 11 panel. Okay. We're going to -- you're Rose Marie
 12 Flynn, right?
 13 MS. FLYNN: I am.
 14 CHAIRMAN GRAHAM: We'll put you on. We'll put you
 15 on it. Olivia Clayben. Okay. Could you please have a
 16 seat? We will put you on that panel, okay? Thank you.
 17 The way the hearing has been structured is that
 18 we're going to begin with, you know, some of the best
 19 knowledge that we have about what's been going on in
 20 terms of rent control. And then we're going to hear
 21 the government's statement.
 22 I wanted -- usually I like to hold the government

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1 till the end, but I think in this particular case,
 2 everyone needs to hear what the government's position
 3 is on this legislation. It's extremely important that
 4 we hear from them, and then we'll go to our public
 5 witnesses.
 6 I'm going to move as rapidly as I can. I do
 7 appreciate the participation of my colleagues, both of
 8 whom, by the way, I should have side -- Councilmember
 9 Fenty is, as you all know, a member of the committee as
 10 well.
 11 So, our first panel is Angie Rogers, Policy
 12 Analyst, D.C. Fiscal Policy Institute, Cheryl Cort,
 13 Executive Director, the Washington Regional Network for
 14 Livable Communities. Ms. Rogers is here. Thank you.
 15 And if any of you have prepared statements, and I
 16 hope many of you do, please provide them to Mr. Adams,
 17 and he will circulate them to the -- to myself and my
 18 colleagues.
 19 And we'll begin with Ms. Rogers on behalf of the
 20 D.C. Policy -- D.C. Fiscal Policy Institute. Ms.
 21 Rogers. You have -- by the way, we're going to limit
 22 you to five minutes for your testimony.

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1 MS. ROGERS: Okay.
 2 CHAIRMAN GRAHAM: Thank you.
 3 MS. ROGERS: Good morning, Chairman Graham, and
 4 members of the committee. Thank you for the
 5 opportunity to speak today. As you said, my name is
 6 Angie Rogers, and I am a Policy Analyst with the D.C.
 7 Fiscal Policy Institute.
 8 CHAIRMAN GRAHAM: Let me just say, it's very
 9 important that you have the microphone close to you.
 10 MS. ROGERS: Close to me.
 11 CHAIRMAN GRAHAM: Yes.
 12 MS. ROGERS: Is that close enough?
 13 CHAIRMAN GRAHAM: That's good. And that goes for
 14 everybody. Please keep the microphone close to you.
 15 MS. ROGERS: DCFPI engages in research in public
 16 education on the fiscal and economic health of the
 17 District of Columbia, with a particular emphasis on
 18 policies that affect low and moderate income residents.
 19 Every year the District loses thousands of units
 20 of affordable rental housing. In September, DCFPI
 21 released a report that documented this loss. We define
 22 rental units as affordable if the gross rent -- that's

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1 rent plus utilities -- was less than \$500 per month.
 2 These units would be affordable to households earning
 3 less than \$20,000 per year.
 4 We found some astounding and disturbing trends.
 5 In just the year between 2003 and 2004, median rent
 6 increased by nine percent from \$734 to \$799, and the
 7 District, as you mentioned before and I'll say again,
 8 lost 2,400 units of affordable rental housing. Since
 9 2000, the District has lost 7,500 of these units.
 10 At the same time, the District was gaining high
 11 cost rental housing at rates that almost doubled its
 12 losses. We define high cost rental units as those
 13 costing \$1,000 or more per month, and the District
 14 gained 4,600 of those units between 2003 and 2004, and
 15 some 13,000 of these units since 2000.
 16 The loss of affordable housing affects the
 17 District's lowest income households the most. In 2004,
 18 the households with incomes of less than 30 percent of
 19 AMI -- that's area median income or \$25,600 for a
 20 household of four -- made up 73 percent of all District
 21 households with severe housing burdens. A severe
 22 housing burden means that these households are spending

1 more than half of their income on housing costs.
 2 Before anyone dismisses this information claiming
 3 that this is just a problem for poor people and poor
 4 people are always going to be burdened by housing
 5 costs, or that the loss of such low cost housing is
 6 inevitable and ultimately not that important, I want to
 7 highlight a few points.

8 The first thing is that it actually is very
 9 significant that we are losing low cost rental housing
 10 because there are still many families in the District
 11 for whom anything above that \$500 per month is
 12 unaffordable. In 2004, there were 47,000 renting
 13 households earning less than \$20,000 per year. At the
 14 same time, there were only 27,000 rental units that
 15 would've been affordable to them.

16 Last month, Wider Opportunities for Women updated
 17 the self-sufficiency standard for the D.C. Metropolitan
 18 Area. The self-sufficiency standard measures the cost
 19 of living for a number of family types and calculates
 20 what those families need to earn in order to live
 21 without receiving any kind of public assistance.

22 One of the things revealed in the standard is that

1 rents in the close in suburbs of Arlington, Alexandria,
 2 Fairfax, Montgomery County, and Prince Georges County,
 3 are more expensive than rents in the District. And I
 4 should note that that study does not take into account
 5 quality of housing, only availability.

6 If the District's housing market is not providing
 7 affordable options for low income families and neither
 8 are close in suburbs, then it begs several questions.

9 If families are being pushed out, where are they going?

10 Or, more likely, if there is nowhere to go, how are
 11 poor families surviving amidst these rapidly escalating
 12 housing costs? The reality is that many low income
 13 families are not just spending half of their income on
 14 housing; many are spending almost all of their income
 15 on rent.

16 The second point I want to make is that
 17 increasingly the affordable housing crisis is not just
 18 a problem for poor people. Between 2000 and 2004, the
 19 District lost 15,000 rental units costing between \$500
 20 and \$1,000 per month. These units would've been
 21 affordable to households between \$20,000 -- earning
 22 between \$20,000 and \$40,000 per year.

1 The last point I want to make is that the loss of
 2 affordable housing, particularly at such alarming
 3 rates, is not inevitable. In fact, many of the large
 4 losses that we document took place in just the years
 5 since 2000. DCFPI did a longer analysis in January
 6 that looked at these same trends in housing costs since
 7 1990. The District did lose affordable units in the
 8 1990s, but at an average rate of less than 700 units
 9 per year. The average loss per year between 2000 and
 10 2004, however, was more than 2,300.

11 And I'll end there and take any questions that you
 12 might have.

13 CHAIRMAN GRAHAM: Thank you very much, Ms. Rogers.

14 I would ask people in the audience, if you wish to
 15 have a conversation to go into the hallway. We're
 16 interested in hearing he witnesses, and when you
 17 testify you'll want us to be listening in an undivided
 18 way to your testimony. So, if you have conversations,
 19 please just go outside of the room because it's
 20 distracting for those of us who are testifying.

21 Thank you very much, Ms. Rogers.

22 Cheryl Cort, the Executive Director of the

1 Washington Regional Network for Livable Communities.

2 MS. CORT: Thank you, Chairman Graham, and thank
 3 you, Councilmember Catania and Councilmember Fenty.

4 I'm Cheryl Cort. I'm the Executive Director of
 5 the Washington Regional Network for Livable
 6 Communities. We're based in the District, and we work
 7 on smart growth for urban communities, promoting
 8 walkable neighborhoods and affordable housing and
 9 transportation choices for the residents of our region.
 10 I'm also a long-term resident of Ward 1, as the
 11 Councilmember knows.

12 Over the last 25 years, the Washington region --
 13 over the next 25 years, the Washington region will
 14 generate 1.6 million new jobs and two million new
 15 residents requiring over 800,000 new homes. About 20
 16 percent of these jobs will be low wage jobs. And after
 17 three decades of decline in our population in the city,
 18 we seem to be growing again. And this is an
 19 opportunity for the city to capture more of the
 20 region's growth, and this can benefit the District and
 21 the region.

22 As our region grows and the District of Columbia

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1 continues to attract new residents, strong demand for
 2 housing pushes up housing prices. Thousands of
 3 affordable rental and home owner occupied --
 4 homeownership occupied homes are being converted to
 5 high price housing. Thousands of affordable rental and
 6 homes are being shifted in the market. Developers are
 7 taking advantage of this by building to the strong
 8 demand and short supply to higher ends of the market,
 9 and existing rental buildings are being converted to
 10 condominiums.

11 Many of these actions do not serve the needs of a
 12 wide segment of our residents and workers. In a
 13 research report that we published about a year and a
 14 half ago, we outlined the increasing housing needs in
 15 our region and the District of Columbia, and identified
 16 key strategies used around the country by local
 17 jurisdictions to do more to preserve and produce
 18 affordable housing for moderate and lower income
 19 families.

20 I just wanted to identify the four key policy
 21 strategies that we identified in this paper. The list
 22 is inclusionary zoning, dedicated local funding to

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1 affordable housing, zoning for housing choices, and
 2 affordable housing preservation. I say this to give
 3 context to what we're discussing today in terms of how
 4 we view the broader policy context for rent control.

5 As you know, the Council has endorsed the
 6 principles of a strong mandatory inclusionary zoning
 7 policy, and we're -- this is current -- these proposals
 8 are currently being considered by the Zoning
 9 Commission, and also is a part of the comprehensive
 10 plan revision. And we're hopeful that we'll have a
 11 positive outcome to this, and we'll have a productive
 12 policy that will help provide affordable housing in new
 13 private development.

14 In terms of dedicated funding, the District has
 15 led the region in its per capita commitment to local
 16 dollars to its Housing Trust Fund. But from our
 17 experience, there have been some problems with this in
 18 terms of how dedicated this funding really is, and we
 19 ask -- and we appreciate what the Council has done to
 20 ensure that we've gotten full funding for the Housing
 21 Production Trust Fund every year, but we really don't
 22 think this should be such a struggle. But still we

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1 want to recognize what the District has done in being a
 2 leader in the region, and other jurisdictions locally
 3 have recently substantially increased their commitment
 4 to their housing trust funds, particularly in Northern
 5 Virginia.

6 Zoning for housing choices is an important element
 7 in a comprehensive strategy for affordable housing.
 8 This is a question of how our limited land resource
 9 that is close to hundreds of thousands of job services
 10 and transit is used. We're hopeful that the
 11 comprehensive plan revision will give better definition
 12 to the idea that our land use policy should provide
 13 better housing choices close to metro stations and
 14 along major corridors, and close to downtown and other
 15 job centers.

16 Other examples of land use policies would be
 17 better use of accessory apartments in order to give
 18 greater variety of housing choices in desirable
 19 locations, and to adapt an older housing stock to
 20 markedly different household sizes of today.

21 And, lastly, we consider preservation of existing
 22 affordable housing to be absolutely essential to a

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1 comprehensive housing strategy. Preservation policies
 2 which prevent and displace moderate and low income
 3 families are essential to addressing our city's and our
 4 region's housing needs. Without protections, renters
 5 are the most vulnerable to rapidly changing housing
 6 markets and whole scale displacement.

7 While we're aware that we're losing Federal
 8 subsidies, we're witnesses accelerated losses of non-
 9 subsidized affordable housing on the private market.
 10 Rent control and tenants right to purchase laws offer
 11 important, if imperfect, protections to a large number
 12 of D.C. households who cannot afford the escalating
 13 rise in rents and home prices. Without strong anti-
 14 displacement policies, we will witness the loss of the
 15 diversity of many of our city's neighborhoods.

16 For this reason, we're very concerned that we do
 17 everything we can to make sure that we strengthen our
 18 laws that are protecting our -- particularly renters,
 19 and also low income home owners, as we also seek new
 20 resources, funds, policies, to produce new affordable
 21 housing. In working together, these policies can form
 22 the basis of a successful city where we have a place

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1 for both well-paid and low wage workers to live.
 2 Thank you.
 3 CHAIRMAN GRAHAM: Thank you very much. I want to
 4 acknowledge that we've been joined by Councilmember
 5 Patterson from Ward 3. Councilmember Patterson, do you
 6 have an opening statement?
 7 COUNCILMEMBER PATTERSON: No, I'm just here to
 8 hear the testimony. Thank you very much for scheduling
 9 the hearing.
 10 CHAIRMAN GRAHAM: Thank you.
 11 We will now proceed to five-minute rounds. Mr.
 12 Adams, if we could get five-minute rounds of questions.
 13 And let me begin.
 14 I was very interested and pleased to see that we
 15 -- that this Council established a task force which
 16 produced a report entitled "A Comprehensive Housing
 17 Strategy for Washington, D.C.: Homes for an Inclusive
 18 City." And when this report was issued and the summary
 19 was issued in draft on September the 7th, 2005, I was
 20 very eager actually to read it. And I liked and
 21 supported very much of what I saw here.
 22 But one of the things that struck me is that in

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1 this entire summary, which lasts, I don't know whether
 2 it's paginated, but it's a lot of pages -- 24 pages.
 3 There's not a single mention of rent control. Not a
 4 reference. It's as if there was no rent control in the
 5 District of Columbia. It was as if there was no
 6 relevance of rent control and rent stabilization to a
 7 comprehensive housing strategy.
 8 Well, you know, I immediately contacted the chairs
 9 of this task force and I pointed this out to them.
 10 Their first public hearing that they held, which was
 11 convened at Howard University, I went and I spoke. And
 12 I said there's something seriously missing from this
 13 report. And the fact of the matter is that, as much as
 14 I've supported full funding for the Housing Production
 15 Trust Fund, as much as I've supported inclusionary
 16 development, the first examples of which are coming out
 17 of the ground right now in Columbia Heights and which I
 18 sponsored those provisions in the RFPs, as much as I
 19 support all of that, and slum property nuisances, and
 20 et cetera, et cetera, you've got to acknowledge rent
 21 control as the principle vehicle that we have had,
 22 however imperfect, that we have had for protecting

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1 affordable rentals in the District of Columbia for 30
 2 years.
 3 Well, I want to report to you that to their
 4 credit, they took this point to heart, and they're now
 5 in the process of considering how to revise the report
 6 to include rent control. And I'm looking very eagerly
 7 -- awaiting eagerly, however, the actual specific
 8 recommendations from this task force.
 9 Now, in terms of inclusionary zoning and
 10 inclusionary development, these two terms have come to
 11 have a distinctive meaning. Inclusionary zoning refers
 12 to something that really, you know, are zoning
 13 advantages that are given, and these are going to have
 14 to be considered as part of the comprehensive plan and
 15 zoning commission actions.
 16 But inclusionary development is when the District
 17 of Columbia sells its own land -- sells its land, and
 18 determines as a matter of policy that we want
 19 affordable units, a percentage of affordable units,
 20 built as part of the deal. And so, we take less for
 21 the land in order to achieve this societal objective.
 22 And this legislation I have co-sponsored with Chairman

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1 Cropp, and it's before the Council right now.
 2 But the fact of the matter is that even if 20
 3 percent of all newly constructed apartments,
 4 inclusionary zoning and inclusionary development, were
 5 created as affordable housing, it would take the
 6 construction of 450,000 new apartments in order to get
 7 the 90,000 rent controlled apartments that we have
 8 today.
 9 So, my question to both of you is, just how
 10 important do you see rent control? Ms. Cort, you
 11 mentioned it is one of your four elements. How
 12 important is this mechanism? How important should this
 13 mechanism be to affordable housing in the District of
 14 Columbia?
 15 MS. CORT: Well, we consider it a major priority
 16 and one of four key elements in how we would suggest
 17 approach comprehensive housing strategies. And we also
 18 appreciate your push on the Conference of Housing
 19 Strategy Task Force to correct the omission of not
 20 looking at how rent control is a major preservation
 21 tool for keeping households in place and not displacing
 22 them. And we can hardly talk in terms of how many new

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1 units we plan to produce, while at the same time losing
 2 many more out of the market because they're becoming
 3 unaffordable to those families, and those families are
 4 being displaced.
 5 CHAIRMAN GRAHAM: And I think the other point I
 6 want to add, and then, Ms. Rogers, I want to hear your
 7 answer, is the fact that so much of inclusionary zoning
 8 and inclusionary development in the Housing Production
 9 Trust Fund, is aimed at ownership. And the fact of the
 10 matter is, there are a lot of people who must of
 11 necessity -- they might want to be owners, but they
 12 must of economic necessity be renters.
 13 Now, the Housing Production Trust Fund needn't be
 14 structured that way. There could be a lot more support
 15 for affordable rentals. But the fact of the matter is
 16 that the way that fund has operated, and I'm very
 17 supportive of it, don't get me wrong, is it has tended
 18 to emphasize ownership rather than rental.
 19 Ms. Rogers, do you have a response to my question?
 20 MS. ROGERS: I just wanted to add that we also
 21 consider rent control to be very important. We also
 22 made comments to the task force along the lines of the

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1 ones that you made, and are happy to see that they are
 2 considering inserting some language along those lines.
 3 The one point, just to put this sort of in
 4 perspective for people, the Housing Task Force is
 5 recommending the creation of about 55,000 housing units
 6 over the next 15 years. And I believe some -- over
 7 20,000 of those are meant to be affordable units. And,
 8 you know, we can create those affordable units, but if
 9 we don't put the policies in place and make sure that
 10 they're strong policies, we'll have those, you know,
 11 20,000 affordable units for 15 years, but then after
 12 that they'll be gone.
 13 And so, policies like rent control are very
 14 important. And it's important as a part of a package.
 15 I don't think that people should be looking for rent
 16 control to be the cure all to the affordable housing
 17 crisis. We have a big problem here, and Cheryl has
 18 mentioned, you know, the sort of package of policies
 19 that we should be looking at to address this.
 20 CHAIRMAN GRAHAM: Thank you, Ms. Rogers.
 21 Now for your five-minute round, Mr. Catania.
 22 COUNCILMEMBER CATANIA: Thank you, Mr. Chairman.

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1 Can I ask, do both of you support a residency
 2 requirement for -- and, again, we're talking about
 3 individuals who are entering these rent controlled
 4 properties going forward, maybe not for those who
 5 currently have them. But going forward, do you support
 6 a residency requirement?
 7 MS. CORT: It sounds like a good idea to me. I
 8 think that targeting the benefits of the low market
 9 rate units for residents --
 10 COUNCILMEMBER CATANIA: That's the second
 11 question. The first question is, do you support a D.C.
 12 residency requirement to access D.C. supported rent
 13 control properties? And you say, yes, Ms. Cort?
 14 MS. CORT: Yes.
 15 COUNCILMEMBER CATANIA: Okay. And, Ms. Rogers?
 16 MS. ROGERS: Once again, as Cheryl said, it sounds
 17 like a good idea.
 18 COUNCILMEMBER CATANIA: Okay.
 19 MS. ROGERS: I don't know if we want to go on
 20 record.
 21 COUNCILMEMBER CATANIA: The second issue is --
 22 well, this is a simple one.

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1 MS. ROGERS: Okay.
 2 COUNCILMEMBER CATANIA: And if you all aren't
 3 willing to go on record for a simple thing, the rest of
 4 your testimony becomes kind of suspicious. I just want
 5 to be honest, okay?
 6 The second issue is that a needs-based access.
 7 Again, going forward, from this point going forward,
 8 let's all understand that for those individuals
 9 currently in rent controlled property, that we need to
 10 rationalize these increases to one per year, lower the
 11 amount from 12 to 10 percent that they're eligible to
 12 increase, and genuinely and generally rationalize and
 13 provide comfort and predictability for those who have
 14 it. We're talking about those who don't currently have
 15 it.
 16 So, for those who don't currently have it, do you
 17 support a needs-based -- and we can quibble about what
 18 that need is later, what that income level is later.
 19 But do both of you support that as a requirement going
 20 forward?
 21 MS. ROGERS: I think we would definitely support
 22 targeting any kind of assistance that we are --

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1 COUNCILMEMBER CATANIA: Okay.
 2 MS. ROGERS: -- considering in the District on low
 3 income households.
 4 COUNCILMEMBER CATANIA: Ms. Cort, do you also
 5 support --
 6 MS. CORT: Yeah, we'd support targeting it.
 7 COUNCILMEMBER CATANIA: And let me tell you, Mr.
 8 Chairman, why this is so important to me. We have, you
 9 know, we've not done a very good job of matching the
 10 need to the very limited number of units that we have.
 11 And so, I think it is important going forward that
 12 this legislation be amended so that there are income
 13 limitations or other special populations that we may
 14 want to have a set aside for. And a population that
 15 comes to mind, you know, and it's one that
 16 Councilmember Patterson and I, who's to my left, have
 17 worked on, are for victims of domestic violence.
 18 Leaving a home where you are being battered is very
 19 difficult if you can't have access to something that
 20 you can afford.
 21 And so, we can look and we can engineer some
 22 privileges for certain populations based on income or

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1 condition. That's completely -- you know, so we're on
 2 the same page there.
 3 Do we know, Ms. Rogers, of the number of units
 4 that were lost, the affordable units that were lost?
 5 How many of them actually were of the rent controlled
 6 variety? In other words, not all 15,000 were rent
 7 controlled properties, right?
 8 MS. ROGERS: Right.
 9 COUNCILMEMBER CATANIA: Do we know how many were
 10 rent controlled?
 11 MS. ROGERS: We don't, but this is census data
 12 information. And they don't --
 13 COUNCILMEMBER CATANIA: All right.
 14 MS. ROGERS: -- collect that.
 15 COUNCILMEMBER CATANIA: Let me play devil's
 16 advocate for a second. Do you at all fear -- and this
 17 is always the concern that I have as we attempt to
 18 adjust and tweak the rent control bill. Do you two
 19 have any fear that as we make owning property in the
 20 District more difficult or more cumbersome, that it
 21 will act as a disincentive for private developers who
 22 might want to invest their money here in low income

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1 housing? Do you have any concern that the more onerous
 2 we may make these laws, the more we may give people who
 3 might be inclined to invest private money into low
 4 income housing, we might discourage them from doing it
 5 here because they thought, well, geez, this is too much
 6 of a bother. There's no predictability. Let's go out
 7 to Virginia where it's easier. Do you have any fear of
 8 that?
 9 MS. ROGERS: I think there is definitely that fear
 10 --
 11 COUNCILMEMBER CATANIA: Okay.
 12 MS. ROGERS: -- but I don't think that we're
 13 anywhere near that point.
 14 COUNCILMEMBER CATANIA: All right. But I just
 15 wanted to --
 16 MS. ROGERS: Right.
 17 COUNCILMEMBER CATANIA: Ms. Cort, do you have a
 18 fear of that?
 19 MS. CORT: Well, I mean, my concern is that we've
 20 seen sort of a namsa of condo conversions and changing
 21 of ownership. There's a lot -- there's obviously an
 22 attractive private market that's really threatening a

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1 lot of low income homes.
 2 COUNCILMEMBER CATANIA: Well, I agree, and in my
 3 remaining minutes -- I'm sorry for cutting you off --
 4 Mr. Graham and Mr. Fenty and others have really been
 5 advocates on behalf of the Affordable Housing Trust
 6 Fund. And I've certainly supported it in the past.
 7 Mr. Graham knows that there's too much emphasis on
 8 ownership.
 9 I want to respond differently. I don't think
 10 there's enough emphasis on ownership. I think it's how
 11 we spent the money, Mr. Graham, that leads me to be
 12 concerned. We can produce, and let's say for
 13 conversation sake, using city money, one affordable
 14 housing unit for \$200,000, or we can give 20 families
 15 \$10,000, and they can buy their own homes, right,
 16 because they're already paying rent. We can take that
 17 money and multiply it. It's just the choices we decide
 18 to make.
 19 But I also think, and Mr. Graham is right, that we
 20 have to have affordable rental property. And what
 21 we've got to be very careful of here is constructing an
 22 environment that permits individuals who want to to

1 invest in affordable rental, and that we don't make it
2 so onerous that people who might be inclined to invest
3 private money leave.

4 And I believe there's a balance, and the key to
5 this balance, in my view, is a dialogue between those
6 who own the properties and those who live in them. So,
7 there's more of a trust and mutual understanding and
8 not what we have, I sometimes think is too much
9 distrust and too much misunderstanding.

10 So, I want to thank both of you very much for your
11 testimony and for your hard work on this.

12 Thank you, Mr. Graham.

13 CHAIRMAN GRAHAM: Councilmember Patterson?

14 COUNCILMEMBER PATTERSON: Thank you very much. I
15 don't have questions, but I do want to just underscore
16 a point that Mr. Catania made about the 15,000 units
17 identified in your analysis.

18 I think it would be very good to know what of that
19 number are within the realm of what we're talking about
20 in this hearing. And I think that is knowable
21 information; it's just something I think to work with
22 probably our own planning office in terms of -- and

1 transportation issues, and as a member of the Metro
2 board. I really appreciate what you contribute to us.

3 So, thank you both very much.

4 MS. CORT: Thank you.

5 CHAIRMAN GRAHAM: And now we'll proceed to hear
6 from the government and their position on these bills.

7 I'm pleased that we have with us the Deputy Mayor,
8 Stanley Jackson, and he will be joined by Teresa Lewis,
9 the Chief of Staff of the Department of Consumer and
10 Regulatory Affairs. Director Canavan is unable to join
11 us; he is out of town on business this week, and so he
12 was unable to be here, but we're very pleased that Ms.
13 Lewis is here. And we're happy to receive your
14 testimony, Mr. Deputy Mayor.

15 DEPUTY MAYOR JACKSON: Good morning, Council
16 Chair, Councilmember Catania, Councilmember Patterson,
17 and members and staff of the Committee on Consumer and
18 Regulatory Affairs. My name is Stanley Jackson. I'm
19 the Deputy Mayor for Planning and Economic Development.
20 It is my pleasure to be here before you today to
21 testify on --

22 CHAIRMAN GRAHAM: Mr. Jackson, can I just ask you

1 DCRA in terms of getting those numbers, overlaying your
2 work with theirs. And it's something that I would hope
3 the committee would be interested in pursuing.

4 Thank you very much.

5 CHAIRMAN GRAHAM: We'd like also -- thank you. We
6 would like to pursue that. And we also would like your
7 comments, Ms. Rogers, that you filed on rent control
8 with the Comprehensive Housing Task Force, if I heard
9 you correctly say that.

10 MS. ROGERS: Yeah, it was part of a larger set of
11 comments, but I'd be happy to share those with you.

12 CHAIRMAN GRAHAM: Well, we'd like to see -- to say
13 that, and we'd like to see that. And I do want to say
14 that I was at Councilmember Patterson's hearing last
15 night on education and schools and school
16 modernization, and we had Ed Lazear who testified last
17 night. And I made the comment, thank God for the D.C.
18 Fiscal Policy Institute. You know, you have provided
19 very meaningful -- very, very meaningful information to
20 this Council over the years, and we appreciate it. And
21 the very same goes to WRN and Ms. Cort and all of your
22 fine work. We've worked very closely together on

1 to speak directly into the microphone because we don't
2 want to strain to hear you.

3 DEPUTY MAYOR JACKSON: Can you hear me now?

4 CHAIRMAN GRAHAM: Yes, that's good.

5 DEPUTY MAYOR JACKSON: Good. Again, it is
6 certainly my pleasure to be here this morning to
7 testify on the five bills before us today that affects
8 the Rental Housing Act of 1985, namely the Tenants
9 Rights to Information Act of 2005, the Rental Control
10 Statute of Limitations Act of 2005, the Right of
11 Tenants to Organize Amendment Act of 2005, the Rent
12 Control Reform Amendment Act of 2005, and the
13 Disclosure with Ceiling Calculation Amendment Act of
14 2005.

15 With me today is Teresa Lewis, the Deputy Director
16 for the Department of Consumer and Regulatory Affairs,
17 and also with me is Alyssa Hodge, who is my Special
18 Assistant here.

19 I have provided written testimony that I will
20 present for the record, but I would like to summarize
21 my position here and the position of the Executive if
22 you will bear with me.

1 Clearly we support the goals of preserving
 2 affordable housing, particularly rental housing, and we
 3 certainly acknowledge the value and importance of
 4 maintaining the existing stock of affordable rental
 5 housing as an important tool to address the critical
 6 housing need in the District of Columbia, particularly
 7 as it relates to not only our low income residents, but
 8 also our workforce residents, as well as our senior
 9 residents.

10 As you all know, the market here in the District
 11 of Columbia in real estate has been extremely robust,
 12 and our challenge continues to be to act strategically
 13 to preserve affordable housing opportunities, and
 14 increase a supply of housing choices wherever possible.

15 Market forces continue to make this a challenging
 16 endeavor, and we must continue to use all tools
 17 available to us, both those that are traditional, as
 18 well as those that are new in the marketplace, to
 19 expand this opportunity.

20 We also must understand and recognize the use
 21 strategically of the Rental Housing Control Act as a
 22 tool to preserving affordable housing. We applaud the

1 believe that this legislation is intended to require a
 2 landlord to go out and rent space at someplace else to
 3 afford a tenant an opportunity to organize. But space
 4 if the landlord controls, we strongly encourage the
 5 belief that they should make these spaces available to
 6 the tenants.

7 In terms of Disclosure of Rent Ceiling, we support
 8 the goal of making information easily accessible and
 9 understandable to our tenants, and we see no issue with
 10 providing that disclosure at this time. The bill
 11 clearly requires that housing should provide
 12 information tenants regarding rent ceilings and any
 13 increases and decreases particular to their units.

14 The Statute of Limitations. We support the
 15 tenants' access to information regarding the
 16 establishment of rent ceilings, but I would caution
 17 that we do not create expectations that we cannot
 18 fulfill, particularly as it relates to information that
 19 might be somewhat aged. And I use "aged" as Fiscal
 20 Year 2000 and prior.

21 I submit to you that while the Agency has done a
 22 better job, the reliability of our information prior to

1 Council in its efforts to maintain the existing stock
 2 of affordable housing, and we support the goals of
 3 simplifying rental housing regulations in order to make
 4 the Rental Housing and Accommodation Act more effective
 5 and accessible for both landlords, both small and
 6 large, and our tenants.

7 Clearly and understandably, information regarding
 8 the calculation of rent, as well as clear guidelines
 9 regarding the duty to maintain records, is crucial to
 10 ensuring openness and fairness to all in this industry,
 11 both our consumers and our suppliers. We support these
 12 goals and principles of this legislation put forth, and
 13 we commend you for taking this on at this point.

14 In terms of the following bills, let me just
 15 summarize where we are with them.

16 The Tenants Right to Organize. Clearly we support
 17 this bill. We believe that tenants should have the
 18 right to organize, and we also recognize that we need
 19 to provide clarification that a landlord is not
 20 required, or should not be required, to provide space
 21 that is not normally provided in terms of community
 22 rooms and common areas that they control. I do not

1 that would be somewhat compromised, I think. And the
 2 Council, as you know, we have been looking to automate
 3 our processes here so we can be much more of a reliable
 4 source of information as it relates to this status.

5 So, so what I would submit to you, while we
 6 support this, I would only caution that there should be
 7 a limitation as to how far back should you rely on data
 8 regarding the establishments of those ceilings.

9 In terms of Tenants Rights for Information,
 10 clearly we support this bill. This is a very good
 11 opportunity where tenants should be required to have
 12 access to information in writing and otherwise that
 13 provide them with clear information regarding the
 14 regime of the rental unit that they are occupying.
 15 Clearly we do not believe that a tenant should go into
 16 a rental unit that already has sought an application to
 17 convert to a condominium and not be aware of that. So,
 18 we support the rights of tenants to have clear and
 19 concise information as they go forward to occupy or
 20 enter a rent relationship with a landlord.

21 In terms of the adjustment of the rent ceiling
 22 calculation, I am in 100 percent agreement with

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1 Councilmember Catania. I think it certainly would be a
 2 great opportunity for us pull a task force of experts
 3 in this arena and look at the implication of this bill
 4 and also what is something that we think would be a
 5 compromise to guaranteeing two things, and that is,
 6 one, that we improve the quality of our stock, but also
 7 offer landlords a reasonable return on that investment.
 8 I think that we all know, and, Council, you joined
 9 me on Saturday when we kicked off Lead Poison Awareness
 10 Week because we recognize in our jurisdiction here, we
 11 have a tremendous amount of our inventory that was
 12 produced prior to 1978. Unfortunately, this inventory
 13 has, by historical standards, processes that have
 14 exposed a lot of our children to risqué conditions.
 15 And unfortunately a disproportionate amount of the
 16 people who suffer from those risqué experiences are
 17 people who are income challenged or are minority in
 18 nature.
 19 I believe very strongly that we should encourage
 20 landlords who own a property that was developed prior
 21 to 1978, to encourage them to improve the quality of
 22 their property so we can improve the quality of life

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1 for our residents.
 2 So, I am in support and strong agreement with
 3 Councilmember Catania that I think it would be a wise
 4 position for us to collectively pull a task force of
 5 experts together and look at this to guarantee that we
 6 provide an environment where a landlord can invest in
 7 his or her asset to improve it, to improve the quality
 8 of life, but also allow them a reasonable return on
 9 that investment over time.
 10 In conclusion, I want to applaud the Council for
 11 your courageousness and your support because we
 12 certainly are interested in stemming the tide of the
 13 rapid loss of affordable housing in our market, both
 14 rental and non-rental products.
 15 I conclude my written testimony as I provided to
 16 you, but I want to say to you as I stand here, the
 17 panel before me sort of put it in context in terms of
 18 the challenge that we face today. And we all have seen
 19 the evolution of our real estate market to explode to
 20 the point where we have fewer and fewer assets that are
 21 available that is affordable, whether rental or
 22 otherwise.

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1 What we've seen here is the medium rental price
 2 going from \$734 to almost \$780 a month. When we put
 3 this on the backdrop of some of our income patterns in
 4 our neighborhoods, we realize now that even at a medium
 5 level, that we have tremendous rent burdens in our
 6 city. When we look at about 47,000 residents whose
 7 income is below 30 percent of AMI and only 27,000 units
 8 of housing that would be accessible for that income
 9 market, then you know that we have to look at all
 10 opportunities to use the tools that are available to us
 11 to increase this opportunity of quality living for all
 12 of our residents.
 13 So, in closing I want to say to you that this
 14 Administration strongly supports and embraces the
 15 theory of inclusion. We do believe very strongly that
 16 we must be as creative as possible to make sure that we
 17 create a living environment for all of us, both those
 18 of us that are income challenged and those of us that
 19 are not income challenged.
 20 So with that, that concludes my testimony. We're
 21 open to entertain any questions that you may have
 22 regarding any of these bills. Thank you, sir.

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1 CHAIRMAN GRAHAM: Thank you very much, Mr. Deputy
 2 Mayor. Are there others? I know that we've been
 3 joined now by Ms. Zapata, who is the Rent
 4 Administrator. Welcome.
 5 MS. ZAPATA: Good morning.
 6 CHAIRMAN GRAHAM: Are there others who wish to
 7 make a statement? No? Okay, good.
 8 We'll now have -- Mr. Adams, let's have a 10-
 9 minute round on the questions.
 10 Mr. Deputy Mayor, I want to say how much I
 11 appreciate your very positive testimony insofar as
 12 several of these bills. The suggestions that you have
 13 for amendments in terms of the Tenants Right to
 14 Organize and the Disclosure of Rent Ceilings are
 15 probably okay with us. It's the first time hearing of
 16 it, but at first glance, it would seem to be very
 17 reasonable suggestions.
 18 Let me focus my questions on what is somewhat more
 19 problematic testimony on the Rental Control Reform
 20 Amendment Act of 2005. And I think the point that --
 21 oh, and I want to acknowledge that we've been joined by
 22 Councilmember Brown. And, in fact, before I go any

1 further, let me ask if Councilmember Brown has an
 2 opening statement. Councilmember Brown is a member of
 3 the committee.
 4 COUNCILMEMBER BROWN: Thank you, Mr. Graham. And
 5 as you stated earlier, I am a member of this committee.
 6 And we have markup on the illegal dumping bill
 7 downstairs, so I'm bouncing back and forth from
 8 upstairs to downstairs. But clearly I want to thank
 9 you for moving the hearing on five of these bills.
 10 I'm a co-introducer, let me very clear, on the
 11 Rent Control Reform Amendment Act of 2005, a co-
 12 introducer of the Disclosure of Rent Ceiling
 13 Calculation Amendment Act of 2005, a co-sponsor of the
 14 Rent Control Statute of Limitations Amendment of 2005,
 15 a co-sponsor of the Tenants Right to Information Act of
 16 2005, and a co-sponsor of the Right of Tenants to
 17 Organize Amendment Act of 2005.
 18 I had an opportunity moving back and forth from
 19 the hearing downstairs. I went to my office, and I was
 20 able to hear Councilmember Catania and some remarks
 21 that he made earlier, which clearly strike -- made some
 22 sense as it relates to some balance. And this is what

1 we're not committed to it. And this Council, and most
 2 recently at my recommendation, has extended rent
 3 control, rent stabilization, in a form that has been
 4 virtually unchanged since 1985 when it was
 5 significantly weakened. We extended it again this
 6 year.
 7 But the report from the D.C. Fiscal Policy
 8 Institute indicates very clearly that while rent --
 9 while the situation probably would've been worse
 10 without rent control, the fact of the matter is that
 11 our current rent control laws aren't working as well as
 12 many of us would like to see them working.
 13 And quite frankly, Mr. Jackson, I don't need a
 14 study. I know what's been happening in Ward 1. I know
 15 what's been happening in building after building after
 16 building, apartment by apartment. And we have watched
 17 in an agonizing way as buildings that were previously
 18 affordable have become luxury rental buildings or with
 19 the permission of the tenants, and keep in mind that
 20 there's no condo conversion without the approval of the
 21 tenants, unless there's somebody's been hoodwinked.
 22 That happens, too. It's been -- it's happened just

1 hearings are all about. This is why we're having a
 2 hearing, to really look at the bills that's before us
 3 and come up with ways that we can create a win-win
 4 situation, but make sure that the residents understand
 5 that I support every single one of these bills.
 6 If there's modifications, I look forward to
 7 listening to testimony. I look forward to listening to
 8 arguments. And I look forward to making sure that at
 9 the end of the day, we accomplish exactly what these
 10 bills were set out to accomplish. And I think that's
 11 where you're going to, Mr. Graham.
 12 So, I don't have any opening statements right now,
 13 but I will have some questions later on. Thank you,
 14 Mr. Graham.
 15 CHAIRMAN GRAHAM: Thank you very much for your
 16 participation, Councilmember Brown.
 17 And now, Mr. Adams, if you'll start the clock,
 18 please.
 19 I'm going to focus my questions on the Rental
 20 Control Reform Act of 2005. And I want to say that I
 21 think Councilmember Fenty hit the nail on the head when
 22 he said, either we're committed to rent control or

1 recently, by the way, but I don't want to be going into
 2 that too much. But we're on it. We're on it.
 3 But except when the tenants have been hoodwinked,
 4 particularly this year after we eliminated the 95/5
 5 abuses, the partial sales abuses. You know, the
 6 tenants have a key role here to play, but the fact of
 7 the matter is that we're losing affordable rentals, and
 8 we're losing them at an alarming rate.
 9 Now, in terms of your point, which I made in my
 10 opening statement, Mr. Catania has reiterated it, and
 11 now you mention it, we do have to have some income
 12 testing for these new affordable units.
 13 DEPUTY MAYOR JACKSON: Yes.
 14 CHAIRMAN GRAHAM: And I think we're going to have
 15 to work with that. That's a new concept in terms of
 16 rent control. And we discussed this at great length
 17 before we drafted this bill with tenant advocates, and
 18 we decided to go forward with the bill without it, even
 19 though everyone knew that we really are going to have
 20 to end up with it, because our goal is not cheap
 21 apartments for anybody.
 22 DEPUTY MAYOR JACKSON: Absolutely.

1 CHAIRMAN GRAHAM: It's affordable apartments for
 2 people within a certain income range.
 3 DEPUTY MAYOR JACKSON: Absolutely.
 4 CHAIRMAN GRAHAM: So, I don't think -- we're going
 5 to have to talk to people about this. We're going to
 6 have to discuss the specifics. But I think there's
 7 agreement on that.
 8 Now, Mr. Deputy Mayor, does the Mayor support, and
 9 I'm talking now about Bill 16-457. Does the Mayor
 10 support limiting the annual adjustment of the rent
 11 ceiling to 10 percent, and to do so only on a once a
 12 year basis, eliminating the twice annual possibility to
 13 exist under current law?
 14 DEPUTY MAYOR JACKSON: Yeah, I think the Mayor is
 15 fully supportive of an annual adjustment and not a
 16 multiple adjustment on an annual basis, without a
 17 doubt.
 18 CHAIRMAN GRAHAM: So, we can record the Mayor as
 19 supporting that aspect of the bill.
 20 DEPUTY MAYOR JACKSON: That's correct.
 21 CHAIRMAN GRAHAM: It's the two major aspects of
 22 this bill.

1 Now, in terms of the highest comparable, the
 2 repeal of the highest comparable, and I'm going to
 3 separate this because there's one thing saying this
 4 highest comparable has been robbing us of affordable
 5 apartments, and then the second thing, of course, is,
 6 what do we do to solve this problem.
 7 We came forward with a proposal to give it an
 8 increase of one percent for every year that the prior
 9 tenant occupied the apartment, you know. And in some
 10 cases, you know, there are tenants who has been in
 11 apartments for 20, 30, or more years. And we thought
 12 that was fair.
 13 But we also recognize, and I know this is going to
 14 get a little technical here, Mr. Jackson. But you also
 15 have the opportunity for hardship petitions. And the
 16 law provides currently, and we do not in any way
 17 disturb this, for a landlord to go in and say I made
 18 capital improvements, I have additional needs. These
 19 needs might relate to a specific apartment; they might
 20 relate to the whole building. The law permits both.
 21 And the fact of the matter, in the last two years we've
 22 had to hardship petitions filed. Two. Am I right, Ms.

1 Zapata?
 2 MS. ZAPATA: That's correct.
 3 CHAIRMAN GRAHAM: Please speak into the mic. Oh,
 4 you'd better identify yourself, Ms. Zapata.
 5 MS. ZAPATA: Good morning. I'm Raynell Zapata,
 6 Rent Administrator for the District of Columbia.
 7 That's correct. The 12 percent is based on the
 8 assessed value of the property, and in many cases the
 9 assessed taxable value is quite low. And the parties
 10 have to present documentation on all of their expenses
 11 for the previous year in order to submit a hardship
 12 petition.
 13 CHAIRMAN GRAHAM: Right. But the law -- but we've
 14 had two petitions filed in the last two years, am I
 15 right?
 16 MS. ZAPATA: Yes.
 17 CHAIRMAN GRAHAM: And so, you know, obviously this
 18 is a provision of the law that's not been used very
 19 much. I suspect the reason is that these high rents
 20 have been available to the landlords so much more
 21 easily through the highest comparable, the use of the
 22 highest comparable, and the ability when an apartment

1 become vacant to go to the highest comparable rent
 2 ceiling in the building and adjust the rent
 3 accordingly. So, there's no point to go through, you
 4 know, the formality, and the inconvenience, and the
 5 cost of a hardship petition.
 6 But the fact of the matter is that the law
 7 provides, and guarantees indeed, a 12 percent -- it
 8 used to be eight percent, if I'm not mistaken. But
 9 it's been increased to 12 percent rate of return on the
 10 equity investment. We don't disturb that.
 11 And, you know, and we talk about these being older
 12 buildings, and we know that the elevators have got to
 13 be kept running, and we know that you've got to have
 14 janitorial service, and we know you might want to put
 15 in a desk. All of those costs can be the subject of a
 16 hardship petition, am I right, Ms. Zapata, in terms of
 17 capital improvements?
 18 MS. ZAPATA: No, not exactly. The hardship
 19 petition is based on, and I want to go back to that
 20 because --
 21 CHAIRMAN GRAHAM: Yeah. Ms. Zapata and with
 22 everyone, this is going to get -- please, you know,

1 speak into the microphone.
 2 MS. ZAPATA: Can you hear me now?
 3 CHAIRMAN GRAHAM: Yes.
 4 MS. ZAPATA: Okay, thank you. I'm sorry. The
 5 assessed taxable value is where you get your 12 percent
 6 return. And then you have to support all of your
 7 expenditures based on that.
 8 The improvements are not so much part of it, but
 9 it is part of the calculation. When a landlord seeks
 10 to do improvements, the vehicle most likely used is the
 11 capital improvement or substantial rehabilitation.
 12 This is when a landlord has -- a hardship petition is
 13 used when a landlord basically is not making any money
 14 at all, not based on repairs or improvements.
 15 CHAIRMAN GRAHAM: But the fact -- but it is not
 16 accurate to say that if a landlord feels that his rate
 17 of return is falling below 12 percent, for whatever
 18 reason, the law guarantees that as a minimum? And the
 19 landlord can seek by special petition filed with your
 20 office relief in that regard. Am I right?
 21 MS. ZAPATA: That's correct.
 22 CHAIRMAN GRAHAM: Okay. It's a very important

1 I think in principle, we believe very strongly
 2 that we want to create an environment that's a win-win,
 3 and I heard Councilmember Brown talk about finding that
 4 medium of a win-win. And so, part of what we must do
 5 is understand the need to protect our tenants, but also
 6 do it in a way that is not too intrusive on the rights
 7 of a landlord to make a reasonable return on his or her
 8 investment.
 9 So, I think in summation, my position would be is
 10 that we would like to get back with you with more of a
 11 detailed, definitive response with that. But in
 12 general terms, we believe very strongly that we want
 13 all of our residents to live in quality, decent,
 14 affordable accommodations. And we want our landlords
 15 to be reasonably compensated for making the investment
 16 over time.
 17 CHAIRMAN GRAHAM: And, Mr. Jackson, you don't
 18 believe that the 12 percent guaranteed rate of return
 19 achieves that? I mean, how much -- how many of your
 20 investments do you get 12 percent?
 21 DEPUTY MAYOR JACKSON: Unfortunately, I have
 22 not --

1 point here because we don't disturb that at all. We
 2 don't disturb that at all. But what we address instead
 3 is this highest comparable, which we would choose to
 4 repeal.
 5 Now, what is the position of the Mayor on the
 6 repeal, not the replacement -- not our specific
 7 replacement proposal, but what is the position of the
 8 Mayor in terms of the repeal of the highest comparable
 9 vacancy provision?
 10 DEPUTY MAYOR JACKSON: Well, in speaking on
 11 behalf of the Mayor, I think what we'd like to do, and
 12 I think I've said it, we certainly want to review this
 13 in more detail and get back with you in a very short
 14 period of time.
 15 I think a couple of things are important as we
 16 talk about a position today. We've seen an evolution
 17 in our market over the last several years that is
 18 unprecedented in the history of the city here, so I
 19 don't want to sit here today without saying that let us
 20 take a very hard look -- I'm not asking for a long-term
 21 look, but give us a few weeks to step back and examine
 22 this and get back with you.

1 CHAIRMAN GRAHAM: Guaranteed -- guaranteed by law.
 2 How many do you have? I don't have any. I don't have
 3 any. I looked at my savings account, and I think I got
 4 one percent present. We're saying to these landlords
 5 you get 12 percent, but you have to go through a
 6 process. Yes, you have to prepare a case. You have to
 7 show that you're not getting the 12 percent. And maybe
 8 part of -- and so, don't you feel that's enough?
 9 DEPUTY MAYOR JACKSON: Well, I think that's
 10 certainly a reasonable return. I think we certainly
 11 want to look again and come back with you in a very
 12 short time on that. I don't want to say is that enough
 13 because I don't know how you define enough, but I
 14 certainly think that 12 percent, given today's market,
 15 using a saving instrument that's available in the
 16 marketplace, is an extremely attractive return. And I
 17 have not had an investment that generates that kind of
 18 return.
 19 CHAIRMAN GRAHAM: Yeah. I'd like one such return
 20 guaranteed by law.
 21 Mr. Catania?
 22 COUNCILMEMBER CATANIA: Thank you, Mr. Chairman.

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1 On this 12 percent -- I'm sorry, could you give me
 2 your name again, please?
 3 MS. ZAPATA: Ruynell Zapata.
 4 COUNCILMEMBER CATANIA: Ms. Zapata, could you
 5 explain, because I'm not exactly clear how this 12
 6 percent works. Mr. Graham is stating that landlords
 7 are guaranteed a 12 percent rate of return that is
 8 given in some of these -- some of the lower income
 9 rental assisted properties. That's presuming that if
 10 they got an increase, that they could, in fact -- those
 11 rents would be borne by their tenants.
 12 Anyway, another issue. How does it work? They
 13 get 12 percent based on the assessed value of their
 14 building or the assessed value of their mortgage. How
 15 does that work?
 16 MS. ZAPATA: It's based on the assessed value of
 17 the building. It's a formula calculated considering
 18 the assessed value, the expenses, the taxes, any
 19 mortgages they have to pay, and any costs of utilities.
 20 And I would have to look at the statute to give you
 21 the precise --
 22 COUNCILMEMBER CATANIA: But exactly how, though,

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1 does it work? Do they get -- I mean, for instance,
 2 let's say you have a building that's worth -- if you'd
 3 just bear with me for just a second, Ms. Zapata.
 4 MS. ZAPATA: Certainly.
 5 COUNCILMEMBER CATANIA: You have a building that's
 6 worth a million dollars. A 12 percent return would
 7 mean that the landlord would be entitled every year to
 8 \$120,000 in profit.
 9 MS. ZAPATA: Well, that cost is passed --
 10 CHAIRMAN GRAHAM: GREGORY: Ms. Zapata, will you
 11 please speak into the microphone.
 12 MS. ZAPATA: Oh, I'm sorry.
 13 COUNCILMEMBER CATANIA: So, I guess what I'm
 14 trying to understand is, is the landlord guaranteed
 15 that \$120,000 on a million dollar investment?
 16 MS. ZAPATA: No, it doesn't work quite that way.
 17 COUNCILMEMBER CATANIA: Explain, if you could, how
 18 does it work.
 19 MS. ZAPATA: I would like to defer that question
 20 so I could give you the correct information.
 21 COUNCILMEMBER CATANIA: Do you subtract -- out of
 22 that \$120,000, do you subtract utility costs?

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1 MS. ZAPATA: You subtract utility costs.
 2 COUNCILMEMBER CATANIA: Do you subtract the
 3 employees to run the building?
 4 MS. ZAPATA: You subtract employees.
 5 COUNCILMEMBER CATANIA: The construction and
 6 rehabilitation of the building?
 7 MS. ZAPATA: If there was --
 8 COUNCILMEMBER CATANIA: Grounds, maintenance?
 9 MS. ZAPATA: Exactly.
 10 COUNCILMEMBER CATANIA: All legal expenses
 11 associated with, you know, trying to extricate tenants
 12 who don't pay. All of that gets extracted from the
 13 \$120,000?
 14 MS. ZAPATA: All expenses are considered in what
 15 your gross --
 16 COUNCILMEMBER CATANIA: If you have a mortgage?
 17 For instance, if there's a mortgage on the million
 18 dollar piece of property, does that get subtracted also
 19 from the \$120,000?
 20 MS. ZAPATA: All of that is part of the formula in
 21 finding what your rent increase would be based on what
 22 your expenses were and what your assessed value is.

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1 COUNCILMEMBER CATANIA: All right. I think, Mr.
 2 Graham, this is something that, you know, while --
 3 MS. ZAPATA: It's very complicated.
 4 COUNCILMEMBER CATANIA: We need to maybe devote
 5 some greater time than we can actually discuss here
 6 today. But it does seem that, you know, the assertion
 7 that everyone gets 12 percent, as they say, ain't
 8 necessarily so. And so, we need to know that, and
 9 that's part of where I think, you know, you and Mr.
 10 Jackson convening a group that represents fair minded
 11 people from both sides can come together, and we can
 12 stop trying to create policy in a form that isn't
 13 necessarily as conducive as a face-to-face conversation
 14 with all the experts in the room will permit.
 15 Let me, if I can in my remaining time, go on, Mr.
 16 Jackson, to you. If we -- and this is a very real fear
 17 of mine, that if we continue -- and we've done this in
 18 the District in the past. We've made things so
 19 unbearable that people just opt out. And one of my
 20 very real concerns is that we strike the right balance
 21 here. If we don't, I want to be very clear that if we
 22 make it so oppressive to provide rent control

1 properties, in this market there is an option for these
 2 landlords, is there not?
 3 DEPUTY MAYOR JACKSON: That's correct, sir.
 4 COUNCILMEMBER CATANIA: And the option is for them
 5 to say, we can't live under these rules, and we're
 6 going to, you know. This magical 12 percent really
 7 isn't 12 percent, you know. We can't live under these
 8 rules, and so our only alternative, as rational
 9 businessmen, we'll take that million dollars. If I'm
 10 really not earning 12 percent, if I'm just breaking
 11 even, I might as well sell that building and double
 12 that value by doing a condo conversion, going through
 13 the right of first refusal, and the tenants who can
 14 afford to buy win, and those who can't are out of luck.
 15 And my real fear is that we will so -- we'll
 16 create a market that is so oppressive that it actually
 17 facilitates the loss of affordable housing. And I
 18 wouldn't want to see a good intention gone awry. And
 19 Mr. Graham's intentions are spot on, absolutely dead on
 20 right, to preserve the number of affordable houses.
 21 Now, we'll tweak it with an income requirement and
 22 a residency requirement, and we'll make them truly, I

1 think, what we intended rent control to do, which is to
 2 make it available for those who truly need it. But my
 3 fear is that we will actually, the minute we make it
 4 harder, we are going to accelerate these owners simply
 5 saying, we're out of here. And we will facilitate and
 6 give them a reason and an excuse to leave.
 7 Is that a fear that is just -- am I out to lunch
 8 here, Mr. Jackson, or do we have a demonstrated record
 9 of that happening?
 10 DEPUTY MAYOR JACKSON: No, I think without a
 11 doubt, Councilmember Catania, you're spot on, to use
 12 your term. We have continued to walk this balancing
 13 act of keeping an environment that is conducive for
 14 landlords to continue to provide rental accommodations
 15 for our residents, at the same time finding that
 16 balance to create a quality living experience for our
 17 renters.
 18 And I think it's so important that we also
 19 recognize a couple of things, and all the data speak to
 20 it, and I think that's why it's important to talk about
 21 context. If you look at the District just in the last
 22 five years, we have seen a renaissance in our real

1 estate market, even in markets that we deemed in our
 2 early analysis high risk markets where even with
 3 incentives we couldn't get investors to go in. And
 4 these markets are exploding.
 5 And so, it becomes critical that we strike the
 6 proper balance between the incentivization that we have
 7 to encourage landlords to continue to make products
 8 available that are affordable, also with the balance of
 9 making quality, safe accommodations available to our
 10 low income residents. That balance is critical.
 11 COUNCILMEMBER CATANIA: I think you're right. And
 12 what I'm going to ask is that, you know, you, along
 13 with Councilmember Graham, and certainly he's the
 14 master of his own schedule. But I'm going to ask if
 15 you would be willing to work with Councilmember Graham
 16 to convene, you know, with your office and his, you
 17 know, thoughtful individuals from both sides, because
 18 my fear is, you know, that we are going to make a
 19 mistake. And even in this environment that has very
 20 imperfect rent control, and I'm not certainly, you
 21 know, condoning the existing situation.
 22 I think that two rent increases per year is

1 unconscionable. I think the 12 percent is too high. I
 2 think there are a lot of games that are being played
 3 that are not protecting the tenants.
 4 DEPUTY MAYOR JACKSON: Or the landlord.
 5 COUNCILMEMBER CATANIA: I want to be very careful,
 6 though, in going forward to make sure we solve those
 7 problems, that we don't create a situation that
 8 accelerates the decline of even further rental
 9 opportunities in this market that permits them to play,
 10 you know -- in this market that permits them the rates
 11 of return that they get. And we're proposing to make
 12 it stronger. We know they're leaving in droves.
 13 I think we can also kind of capture a moral high
 14 ground with the authority of the Deputy Mayor and
 15 certainly the Chairman of the Committee on Consumer and
 16 Regulatory Affairs to sit down and engage the property
 17 owners, and listen to them about not only what can we
 18 do to get them to continue to provide the housing that
 19 they have. But how can we work even closer with them
 20 to facilitate the expansion of affordable housing?
 21 You know, I see both sides of this equation, and
 22 I'm not going to be a proponent for one side over

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1 another, because this community needs both. And when I
 2 look at some of the information that's been provided by
 3 the landlords, it's hard to not see that side of the
 4 equation. And when you look at the ridiculous rent
 5 increases and the arbitrariness of the existing rent
 6 control property, it's easy to see the tenant'
 7 perspective.
 8 So, it's a system that doesn't appear to be
 9 working well for either side. The inconsistency, the
 10 irrationality, gives both sides a legitimate perch to
 11 say, this system is a mess. And so, I think it's time
 12 that we all come together and speak with one another to
 13 honestly try to resolve these.
 14 Let me ask you, would the Administration support
 15 both a residency requirement and an income requirement
 16 for future -- for access for rental housing?
 17 DEPUTY MAYOR JACKSON: Absolutely.
 18 COUNCILMEMBER CATANIA: Okay.
 19 DEPUTY MAYOR JACKSON: Absolutely.
 20 COUNCILMEMBER CATANIA: All right. Well, Mr.
 21 Jackson, I want to thank you for your testimony, and
 22 would be very open to, if not a formal briefing before

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1 the body, a private briefing on just how this rate of
 2 return works. If as Mr. Graham has suggested, it is a
 3 locked 12 percent, I think he is right, that 12 percent
 4 seems like a very generous rate of return. Is it as
 5 generous as, you know, a private landowner selling a
 6 house in the District? We know the kinds of increases
 7 people are seeing year in and year out.
 8 DEPUTY MAYOR JACKSON: Right.
 9 COUNCILMEMBER CATANIA: But is it something that
 10 is defensible and appropriate? I think 12 percent on
 11 its face seems pretty good. What we need to determine
 12 for a fact is whether or not that is happening. And I
 13 think there is -- on both sides there's -- both sides
 14 are right in being angry at a system that isn't serving
 15 either side well.
 16 Thank you, Mr. Graham.
 17 DEPUTY MAYOR JACKSON: Thank you.
 18 CHAIRMAN GRAHAM: Thank you very much, Mr.
 19 Catania. I want to note that we have been joined by
 20 Councilmember Ambrose, who is the former Chairman of
 21 this committee and a member of this committee.
 22 Councilmember Ambrose, do you have an opening statement

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1 at this time?
 2 COUNCILMEMBER AMBROSE: Mr. Chairman, I would just
 3 thank you for recognizing me, and say very briefly that
 4 I think it is very important for us to understand that
 5 we've got to look at both sides. We want to preserve
 6 rental housing, and I see rental housing disappearing
 7 very quickly in the District of Columbia.
 8 When I look around, I don't see people building
 9 and investing in rental housing. I see them building
 10 and investing in home ownership, which is wonderful,
 11 but there are people who don't choose to own, or can't
 12 own for one reason or another. And I think we've got
 13 to preserve rental housing for those people.
 14 So, we have to be careful that we don't create
 15 disincentives to investments in rental housing. So, in
 16 the process of protecting tenants, we have to also
 17 protect investment opportunities in rental housing for
 18 landlords.
 19 So, that's what I'm going to be looking at, Mr.
 20 Chairman, is this very difficult balance in a time like
 21 this where we've got high costs of maintenance, which
 22 all of us who even own our homes understand, and at the

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1 same time, we've got a real struggle to provide rental
 2 housing that is affordable.
 3 So, thank you very much, Mr. Chairman. I will be
 4 interested in participating this morning.
 5 CHAIRMAN GRAHAM: Thank you very much,
 6 Councilmember Ambrose.
 7 Let me acknowledge Councilmember Brown, who is a
 8 member of the committee, for his 10-minute round.
 9 COUNCILMEMBER BROWN: Thank you, Mr. Graham.
 10 I want to be clear. As Chair of the Comprehensive
 11 Committee on Local, Small, and Disadvantaged
 12 Businesses, we have many small businesses that are into
 13 buying buildings and making sure -- and they're native
 14 Washingtonians many of them. Many of them are
 15 graduates of D.C. Public Schools. Many of them are
 16 great landlords. They have small units, and what they
 17 do is they're in the business not to gouge the system.
 18 Then we have another problem. We're here because
 19 we have a problem. We have a problem that we have
 20 tenants who are being abused and their rights are being
 21 taken away from them. We have some landlords, as you
 22 mentioned, many times that are just slum landlords.

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1 They're creating situations that are just unhealthy,
 2 and residents that are living in those units need help.
 3 They need help, and they came to this body, and if I
 4 look at some of the bills that are before us today, 12
 5 of the 13 members of this body have signed on to them.
 6 Mr. Jackson, you made -- clearly made some points,
 7 but I don't want to get off to the, you know, point
 8 where we need to go have a special super task force to
 9 take another year to look at these issues to say that
 10 there's a problem. Now, I'm open to addressing some of
 11 the issues that you brought up and that Councilmember
 12 Catania brought up that are very valid.
 13 When you look at from the landlord's perspective,
 14 they have some valid issues that we need to address.
 15 When you look at some of them, some of them are just --
 16 they're just abusive. They're the ones that are
 17 causing this problem, and we need to correct it. But
 18 when you look at what some of the tenants and the
 19 advocates are saying, they're right on point. Right on
 20 point.
 21 So, when we start to talk about a balance and we
 22 start talking about 12 percent, I'm always interested

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1 when people throw out these numbers of guaranteed 12
 2 percent. The guaranteed 12 percent, is that on the net
 3 profit? I mean, you are -- you've worked for the CFO's
 4 office, is that correct, Mr. Jackson?
 5 DEPUTY MAYOR JACKSON: That's right.
 6 COUNCILMEMBER BROWN: Okay. And you also are very
 7 -- you are very knowledgeable on the housing in general
 8 in the District of Columbia, is that correct?
 9 DEPUTY MAYOR JACKSON: That's correct, sir.
 10 COUNCILMEMBER BROWN: Okay. Are we talking about
 11 a guaranteed net profit of 12 percent, Mr. Jackson?
 12 DEPUTY MAYOR JACKSON: No, I can't tell you
 13 exactly what we're talking about. I think Ms. Zapata
 14 can talk more succinctly. I think as Councilmember
 15 Catania spoke earlier, we really need to scrub down and
 16 do a little deep diving, understand what does that
 17 mean, what are the compositions of those deductions to
 18 get to that number as a net number.
 19 Just my thinking would say to me that it would be
 20 difficult for me to discern that just automatically,
 21 regardless of any circumstance that it'll be a flat 12
 22 percent. There are some compositions that we would

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1 like to address, and maybe Ms. Zapata can talk more in
 2 detail.
 3 But I think what would be beneficial to all of us
 4 if we could -- and let me say to you, Council, without
 5 any hesitation, we're not talking about a study that's
 6 going to take a year. I'm talking about coming back to
 7 you next month, recognizing that next month starts next
 8 week. So, we want to come back with a quick turnaround
 9 time with looking at that, bringing in the experts in
 10 the marketplace, because everybody has this passion.
 11 There are, as you articulated, people who are of good
 12 will and good intent, and there are those who, who I
 13 call, those that play the margin, who want to get over.
 14 And so, we want to come back and explain to you
 15 exactly what the net/net means at the end of the day in
 16 terms of that 12 percent with more specificity than
 17 what I am hearing today.
 18 COUNCILMEMBER BROWN: Okay. And the reason why I
 19 asked that question, this bill was introduced a while
 20 ago. You are aware of that, is that correct? We've
 21 had, I would say, ample enough time, because concerns
 22 have been floating around for quite some time, is that

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1 correct, Mr. Jackson?
 2 DEPUTY MAYOR JACKSON: Well, I think a number of
 3 things. The short answer to your question is, yes, it
 4 has. But I want to say to you that we have not been
 5 standing in place in response to this. I think what we
 6 have here is a tremendous challenge. I think that
 7 we're talking about an agency that has a number of
 8 challenges, and this is one of those many challenges.
 9 And without any hesitation, I say to you today that
 10 we're going to get to a position that's defensible that
 11 makes sense for everyone.
 12 And I certainly look forward to working with the
 13 Council Chair here, Councilmember Graham, and a
 14 committee of committed people to get this done quickly.
 15 COUNCILMEMBER BROWN: Okay. So, you agree there's
 16 -- we have a problem. You would agree with that.
 17 DEPUTY MAYOR JACKSON: Oh, absolutely.
 18 COUNCILMEMBER BROWN: Okay. Now, how soon are we
 19 talking about getting a response back, because we want
 20 to be very -- you know, since we're not talking about
 21 six months and we're talking about next month. Next
 22 month is November the 1st. November the 1st is, I

1 believe, next week.
 2 DEPUTY MAYOR JACKSON: Next week.
 3 COUNCILMEMBER BROWN: So, next week being -- by
 4 the 1st you're saying you will submit to the --
 5 DEPUTY MAYOR JACKSON: No, I said next month
 6 meaning that next month starts next week, sometime in
 7 the month of November. What I would like to do --
 8 COUNCILMEMBER BROWN: Let's lock it down. Let's
 9 lock down a date.
 10 DEPUTY MAYOR JACKSON: I would say in 30 days you
 11 will have a detailed response. What I would like to
 12 do, obviously Dr. Canavan is not here today, but I want
 13 to meet with his staff and also just understand what
 14 their process has been. Mrs. Zapata has been trying to
 15 articulate the process, but I think it needs a little
 16 more clarification for all of us who understand numbers
 17 to appreciate exactly how you get to this net number.
 18 I know where you want to go. You want to
 19 understand what does 12 percent mean at the end of the
 20 day. I do, too. I just would like to, one, I know Dr.
 21 Canavan will be back next week.
 22 COUNCILMEMBER BROWN: But next week, I mean,

1 today's October the 25th, if I'm looking at my watch
 2 right.
 3 DEPUTY MAYOR JACKSON: Twenty-fifth, correct.
 4 COUNCILMEMBER BROWN: So, on November the 25th
 5 we'll have something back to this committee, is that
 6 what you're saying?
 7 DEPUTY MAYOR JACKSON: Absolutely.
 8 COUNCILMEMBER BROWN: Because you're right, there
 9 are all types of issues over at DCRA. I mean,
 10 yesterday I had a hearing, and we've had local
 11 businesses that have been providing quality service.
 12 Technology was part of your testimony, is that right,
 13 Mr. Jackson?
 14 DEPUTY MAYOR JACKSON: That's correct.
 15 COUNCILMEMBER BROWN: The issue we have is that we
 16 have, you know, local small disadvantaged companies
 17 which you rarely see any work in the District of
 18 Columbia, as you well know. And the ones that do
 19 receive work that kind of help DCRA, the Wendel Group,
 20 Mr. Charles Fox even testified that even with the, you
 21 know, software development and testing he put together,
 22 he can't get paid. He's still fighting to get paid.

1 So, I mean, I am concerned that when we leave
 2 here, we'll go into this black hole, and we will not
 3 come out with anything on November 25th. See, I have
 4 very little confidence. I have confidence in you, Mr.
 5 Jackson, but I've had an opportunity to be on this
 6 Council for 10 months. When I start to get the facts
 7 on getting things moved in a very effective and
 8 efficient manner, it just -- it's very disturbing.
 9 So, I would say if, you know, if I do not see
 10 anything through the chair, on November the 25th, I
 11 refuse to continue to debate this any longer. We have
 12 12 of 13 members who have signed on to this, so while
 13 I'm open to creating, you know, some type of win-win
 14 situation, if there are things that we need to do, we
 15 need the facts now. We're not going to let -- continue
 16 to let tenants wait and wait and wait and wait and
 17 wait. We're not going to make this a political game.
 18 We're going to do what's right before the end of this
 19 year, because that's right to the residents of the
 20 District of Columbia.
 21 But I do thank you for your testimony.
 22 DEPUTY MAYOR JACKSON: Thank you, sir. Thank you,

1 Councilmember
 2 CHAIRMAN GRAHAM: Brown.
 3 Councilmember Patterson?
 4 COUNCILMEMBER PATTERSON: Did you want to go to
 5 Councilmember Ambrose as a member of the committee,
 6 or --
 7 CHAIRMAN GRAHAM: Yes, thank you so much. Thanks
 8 for keeping track of our rules for us. Councilmember
 9 Ambrose for her 10-minute round.
 10 COUNCILMEMBER AMBROSE: Thank you, Mr. Chairman.
 11 Mr. Jackson, the Office of -- when I chaired the
 12 committee, I was trying to work with DCRA to strengthen
 13 the Office of Rental Accommodations. Have any changes
 14 been made in that office in the past year and a half?
 15 MS. LEWIS: Good afternoon. Teresa Lewis, Chief
 16 of Staff, DCRA. In the last year and a half, what we
 17 have been able to do is at least make sure that we had
 18 our staff employed there. We have made plans to
 19 automate the records this year. In fact, we are
 20 somewhat happy to see the legislation, hoping that we
 21 can have some of the legislation impact how far we go
 22 back with the rent base -- the base rent.

1 But the plans are full. We intend to have by the
 2 end of this fiscal year an automated rent control
 3 system that will eliminate, I think, a problem of us
 4 guessing what impact would happen with this
 5 legislation.

6 COUNCILMEMBER AMBROSE: So, what you're saying,
 7 Ms. Lewis, is that you welcome this legislation, that
 8 it will make it easier to administer the law?

9 MS. LEWIS: No, I'm not saying that the
 10 legislation would make it easier to administer the law.
 11 It's an opportunity for us, though, to offer on the
 12 table the possibility of amending, for example, the
 13 base rent. One of the reasons we're attempting to do
 14 the base rent --

15 COUNCILMEMBER AMBROSE: You mean the formula?

16 MS. LEWIS: Yes, to reestablish the base rent.

17 COUNCILMEMBER AMBROSE: Using a different date?

18 MS. LEWIS: Yes.

19 COUNCILMEMBER AMBROSE: And how would you choose
 20 that date?

21 MS. LEWIS: Traditionally and the same way it was
 22 done in 1985, traditionally you would go back a year or

1 him. We at DCRA, you know, had some concerns, but
 2 fully support the effort for affordable rental housing.
 3 So, I agree 100 percent that we need to step back for
 4 a moment and look at what impact this piece of
 5 legislation will have.

6 What we're saying at DCRA is whatever comes out of
 7 it, let's at least be able to put a system together
 8 that gives us the data, the information, and the
 9 control on the system that we should have.

10 COUNCILMEMBER AMBROSE: Well, I would certainly
 11 agree. Otherwise, no one is going to be treated
 12 fairly.

13 MS. LEWIS: That's right.

14 COUNCILMEMBER AMBROSE: It's just going to be a
 15 matter of, you know, where does the piece of paper fall
 16 out of the file.

17 MS. LEWIS: Exactly.

18 COUNCILMEMBER AMBROSE: And that's what we've been
 19 working with. Money, I believe, had been placed in the
 20 budget for an ombudsman for the rental housing office.
 21 Is there such a person?

22 MS. LEWIS: We have almost completed all of the

1 two years so that, you know, you would not have a
 2 situation where you have rent gouging. But it is an
 3 opportunity to at least clean records and bring all of
 4 the records up to do that so that we're able to look at
 5 this situation and see what exactly is going on. As
 6 you know, for 20 years, rent control records have been
 7 totally paper.

8 COUNCILMEMBER AMBROSE: Yes, and that's part of
 9 the problem when tenants go in with a complaint about
 10 their increases, that nobody's got a record of what
 11 previous increases have been. But it strikes me, Ms.
 12 Lewis, that we might, given the housing economics of
 13 the city, want to work with various housing groups to
 14 make sure that whatever time frame is chosen for
 15 establishing the base rent is appropriate to the
 16 economics of the housing market.

17 MS. LEWIS: And I agree with you 100 percent.

18 COUNCILMEMBER AMBROSE: So, that would indicate
 19 that we would not want to move forward hastily with
 20 this piece of legislation.

21 MS. LEWIS: Again, as the Deputy Mayor pointed
 22 out, he has requested caution, and we fully agree with

1 interviews. Quite a few applications were filed. We
 2 should complete those interviews within the next
 3 weekend, submit the names to the Deputy Mayor.

4 COUNCILMEMBER AMBROSE: Without such a person,
 5 it's very difficult for tenants to work through the
 6 system, for tenants to appeal a rent increase, for
 7 tenants to appeal capital improvements, petition. And
 8 that was the major reason that everyone on the Council,
 9 I believe, supported the concept of an ombudsman in
 10 that office, so that when people went down there, they
 11 could get that kind of assistance.

12 It's unfortunate that we've gone really a full
 13 budget year, right?

14 MS. LEWIS: Yeah. We did wait a year, but
 15 interestingly enough, we are extremely excited to get
 16 the Chief Tenant Advocate. It makes it much easier for
 17 us to address tenant issues. Having this legislation,
 18 having someone to give us another side of it while we
 19 are reviewing it is, I think, invaluable to the Agency.
 20 That along with the consumer protection, I think,
 21 gives us a fairly rounded perspective.

22 COUNCILMEMBER AMBROSE: The previous director of

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1 the Agency, the previous -- Dr. Canavan, had been
 2 holding regular meetings between -- with landlord
 3 groups and with tenant groups. Do you know if those
 4 meetings are still occurring?
 5 MS. LEWIS: Yes, they do continue. Ms. Zapata has
 6 been meeting with them, I believe, monthly, Rayne!!?
 7 MS. ZAPATA: Yes, in most cases -- it depends on
 8 whether the parties want to come together. But we have
 9 a standing time that we can meet each month.
 10 COUNCILMEMBER AMBROSE: Okay. So, you have time
 11 that you sit down and actually meet with landlords?
 12 MS. ZAPATA: I set aside two days a month, one for
 13 landlords and one for tenants. It's on my calendar.
 14 COUNCILMEMBER AMBROSE: And how well attended are
 15 those meetings?
 16 MS. ZAPATA: It depends on whether there are
 17 issues that have come up. The landlords frequently
 18 attend -- we try to get the tenants together. If there
 19 are not a lot of issues, we don't have a lot of
 20 attendance. But the meeting is available to both
 21 parties every month.
 22 COUNCILMEMBER AMBROSE: Well, I guess I would

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1 suggest that if you -- in terms of getting the tenants
 2 together that there are tenant advocacy groups. Do you
 3 contact them monthly?
 4 MS. ZAPATA: Yes, we contact them.
 5 COUNCILMEMBER AMBROSE: And can the tenants or the
 6 landlord put -- work with you to structure an agenda
 7 that will reflect concerns?
 8 MS. ZAPATA: Yes. We discuss whatever they would
 9 like to put on the agenda, as well as if there's
 10 upcoming legislation or other items that may be coming
 11 up that would affect them in any way.
 12 COUNCILMEMBER AMBROSE: Mr. Chairman, I think it
 13 might be helpful for the committee to see what the
 14 agenda has been for meetings for the last year between
 15 each set of participants, the landlords and the
 16 tenants, because I think it might reflect what the
 17 perceptions are.
 18 CHAIRMAN GRAHAM: Ms. Zapata, will you provide the
 19 committee with that information?
 20 MS. ZAPATA: Certainly.
 21 CHAIRMAN GRAHAM: Thank you.
 22 COUNCILMEMBER AMBROSE: I have no more questions

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1 right now.
 2 CHAIRMAN GRAHAM: Thank you very much,
 3 Councilmember Ambrose.
 4 Councilmember Patterson?
 5 COUNCILMEMBER PATTERSON: Thank you very much, Mr.
 6 Graham.
 7 Mr. Jackson, Mr. Catania raised a question with an
 8 earlier witness on the analysis that was done that
 9 concluded -- with some of the statistics on the loss of
 10 affordable housing, and one of the questions he posed
 11 was a good one, I think, which is of that number, how
 12 many are units under rent control? Do you have those
 13 statistics in terms of what number of affordable
 14 housing units have been lost that, in fact, are units
 15 under rent control?
 16 MS. LEWIS: Councilmember, in the late 80s, the
 17 report that came out said that there was 110,000 rental
 18 units that were subject to rent control in 1988. That
 19 was the Urban Institute at that time. What we do have
 20 is I can tell you that we have licensed at DCRA 7,688
 21 apartment buildings, and that consists 105,000 housing
 22 units. I would say that at least 80 percent of those

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1 units are rent control at this time.
 2 COUNCILMEMBER PATTERSON: But to the point of the
 3 number dropping, do you have any statistics of that, of
 4 the 15,000 number that Fiscal Policy Institute
 5 concluded in their study? How would we know what
 6 proportion of those are units within the 80 percent of
 7 105,000?
 8 MS. LEWIS: I could provide better statistics. I
 9 do know that we have the data in terms of the number of
 10 conversions, or those that went off of the market. And
 11 I can provide that to you within tomorrow or --
 12 COUNCILMEMBER PATTERSON: I mean, I don't think
 13 the committee is going to move forward quickly, but I
 14 think it would be useful information to try to overlay
 15 some of these sets of facts, so it would be helpful.
 16 Mr. Jackson, and, again in response to Mr.
 17 Catania's question, you said that the Administration
 18 would support residency and income requirements. I'm
 19 not sure I -- I understand those as concepts. I'm not
 20 sure I understand how those concepts would be
 21 operationalized. Can you say what you mean by that in
 22 terms of the report and how that would --

1 DEPUTY MAYOR JACKSON: I think administratively
 2 that would be kind of difficult because you would
 3 almost have to have almost an annual monitoring process
 4 and a way to validate that one is a resident for
 5 purposes of establishing that data. I'm not saying
 6 that it would be an easy chore, but it's something that
 7 would give us at least much more empirical data to
 8 track who is occupying our affordable rental products
 9 here in our city, and what are the income distributions
 10 of those occupants. And I think that's good data that
 11 you need to have to understand how and what we need to
 12 do expand that inventory of supply.

13 What we do know based on studies that have been
 14 conducted by the Council government and other
 15 jurisdictions, that there is a continuous loss of
 16 rental products in our market. That's validated.
 17 There's also a loss in mineral products at different
 18 size compositions. While we don't have a lot of stock
 19 at a family composition, that is, three- or four-
 20 bedroom unit, rental units, what we do have we know is
 21 disappearing at a fast pace because of the demand for
 22 product here.

1 I support the fact that we need to drill down and
 2 have this information so that we can begin to make much
 3 more intelligent decisions around the fact patterns of
 4 what's happening in our city, but it will not be
 5 achieved without some effort because you've first got
 6 to establish who are the winners, what are the legal
 7 residency status. Are they domiciliaries or are they
 8 statutory residents? What are the income patterns?

9 And as you know, that certainly creates a burden
 10 because you would need to validate income on an annual
 11 basis. It's not much different than what you must do
 12 now with investing in products using low income housing
 13 tax credits or Housing Production Trust Fund.

14 COUNCILMEMBER PATTERSON: So, sort of I can
 15 conclude then from that that although these are
 16 concepts that the Administration supports as concepts,
 17 it's not something that you're moving in the direction
 18 of at this time?

19 DEPUTY MAYOR JACKSON: No, we can't readily do
 20 that. That's a resource driven process clearly. It's
 21 good to have information, but that's a resource driven
 22 process.

1 COUNCILMEMBER PATTERSON: Let me ask you a
 2 question that pertains specifically to the ward that I
 3 represent. I think most people are aware that Ward 3
 4 that I'm pleased to represent is different
 5 demographically from the District of Columbia in many
 6 respects -- higher average income, higher average
 7 housing values. One of the reasons I have been a
 8 strong supporter of rent control is that that is a
 9 policy that has preserved affordable housing within the
 10 ward I represent.

11 What other policies are in place or under
 12 consideration by the Williams Administration to
 13 preserve and enhance affordable housing in the ward I
 14 represent specifically?

15 DEPUTY MAYOR JACKSON: Well, I don't want to be
 16 ward specific, but I think across the city, I think we
 17 looked at all the tools. Obviously strategic
 18 inclusionary zoning is a tool that's used also.
 19 Funding instruments that we use in the investment of
 20 these products trigger automatically an affordability
 21 component, like the House Production Trust Fund. It
 22 triggers an affordability component based on the type

1 of investment that you make. Block grants can trigger
 2 an affordability component. Home dollars triggers an
 3 affordability component. A low income housing tax
 4 credit trigger an affordability component.

5 So, I think the tools that are available in the
 6 marketplace today all have an affordability component.
 7 And as you use those tools in various investments, you
 8 can establish what the percentage of affordability
 9 should be in that investment.

10 COUNCILMEMBER PATTERSON: But from the standpoint
 11 of attempting to preserve the diversity -- the income
 12 diversity that rent control has preserved in some
 13 neighborhoods that are, on average, higher income
 14 neighborhoods around the city. Are there other -- are
 15 there any other specific policies aimed at preserving
 16 that diversity?

17 DEPUTY MAYOR JACKSON: Well, that's the main
 18 policy and also working with people like yourself who
 19 are sensitive and in tune to understanding that we need
 20 to move diversity to all of our markets, regardless of
 21 the current income patterns that preside predominantly
 22 in these markets.

<p style="text-align: right;">Page 110</p> <p>1 COUNCILMEMBER PATTERSON: Thank you very much. 2 Thank you very much, Mr. Graham. 3 CHAIRMAN GRAHAM: Thank you, Councilmember 4 Patterson. 5 I just want to go back to a couple of questions 6 because we got a little bit confused earlier when I was 7 talking about the hardship petition. But I want to be 8 very clear on the arsenal, you know, of potential 9 increases that landlords today have at their command, 10 and which we are not in any way disturbing by this 11 legislation. 12 I mean, we've mentioned the fact that they can 13 file a hardship petition to show that their return on 14 their equity has fallen below 12 percent. In addition 15 to that, they can file a petition with the rent 16 administrator for capital improvements up to a 20 17 percent increase of the rent ceilings. They can file 18 for substantial rehabilitation up to 125 percent of the 19 rent ceiling. 20 If they have a voluntary agreement with the 21 tenants, for example, if the tenants agree that we 22 really -- that they really want to have 24-hour desk</p>	<p style="text-align: right;">Page 112</p> <p>1 know you're not here today, Mr. Jackson, as an expert 2 on all the intricacies of rent control. 3 DEPUTY MAYOR JACKSON: That's correct. 4 CHAIRMAN GRAHAM: But I think it's important for 5 the public to understand that the landlords are in a 6 very strong position. Now, the fact that they haven't 7 used these processes is more of an indication of the 8 fact that they can get high rentals through the highest 9 comparable as these apartments become vacant and turn 10 over. And that's what's been going on. 11 Now, Mr. Jackson, your testimony also has 12 suggested -- you say this would be a wonderful 13 opportunity to create a base rent benchmark as was done 14 in 1985. And, Ms. Lewis, I heard you commenting on 15 this as well. When -- at what date would you establish 16 the base rent benchmark? 17 When this was done in 1985, it was established for 18 September 1, 1983. In other words, it was two years 19 previously. What date do you have in mind in this 20 proposal? 21 DEPUTY MAYOR JACKSON: Clearly I think the -- 22 Councilmember -- I think Mrs. Ambrose spoke to it very</p>
<p style="text-align: right;">Page 111</p> <p>1 services, the tenants can and the landlords can file a 2 voluntary agreement increasing the rent ceiling, any 3 amount. 4 In addition, there's a further petition for 5 services and facilities where it can be either up or 6 down to any amount. 7 Now, Ms. Zapata, have I stated that accurately? 8 MS. ZAPATA: I think you have. 9 CHAIRMAN GRAHAM: Okay. So, you know, this does 10 get somewhat complicated, but the fact of the matter is 11 that landlords, if they're willing to take a little bit 12 of time and they're willing to put in the effort to get 13 these petitions before the rent administrator, have a 14 whole array of ways in which they can get increases. 15 And, again, we're not disturbing any of that. The 16 only one that we're talking about is the highest 17 comparable, and this is the one which has taken rents 18 from the affordable level up to the unaffordable level, 19 and has done so on apartment after apartment after 20 apartment, which has changed the very nature of our 21 buildings. 22 So, I just want to make this clear. I don't -- I</p>	<p style="text-align: right;">Page 113</p> <p>1 sincerely is that it's hard for me to sit here and give 2 you a hard, fast answer. I think we must come up with 3 something that is reasonable that does not strike a 4 disadvantage to anyone necessarily, that there is some 5 compromise. 6 Clearly if we go back and look at the pattern of 7 what we did in 1985, we step back about two years. Is 8 that the prototype that we will follow going forward? 9 I don't have that answer, but if it worked in 1985, if 10 we think that worked, then certainly we want to look at 11 it. 12 But I think it's important to get input from all 13 affected members of the industry that would be impacted 14 by this. And so, if we say just for discussion 15 purposes that two years is a date, I would just throw 16 that out there with the caution that I would certainly 17 reserve the right to bring the industry in to talk 18 about what would be a reasonable base year to consider 19 in terms of establishing a base ceiling going forward. 20 CHAIRMAN GRAHAM: Well, it's something -- I mean, 21 you may have something here. Of course, it all depends 22 on the details.</p>

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1 DEPUTY MAYOR JACKSON: That's correct.
 2 CHAIRMAN GRAHAM: Certainly, anything that would
 3 suggest that we're going to freeze the current rent
 4 ceilings would be dead on arrival --
 5 DEPUTY MAYOR JACKSON: Yeah.
 6 CHAIRMAN GRAHAM: -- at this Council --
 7 DEPUTY MAYOR JACKSON: Right.
 8 CHAIRMAN GRAHAM: -- because that's the problem is
 9 that we've got rent ceilings that are through the roof.
 10 And they're not only unrealistic and unreasonable, but
 11 we don't know how they got set in many, many cases, so
 12 they're irrational. And that's what one of these bills
 13 is intended to address.
 14 I mean, one of the first experiences I had with
 15 this whole area was a fellow who lives on Columbia Road
 16 at the promenade. And he's got an efficiency
 17 apartment, and he was told that his rent ceiling was
 18 \$4,000. Well, he had the same reaction as you're
 19 having, you know?
 20 And he called me and he said, Councilmember, can
 21 you get me an explanation of how there's a \$4,000 rent
 22 ceiling on a studio efficiency apartment?

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1 DEPUTY MAYOR JACKSON: No, really there's not
 2 enough facts to try to give you a rationale for that
 3 one. And I would be certainly shooting in the dark,
 4 and I'm not going to do that.
 5 CHAIRMAN GRAHAM: Well, I didn't ask the question.
 6 I was just making a statement.
 7 DEPUTY MAYOR JACKSON: Oh, okay.
 8 [Laughter.]
 9 CHAIRMAN GRAHAM: But it's to give an example, Mr.
 10 Jackson. But this is not all that uncommon, and
 11 particularly in those neighborhoods which have a red
 12 hot real estate market, and that's virtually every
 13 block in Ward 1, I can tell you that.
 14 DEPUTY MAYOR JACKSON: Absolutely.
 15 CHAIRMAN GRAHAM: And many, many blocks in Ward 6.
 16 DEPUTY MAYOR JACKSON: Absolutely.
 17 CHAIRMAN GRAHAM: You know, this is the type of
 18 situation we're dealing with. And in theory and
 19 possible practice, the landlord can increase that rent
 20 to the rent ceiling. And so, you know, you have people
 21 who are really living with this sort of Damocles over
 22 their heads, and when you've got people who are

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1 avaricious, who want to make the last nickel, take the
 2 last nickel off the table, you know, they're going to
 3 be pressing people.
 4 We were at a slum property just this week where
 5 the whole point, the whole strategy is to make people
 6 so miserable that they'll just give up.
 7 DEPUTY MAYOR JACKSON: Yeah.
 8 CHAIRMAN GRAHAM: They say, we can't stand this
 9 any longer, you know, even to the point, and I'll give
 10 you an example in this case, Mr. Jackson, even to the
 11 point of taking the washers and dryer out of the
 12 laundry room.
 13 And we found out the other day when we entered
 14 this padlocked units, he had taken the washers and
 15 dryers and put them in a vacant apartment just out of
 16 malice, spite.
 17 DEPUTY MAYOR JACKSON: Yeah.
 18 CHAIRMAN GRAHAM: And so, you know, we got those
 19 extreme examples. Now, that's not -- happily -- most
 20 landlords in the District of Columbia. Most landlords
 21 are in this business. They're in this business
 22 responsibly. They've been in it for historic lengths

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1 of time. You know, we benefit from -- we know these
 2 companies in Ward 1 extremely well, and they come at
 3 this very differently. And I don't want to suggest
 4 this is the landlord experience generally.
 5 DEPUTY MAYOR JACKSON: That's correct.
 6 CHAIRMAN GRAHAM: But the act of the matter is
 7 there's a lot of pressure, particularly in this real
 8 estate market, to condo -- to make condos. And this is
 9 one of the ways we have to resist it.
 10 So, anyway, I just want to make the point that the
 11 landlords are by no means put upon. You know, there's
 12 plenty in these laws -- am I right, Ms. Zapata?
 13 There's plenty in these laws, you know, that advantage
 14 the landlords, that give them opportunities to get a
 15 fair return on their investment, to make capital
 16 improvements, to make service improvements, and to be
 17 able to obtain the income that they need in order to
 18 survive. So, don't let anybody sell you that bill of
 19 goods that is not there, because it is there.
 20 Now, with that said, you know, if we want to talk
 21 about just what is the right solution once we repeal
 22 the highest comparable -- you haven't told me what your

<p style="text-align: right;">Page 118</p> <p>1 position is on that, though. Are you going to support 2 the repeal of the highest comparable, and then we can 3 look, Mr. Jackson, then we can look to see what the 4 right solution is after we repeal it? 5 DEPUTY MAYOR JACKSON: Yeah. I think, Council, 6 what I said to you very early on is that we certainly 7 want to look at the right solution, and then come up 8 with the appropriate response. And I think that's the 9 position that we must take. That would be, I think, a 10 prudent and responsible position for me to take that. 11 I agree with you, and you've cited some 12 circumstances, which I think are just totally 13 horrendous. And when we find those situations like 14 that, we've got to ferret it out regardless of where it 15 is. 16 The issue for me is that we certainly support 17 coming up with a balanced position here, and we look 18 forward to meeting with you very soon to strike that 19 balance that allows all of us to go forward with the 20 win-win experience. 21 CHAIRMAN GRAHAM: Well, thank you very much, Mr. 22 Jackson. I do want to say you've known about this</p>	<p style="text-align: right;">Page 120</p> <p>1 Columbia is going to pass this legislation. 2 DEPUTY MAYOR JACKSON: Great. 3 CHAIRMAN GRAHAM: So, I think the Council is going 4 to pass all of these bills. And so, we look forward to 5 further discussions with you. 6 Mrs. Ambrose? 7 COUNCILMEMBER AMBROSE: Thank you, Mr. Chairman. 8 One of the problems that we often in some of our 9 older buildings is maintenance, and that's when you get 10 into the capital improvement petitions, et cetera. And 11 people -- owners have to have a certain stream of 12 income in order to maintain their buildings. 13 Could any one of you tell us what, you know, 14 constitutes that stream of income? 15 DEPUTY MAYOR JACKSON: Well, I think there is no 16 one magic process that constitutes the stream. I think 17 you've got to look at a number of factors. Obviously 18 you've got to look at the years of delayed or deferred 19 maintenance and what the cost would be to improve that. 20 I think you've got to look at the variation of the 21 rents that's being charged in these units, because, as 22 we step back and remember, we have a lot of our stock</p>
<p style="text-align: right;">Page 119</p> <p>1 bill. We've been talking about this bill. I am not 2 going to suspend the action on this bill for a study. 3 I am not going to do it. We have 12 of 13 4 councilmembers on board. This train has left the 5 station. You know, you got 12 councilmembers in the 6 train. 7 You know, I'm certainly willing to consider 8 various options, but I do plan on marking this bill up 9 in the month of November. And so, within the 10 strictures of that schedule, you know, I'm certainly -- 11 my door is always open. I spent an hour on Friday 12 night here in my office with three of -- three landlord 13 representatives who, amongst the three of them, they 14 had 20,000 units under their management or ownership -- 15 20,000 units. We spent more than an hour discussing 16 these issues. 17 I'm certainly willing to continue those 18 discussions. I welcome the involvement of yourself and 19 others. We've had many discussions, but we can have 20 more. But there's got to be a limit to this. 21 You know, we're going to strike this iron very 22 quickly, and I think the Council of the District of</p>	<p style="text-align: right;">Page 121</p> <p>1 that's old stock and it's passed down from dad to son, 2 and son to grandson. And they're small units. They're 3 not the big landlords. They're the smaller units, I 4 think, where you have the greatest amount of your 5 challenges. 6 And a lot of these is that we've got to go back to 7 what I think Councilmember Brown talked about, and that 8 is getting people to the mindset of understanding how 9 do you operate like this as a business and not as a 10 hobby. 11 So, there's not a singular factor; there's a 12 combination of factors. I think you have to look at 13 all of the facts precedent to the particular 14 circumstance to really develop a strategy as to how you 15 pull out or carve out an income stream that gives you 16 sufficient cash flow to do the debt maintenance on your 17 asset so that you can keep it in a condition that is of 18 quality and affordable. 19 COUNCILMEMBER AMBROSE: When an owner has to apply 20 for loans to do maintenance, deferred or otherwise, on 21 his building -- his or her own building, what does a 22 lender look at for that loan security?</p>

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1 DEPUTY MAYOR JACKSON: See, you take me back to my
 2 banker days.
 3 So, particularly what we do is look at clearly the
 4 income patterns associated with that asset. We looked
 5 at whether the costs associated with maintaining the
 6 asset, and determine whether or not given that asset as
 7 the major income stream to debt service and borrowing,
 8 whether or not that asset is sufficient enough. And
 9 also look at the history pattern of the rent that's
 10 captured through that process. So, it's a number of
 11 factors.
 12 We also look at the credit and capacity of the
 13 borrower beyond just the asset itself.
 14 COUNCILMEMBER AMBROSE: But certainly the income
 15 stream.
 16 DEPUTY MAYOR JACKSON: Absolutely. Critical.
 17 COUNCILMEMBER AMBROSE: And rent constitutes a
 18 very large portion of that --
 19 DEPUTY MAYOR JACKSON: Critical.
 20 COUNCILMEMBER AMBROSE: -- income stream.
 21 DEPUTY MAYOR JACKSON: Critical.
 22 COUNCILMEMBER AMBROSE: So, if we make some of the

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1 changes that are suggested in one or more of these
 2 bills, that would, in fact, reduce the income stream,
 3 we would, in fact, reduce the ability of some owners to
 4 obtain financing for improvements for their building.
 5 DEPUTY MAYOR JACKSON: I think the unintended
 6 consequence of that, and it also may create a personal
 7 liability where the owner would have to sign away his
 8 personal assets outside of that particular collateral.
 9 So, I think it's -- again, it's hard to come up
 10 with a singular process without looking at the fact
 11 patterns of the obligor, but your answer is absolutely
 12 on point. Clearly if you retard or impede the income
 13 stream coming from that asset, and if that asset is a
 14 source that's collateralizing or generating an income
 15 stream that that service the loan, then it could have
 16 an adverse impact. Absolutely.
 17 COUNCILMEMBER AMBROSE: On the vacancy decontrol,
 18 what is called vacancy decontrol, is it the case that
 19 when rents are raised on a vacant unit to what is
 20 market rate, when that unit more or less had not been
 21 market rate, and in some cases might have been
 22 considerably below. Is it not the case that when you

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1 raise the rent on that vacant unit, you can offset the
 2 artificially capped rents on some of the other units in
 3 the building?
 4 MS. LEWIS: It is my understanding, Councilmember,
 5 that that is a common practice.
 6 COUNCILMEMBER AMBROSE: That that is you offset
 7 the lower rent --
 8 MS. LEWIS: You offset the lower rent, and you
 9 also offset the cost of renovating the unit that's been
 10 occupied to prepare it for re-occupancy.
 11 COUNCILMEMBER AMBROSE: Right. So, you're
 12 offsetting and perhaps avoiding a capital improvement
 13 petition offset.
 14 MS. LEWIS: I would assume, but, again --
 15 COUNCILMEMBER AMBROSE: I guess I ask those
 16 questions to say, Mr. Chairman, I think, again, we have
 17 to be careful because we may be running the risk of
 18 causing more deferred maintenance on some of the
 19 buildings in the city that are already suffering from
 20 deferred maintenance. And also running the risk of
 21 causing rents to go up on units that would perhaps not
 22 otherwise have rent increases.

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1 Let me ask. I hesitate to ask anybody at the
 2 table to say whether they recall a period in the
 3 District of Columbia shortly after rent control came
 4 into law when, in fact, we were having a serious
 5 problem with walk away owners. And I have to say I saw
 6 that across the river when I had in Ward 6 a number of
 7 smaller units. And those buildings, ideal for non-
 8 profit restorations, you know, 10, 12, 14 unit
 9 buildings. We're vacant and had been vacant at that
 10 point for 10 to 20 years.
 11 Did we not have in this city a period when we had
 12 landlords walk away because their income stream was not
 13 sufficient to the cost?
 14 MS. LEWIS: Councilmember, I can't say that
 15 definitely. I certainly was here in the mid to latter
 16 part of the 80s when we actually established the
 17 Apartment Improvement Project in order to help small
 18 landlords be able to, one, develop a good financial
 19 base behind offering property for rent, and, two, to
 20 understand the rent control program and how to utilize
 21 the program to effectively maintain their properties,
 22 and not only maintain their properties, but to provide

1 affordable decent housing for tenants.
 2 COUNCILMEMBER AMBROSE: Because without that
 3 program, in many cases, the income stream in a building
 4 would have not been sufficient.
 5 MS. LEWIS: Exactly.
 6 COUNCILMEMBER AMBROSE: Mr. Chairman, I just would
 7 not like to see us get to that point again. And our
 8 housing market right now is so fragile for low income
 9 tenants that I think we have to be very careful not to
 10 drive rental housing investors out of the city. And I
 11 fear that.
 12 I think -- I talked about this a little bit when
 13 we were looking at the changes made to the first right
 14 of refusal, and I said then that my experience with
 15 first right of refusal has been, in many cases, that
 16 tenants essentially sold their rights and walked away
 17 with maybe some change in their pockets, but without a
 18 home.
 19 So, I do think we have to be careful, Mr.
 20 Chairman. And I will be working with you as this bill
 21 goes -- these bills go to markup because I think they
 22 need some tweaking.

1 Thank you.
 2 CHAIRMAN GRAHAM: Thank you very much,
 3 Councilmember Ambrose. We have been joined by
 4 Councilmember Barry. Councilmember, I'd like to
 5 recognize you for the purposes of an opening statement,
 6 and then if you have any questions. Please proceed.
 7 COUNCILMEMBER BARRY: Thank you very much, Mr.
 8 Chairman. I'm not a member of the committee, but this
 9 subject is very dear to my heart. And I want to
 10 commend you for your leadership, and having these
 11 hearings, and making tough decisions about what we do.
 12 I represent a ward, Ward 8, where the medium
 13 income is \$26,000 a year. We have the highest
 14 unemployment rate, the highest poverty rate, the
 15 highest cancer rate, and the highest dropout rate,
 16 highest everything on the negative side. And but
 17 housing is so critical to us. We also have the lowest
 18 homeownership, too, 23 percent in Ward 8 compared to 65
 19 to 68 percent in Ward 3.
 20 I believe in rent control because, as I see things
 21 now, our city is fast becoming the city of the very
 22 rich and the very poor. We don't want that to happen.

1 Even our workforce -- our teachers, firefighters,
 2 police officers, and other workers, find it very
 3 difficult to stay in the District of Columbia. The
 4 rental prices are off the ceiling, not to mention the
 5 housing. I mean, it's just out of sight.
 6 Just about two months ago, a house over on V
 7 Street between 13th and 14th, about the size of this
 8 dais, sold for \$330,000. The last house in Monterey
 9 Park was \$275,000. And so, we got to do a lot of
 10 things.
 11 I'm glad the Council increased their HVAP to
 12 \$30,000; that's not enough still. I'm glad we got rid
 13 of this loophole, 95/5.
 14 I live in a development where we were offered the
 15 right to purchase surreptitiously; that is, they didn't
 16 give us a notice, and then you the [inaudible - 5:19]
 17 council. That [inaudible] met in the middle of the
 18 night. Decided not to take that, so I think we'll
 19 close that loophole.
 20 Then you got the highest comparable. I agree with
 21 you, we need to do something about that. We want
 22 developers to make money in a capitalistic society, but

1 they shouldn't be greedy. They shouldn't be hoggish at
 2 the expense of our people.
 3 And the reality is that the wage increases have
 4 not kept up with the average rent increases, which
 5 means that our people are just being forced -- I talk
 6 to every day who are moving to Prince Georges County.
 7 That's fast becoming a problem also because the housing
 8 is costing just as much in terms of home ownership and
 9 rental.
 10 So, I'm very interested in this subject, and I
 11 think we have to be bold.
 12 And, Ms. Ambrose, you remember when we had the
 13 debate about rent control. We had all these
 14 discussions. Oh, god, we're going to have these walk
 15 away ownership. We don't have these vacant buildings.
 16 We don't have -- catastrophic results. It didn't
 17 happen. It didn't happen, Mr. Chairman, did it? Now,
 18 if you do this, we're going to drive -- we're not
 19 driving anybody out of town.
 20 Washington, D.C. is the hottest housing market in
 21 the country. Look at these housing prices. People are
 22 making 20 and 25 percent increases in their equity in a

1 year almost in some places. These developers who rent
 2 buildings wouldn't be in the business if they didn't
 3 want to make any money. I don't any that's sitting
 4 around waiting to lose money every year, so they must
 5 be making some money; otherwise, they wouldn't be in
 6 business.

7 And so, I hope we just be strong. I believe in a
 8 balanced approach. We need to have the strengthening
 9 of the rent control bill. It has not been strengthened
 10 but so much prior to your leadership in this area, you
 11 know. It just kept rolling over every five years, just
 12 renew the same old stuff, and not take the example,
 13 take the experiences of the tenant out here who are
 14 renting, who are hurting.

15 And there are some tenants in this city paying 40
 16 and 50 percent of their income for rent. Their average
 17 ought to be a third. And you take public housing, I
 18 bet at least 1,000 units have been taken off -- out of
 19 public housing stock.

20 And around from me, Sheraton was torn down. We're
 21 finally going to try to get that done. We de-populated
 22 the old Valley Grand and Dinwillow Creek. We de-

1 Jackson. He loves Ward 8 as much as I do.

2 DEPUTY MAYOR JACKSON: That's right.

3 COUNCILMEMBER BARRY: Isn't that right, Mr.
 4 Jackson?

5 DEPUTY MAYOR JACKSON: That's right, sir. That's
 6 right.

7 COUNCILMEMBER BARRY: I understand watching a
 8 little bit of it on television that the Administration
 9 has some problems with the highest comparable.

10 DEPUTY MAYOR JACKSON: Well, I don't want to term
 11 it in terms of problems. I think what I suggested and
 12 we set a short window that we want to come back. I
 13 just didn't have enough data to really make definite
 14 statement of that. Clearly we want to come back and do
 15 what's right. We want to strike that balance.

16 You've articulated my views very well that there's
 17 a passion for wanting to make sure that we make sure
 18 our city continues to be an inclusive city and not just
 19 a city of just the haves and a few of the have nots.

20 So, right now, I did not have enough data, you
 21 know, even though we have been looking at this some
 22 time from my staff at DCRA to come forward and say that

1 populated Frederick Douglass, which is good. But where
 2 are these people going?

3 Our homeless families have increased last year by
 4 almost 300 percent. I was out at D.C. Village last
 5 week, which is like a junkyard where people live in.
 6 But there are homeless families that are still on the
 7 streets.

8 I talked to two of my constituents just last week,
 9 and one of them has been on Section 8 waiting list 14
 10 years. Fourteen years on Section 8. And she finally
 11 got a notice last Thursday or Friday, asked her to come
 12 down and loo at public housing. She said, no, thank
 13 you; what they offered me was worse than where I'm
 14 living.

15 So, in summary, I want to support whatever we're
 16 trying to get down and try to make it easier for
 17 renters, the tenants, but at the same time, you know,
 18 not pointing to landlords. This is a capitalistic
 19 society. We shouldn't bemoan people who are making
 20 some money, but don't be greedy. Don't be hoggish.

21 In terms of any questions, I'd like to ask the
 22 Deputy Mayor, my dear friend, who lives in Ward 8, Stan

1 I'm prepared to make a firm, definitive statement for
 2 suggesting and ask the chair, if he would indulge me a
 3 couple of weeks, to get back with him, and work with
 4 some of the experts in the marketplace so that we
 5 can --

6 COUNCILMEMBER BARRY: Pardon me, Mr. Jackson.
 7 What kind of data do you think you need?

8 DEPUTY MAYOR JACKSON: Well, again --

9 COUNCILMEMBER BARRY: When you speak of data, what
 10 are talking about?

11 DEPUTY MAYOR JACKSON: Well, I'm talking about
 12 more information, the basis by which we're calculating
 13 these things now. What is the experience that we've
 14 had in terms of coming up with this rate of return
 15 analysis? I just want some more information.

16 I'm not comfortable right now as I stand before
 17 you to give specifics regarding that, nor am I saying
 18 I'm opposed to it. I'm not saying I'm opposed to it.
 19 I just asked for a couple of weeks to step back and get
 20 Dr. Canavan's input on this along with the staff's
 21 input, and also the experts in the community input, so
 22 that we can all come back with something.

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<p>1 COUNCILMEMBER BARRY: Mr. Jackson, you're on my 2 time, too, so let's keep these answers as short as you 3 can. 4 I understand you are for the 10 percent cap. 5 DEPUTY MAYOR JACKSON: Yeah, I think an annual 6 increase, I have no question about that. 7 COUNCILMEMBER BARRY: So, in terms of the highest 8 comparable, what kind of data do you need? I'm trying 9 to -- I'm analytical in my thinking. I was trained as 10 a scientist. What kind of data are you speaking of 11 getting? 12 DEPUTY MAYOR JACKSON: Well, I think two things. 13 One is just to try to get some sampling as to how we 14 can calculate this impact going forward. I think 15 that's as clear as I can give it to you right now. 16 COUNCILMEMBER BARRY: But I'm saying, Mr. Jackson, 17 who's going to tell you that impact? The developers 18 are not going to tell you. They won't find it's the 19 worst thing that ever happened to us; don't do it. 20 DEPUTY MAYOR JACKSON: But, Council, we do have -- 21 I think we said early on that while we don't have the 22 most reliable information, we have some information</p>	<p>1 be able to take a sampling, to see what the fiscal 2 impact of the elimination of the highest comparable is, 3 maybe come back with maybe a percentage of the highest 4 comparable. We're just not sure yet, but we want a 5 chance to just -- 6 COUNCILMEMBER BARRY: Well, we already know, and 7 the Administration has supported a 10 percent rate of 8 return, which means you can predict that most of these 9 landlords are going to get the full 10 percent if they 10 can get it, if they could get it. So, I don't still 11 understand how the highest comparable would be studied 12 and looked at outside of asking them the impact. But I 13 guess you may have a method that I don't know anything 14 about. 15 And I'm not trying to give you a hard time. I'm 16 trying to say that it's one thing to say we've not had 17 a chance to really discuss this in the Administration 18 and look at all the sides of it, and then to say I'm 19 going to get more data. I'm just still trying to find 20 out what data you're going to get and where you're 21 going to get it from. 22 DEPUTY MAYOR JACKSON: Well, two places. I think</p>
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<p>1 that we can rely on. And also, getting the impact from 2 people like yourself, like Councilmember Graham, and 3 also from the business community. 4 COUNCILMEMBER BARRY: I'm giving you my impact 5 right now. 6 DEPUTY MAYOR JACKSON: Well, I'm clear with where 7 you are. I have no issues about that. But I still 8 think that I still want to get some data from my staff. 9 I don't have enough data right now to respond. 10 COUNCILMEMBER BARRY: I'm trying to find out what 11 kind of data you're talking about. You know me. We've 12 had the data before. I speak English. 13 MS. HODGES: Good afternoon, Councilmember Barry. 14 Lisa Hodges, Special Assistant to the Deputy Mayor. 15 I think one of the things we want to do is to find 16 out especially what the impact is on the small landlord 17 who has a smaller margin between the rental income and 18 their ability to, you know, maintain the buildings. We 19 just want to make sure that it's fair. 20 As the Deputy Mayor said, we might come back and 21 say, you know, what you've come up with is fine, it is 22 great, we think it strikes a balance. But we want to</p>	<p>1 clearly, I have not had the opportunity to sit down 2 with the Agency to look at what information that they 3 have right now. 4 COUNCILMEMBER BARRY: That's a better answer. 5 DEPUTY MAYOR JACKSON: Well, that is the 6 appropriate answer, you know. I've not had that 7 opportunity. 8 COUNCILMEMBER BARRY: You know, you've testified 9 before me before, and we talk down in my office, your 10 office, you know. You know, I cut through the -- 11 DEPUTY MAYOR JACKSON: Well, that's the 12 fundamental issue. I've not been able to look at it 13 myself. 14 COUNCILMEMBER BARRY: That's an appropriate answer 15 that I would accept, and I will not push you on it. 16 Just say, I know you have a heavy plate, and you've not 17 had an opportunity to do all the kinds of things that 18 ordinarily you would want to do. Plus your office is 19 both operational and policy, and that makes it more 20 difficult. So, I understand that. But don't talk 21 about this data somewhere that we're going to get here 22 and there and nobody knows where in the hell it is,</p>

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1 right?

2 DEPUTY MAYOR JACKSON: That's correct. That's

3 correct. That's correct.

4 COUNCILMEMBER BARRY: We're supposed to visit some

5 time on the housing in Ward 8. I'll call your office

6 this afternoon.

7 Mr. Chairman, again, I want to thank you, and urge

8 you, don't waiver now. Just be strong as I know you

9 are, because the life of my city and the quality of

10 life is at stake, and we all want diversity. We don't

11 want this town to become a place of the very, very rich

12 and the moderately and the very, very poor. That's

13 awful. There are enough divisions already. We've got

14 a division for east of the river, west of the river,

15 those with Ph.D.s, no D's, those that are working, not

16 working.

17 So, let's just work on this. And hopefully, Mr.

18 Jackson, you'll come back and you'll say, this makes

19 sense, let's go forward.

20 DEPUTY MAYOR JACKSON: You've got that commitment.

21 We will back shortly.

22 COUNCILMEMBER BARRY: Thank you.

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1 DEPUTY MAYOR JACKSON: Very good.

2 CHAIRMAN GRAHAM: Thank you very much. I agree

3 with you, Councilmember Barry. This train has left the

4 station. It's got 12 conductors. And we're going to

5 proceed, but we certainly wanted to give the full

6 opportunity within those limits to the Mayor and his

7 people to -- if they have wisdom on this issue, which

8 they might very well, we want to hear from you and

9 continue our discussions with you, and all of the

10 stakeholders in this legislation.

11 So, I thank you very much for your testimony

12 today.

13 We'll now proceed to our public witnesses.

14 DEPUTY MAYOR JACKSON: Thank you.

15 CHAIRMAN GRAHAM: Betty Sellers, Tenant Action

16 Network, David Kahn, Tenant Action Network, Jonathan

17 Strong, the Brandywine Tenants Association is the first

18 panel. Because there are three on this panel, I'm

19 going to ask this lady if she would -- do you wish to

20 testify? Will you come forward? If you would permit

21 me the indulgence of the chair, I'm going to invite her

22 to come forward and take a seat at the table. Is there

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1 someone that had a special -- you gave me a note

2 earlier. See if you can find her. We want to be as

3 far as possible to people.

4 Now, there are two witnesses from the Tenant

5 Action Network. Is it your intention to share the five

6 minutes, or how do you want to do this? Do you wish to

7 speak as individuals? And I see Rose Marie Flynn is

8 here, yes. And so, we will accommodate you shortly.

9 You're on the list. We have to hear from the Gray

10 Panthers, absolutely. You're on the list, and I'll fit

11 you in, I promise you.

12 Now, Jonathan Strong from the Brandywine Tenants

13 Association, are you representing the Association?

14 You're here as an individual?

15 MR. STRONG: Yes, I am.

16 CHAIRMAN GRAHAM: All right. So, we're going to

17 continue to -- I really appreciate the fact that we

18 have six councilmembers besides myself, seven total,

19 participating. And, of course, you understand that

20 when we have that many councilmembers at a hearing,

21 which is very unusual, by the way, we certainly want to

22 accommodate their opportunities. And that's extended

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1 some of our time, but we're going to go back to our

2 rigorous time clock.

3 I want to acknowledge Jonathan Strong for the very

4 important contribution you have made in terms of the

5 Tenants Rights bill. This is something we discussed

6 over a period of time. I consider you to be the author

7 of that legislation, and I congratulate you that we've

8 gotten this far.

9 And, Ms. Sellers and Mr. Kahn, you have been

10 instrumental and extremely helpful over the course of

11 this year in all of the contribution that you have made

12 to this committee's consideration. And I commend you

13 for your contribution.

14 So, we will start with Ms. Sellers first.

15 MS. SELLERS: Hello, Councilmember Graham --

16 CHAIRMAN GRAHAM: And we're going to give you --

17 you're going to have three minutes or five minutes.

18 Mr. Adams, can you attend to us here? Yeah. What are

19 you going to have?

20 MS. SELLERS: I'm going to have just one minute.

21 I'm going to defer to David.

22 CHAIRMAN GRAHAM: So, you're going to have about

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1 five minutes. So, if you start the clock with the five
 2 minutes, we'll take the Tenant Action Network
 3 testimony.
 4 Ms. Sellers.
 5 MS. SELLERS: Thank you, Councilman Graham, for
 6 giving us the opportunity to speak her today. I would
 7 like to thank each of the councilmembers for taking a
 8 bold action to support each of the bills that are
 9 before us today.
 10 Rent control has been neglected for far too many
 11 years. Since 1992, we have not had any meaningful
 12 changes to the rent control law until this day. We
 13 thank you very much, and we hope to be able to continue
 14 to work with you, and to make sure that the rights of
 15 tenants in this city are expanded.
 16 CHAIRMAN GRAHAM: Thank you, Ms. Sellers.
 17 Mr. Kahn?
 18 MR. KAHN: Good afternoon, Mr. Chairman, and I
 19 want to thank you for holding these hearings and for
 20 reinvigorating the Consumer and Regulatory Affairs
 21 Committee, which for the past 20 years has been known
 22 as the graveyard committee. You have eliminated that

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1 problem.
 2 TAN supports every one of these pieces of
 3 legislation as a moderate step -- oh. Let's see. Oh,
 4 is that better? Okay. Support each of the five pieces
 5 of legislation as making a moderate inroad and
 6 improvement in the Rental Housing Act, which has swung
 7 far too away from its purpose of providing affordable
 8 moderate and low income housing and preserving rental
 9 housing stock, as well as the fair rate of return for
 10 the housing provider.
 11 As you correctly pointed out, housing providers
 12 are guaranteed a 12 percent rate of return, and the
 13 formula is very easy. I'm sorry that councilmembers
 14 left before hearing this, but I can answer it and cut
 15 through the government babble. You take the assessed
 16 value of a building by the tax assessor. Let's say
 17 that's a million and a half dollars. You subtract any
 18 encumbrance, such as a mortgage. Let's say there's
 19 \$500,000 left on that. The value of the building then
 20 is deemed a million dollars. The landlord is
 21 guaranteed to make \$120,000 by taking the maximum
 22 possible rental income minus operating expenses, which

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1 include maintenance, which include the normal expenses
 2 that you would have. They don't include the lobbying
 3 and paying Shaun Pharr's salary, but it does include
 4 all normal expenses. If they fall below that, they do
 5 a little bit of accounting work, file it with the Rent
 6 Administrator, and if the hardship is granted within 90
 7 days, they get a preliminary increase even, subject to
 8 refund. So, there is a mechanism for that.
 9 You correctly point that if capital improvement
 10 work has to be done, it's recovered. Ms. Ambrose
 11 implied that they don't get the interest in service
 12 charges paid for. That's incorrect. Eight-year
 13 recovery period, get the cost of all the work, get the
 14 interest and service charge covered. If you don't
 15 borrow money, you get a four percent imputed interest
 16 rate over prime. And as you correctly pointed out,
 17 substantial rehabilitations, 125 percent increase.
 18 So, you don't need for the highest comparable,
 19 which you correctly pointed out, as ratcheted rent
 20 ceilings to levels that have nothing to do with market
 21 rate. Four thousand dollars for the efficiency
 22 apartment, that's typical. Why is it a problem? Let's

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1 say the CPI for the year is five percent; the rent
 2 charged is \$1,000. You would think a reasonable
 3 increase in the rent would be \$1,000 to \$1,050. That's
 4 five percent. But the five percent CPI is taken on the
 5 rent ceiling, which was \$4,000; that's \$200. So, the
 6 landlord can assess an increase of \$1,000 to \$1,200,
 7 not the five percent increase, but a 20 percent
 8 increase. And if there some unimplemented increase,
 9 something even more.
 10 The government also misled you on what was done in
 11 1985 to reset the base rent. It's not based on the
 12 rent ceiling. Ms. Zapata and Ms. Lewis should know
 13 better. It was based on the rent that was charged as
 14 of September 1, 1983, plus legitimate adjustments up to
 15 1985. So, it was not based on arbitrary rent ceilings.
 16 It was based on rent charged plus legitimate
 17 adjustments. So, let's put that in the record.
 18 Margery Turner in 1988 did a study for the Urban
 19 Institute, and she found that smaller landlords
 20 generally earned about 10 and a half percent rate of
 21 return after taxes. So, there may be anecdotal
 22 stories, but the evidence shows otherwise.

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1 Thank you very much for the time, and I'll be
 2 pleased to answer other questions, clear up other
 3 misperceptions. This testimony is simply a repeat of
 4 what I've been doing for the past 20 years.
 5 Thank you very much.
 6 CHAIRMAN GRAHAM: Thank you, Mr. Kuhn. And we
 7 will have the opportunity to review your submitted
 8 testimony in detail. I will read it with care, and as
 9 well as review your remarks.
 10 Mr. Strong?
 11 MR. STRONG: Thank you, Mr. Chair, and thank you
 12 for the kind words at the introduction of this panel.
 13 I have submitted written testimony, and I hope
 14 that you and your staff and other members of the
 15 committee -- members of the Council review it because I
 16 have made suggestions with respect to every bill where
 17 I think they may be tweaked to improve them.
 18 One of the -- one such tweaking I did not address
 19 in my written testimony was suggested by Deputy Mayor
 20 Jackson's testimony, and that was his discussion on the
 21 Right of Tenants to Organize Act, and that is the
 22 meetings, the right of tenants to meet.

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1 In the bill that I had originally drafted, I have
 2 used the term "on site," and that the meetings would be
 3 on site, that the landlords would have to provide rooms
 4 for meetings on site if available. And Deputy Mayor
 5 Jackson seemed to think that there was -- in the
 6 current bill, that this might allow -- require
 7 landlords to provide meeting rooms outside the
 8 building. That wasn't my intention, and I don't think
 9 it's the committee's intention. And to insert the
 10 words "on site," I think would take care of that
 11 perceived problem.
 12 Also, I would like to say that the government
 13 panel was talking about these bills as providing an
 14 opportunity to set a new base rent. And the purported
 15 reason that they have given is that it would make life
 16 administratively more easy for the DCRA. Well, taking
 17 the words of Member Catania in another context, don't
 18 take them at their word for that. I believe you should
 19 explore that with them and just make sure just how much
 20 more easy it might be, because I don't believe it would
 21 be much easier, make life much more easy for them.
 22 But what would happen is that it would gut Member

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1 Mendelson's bill, the Statute of Limitations bill. It
 2 would gut the recent Sawyer decision where the District
 3 Court of Appeals, the D.C. Court of Appeals, delineated
 4 what were proper and improper registrations by
 5 landlords and proper and improper rent increases. It
 6 would gut those.
 7 In addition, as we understand it, the Tenant
 8 Advocate Office, which was wonderfully established by
 9 this committee this year, has great promise,
 10 particularly once it becomes independent of the DCRA.
 11 But at any rate, we understand that their first,
 12 the Tenant Advocate is to devote to education. So,
 13 that's fine. This is what the Administration has told
 14 us, that it's going to -- the first year is going to be
 15 devoted to education so that the tenant advocate cannot
 16 represent tenants to challenge these new base rents
 17 that they want to establish.
 18 So, when you put that package together, this would
 19 not be a wise thing, and we urge you, if it is
 20 presented to you, to reject it.
 21 And in closing, I would just like to say this is
 22 an exciting day. It's an exciting day for me because

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1 the bill that I originated has finally been introduced,
 2 and I'm very happy and pleased with that. But it's an
 3 exciting day for tenants across the District because
 4 not only are basic rights -- the right to organize, the
 5 right to information being presented here -- but also
 6 some economic adjustment that are long overdue.
 7 CHAIRMAN GRAHAM: Well, thank you very much. I
 8 think you should. I mean, I can only say if I were
 9 you, Mr. Strong, I'd be feeling pretty good because,
 10 you know, your bill was essentially endorsed also by
 11 the Administration. It has nine sponsors; that's veto
 12 proof, you know. And I think the enactment of a tenant
 13 rights legislation in this Council is -- shows just how
 14 far we've come in terms of our point of view. And I am
 15 very, very pleased.
 16 And it's one of the reasons why we got to get this
 17 going. We got to move, you know. I'm not going to
 18 linger for studies and data collection. You know, I'm
 19 just not going to do it because we've had a lot of
 20 that.
 21 So, I thank you very much for your testimony.
 22 We're making a special note of the onsite language that

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1 you've suggested, which is very easy to clear up, the
 2 one relatively minor question the Mayor's people raised
 3 about that particular legislation.
 4 I have glanced at your testimony. I just got it,
 5 but I want you to know I'm going to read it word for
 6 word, because you've put a lot of effort into this.
 7 MR. STRONG: Thank you.
 8 CHAIRMAN GRAHAM: And I'm going to put an equal
 9 amount of effort or a commensurate amount of effort in
 10 terms of reviewing it.
 11 MR. STRONG: Thank you very much.
 12 CHAIRMAN GRAHAM: And I appreciate it.
 13 Now, we have -- Olivia Clayben is with us today,
 14 Ms. Clayben, we're glad to have accommodated you. Are
 15 you representing the 4000 Massachusetts Tenant
 16 Association today?
 17 MS. CLAYBEN: Yes. It's been established since
 18 1987.
 19 CHAIRMAN GRAHAM: Good for you. So, you're going
 20 to be accorded five minutes of testimony. Now, I do
 21 ask you to speak directly into the microphone.
 22 MS. CLAYBEN: Can you hear me?

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1 CHAIRMAN GRAHAM: Put it right like that, and
 2 we're pleased to receive your testimony.
 3 MS. CLAYBEN: Do I have to do anything else? Can
 4 you hear me? Yes.
 5 Thank you for having me.
 6 Of course I support all the bills, but I
 7 particularly want to speak about the Tenants Rights for
 8 Information.
 9 Disclosure is all about money. Almost every State
 10 has some form of disclosure designed to protect home
 11 buyers. In this region, the District, to its credit,
 12 has led the way with a strict disclosure law. A
 13 prospective tenant or an existing tenant applying to
 14 renew a tenancy has no such protection. It is time for
 15 housing providers to let an applicant known about
 16 potential rent increases before he becomes obligated
 17 under a written lease.
 18 When an unscrupulous home buyer covers up defects
 19 in his property, the new owner is likely to be faced
 20 with repairs costing anything from \$2,000 or \$3,300 to
 21 thousands of dollars. When a renter incurs moving
 22 expense from one State to another or just across a

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1 city, it can cost a few hundred dollars to thousands of
 2 dollars. Moving furniture from a small apartment, say,
 3 from D.C. to New York or vice versa, costs \$5,000. New
 4 carpeting and draperies costs further add to the
 5 renters' cost.
 6 And what if the renter has school children?
 7 Relocating for a rental with a family is a costly
 8 business. That's why we must ensure that renters are
 9 given all the facts about a rental unit and relevant
 10 information about the apartment building. For example,
 11 a majority of tenants have no idea who owns their
 12 building. Too often, the management company keeps the
 13 name of the actual owner strictly confidential.
 14 Not only that, the complexities of the way rent
 15 increases are implicated in a building operating under
 16 rent control are not readily understood by a
 17 prospective tenant. It is logical to assume that his
 18 lease protects him from rent increases at least the
 19 length of the lease. Under certain circumstances,
 20 house providers -- housing providers can increase a
 21 rental after just 180 days.
 22 How could a renter have any idea that under the

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1 Rent Control Act housing providers are not permitted to
 2 increase renting if their rent -- their apartment
 3 building has outstanding housing code violations?
 4 Buyer or rent both need to know what to expect when
 5 they take possession of the property or apartment.
 6 Effective October 1, 2005, the new disclosure law
 7 determines that if seller decides -- excuse me -- to
 8 disclaim disclosure, any defects of which the seller
 9 has actual knowledge must be disclosed. Reinstated
 10 contracts must include a conspicuous notice advising
 11 the purchaser of his right to receive disclosure or
 12 disclaimer statements.
 13 According to Benny L. Cass, Washington Post
 14 October 3rd, seller disclosure has become an important
 15 element in any real estate transaction, and that's
 16 across the Nation, by the way.
 17 When Disclosure Bill 314 was introduced in 2003,
 18 representatives from the OABA Apartment Building
 19 Association and the National Multi-Housing Council were
 20 quick to assert that the information called for under
 21 the bill was readily available in rental offices.
 22 Perhaps a few owners posted the information, but tenant

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1 associations I talked to at the time reported that they
 2 were unaware of such information about rent ceilings
 3 being given to prospective tenants.
 4 This month, I talked with tenant associations in
 5 Wards 1, 2, 3, and 4. None of them were able to
 6 confirm that any pertinent information to rent freezes
 7 is given to incoming tenants. This in itself does not
 8 necessarily mean that in certain circumstances new
 9 tenants are not given some explanation about potential
 10 rent increases.
 11 Most tenants associations could not report seeing
 12 notices posted in a residential manager's office. Both
 13 the ACOBA and the NMHC provide their membership with
 14 guidance over a broad range of tenant issues. Yet
 15 there does not appear to be anything coming close to a
 16 consistent policy on disclosure.
 17 CHAIRMAN GRAHAM: Ms. Clayben, could you summarize
 18 your testimony, please? Your time has expired.
 19 MS. CLAYBEN: The bill, in my judgment, would not
 20 place unnecessary burden on housing providers. When
 21 you consider all the non-variable information, the
 22 variables are easily addressed as housing providers

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1 regularly calculate the rent ceiling to set rentals on
 2 their units. In addition to the basic rent, notices of
 3 rent increases usually include the rent ceiling. The
 4 other variables are rarely subject to change.
 5 If housing providers cannot justify rent ceilings
 6 on their apartment units, they must forfeit the right
 7 to use rent ceilings until they establish a new base
 8 calculation year. When they're unable to substantiate
 9 the amount they are using to increase on rent on an
 10 apartment unit, they're in substantial non-compliance
 11 with the Housing Regulation 42350901(a). From then on,
 12 the rent ceiling rolls back to being the same as the
 13 basic rent.
 14 Thank you.
 15 CHAIRMAN GRAHAM: Thank you very much.
 16 We'll now have five-minute rounds of questions by
 17 the members.
 18 Mr. Kahn, you know, it's apparent from -- and I
 19 want to somewhat emphasize the progress that we've made
 20 today. We've still got some hurdles to cross, but the
 21 fact of the matter is that pretty much everything
 22 that's on the table has been endorsed, except for the

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1 highest comparable repeal and then the proposal to
 2 replace it.
 3 A major issue that has been raised, though, which
 4 we have previously is the notion of establishing income
 5 standards. Once we are preserving affordable units, it
 6 would seem to me that we really have to take the steps
 7 to ensure that certain income levels are in terms of
 8 eligibility for those units; otherwise, we've just
 9 created cheap apartments.
 10 May I have your comment on that proposal which has
 11 been advanced for our consideration?
 12 MR. KAHN: Certainly. The purpose of the act, and
 13 it's right in the purposes section, is to preserve
 14 affordable housing for low and moderate income, so it
 15 does make sense to have definitions of that. And I can
 16 tell you that in inclusionary zoning, I've heard a
 17 proposal that 50 percent of available units be
 18 available to people with under 50 percent area median
 19 income, and 50 percent available to those between 50
 20 and 80 percent of area median income. So, that would
 21 make some sense.
 22 Let me point out in 1988 when Margery Turner

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1 looked at the same issue, that a lot of millionaires
 2 basically were getting the benefits of rent control.
 3 She found that only five percent of the recipients of
 4 rent control at the time had incomes of \$50,000 or
 5 above, so that most of the units were already in the
 6 hands of low and moderate income people. But, yes, you
 7 might want to have income levels that actually define
 8 what the purposes of the act are, yes.
 9 CHAIRMAN GRAHAM: Mr. Kahn, we would welcome your
 10 suggestion, and, Mr. Strong, Ms. Sellers, Ms. Clayben,
 11 as to the specific language in that regard. And so, if
 12 you would be willing to give that -- give us your ideas
 13 on that, it would be appreciated.
 14 MS. CLAYBEN: One addition, when we're talking
 15 about rent ceiling, the CPI, when I first started
 16 tracking it was about 8.9. That was about 1983. Then
 17 it was about -- maximum. Thereafter, it slowly went
 18 down.
 19 In the last several years, the CPI has been below
 20 2.5, 2.6, but we have a big fear of inflation now, and
 21 my suggestion would be that the CPI could not raise
 22 more than one half of one percent from the previous

1 year. Otherwise, you'll get \$1,000 rentals going up on
 2 the CPI at five or eight percent, chaos. Thank you.
 3 CHAIRMAN GRAHAM: Thank you. Do you want to --
 4 Mr. Adams, can you -- do you have water?
 5 The other issue that's been raised previously as
 6 well is the notion -- I mean, what's in place is in
 7 place. No one is suggesting that we apply a means test
 8 or income test to what's in place. And no one has
 9 suggested that we apply a residential requirement to
 10 rent controlled units in terms of what's in place. But
 11 the suggestion has been made that from this -- from a
 12 point forward, that only residents can qualify for rent
 13 control advantages. What is your view on that, Mr.
 14 Strong, Mr. Kahn, Ms. Sellers, Ms. Clayben?
 15 MR. SELLERS: Well, I'd like to address the
 16 affordability question first a little bit, and that's a
 17 personal anecdote. When the Brandywine Tenants
 18 Association was fighting a capital improvement petition
 19 and we were discussing with the landlord and management
 20 the distribution of the notices to the tenants of their
 21 ability to apply for elderly or disability exemption.
 22 And at that time, the building was managed by Charles

1 E. Smith and no longer is, but at that time it was.
 2 And the Charles E. Smith employee property manager of
 3 the building told me, well, this is really academic
 4 because nobody lives here -- nobody can come in here
 5 anymore unless they make -- have an income over
 6 \$50,000.
 7 So, this kind of goes to the comment that Mr. Kahn
 8 made that in 1988, 95 percent of the people under rent
 9 control had incomes under \$50,000, but in this building
 10 now you have to have it.
 11 CHAIRMAN GRAHAM: Mr. Strong, I'm sorry. My time
 12 has expired. I do want to get an answer to the
 13 question of whether prospectively -- because I'm not
 14 going to put anything in place that causes evictions,
 15 you know; that's not my particular point of view. But
 16 prospectively, should we limit this only to D.C.
 17 residents?
 18 MR. KAHN: Well, the problem that I see in that is
 19 how exactly would you define a resident? What if a
 20 person is homeless now, doesn't pay taxes? Is that to
 21 be considered a non-resident, and I would think those
 22 are people you'd want in transitional and rental

1 housing.
 2 In addition, in Ward 1, for instance, what if you
 3 have a lot of undocumented workers? Would they be
 4 considered non-residents and unavailable for the
 5 benefits, even if they meet income requirements?
 6 The third situation where I see a difficulty is
 7 what happens typically. A lot of unrelated people may
 8 get together as roommates. What if one of them was a
 9 resident under any definition, and three of them are
 10 not? How do you deal with those situations?
 11 And the other problem I could see as an
 12 administrative nightmare is if somebody then moves out
 13 of a unit, the next person moves in, do you have units
 14 shifting and out of rent stabilization? And I would
 15 defer to DCRA on how difficult that would be to
 16 administer.
 17 But I see some problems in, one, the definition of
 18 what is a resident, and, two, a practical problem in
 19 administering what you do and whether you have
 20 unintended consequences of leaving people who are
 21 homeless, who need rental housing, who otherwise would
 22 meet an affordability test, being knocked out on some

1 version of a residency test. That concerns me greatly.
 2 CHAIRMAN GRAHAM: And I thank you for making those
 3 points. I think those are matters of concern to us.
 4 Mr. Barry for five minutes.
 5 COUNCILMEMBER BARRY: Thank you very much, Mr.
 6 Chairman.
 7 Mr. Kahn, is your organization a city wide
 8 organization?
 9 MR. KAHN: Yes, the Tenant Action Network, that's
 10 correct. I've been involved with TOPAC, and we've
 11 worked with you for many years on thorny and difficult
 12 rental housing issues with Valerie Costello.
 13 COUNCILMEMBER BARRY: Valerie Costello, oh, yeah.
 14 I remember that very well in a very positive way.
 15 In terms of the residency situation, it's not as
 16 complicated as you may think it is or appear to be.
 17 For instance, undocumented workers, most of them, not
 18 all of them, but some of them, get social security
 19 numbers, and they get driver's licenses. Those in the
 20 minority who don't want to be known they're even here.
 21 And my own view is that if they don't have a green
 22 card they shouldn't be here, quite frankly. So, I

1 don't think that's as much of a problem.
 2 I think Councilmember Graham is sort of following
 3 the overall policy of this Council. If you're going to
 4 get benefits from this Council or from the city
 5 government, we ought to give preference to our
 6 residents. That's the local, small and disadvantaged
 7 business law. That's the first source. That's the
 8 D.C. preference for our employees, so let's follow that
 9 same trend.
 10 I introduced a bill that would give free tuition
 11 to nurses at University of the District of Columbia,
 12 but you're required to live in District and work in
 13 some medical facility for, I think, five or seven
 14 years. So, as far as that. Now, if there's some
 15 problems with it, we ought to look at it and see if we
 16 can't figure out a way to get around some of your
 17 concerns because they are concerns.
 18 Mr. Strong, in terms of the tenant -- I was
 19 listening over there, so I heard what you said. The
 20 tenant office, the new office, Mr. Graham and I worked
 21 on that. That's a strong component, a strong
 22 component, because my experience is that particularly

1 moved from part of the city to another part of it long
 2 after rent control first started here, and they're not
 3 familiar with all these procedures. And, believe me,
 4 most developers and landlords are not going to tell
 5 them about it.
 6 So, I want to thank you for your comments and your
 7 observations. Rest assured that this one councilmember
 8 -- really, two, and there are 10 others waiting, that's
 9 going to do something about the inequities that exist.
 10 I said earlier, we want providers to earn money.
 11 This is a capitalistic society. But I don't want them
 12 to be greedy, what I call hoggish. You know, hogs want
 13 everything. They want it all. They eat everything.
 14 So, thank you all for coming very much.
 15 MR. STRONG: Member Barry, if I may respond. I
 16 advocated and testified for the Office of Tenant
 17 Advocate before Chairman Graham introduced it, and
 18 together the Council made it law. And I agree with
 19 you. It needs to be there. It needs to be strong. It
 20 needs to advocate on behalf of tenants.
 21 I advocated on behalf of my tenants association.
 22 I was a trial attorney for 25 years with the Federal

1 in condo conversions, a lot of tenants have no idea how
 2 to start this process, how to get into it. It happened
 3 in my own context in Washington View, 453 units all for
 4 \$17 million. That's about \$50,000 a unit, and these
 5 are two and three bedrooms, and they're in pretty good
 6 conditions. So, that's a very important part of this
 7 bill.
 8 Plus the fact there is a process already, as you
 9 very well know, to appeal where people might consider a
 10 legal rent increase. So, that's already the present
 11 law. That's my understanding, right, Mr. Kahn, that
 12 there is a process for doing that.
 13 MR. KAHN: Yes, that is correct.
 14 COUNCILMEMBER BARRY: So, that's already in place.
 15 But I'd like for us to emphasize how strong we intend
 16 for this office to be. This is sending the right kind
 17 of signal. If the Administration don't want to make it
 18 strong, they won't make it strong. So, let's say make
 19 it strong. Make it pro tenant. Make it advocacy.
 20 Make it ombudsman so that there's a place.
 21 You'd be surprised at the lack of knowledge among
 22 our tenants. A lot of people who moved into the city

1 and various State governments. And this law that we're
 2 asked to represent tenants on is very complicated, very
 3 difficult to understand for the most experienced
 4 advocates. And the DCRA often lent us a deaf ear when
 5 we looked to them for help.
 6 So, that is why I feel that the office needs to be
 7 strong, it needs to be funded, and it needs to be
 8 independent of the DCRA. The present DCRA leadership
 9 may let it have its head, but it doesn't sound like it.
 10 And this DCRA leadership is not going to be there
 11 forever, so it needs to be independent from DCRA.
 12 COUNCILMEMBER BARRY: Where would you put it?
 13 MR. STRONG: I would make it an independent
 14 agency.
 15 MR. KAHN: As we have suggested, Councilmember
 16 Barry, when I drafted that piece originally as part of
 17 a legislative package for the Tenant Action Network and
 18 the Tenant Task Force, we suggested that it be modeled
 19 on the Office of People's Council, which, I believe,
 20 came into effect during your Administration. And we
 21 liked the idea of an independent leader who's appointed
 22 by the mayor, approved by the Council, has their own

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1 budget and staffing, and the independence to represent
 2 tenants both on education front, legislative front, and
 3 the legal front. And Councilmember Graham has taken us
 4 a long way there with the Office of Tenant Advocate,
 5 but the next step hopefully would be to make it
 6 independent.
 7 And we also concur with your comments on the
 8 difficulty of going to tenant associations and trying
 9 to teach people. That's why, as Ms. Clayben pointed
 10 out, the disclosure is very important.
 11 So, I agree with your comments, and hope to work
 12 with you and Councilmember Graham in making sure that
 13 we tilt the rent stabilization law back to its original
 14 purpose, which is to provide affordable housing for low
 15 and moderate income, and also to make sure that
 16 landlords get a fair rate of return. We endorse that.
 17 Thank you.
 18 COUNCILMEMBER BARRY: Mr. Strong -- if I could
 19 have more five seconds, Mr. Chairman. The office is
 20 funded at \$800,000, which is a good start. And,
 21 second, I just talked to Councilmember Graham. It's
 22 our view that for the first year we ought to get it

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1 started. And I know I'll be here next year.
 2 MR. STRONG: We hope so.
 3 COUNCILMEMBER BARRY: And Councilmember Graham
 4 will be here next year. Whether he runs for something
 5 else or not, he'll be here till January 2nd in that
 6 capacity. He may chair, you never know.
 7 But anyway -- strike that from the record. I'm
 8 just messing with you.
 9 [Laughter.]
 10 COUNCILMEMBER BARRY: People think I'm endorsing
 11 you. I'm not going to get into that now.
 12 But seriously --
 13 CHAIRMAN GRAHAM: Take all the time you need --
 14 COUNCILMEMBER BARRY: But next year, seriously, we
 15 would have an opportunity to evaluate that first year
 16 and to see how it worked. And Councilmember Graham is
 17 very strong on telling the head of DCRA we want this to
 18 be a strong office, no B.S. with it. And we'll have a
 19 chance to look at it.
 20 But I agree with you that eventually it ought to
 21 be an independent agency. It's like turning the fox
 22 into the hen house, you know, to some extent because

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1 it's part of DCRA who has responsibility for the Rent
 2 Stabilization Act. And it also has responsibility for
 3 housing inspectors, some of that stuff.
 4 So, you need to have stuff outside of that that
 5 would be -- I agree with you. We need to have an
 6 office independent where the director is confirmed by
 7 the Council, and be visible about the budget. But
 8 that's just a good start. We were just sort of walking
 9 a little bit before we ran.
 10 Thank you.
 11 CHAIRMAN GRAHAM: Thank you very much, Mr. Barry.
 12 I just wanted to make a clarification. Mr.
 13 Strong, I think, number one, I think you may be -- and
 14 I'm going to hazard this -- you may have -- whoever
 15 your source of information may be confusing the Chief
 16 Tenant Advocate with the Office of Consumer Protection,
 17 because there is no message to me that the Advocate
 18 Office is limited to education.
 19 MR. STRONG: That's what we heard in our meeting
 20 with the Mayor's office people yesterday.
 21 CHAIRMAN GRAHAM: Well, they are mistaken because
 22 there is no limitation along that line in the

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1 legislation. The Chief Tenant -- if I may please. The
 2 Chief Tenant Advocate will have the full powers of that
 3 office. And, in fact, I'm assured by the Director of
 4 the DCRA that the Chief Tenant Advocate is going to be
 5 hired within -- not hired, but nominated within a few
 6 days. And so, I'll clarify that because there's no
 7 limitation.
 8 Now, in terms of the Office of Consumer
 9 Protection, yes, we do expect them to focus on
 10 education, but also even there, home improvements and
 11 auto repairs are to be areas where it's much more than
 12 education; it's action, and it's regulatory action
 13 relating to a whole host of proposed -- I mean, of
 14 legal actions that they can take.
 15 So, we can clarify that, but I can assure you that
 16 is not the intention of the law, and we'll make sure
 17 that is not the case.
 18 MR. STRONG: I certainly felt that it was not the
 19 intention of the law, and -- but it seemed to be that
 20 that was going to be administrative policy.
 21 CHAIRMAN GRAHAM: Well, they're not going to do
 22 that, Mr. Strong. I'm telling you that right now.

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1 MR. STRONG: Very good.
 2 CHAIRMAN GRAHAM: They're not going to do that. I
 3 mean, we have a Chief Tenant Advocate who is subject to
 4 -- who is nominated by the Mayor and confirmed through
 5 the advice and consent process of this Council. And
 6 so, we've done everything we could to uplift this
 7 person so they have -- and we have in mind them having
 8 the full range of powers that the law prescribes.
 9 So, I'll make sure that happens.
 10 MR. STRONG: Very good.
 11 CHAIRMAN GRAHAM: And -- but I appreciate you
 12 raising the issue. Thank you very much.
 13 We're going to keep this hearing going because
 14 we've got people who have been patient. And we have
 15 our next panel. Thank you all for your testimony.
 16 This is the panel that includes W. Shaun Pharr,
 17 Esquire, Senior Vice President of Government Affairs,
 18 the Apartment and Office Building Association, Nicola
 19 Y. Whiteman, Esquire, Vice President for Government
 20 Affairs, Apartment and Office Building Association,
 21 Michael T. Sims, President of the D.C. Small Apartment
 22 Owners Association. Please come forward. And then

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1 there are two witnesses, one of which can come to the
 2 table; the other is going to have to linger back a
 3 little bit because we only have four chairs. K. David
 4 Meit.
 5 MR. MEIT: Meit.
 6 CHAIRMAN GRAHAM: Meit. I had it right the first
 7 time, Executive Vice President, Darrow Realty,
 8 Incorporated. And you will be joined by your counsel,
 9 who may linger back, Mr. Policy, Vincent M. Policy, who
 10 apparently is being identified with Darrow Realty
 11 rather than -- forget the law firm at this point?
 12 MR. MEIGHT: AOBA panel. Darrow Realty is
 13 submitting a written statement.
 14 CHAIRMAN GRAHAM: Okay. So, Nicola Whiteman is
 15 just sitting back? She's over there. I saw you there;
 16 now you're there. But you're going to step back and
 17 let this testimony. But we do acknowledge your
 18 presence.
 19 We only have four chairs that can be seen on the
 20 camera.
 21 Now, I'm going to ask you, Mr. Sims, before we
 22 start, Mr. Sims, if you could be sure you move over.

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1 You guys need to just move over a little bit. Okay,
 2 good. Now, it's all men testifying, but we have Ms.
 3 Whiteman, she's right back there. I see you. Okay.
 4 All right. So, now we have -- let's make sure we
 5 have this right. Mr. Pharr, are you testifying on
 6 behalf of the Apartment and Office Building
 7 Association?
 8 MR. PHARR: Chairman Graham, as is our practice,
 9 I'm here in moral support of our witness, Mr. Meit. He
 10 will be delivering the testimony for the Association.
 11 CHAIRMAN GRAHAM: Okay. So, Mr. Meit has five
 12 minutes. Do we have our timekeeper? Mr. Hammond, Mr.
 13 Meit has five minutes.
 14 Now, Mr. Sims, are you here on behalf of your
 15 association?
 16 MR. SIMS: Yes.
 17 CHAIRMAN GRAHAM: You have five minutes. Now,
 18 where does Mr. Policy fit into all this?
 19 MR. POLICY: I'm just appearing here assisting
 20 AOBA and the witness.
 21 CHAIRMAN GRAHAM: Okay. So, you're not testifying
 22 then formally.

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1 MR. POLICY: That's correct.
 2 CHAIRMAN GRAHAM: Okay. You're getting water
 3 right now. You've given up your seat.
 4 Ms. Whiteman, do you want to come -- oh, no, no,
 5 no. Okay. Okay, all right. So, we have two five-
 6 minute testimonies here. Are we paying attention to
 7 me? The first five minutes by Mr. Meit, and the second
 8 five minutes by Mr. Sims.
 9 Mr. Meit, we're prepared to receive your
 10 testimony.
 11 MR. MEIT: Good morning, Chairperson Graham and
 12 members of the committee. I am David Meit, Executive
 13 Vice President of Darrow Realty appearing on behalf of
 14 the Apartment and Office Building Association of
 15 Metropolitan Washington.
 16 With me today are Shaun Pharr, AOBA Senior Vice
 17 President, Nicola Whiteman, AOBA's D.C. Government
 18 Affairs Vice President, Mark Policy of the Law Firm of
 19 Greenstein, DeLorme & Luchs.
 20 AOBA is a non-profit trade association
 21 representing owners and managers of more than 40,000
 22 apartment units in the District. We are here today

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1 regarding the five bills that propose significant
 2 changes in the District's regulation of rental housing.
 3 As we have in the past, AOBA once again reminds
 4 the Council that throughout the country, rent control
 5 has long been recognized as an ineffective housing
 6 policy. Forty-six States either have statutes which
 7 expressly prohibit rent control or have no rent control
 8 legislation. Numerous studies have concluded that rent
 9 control largely benefits those who least need it.
 10 It is time for the Council and rent control
 11 advocates to stop pretending that a rent control
 12 program serves the housing needs of the city's poor.
 13 Many D.C. tenants now enjoying rent control have no
 14 plausible need for such a subsidy.
 15 We are very pleased today that the Council is
 16 willing to consider a means test. We also urge the
 17 Council to adopt a District primary residency
 18 requirement. Until you do so, these bills and others
 19 like them will do nothing to ensure that rent control
 20 benefits those who are in the most need of affordable
 21 housing, a D.C. teacher, or a firefighter, a single
 22 working mother, or a senior displaced by luxury

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1 condominium conversion. By failing to do so,
 2 Councilmember Graham, you ensure that the affluent
 3 university students, K Street lawyers, and other high
 4 income professionals, including those who are just
 5 moving into the District for the first time, have a
 6 crack at getting a rent controlled apartment they don't
 7 need.
 8 In regards to Bill 16-457, Rent Control Reform
 9 Amendment, this bill will be forcing housing providers
 10 to raise rent on existing tenants more aggressively
 11 than they would have under the current law. Second,
 12 the District's rental housing stock will deteriorate,
 13 and current tenants in existing buildings will suffer.
 14 Third, the Council will be increasing the conversion
 15 of exiting apartment buildings to luxury condominiums,
 16 ensuring the permanent loss of affordable rental
 17 housing, and enforcing the dislocation of many tenants.
 18 While much of rent control is complicated, these
 19 consequences are easy to understand.
 20 The current law's highest comparable provision
 21 allows housing providers to catch up the rent on long
 22 occupied units by having a new tenant pay a higher rent

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1 closer to actual market. This results in less pressure
 2 to raise rents on existing tenants. If a building's
 3 rents cannot be balanced by a new tenant's near market
 4 rent, there is no choice but to raise rents for
 5 existing tenants.
 6 Protecting existing tenants from this is exactly
 7 what the Council intended when it adopted the Vacancy
 8 Turnover Provision many years ago. The Vacancy
 9 Turnover Provision has been an essential tool used by
 10 the housing providers to maintain and upgrade their
 11 buildings.
 12 Sixty-two percent of the District's rental housing
 13 stock was built before 1960. These older buildings,
 14 subject to rent control, are simply more costly to
 15 maintain and to improve. Why would the Council reduce
 16 the income available for renovating a vacant apartment,
 17 replacing a roof, or installing a new elevator?
 18 In addition, rental housing providers face the
 19 same increase in costs as do District homeowners and
 20 businesses. Property taxes, insurance, and utility
 21 costs have gone up dramatically. By limiting rental
 22 income from new tenants, the Council will be ensuring

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1 that less money will be available for improving the
 2 city's rental housing.
 3 The Council will also be making it more difficult
 4 for responsible rental housing providers to maintain
 5 their buildings at acceptable standard. Consequently,
 6 the Council will be increasing the incentive for
 7 building owners to sell their properties, and even
 8 after owners comply with the District's Tenant
 9 Opportunity to Purchase Act, history shows that most
 10 tenants are simply bought out by luxury condominium
 11 converters, forever removing the building as an
 12 affordable rental property. Councilmember Graham, your
 13 ward is riddled with examples of this luxury condo
 14 conversation phenomenon.
 15 We ask the Council then, why would you want to
 16 favor new tenants over existing tenants, thereby
 17 pressuring housing providers to raise rent on current
 18 tenants? Why would you want to increase the likelihood
 19 that tenants will endure deteriorating housing
 20 conditions by passing a bill which will add to the
 21 decline of the District's old housing stock? Why,
 22 Councilmember Graham, would you and your colleagues

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1 want to accelerate the very condominium conversion of
 2 buildings and displacement of their long term tenants
 3 that you claim to want to stop or slow?
 4 Clearly these are not the intentions, but equally
 5 clearly, these will be the consequences of Bill 16-457.
 6 In regards to Bill 1651, Rent Control Statute of
 7 Limitations. As drafted, this bill would violate the
 8 due process clause of the Constitution. We urge the
 9 Council to review the attached memorandum which
 10 discusses the constitutional question in greater
 11 detail.
 12 This bill also ignores the very person -- purpose
 13 of a statute of limitation. In the city's complex
 14 rental housing scheme, the statute of limitations
 15 imposes fairness by providing tenants a reasonable
 16 amount of time to repair and assert a claim. Without
 17 the certainty of reasonable, predictable limits on the
 18 potential destruction of operating income, lenders will
 19 simply be far less willing to finance building
 20 improvements.
 21 The bill also significantly disadvantages housing
 22 providers by exposing them to liabilities and claims

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1 and documents that no longer exist and were never
 2 required to be maintained. The current law was adopted
 3 partly in recognition of the administrative nightmare.
 4 CHAIRMAN GRAHAM: Mr. Meit, I'm going to have to
 5 ask you to summarize the balance --
 6 MR. MEIT: Very good.
 7 CHAIRMAN GRAHAM: -- the balance of your
 8 testimony.
 9 MR. MEIT: In regards to all the bills that have
 10 been presented today, we believe that these are all
 11 piecemeal amendments to the Rental Housing Act, and
 12 they are no substitute for the hard work of formulating
 13 effective policies to remedy the shortage of affordable
 14 housing.
 15 Thank you for the opportunity to present AOBA's
 16 concerns. We'll be happy to entertain any questions.
 17 CHAIRMAN GRAHAM: Thank you very much.
 18 And now, I want to -- first off, I want to know
 19 how to pronounce your name because I think names are
 20 important, I do.
 21 MR. MEIT: Thank you.
 22 CHAIRMAN GRAHAM: And so, tell me --

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1 MR. MEIT: It's Meit.
 2 CHAIRMAN GRAHAM: I'll get it. I can learn this.
 3 What?
 4 MR. MEIT: Meit.
 5 CHAIRMAN GRAHAM: Meit.
 6 MR. MEIT: Correct.
 7 CHAIRMAN GRAHAM: Okay, Meit. All right, now I've
 8 got it phonetically, Mr. Meit.
 9 I want to say that your testimony is, as was the
 10 testimony of Mr. Strong and others, you know, it's very
 11 thoughtful and carefully researched. And we will -- I
 12 will personally review every word of your testimony, so
 13 don't think because you haven't read every word that
 14 it's not going to be reviewed because it will be
 15 reviewed. And I'm sure we'll have the opportunity for
 16 further discussion about this.
 17 So, let me -- I want to go through the entire
 18 panel. I want to hear Ms. Sims' testimony before we
 19 ask any questions. So, if you would just step -- just
 20 wait a minute or two here, because Mr. Sims has five
 21 minutes for his testimony.
 22 Now, Mr. Sims, would you please bring the

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1 microphone up close to you so that we don't have to
 2 struggle to hear what you have to say?
 3 MR. SIMS: Great.
 4 CHAIRMAN GRAHAM: Mr. Sims.
 5 MR. SIMS: Thank you. I would like to thank the
 6 Council for allowing me to testify here today.
 7 I'm the President of the D.C. Small Apartment
 8 Owners Association, and it's consisted of minorities,
 9 primarily minorities that own income producing
 10 properties, generally less than 20 units. Most of
 11 these owners worked in the government or worked
 12 locally, and these were the type of investments for
 13 them to supplement their income.
 14 The one thing that's very strong within our
 15 organization is that we believe in decent, affordable
 16 housing. We like workforce housing. We will even work
 17 with the Rental Housing Act. We've extended an olive
 18 on several occasions to sit down and say, hey, it's not
 19 working, but how can we make it better? I haven't
 20 heard. I've testified before. I haven't heard from
 21 anybody. I've even met with some of the councilmembers
 22 one-on-one to tell them the concerns that is forcing

1 small minority apartment owners out of business.
 2 And I'll give you an example. One of the things
 3 that disturbs a lot of them is hearing the 70 percent
 4 increase in fuel this winter. You all were -- you
 5 know, the commercials are addressing how homeowners and
 6 people under income. What about the small apartment
 7 owner? That's 70 percent after real estate taxes have
 8 increased, insurance has increased. The operating
 9 costs are going above 50 percent. You know, it's just
 10 real basic.

11 And, you know, we'll open our books. To me, it's
 12 not rocket science. Operating an apartment building is
 13 very, very easy. Open the books up. Let's see if
 14 you're getting the 12 percent. Let's see if you're
 15 getting five percent. It's just -- I mean, I don't
 16 know of any that are getting 12 percent. Most of them
 17 when they take the CPI, which is 2.9 or 2.7, it doesn't
 18 allow them that opportunity to make a return, but they
 19 want to provide decent, affordable housing.

20 We definitely endorse the means test because we
 21 want to keep the senior in there. But how can we have
 22 that person making \$100,000 living in there holding

1 that unit hostage, which should subsidize?

2 And I'm going to give you an example of -- just a
 3 small example. If you looked at a tenant that's been
 4 there for 30 years maybe paying \$400 a month, which we
 5 know that's reasonable. If you go down and look, \$400
 6 a month is not unreasonable. And at \$400 a month, and
 7 they've been in there, so they've had the joy of the
 8 rent control, the subsidy of holding it down during
 9 that time. And then they turn over that unit.

10 Well, if you limit it to a 10 percent increase,
 11 that's \$40. So, that means that now this unit that's
 12 been subsidized for almost 20 years, 30 years maybe, is
 13 now only entitled to a \$40 increase? It costs \$2,000
 14 to \$3,000 just to prep a unit. That means painting it,
 15 replacing appliances that are broken, cabinets, doors,
 16 I mean, just going in and getting it ready, and
 17 advertising it and getting it back out there.

18 And if you look at the science, there's no
 19 shortage of rentals. I mean, if you look around, there
 20 are signs out there for rent, so their definitely is a
 21 rental market out there, even at a lower price. But
 22 the key is, is it affordable and decent to all parties?

1 That's what we ask. The means test.

2 The 12 percent return, none of our members have
 3 figured out how to get that. I mean, that -- if you
 4 all would have a seminar or sit down and tell us how to
 5 open our books and show us, we would be more than
 6 happy.

7 The Statute of Limitations. I mean, we can't
 8 afford a whole bunch of attorneys and accountants to
 9 come in and do that. We just want to operate a
 10 business, and the business is providing decent,
 11 affordable housing. Don't want to go to corido. Want
 12 to keep the housing force there because I'm a product
 13 of D.C. I was born in Washington Hospital Center. I
 14 went to D.C. Public Schools through the 70s, moved out
 15 to the suburbs, but after college I came back. And
 16 I've been in the real estate community. I've offered
 17 my ability to meet with councilmembers and tell them on
 18 the flip side how does it affect the small apartment
 19 owners?

20 I mean, when you looked at the hardships that have
 21 been imposed, how many of the tenants have purchased
 22 their building just in 2005? How many tenants have

1 purchased them? Have we followed the statistics? How
 2 many of them have been able to develop them and
 3 renovate them, or are they slum landlords now
 4 themselves, you know what I mean? Those are legitimate
 5 questions going back looking at the component.

6 I mean, I've been to many a groundbreaking, and
 7 I'm going to tell you, the city is remarkable in what
 8 it has done for the housing stock. But there are
 9 components that have to be in place, and those
 10 components are government money, banking money, below
 11 market. Non-profits have to be there. It's a whole
 12 host of things that you have to work with these tenants
 13 to get them to the finish line.

14 When they go to sell a building, they don't care
 15 who buys it. They just at that point want it to be a
 16 reasonable length transaction. The small owners don't
 17 care if the tenants -- they encourage the tenants to
 18 buy. But the way that the game is being played, it's
 19 just not working. I mean, the tenants are being
 20 subsidized, and then they're getting equity, and
 21 where's affordable housing? Where -- show me where
 22 it's providing affordable housing?

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1 We want that, and we will come to the table, and
 2 we will hash it out, however long it takes, to make it
 3 amenable to all parties, not one sided, you know,
 4 because we realize that that's not a winning battle.
 5 So, we want -- we open an extended invitation to sit
 6 down and meet.
 7 And I haven't been contacted to say how we can do
 8 this, but we want to do this. We want to meet and
 9 revamp this and make it work, affordable housing,
 10 workforce housing.
 11 CHAIRMAN GRAHAM: Thank you very much, Mr. Sims,
 12 and thank you, Mr. Meit.
 13 You know, Mr. Meit, I got to say that I made a
 14 particular point that AOBA's testimony -- you want to
 15 be absolutely sure that you're not serving K Street
 16 lawyers. And, you know, I highlighted that. Now,
 17 Greenstein, DeLorme & Luchs is on L Street --
 18 [Laughter.]
 19 CHAIRMAN GRAHAM: -- but I assume that you're
 20 including them in that category. So, we're not going
 21 to be able to provide these apartments to your
 22 attorneys at Greenstein, DeLorme & Luchs.

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1 MR. MEIT: All I can say is rats.
 2 CHAIRMAN GRAHAM: But anyway, we all agreed upon
 3 that. You know, I think that we're going to have to
 4 work with people and get the right language, but we
 5 want to have the means testing in here.
 6 Now, you know, I do want to, and this goes to you,
 7 Mr. Meit, and to Mr. Sims. You know, this is a five
 8 minute round, Mr. Hammond, if you start me. Okay. Is
 9 that, you know, the law current provides for hardship
 10 petitions, capital improvements petitions, substantial
 11 rehabilitation petitions. You can work things out with
 12 your tenants where you can get a voluntary agreement
 13 that has no cap on the rent ceiling increases, services
 14 and facilities petitions where it can go up and down
 15 and so forth. You know, we're not disturbing any of
 16 that.
 17 And you heard our testimony. Unfortunately, Ms.
 18 Zapata -- I guess she's left, which is not good. Maybe
 19 she'll be coming back. But anyway, we have all of this
 20 in place. We're not disturbing it. There have only
 21 been two hardship petitions where -- you know, the law
 22 guarantees a 12 percent rate of return on the equity

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1 investment, and then you've got all of these other
 2 opportunity. There's only been two hardship -- or
 3 other -- hardship petitions. And we forgot to ask how
 4 many of these other petitions, but there have been very
 5 few. You have all of that, you know?
 6 So, if you want to -- if you need to put in a new
 7 elevator, that can be the subject of a petition. If
 8 the tenants agree that they really would like a 24-hour
 9 reception service or increased security or whatever,
 10 all of this is possible, you know. So, I mean, why
 11 isn't that sufficient for your needs?
 12 MR. POLICY: Mr. Graham, may I interject with a
 13 technical point, because I think there's a
 14 misunderstanding here of the way the hardship process
 15 works.
 16 The hardship process in the final analysis will
 17 result in a rent ceiling increase. And let's say that
 18 it results in a rent ceiling increase of 50 percent in
 19 order to get you to this magic 12 percent rate of
 20 return. And the rent administrator grants it.
 21 Under your bill, as I understand it at least, the
 22 rent increase would be limited to 10 percent because

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1 the rent charged would be limited to 10 percent.
 2 Because your bill says, except as otherwise permitted
 3 by a rent increase elsewhere in this act, it's 10
 4 percent. There is no other provision of the Act that
 5 permits a rent increase.
 6 The hardship petition process --
 7 CHAIRMAN GRAHAM: I'm going to interrupt you
 8 because, you know, you're answering a question that you
 9 have in your mind. But, you see, I'm asking a
 10 question, and I'd rather have -- there's very little
 11 time. You know, we can discuss this outside of this
 12 hearing as much as you want.
 13 But here's the question. You've got all of these
 14 various opportunities, you know, in terms of hardship
 15 capital improvements, substantial rehabilitation,
 16 voluntary agreement with tenants, services, and
 17 facilities. My question rather than the question you
 18 have in your mind, Mr. Policy, is, why isn't this
 19 enough? You know, what is it that, you know, about the
 20 current law, which we're not disturbing in any way,
 21 what is it about what we currently provide that is
 22 inadequate to your needs in terms of responding to, you

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1 know, all of what you need to get out of these
 2 buildings?
 3 MR. SIMS: Can I address that?
 4 CHAIRMAN GRAHAM: Yeah.
 5 MR. SIMS: The paperwork. Have you ever sat down
 6 and tried to fill out that paperwork? I mean, just go
 7 through the process. Give yourself a mock building --
 8 CHAIRMAN GRAHAM: Have you filed any of these
 9 petitions?
 10 MR. SIMS: I've tried. I cannot figure it out. I
 11 cannot figure it out, and I can't afford to get the
 12 type of help that --
 13 CHAIRMAN GRAHAM: Well, what is your building that
 14 you own?
 15 MR. SIMS: It's 15 units.
 16 CHAIRMAN GRAHAM: Fifteen units.
 17 MR. SIMS: Right.
 18 CHAIRMAN GRAHAM: And so, you have rent ceilings?
 19 You're under rent control?
 20 MR. SIMS: Right, exactly.
 21 CHAIRMAN GRAHAM: And you have looked at all this
 22 paperwork and you find it just too daunting?

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1 MR. SIMS: Can't get to it. I just can't afford
 2 it. And give you an example. And then if you look at
 3 how when a unit turns over, if I had to fill out a
 4 whole bunch of paperwork when a unit turns over just to
 5 paint it, and renovate it, and get it ready to rent it
 6 to be able to recoup that. I'll give you an example.
 7 If it costs, and it does, a minimum of \$2,000 to \$3,000
 8 to prep a unit to get it back online, and you're
 9 getting \$400 a month, how long -- or \$440, how long
 10 will it take for you to recoup just from the paint and
 11 repair? You haven't got to the operating costs and the
 12 debt on the property. It just -- logistically.
 13 So, for me, just on a simple unit turning over
 14 trying to get it painted and back online and have to
 15 fill out a host of paperwork, probably have to have an
 16 inspector come down and look at it to make sure I did
 17 it, I mean, to me, it just doesn't -- from a small
 18 business standpoint, it doesn't make any sense.
 19 CHAIRMAN GRAHAM: Well, we're going to look at the
 20 paperwork issue. I think that's a very valid point
 21 that you raise.
 22 Now, in terms of AOBAs, the Apartment and Office

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1 Building Association, do you support the cap -- the
 2 single annual increase capped at 10 percent? Do you
 3 support that or do you oppose it?
 4 MR. PHARR: Councilmember, our members are
 5 familiar with the process and the various opportunities
 6 that you've described.
 7 Two quick clarifications. There is a gross
 8 misconception that's been out there today about the
 9 hardship petition. It is by no means --
 10 CHAIRMAN GRAHAM: No, Mr. Pharr. No, Mr. Pharr,
 11 you've got to permit me in my limited time --
 12 MR. PHARR: Sure.
 13 CHAIRMAN GRAHAM: -- to ask the question. You're
 14 making a separate point. Do you support or oppose the
 15 single annual increase capped at 10 percent? That's my
 16 question.
 17 MR. PHARR: Our members' position is that it
 18 depends on what occurs with the highest comparable
 19 provision. This bill in its entirety -- we are opposed
 20 to it. Many members have said, and they'll testify to
 21 it today, that, I think, increases more frequently than
 22 annual is the exception rather than the rule. I think

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1 they can describe instances where it's appropriate to
 2 take an increase more frequently than once a year.
 3 Again, however, we hear that that's the exception and
 4 not the practice.
 5 Likewise, increases of more than 10 percent, I
 6 think, are exceptional rather than being common.
 7 However, once again, there are going to be
 8 circumstances where that is an appropriate thing to do.
 9 And the effect of the 10 percent cap on actual
 10 rent charge would have the effect of depriving a
 11 housing provider of being able to implement any unused
 12 rent ceiling increase that would result in more than a
 13 10 percent increase in the actual rent charged.
 14 So, they are interrelated, but they -- our views
 15 on it ultimately go back to the highest comparable.
 16 The highest comparable provision is what has allowed
 17 housing providers to make improvements without going
 18 through the capital improvement process.
 19 Now, I know you've got some questions about that.
 20 Let me tell you why it is preferable. The capital
 21 improvement process would require raising rents on
 22 every unit in the building. Existing tenants would get

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1 rent increases that they wouldn't otherwise.
 2 CHAIRMAN GRAHAM: No.
 3 MR. PHARR: Yes, Mr. Graham, that's how it works.
 4 CHAIRMAN GRAHAM: That's not what I --
 5 MR. PHARR: The highest comparable provision
 6 allows a housing provider --
 7 CHAIRMAN GRAHAM: Mr. Pharr, my time has expired,
 8 and you've answered the question. And as I understand
 9 your answer to my question is you oppose the bill in
 10 its entirety, am I right?
 11 MR. PHARR: At present, two of the three
 12 provisions could be acceptable depending on what occurs
 13 with the third.
 14 CHAIRMAN GRAHAM: Okay. We'll come back to it.
 15 MR. PHARR: And as the executive has said, we'd be
 16 happy to be part of any dialogue.
 17 CHAIRMAN GRAHAM: I want to be fair to my
 18 colleagues. It's not fair for me as the chairman to go
 19 on and on and then limit him to five minutes. It's not
 20 fair.
 21 Mr. Barry?
 22 COUNCILMEMBER BARRY: Thank you very much, Mr.

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1 Chairman. I certainly appreciate your coming. Good to
 2 see you, Mr. Pharr. We know we worked together on a
 3 lot of projects over the years.
 4 Mr. Sims, you gave an example of a tenant that's
 5 been staying in the building 10 or 15 years, and then
 6 if this bill passes where you're limited to 10 percent,
 7 which is, say, \$40. What you fail to point out is that
 8 more than likely there have been annual increases every
 9 year, right? It's not like you started 10 years ago at
 10 \$400 and stayed at \$400. There have been more than
 11 likely increases every year then, right?
 12 MR. SIMS: Yes, the allowable 2.1, 2.9, and if you
 13 can imagine, those --
 14 COUNCILMEMBER BARRY: But I'm saying, you didn't
 15 say anything, so, therefore, you gave a false picture.
 16 MR. SIMS: Okay.
 17 COUNCILMEMBER BARRY: I understand. Maybe you
 18 didn't intend to it, but that's how I heard it.
 19 MR. SIMS: Okay. Well, let me revamp it. Yes,
 20 the -- believe me, we love seniors. Seniors are the
 21 greatest tenants in the world.
 22 COUNCILMEMBER BARRY: I love them, too.

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1 MR. SIMS: They're good. When you say the
 2 increase, sometimes you don't even take the increase no
 3 a good tenant because you want to keep them there. You
 4 want to keep them stable. But in turn, where's the
 5 subsidy coming from? If you don't raise it, because
 6 taxes have gone up. Operating costs have gone up every
 7 year, and more than the 2.9, 2.1, 2.7 adjustment rent
 8 allowable rent increase. It definitely -- I mean, it's
 9 no different than if you're operating your own house or
 10 whatever. Those costs have gone up.
 11 So, you're absolutely right. I thought everybody
 12 understood that if they were there 30 years, they
 13 weren't paying \$400 a month.
 14 COUNCILMEMBER BARRY: That's right.
 15 MR. SIMS: That they were paying two something,
 16 and that they were getting just minimal increases to
 17 where in today's --
 18 COUNCILMEMBER BARRY: Let me ask you this
 19 question.
 20 MR. SIMS: Mm-hmm.
 21
 22 COUNCILMEMBER BARRY: What's the total number of

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1 units that your association represents?
 2 MR. SIMS: The total number of units that we have,
 3 30 members, and I would say maybe 200 to 300 units.
 4 COUNCILMEMBER BARRY: Two to 300.
 5 MR. SIMS: Yeah.
 6 COUNCILMEMBER BARRY: What has been the average
 7 rent increase? If you have answered, let me know.
 8 MR. SIMS: I don't know what their average
 9 increase.
 10 COUNCILMEMBER BARRY: Well, you asserted that it's
 11 using 2.9. Could you get back to me a survey of your
 12 membership and see what the average rent increase has
 13 been for the last five years?
 14 MR. SIMS: Okay. Right. Their increase -- I
 15 will --
 16 COUNCILMEMBER BARRY: That's all right. My time
 17 running, so I got the answer.
 18 MR. SIMS: Go ahead.
 19 COUNCILMEMBER BARRY: I only got two minutes and
 20 29 seconds --
 21 MR. STRONG: Great.
 22 COUNCILMEMBER BARRY: -- for answers and questions

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1 to me.
 2 Mr. Meit.
 3 MR. MEIT: Meit.
 4 COUNCILMEMBER BARRY: Meit, let me make a
 5 statement. It seems to me that rate of return of 10
 6 percent is much higher. You can get on a municipal
 7 bond. I used to sell those for the last six years.
 8 How you can get on a passbook account. How do you get
 9 on most of the investments except those risky kind of
 10 investments. Isn't that correct?
 11 MR. MEIT: Correct from a straight investment
 12 point of view, yes.
 13 COUNCILMEMBER BARRY: Yeah. So, why then would
 14 you think that in the real estate business that 10
 15 percent is not enough?
 16 MR. MEIT: Councilmember Barry, I believe you mean
 17 12 percent pursuant to the statute. But as the
 18 executive branch already indicated, I don't know how to
 19 figure out that 12 percent and where that comes from,
 20 and neither do they at this point.
 21 We've actually never looked at that number to see
 22 where that return is coming because that's not what

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1 we're -- we're trying to provide housing to the
 2 District for the last 70 years, and what we're looking
 3 for is return on investment when we invest back into
 4 our properties. That's what we're really looking at.
 5 And with the --
 6 COUNCILMEMBER BARRY: But you can't do that. You
 7 can't do that. Well, you can do that, but if you look
 8 at any other investment, if you invest in a passbook
 9 account, you pay -- you get the return that was there
 10 when you put your money into it, don't you?
 11 MR. MEIT: Sure. However --
 12 COUNCILMEMBER BARRY: Right?
 13 MR. MEIT: -- take Mr. Sims' example of an
 14 apartment turnover. When he has an apartment that's
 15 \$400 and you get a \$40 rent increase, which is \$480 a
 16 year, and he's invested \$3,000 or \$4,000 in that
 17 apartment, it's taking him a considerable amount of
 18 time to recoup that. And that's assuming that that's
 19 really all it costs. If you have a resident who's
 20 lived in an apartment --
 21 COUNCILMEMBER BARRY: My time is running. Let me
 22 just say this. You know and I know that \$2,000 to

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1 \$3,000 is not the average amount you put into a
 2 building. I live in apartment building.
 3 MR. SIMS: Oh, yes, it is. I can say -- I can
 4 tell you --
 5 COUNCILMEMBER BARRY: Unless you have housing code
 6 violations.
 7 MR. SIMS: No, no, no, just painting. Just
 8 painting --
 9 COUNCILMEMBER BARRY: Wait a second.
 10 MR. SIMS: Just painting is over \$1,000.
 11 COUNCILMEMBER BARRY: Wait a second, you know.
 12 When I moved into my apartment in Washington View, they
 13 put down new carpet and painted it. That's all they
 14 did. And it didn't cost \$3,000.
 15 MR. SIMS: Well, let me ask you. How many square
 16 feet --
 17 COUNCILMEMBER BARRY: I tell you what, I had my
 18 living room, my hallway recarpeted for \$800.
 19 MR. SIMS: Your living room and hallway. That's
 20 \$800 just in the carpet.
 21 COUNCILMEMBER BARRY: Right, but I got high class
 22 carpet.

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1 [Laughter.]
 2 COUNCILMEMBER BARRY: Because really that junk
 3 they had in my apartment, they junk they had, I
 4 couldn't even walk on it. I got rid of that stuff. I
 5 got nice, thick padding, a nice burgundy color.
 6 MR. SIMS: Right.
 7 COUNCILMEMBER BARRY: So, that's the cheapest they
 8 had.
 9 MR. SIMS: Well, I will be more than happy to --
 10 COUNCILMEMBER BARRY: I want to get with you, and
 11 I want to see an actual accounting of several
 12 apartments that you had to do --
 13 MR. SIMS: Absolutely.
 14 COUNCILMEMBER BARRY: And my own view is that
 15 unless you had housing code violations, I don't see how
 16 you can put \$3,000 in that of --
 17 MR. SIMS: Councilman --
 18 COUNCILMEMBER BARRY: -- moderate kind of
 19 carpeting and that --
 20 MR. MEIT: Councilmember Barry, I'd be happy to
 21 show what it cost to renovate and actually tour you
 22 some of our apartments.

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1 COUNCILMEMBER BARRY: I can do that.
 2 MR. MEIT: I'd be more than happy to do that.
 3 COUNCILMEMBER BARRY: I suspect when you're
 4 finished you're going -- anyway. I bet it didn't cost
 5 \$3,000. But anyway, we'll see.
 6 MR. SIMS: I said \$2,000 to \$3,000. The \$3,000 is
 7 extreme. That's when you need to evict them. You got
 8 some damage.
 9 [Laughter.]
 10 COUNCILMEMBER BARRY: Mr. Chairman, he hedging
 11 now.
 12 MR. SIMS: No, no, I said \$2,000 to \$3,000. I
 13 believe -- if you check the testimony, I said \$2,000 to
 14 \$3,000.
 15 COUNCILMEMBER BARRY: There's a big difference
 16 between \$2,000 and \$3,000.
 17 MR. SIMS: Oh, yeah, it is. But you know what?
 18 It covers both gamuts. If you have to replace cabinets
 19 -- I can show you where I renovated a unit. Within the
 20 six months, the doors were busted --
 21 COUNCILMEMBER BARRY: You got housing code
 22 violations, too.

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1 MR. SIMS: No, no. Housing code violations was
 2 not the cause of it because we provide decent,
 3 affordable housing, and I invite you to come out and
 4 look at the building. Before you say it has housing
 5 code violations, please come out and look at it.
 6 COUNCILMEMBER BARRY: I understand the distinctive
 7 -- pull off the wall that sometimes tenants do
 8 deliberately. And if the cabinets are swinging out,
 9 they do sometimes deliberately so they don't have to
 10 pay the rent. That would add to the cost. But I'm
 11 saying under normal conditions, you hope not to have it
 12 to happen to you, and you're really talking about
 13 carpet, probably in some instance a new refrigerator
 14 maybe, a new stove maybe, and paint.
 15 MR. SIMS: And doors. Generally doors is a big
 16 replacement in units.
 17 COUNCILMEMBER BARRY: My time is up. My time is
 18 up. My time up. Thank you.
 19 MR. SIMS: But please come out and see.
 20 COUNCILMEMBER BARRY: Y'all get smart. Y'all talk
 21 more than I talk and take up my time, and I can't ask
 22 you the kind of questions I want to ask, but it's all

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1 right. It's cool.
 2 CHAIRMAN GRAHAM: Okay. Well, thank you very much
 3 for you testimony. I'm sure we're going to be
 4 continuing these discussions.
 5 MR. MEIT: Thank you.
 6 CHAIRMAN GRAHAM: And your formal testimony will
 7 be reviewed with great care and consideration. Thank
 8 you.
 9 Our next panel is Dr. Barbara Craft, Board of
 10 Directors of the Quebec House Tenants Association, Jim
 11 McGrath, Chairman of the TENAC Board -- I'm sorry. Dr.
 12 Barbara Craft is here. Jim McGrath, the Chairman of
 13 the TENAC Board is here. Dr. Chris Crowder from the
 14 TENAC Board is here. Dr. Crowder? Pardon me?
 15 MR. CROWDER: Brother Chris -- they made a
 16 mistake.
 17 UNIDENTIFIED SPEAKER: Brother.
 18 CHAIRMAN GRAHAM: Brother Chris Crowder. It says
 19 Doctor, but we'll make --
 20 MR. CROWDER: I haven't made that one yet, Jim.
 21 CHAIRMAN GRAHAM: Okay. Did we -- Rose Marie
 22 Flynn, I don't know where she went. Okay. Let's have

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1 this testimony.
 2 Now, what are we doing here? We've got two people
 3 from the TENAC Board. Are the two people from the
 4 TENAC Board? Are you dividing your time?
 5 MR. MCGRATH: Yes, we do have two people from the
 6 TENAC Board.
 7 CHAIRMAN GRAHAM: So, you're dividing the five
 8 minutes?
 9 DR. CRAFT: No, I'm not --
 10 CHAIRMAN GRAHAM: You're from Quebec.
 11 DR. CRAFT: That's right.
 12 CHAIRMAN GRAHAM: I know that. But just in terms
 13 of the TENAC Board?
 14 MR. MCGRATH: We have a dramatically different
 15 focus to our testimony, and we're not --
 16 CHAIRMAN GRAHAM: Well, there's just five minutes
 17 per organization.
 18 MR. MCGRATH: Well, you know, we've listened for
 19 four hours here, Mr. Chairman, and you've been
 20 indulgent to people --
 21 CHAIRMAN GRAHAM: Well, we'll have Mr. Crowder
 22 testify as an individual, and you will testify on

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1 behalf of TENAC?
 2 MR. MCGRATH: Whatever works is fine.
 3 CHAIRMAN GRAHAM: Okay. So, Mr. Adams, we'll give
 4 Mr. McGrath five minutes.
 5 Dr. Craft, are you representing the Quebec House?
 6 DR. CRAFT: Tenants Association.
 7 CHAIRMAN GRAHAM: You have five minutes. And, Mr.
 8 Crowder, you're here as an individual, three minutes.
 9 Okay, we'll start.
 10 MR. MCGRATH: Thank you, Mr. Chairman. And I --
 11 CHAIRMAN GRAHAM: The first witness --
 12 MR. MCGRATH: I would ask if Dr. Craft could
 13 begin.
 14 CHAIRMAN GRAHAM: Well, she is the first witness.
 15 And so, Dr. Craft, we will now have your testimony for
 16 five minutes.
 17 R. CRAFT: Okay. I have lived in Quebec House in
 18 the Northwest Area of the city for nearly 50 years. I
 19 am a historian and a freelance writer and editor of
 20 books and articles. Jesus.
 21 I am a member of the Quebec House Tenants
 22 Association, and it is on behalf of myself and all the

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1 tenants that I speak. I stress all because it is not
 2 only the senior citizens who will suffer greatly if
 3 rent control is diminished or abolished, but the
 4 younger citizens as well.
 5 First, I will address the senior's needs and my
 6 situation, which I think is generally not atypical.
 7 My past work, I'm happy to say, is frequently
 8 cited for which regrettably I receive no remuneration.
 9 I'm writing a book now that will take several years to
 10 complete for which I and my co-writers receive
 11 collectively a university publisher's advance of \$300.
 12 I live on my savings, which constantly shrink in
 13 value and amount. At the same time, my rent goes up
 14 every year under a rent controlled plan whether a
 15 balanced local economy requires increases or not. This
 16 will only sustain my fellow elders if the city
 17 government continues to regulate rent control in a way
 18 that considers both the tenants' natural resources and
 19 the equity of the landlord's continued increases.
 20 As I speak also of the many students who live in
 21 apartment houses and other buildings that charge high
 22 rents and are not all safely maintained.

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1 It is the government's responsibility to guard its
 2 citizenry by overseeing that fair play, based on costs
 3 and protected maintenance is paramount among its
 4 concerns.
 5 There is a particular consideration I want to
 6 speak to that I think perhaps has not been considered
 7 previously. I want to make it clear that I and many of
 8 the older and younger fellow residents are not only
 9 takers; we are givers to this city. For example, as
 10 volunteers, we teach English as a second language to
 11 immigrants, helping them get jobs and become citizens.
 12 We tutor school children, provide materials for the
 13 instruction of the blind and dyslexic, help repair
 14 delinquent housing, and collect clothing and distribute
 15 food to the homeless. And we help build and maintain
 16 the city's culture and aid its citizens and prospective
 17 citizens to learn new skills and improve their quality
 18 of life.
 19 We receive no remuneration for these acts. It is
 20 a form of payback to the city for its caring concern
 21 and support of our needs.
 22 In conclusion, I want to tell you that I count

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1 myself most fortunate to live in a city whose governing
 2 body appreciates the necessity for rent control for its
 3 citizens. And I implore you to continue to support our
 4 senior citizens and youth at a time in our lives when
 5 we need your concern and action the most. I know you
 6 know how life saving rent control has been for us.
 7 If I have any time left over, I give it to him.
 8 CHAIRMAN GRAHAM: Thank you, Dr. Craft.
 9 DR. CRAFT: Thank you.
 10 CHAIRMAN GRAHAM: Mr. McGrath?
 11 MR. MCGRATH: I would ask for Brother Crowder to
 12 go next, Mr. Chairman.
 13 CHAIRMAN GRAHAM: Okay. Brother Crowder, you have
 14 three minutes.
 15 MR. CROWDER: Okay. Greetings.
 16 CHAIRMAN GRAHAM: Mr. Crowder, if you would please
 17 -- do we have him on the television camera? Is he on?
 18 MR. CROWDER: Can you hear me?
 19 CHAIRMAN GRAHAM: I just want to make sure. Yes.
 20 MR. CROWDER: Okay. Greetings. I'm not going to
 21 reiterate what some of the people have said, but this
 22 -- I mean, I'm also a board member of TENAC, and we are

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1 -- we have engaged in a mobilization campaign to try to
 2 do something about some of this stuff that's going on
 3 in the District.
 4 But I can't get over what I'm seeing throughout
 5 the city. I'm a city activist, public advocate. And
 6 it's ludicrous. Look in your ward, in Ward 1, Mr.
 7 Graham. From the 60s, from -- up to 2000 with the
 8 recent CVS coming and the 21 apartment units that's
 9 proposed in that section. Nothing -- everything that
 10 has been done in this city -- I've counted no less than
 11 10,000 -- well, Stan Jackson got away out of here
 12 without letting you know that they built at least
 13 10,000 units in one or two years. And out of that, I
 14 can put -- out of 10,000 units, I would roughly say 200
 15 or 300 have been affordable. And, I mean, it's -- I
 16 mean, somebody got this notion of affordable being \$50,
 17 \$60, \$75,000, and it's gone maddening.
 18 Now, it's criminal what's happening here. It's
 19 almost like -- let me talk in street language. You got
 20 two type of hustlers in the street. You got one
 21 hustler who decides, okay, both of them are going to
 22 put up \$1,000; they're going to invest it in drugs or

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1 whatever they selling. One says he's a compassionate
 2 hustler; he puts up his \$1,000, and he's happy to make
 3 his \$1,000 back and make \$300, \$400, or \$500 profit.
 4 Now, he helps people pay rent. He helps people with
 5 different things. Then you got a predator that exists.
 6 He puts up his \$1,000, and he wants everything. He
 7 wants -- if he can't get all the money out there, he'll
 8 kill. So, he wants \$2,000 or \$3,000 profit.
 9 Now, this is the same thing that's going on here
 10 in the District. Look at this. It's a maddening.
 11 Throughout this city, I wish you had a map. We had
 12 throughout this whole -- you know your own ward is
 13 gone. I live in Ward 2, Shaw area. We don't have a
 14 fighting chance, fighting chance.
 15 I was here in 2000 when JBG proposed to do all
 16 these fancy development, and they -- in my ward alone,
 17 they've gotten away with giving tax abatements. We've
 18 given them everything since 2001.
 19 So, rent control, I mean, we're almost fighting
 20 for tooth and nails. And it's not only here, it's
 21 national. It's all over because we've been organizing.
 22 They come to Washington, groups, national citizen

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1 associations. And everybody proposing how we can get
 2 some help. We can't get any help from the Federal
 3 government, and so here we are here saying we need to
 4 strengthen rent control. This is something that should
 5 be almost a God given to us.
 6 Now, these landlords have turned into what I would
 7 call like those hustlers I mentioned. They're
 8 predators. They're telling us that if they invest
 9 their money, that they expect to make a certain amount
 10 of profit. Well, this is getting out of hand. I mean,
 11 it's almost like they're like the hustlers -- they want
 12 to squeeze. They invest -- I mean, millions of
 13 dollars. They want to get \$3 million profit.
 14 Somebody's got to go on board and tell them that
 15 we need to stop this madness. You can make -- I mean,
 16 what happened to doubling up on your profit? Now,
 17 they're trying to get --
 18 CHAIRMAN GRAHAM: Mr. Crowder, if you could
 19 summarize your testimony.
 20 MR. CROWDER: Okay. So, I'm going to summarize.
 21 But look at Kentucky Courts. Gone. No public housing.
 22 Nobody's here representing them.

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1 But I'd like to say that in concluding, we only
 2 have two or three strategies left. And the Council is
 3 going to have to assist the Mayor, and Ms. Cropp and
 4 all them are in bed with these big boys. The Council
 5 is going to have to come to the rescue here because we
 6 as grass root activists and all the other tenant
 7 groups, we don't stand a chance. We can't get the ear
 8 of Summit. We can't get the ear of JBG.
 9 So, I had a lot of information to share, but I'm
 10 going to conclude. But --
 11 CHAIRMAN GRAHAM: Thank you very much, Mr.
 12 Crowder.
 13 Mr. McGrath?
 14 MR. MCGRATH: Thank you, Mr. Chairman.
 15 Before I begin, let me congratulate the Council on
 16 their recent capital gains, and I speak of the
 17 ascension of Mr. Joel Cohen. There is a true capital
 18 gain for this Council and this city.
 19 And I say that for several reasons. First of all,
 20 he's a great lawyer, but he's a hell of a nice tenant
 21 as well. And I say that because I know of his
 22 experience in the Kenmore Apartments. He's done very

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1 good things out there for tenants. This was before he
 2 ever came on the Council. And that means a lot to us.
 3 Kenmore Apartments gave us more grief in terms of
 4 calls to our hotline than I can possibly tell you.
 5 They had more problems out there, and there are seeds
 6 inside of a pomegranate.
 7 Looking at the rent control law, you know, you
 8 look at it. What is it? It's a looted, vandalized,
 9 loopholed fiasco. And what's left of it when it gets
 10 to the enforcement part is chloroformed by DCRA, their
 11 incompetence and their dysfunction.
 12 This is the 30th anniversary of rent control and
 13 home rule, I might add. Don't hear much about it.
 14 Don't hear too many rockets or whistles or sirens or
 15 celebrations. Rent control came in as a model law,
 16 widely emulated across this country, all the way from
 17 Santa Monica, California -- I should say from D.C. to
 18 Santa Monica.
 19 It's not a model law anymore. It's been
 20 practically dismembered. And let me very blunt about
 21 it, this Council with but few exceptions bears grave
 22 culpability for that situation.

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1 We have beseeched this body time and time again to
 2 reform and amend this law to create the huge loopholes
 3 in it, violations, rip offs by landlords, and all
 4 the rest of it. And only now are you coming to address
 5 it.
 6 You've had important hearings on 95/5 recently,
 7 and some very good things came out of it. But in our
 8 opinion, they ended with a whimper, not a bang. I
 9 mean, if you let one law firm, the Luchs law firm, walk
 10 away with \$400 million out of a billion dollar pot for
 11 95/5, that's more than revenue forgone; it's really a
 12 capitulation of terms of any kind of true refund, and
 13 rollback, and remedy for the 95/5 victims.
 14 And we're looking at it right now. It doesn't do
 15 any good to talk about highest comparable if we don't
 16 abolish the fessicle rent ceilings in this city. They
 17 are a casino. And they talk about market rates. This
 18 market rate is a casino, and the landlords are breaking
 19 the bank at Monte Carlo. And that's the bottom line.
 20 I wish Mr. Catania was here.
 21 We had crocodile tears for landlords. Let's have
 22 no food fights against the poor landlords. Poor

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1 landlords are making a killing in the city. The
 2 question is, where are they going to go if, you know,
 3 things don't work out right? They're not going
 4 anywhere. They're rolling in gold in the city. This
 5 is very rhetorical language; it's also quite accurate.
 6 We have a rental apartheid system in this city.
 7 We have a class system in buildings wherein young
 8 people, students, new infants come in, and they pay
 9 market rate. Established tenants, senior citizens, pay
 10 at least a partially rent controlled rate.
 11 What happens here, you get two systems, a class
 12 system, two groups being played off of one another in
 13 tandem. That's what is going on in these buildings.
 14 Now, I don't know how long you can keep that up
 15 before you have a complete kind of civil law between
 16 the kids and the elders. But, you know, there's no way
 17 you can slice it, Mr. Chairman. Fifteen hundred
 18 dollars for a one bedroom apartment is not rent
 19 control. A thousand dollars a month for an efficiency
 20 in a dump usually is not rent control. Fifteen
 21 thousand dollars a month rent ceiling on an efficiency
 22 apartment is not rent control. Twenty-five thousand

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1 dollars a month on a one bedroom rent ceiling is not
 2 rent control. And you can reduce your one percent
 3 figure multiplier against a longevity system in this
 4 highest comparable, which you have to be a rocket
 5 scientist to figure out what the hell it's all about to
 6 begin with. But as long as that ceiling is that high,
 7 you're going to come up with some real large numbers,
 8 and that's not rent control reform; it's passing the
 9 buck, and it's really kind of a charade in my opinion.
 10 We should be doing better. This is a 30-year-old
 11 law which started out as a model. It's a farce right
 12 now, and it's going to take a lot more than the five
 13 bills that you've introduced to correct that. Those
 14 bills are good steps. They're steps in the right
 15 direction. But they're baby steps, and we need giant
 16 steps right now, and we're not getting them.
 17 Thank you very much.
 18 CHAIRMAN GRAHAM: Thank you very much, Mr.
 19 McGrath. Your testimony, too, has been very
 20 thoughtfully prepared, and we will review every word of
 21 your formally proposed testimony.
 22 We welcome your specific suggestions in terms of

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1 modifications of this legislation, and we look forward
 2 to working with you, and Dr. Craft, and Brother
 3 Crowder, and everyone else who is a stakeholder. You
 4 have been a historical stakeholder on this issue. Your
 5 work is renowned and appreciated, as is yours, Dr.
 6 Craft. And so, you have a lot of experience. You have
 7 a lot of talent and skill, which we welcome as part of
 8 this process.

9 What we were doing, what we were looking at, what
 10 was, in my opinion, from my experience in Ward 1 --
 11 and, by the way, I want you to know that in Ward 1 -- I
 12 can't speak about Ward 2, but in Ward 1, we have not
 13 only preserved, but we have rehabilitated more than
 14 3,000 units of low income --

15 MR. CROWDER: I agree.

16 CHAIRMAN GRAHAM: No, let me finish, Mr. Crowder.
 17 Low income housing in the 14th Street corridor and
 18 adjacent blocks. All of that --

19 MR. CROWDER: -- is good.

20 CHAIRMAN GRAHAM: All of that could've been condo,
 21 and there's only one major building remaining, and I'm
 22 determined to get to it, and that's the Cavalier at

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1 3500 14th Street.

2 And so, we have -- you know, I'm very proud of
 3 this record. It's a solid record of achievement that's
 4 happened since I've been in office.

5 Now, we've lost a lot of -- you know, I'm not --
 6 you know, we've had a red hot real estate market in
 7 every single block. Some of the single family houses,
 8 you know, I've hated to see them go, but the law as
 9 currently established don't protect those properties.
 10 But in terms of the multifamily apartments in Ward 1,
 11 I'm proud of what we've done.

12 Mr. McGrath, let me ask you this question.
 13 Unfortunately there's a markup on smoke free
 14 legislation, which is a very important issue for a lot
 15 of people. And I've got to go vote in that markup, but
 16 I'm trying to keep my time away from this hearing to
 17 the barest minimum. Fortunately, my distinguished
 18 colleague, Mr. Barry, is willing to chair this hearing.

19 But I want to ask you one question, Mr. McGrath,
 20 which is the issue of means testing. Now, if we are
 21 successful in getting this legislation passed, we
 22 really -- there's been a lot of discussion today about

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1 means testing. What is your position on it?

2 MR. MCGRATH: I have serious reservation about the
 3 idea of means testing. It seems to me that you have a
 4 self-enforcing, automatic means testing system in these
 5 buildings. Every single applicant who comes into these
 6 buildings fills out a questionnaire application. The
 7 management runs them through sophisticated computers.
 8 They know down to the dollar what kind of income these
 9 people are having.

10 Means testing would suggest that there is
 11 wholesale financial abuse of the current system. I
 12 don't believe that. These kids who are going into
 13 these apartments and these students, somebody alluded
 14 to them as being affluent kids visa vis the seniors and
 15 low and fixed and middle income seniors. These kids
 16 don't have any money. Half of them are burdened with
 17 \$100,000 tuition obligation liability. Where's the
 18 means test going to be applied?

19 It's not going to work against students. It's not
 20 going to be particularly helpful against most of these
 21 entrance into these buildings. There aren't rip off
 22 artists going into these buildings ripping off

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1 landlords; it's exactly the reverse. And I don't see a
 2 means test really applicable or workable in this
 3 system.

4 Now, I haven't said everything that I could think
 5 to say about it, but I'd be happy to flesh out some
 6 further thoughts I have on that, if you'd like.

7 CHAIRMAN GRAHAM: Well, we want to work with you
 8 on this. We want to work with you on all of this. And
 9 I do want to say -- I have to go now to this markup,
 10 but I appreciate your kind remarks about Mr. Cohen,
 11 who, as you probably know, I hired.

12 MR. MCGRATH: Well, kudos. You did the right
 13 thing. He's a good man.

14 CHAIRMAN GRAHAM: And so, we're very glad to know
 15 that he is so much appreciated within your movement.

16 I'm going to now ask -- am I going to ask -- I'm
 17 going to ask Mr. Barry now to chair this hearing.

18 COUNCILMEMBER BARRY: Thank you very much, Mr.
 19 Chairman.

20 I was next door most of the time, so I heard most
 21 of the testimony. And we certainly appreciate -- I
 22 don't have any questions. Thank you.

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<p>1 MR. MCGRATH: Thank you.</p> <p>2 DR. CRAFT: Thank you.</p> <p>3 MR. CROWDER: Thank you. Hopefully, Mr. Barry, we</p> <p>4 won't be living back in alleys. Remember -- in the</p> <p>5 alleys.</p> <p>6 COUNCILMEMBER BARRY: What's that?</p> <p>7 MR. CROWDER: It's a book called In the Alleys,</p> <p>8 how people used to live in the District. But at the</p> <p>9 rate we're going, we'll probably be building more</p> <p>10 apartments in the alleys for us to --</p> <p>11 COUNCILMEMBER BARRY: I've seen that book, and I</p> <p>12 certainly what you're saying, except that on Capitol</p> <p>13 Hill, they have some beautiful residences.</p> <p>14 MR. CROWDER: Yeah, I know. It's something, isn't</p> <p>15 it?</p> <p>16 COUNCILMEMBER BARRY: They can't be afforded by</p> <p>17 people who make \$25,000 a year.</p> <p>18 MR. CROWDER: That's the truth. It's a certain --</p> <p>19 COUNCILMEMBER BARRY: -- back in the alley and</p> <p>20 other alleys.</p> <p>21 MR. CROWDER: Yeah, and go behind Ben's Chili</p> <p>22 Bowl. They living behind there.</p>	<p>1 Tom Borger. I'm President of Borger Management, and</p> <p>2 I'm going to make a few comments, and then I'm going to</p> <p>3 turn the microphone over to two of my community</p> <p>4 managers, Ms. Joyce Roberts and Ms. Denise Johnson, who</p> <p>5 will discuss their particular buildings.</p> <p>6 A point of context, I'd like to -- we're going to</p> <p>7 concentrate on the impact of the vacancy turnover.</p> <p>8 COUNCILMEMBER BARRY: Are these buildings that you</p> <p>9 manage or own?</p> <p>10 MR. BORGER: These are one complex I'm a partner</p> <p>11 in, and one we manage.</p> <p>12 COUNCILMEMBER BARRY: Which one is that?</p> <p>13 MR. BORGER: Park Manor Apartments, we are general</p> <p>14 partners on, and manage --</p> <p>15 COUNCILMEMBER BARRY: Where are they located?</p> <p>16 MR. BORGER: That's in Sergeant Road and Eastern</p> <p>17 Avenue over in Ward 5. And Normandy Apartments is on</p> <p>18 Georgia Avenue in Ward 4.</p> <p>19 COUNCILMEMBER BARRY: I know where they are.</p> <p>20 MR. BORGER: Right across from Walter Reed.</p> <p>21 COUNCILMEMBER BARRY: I know, right. Proceed.</p> <p>22 MR. BORGER: So, we're going to concentrate just</p>
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<p>1 COUNCILMEMBER BARRY: Okay. We appreciate it, but</p> <p>2 we have to move on.</p> <p>3 Thomas Borger, Borger Management Corporation,</p> <p>4 Denise Johnson, Community Manager, Normandy Apartments,</p> <p>5 Joyce Roberts, Community Manager -- what? I'm just</p> <p>6 reading from a list.</p> <p>7 MR. BORGER: This next panel is just the three of</p> <p>8 us.</p> <p>9 COUNCILMEMBER BARRY: Beg your pardon?</p> <p>10 MR. BORGER: This panel is just three of us.</p> <p>11 COUNCILMEMBER BARRY: Oh, wait a minute. I don't</p> <p>12 understand what you're talking about. I was only going</p> <p>13 to call three people. What are you talking about?</p> <p>14 Okay.</p> <p>15 MR. BORGER: Well, there's three people here, so</p> <p>16 that's all you're going to get for right now.</p> <p>17 COUNCILMEMBER BARRY: I said Denise Johnson. The</p> <p>18 next one is Joyce Roberts, right?</p> <p>19 MR. BORGER: Right, correct.</p> <p>20 COUNCILMEMBER BARRY: That's all. You can</p> <p>21 proceed.</p> <p>22 MR. BORGER: Thank you, Councilmember. My name is</p>	<p>1 on a few comments on the vacancy. I'd like to point</p> <p>2 out that the -- our typical within our management</p> <p>3 portfolio, operating expenses on a per month basis, you</p> <p>4 know, are in the vicinity of \$550 to \$650 a month</p> <p>5 before debt service. So, for point of fact, that if</p> <p>6 we're collecting \$600 or less on an apartment per</p> <p>7 month, that doesn't cover or barely covers the</p> <p>8 operating costs for the building.</p> <p>9 So, at this point I'd like to ask Denise to give</p> <p>10 you an overview of her apartment.</p> <p>11 COUNCILMEMBER BARRY: Please go on. How many</p> <p>12 units do you manage?</p> <p>13 MR. BORGER: About 4,500.</p> <p>14 COUNCILMEMBER BARRY: And how many units are</p> <p>15 giving \$500 or \$600 a month? Where are they?</p> <p>16 MR. BORGER: We're in predominantly in the Dupont</p> <p>17 Circle area, Connecticut Avenue, Ward 4 and Ward 5.</p> <p>18 COUNCILMEMBER BARRY: Five or \$600 a month?</p> <p>19 MR. BORGER: Pardon me?</p> <p>20 COUNCILMEMBER BARRY: Five or \$600 a month?</p> <p>21 That's what you just said.</p> <p>22 MR. BORGER: No, I'm sorry. I didn't understand</p>

1 the question.
 2 COUNCILMEMBER BARRY: I said, where are these
 3 units where you're getting only \$500 or \$600 a month.
 4 MR. BORGER: Oh, excuse me. They're predominantly
 5 on our portfolio are in Ward 4 and Ward 5.
 6 COUNCILMEMBER BARRY: At \$500 a month.
 7 MR. BORGER: Yes.
 8 COUNCILMEMBER BARRY: How much is the normally
 9 average rent?
 10 MR. BORGER: Okay. If I could refer you to the
 11 sheet that we just gave out.
 12 COUNCILMEMBER BARRY: I don't see but one building
 13 you manage, the Cambridge.
 14 MR. BORGER: You live there.
 15 COUNCILMEMBER BARRY: And the rent was \$1,600 a
 16 month.
 17 MR. BORGER: That's correct. You're in the high
 18 rent district.
 19 COUNCILMEMBER BARRY: And the apartment was \$175,
 20 so I don't know what -- that's my experience.
 21 MR. BORGER: If I could turn over to Normandy and
 22 allow Denise to give you an overview of the building?

1 COUNCILMEMBER BARRY: What's the total number of
 2 one bedroom apartments you have in the Normandy?
 3 MS. JOHNSON: The total one --
 4 COUNCILMEMBER BARRY: And how many of those units
 5 are \$535, and how many of those are \$995?
 6 MS. JOHNSON: Okay. I apologize if I'm not
 7 exactly at that, but as far as my one bedrooms go, I
 8 have approximately, probably like 40 of them -- yeah,
 9 approximately about 40 of them that are about -- around
 10 that \$535 in my one bedrooms.
 11 COUNCILMEMBER BARRY: Well, how many total one
 12 bedrooms do you have in the Normandy?
 13 MS. JOHNSON: In my one bedrooms, I have -- I
 14 apologize. Okay. On my one bedrooms, I have about
 15 probably about 50. Maybe like 52.
 16 COUNCILMEMBER BARRY: Fifty-two.
 17 MS. JOHNSON: About 52 units.
 18 COUNCILMEMBER BARRY: And out of that 52, how many
 19 of those 52 units are at \$535.
 20 MS. JOHNSON: As far as my 52 units, out of my one
 21 bedroom, I'm looking at about -- maybe about 25, 30 of
 22 them as far as around that price.

1 COUNCILMEMBER BARRY: Okay. All right.
 2 MS. JOHNSON: Hello. My name is Denise Johnson,
 3 and I am the community manager of the Normandy. And,
 4 yes, we do have some apartment homes there that are --
 5 if you look at the fact sheet, my one bedrooms, I have
 6 some that are \$535, and some of my two bedrooms are
 7 \$589. And these consist of residents that have been
 8 here at the Normandy 15 plus years.
 9 My highest rent for my two bedrooms goes up to
 10 \$892. As you can see --
 11 COUNCILMEMBER BARRY: Where is that on this sheet?
 12 MS. JOHNSON: At the bottom.
 13 COUNCILMEMBER BARRY: You mean Park Manor?
 14 MS. JOHNSON: No, we're at the Normandy Apartments
 15 at 6817 Georgia Avenue.
 16 COUNCILMEMBER BARRY: Wait a second. I'm turning
 17 the page. I just got this. Oh, I see it. Okay.
 18 MS. JOHNSON: Yes. And as you can see at the
 19 bottom where my apartment homes are, I have some one
 20 bedrooms for \$535, and I have some two bedrooms as low
 21 as \$589. And these consist of residents that have been
 22 at the Normandy actually 30 plus years.

1 COUNCILMEMBER BARRY: You're sure about that now?
 2 MS. JOHNSON: I am totally not sure because I do
 3 not have my layout here. If I had known that, I would
 4 have most definitely got them.
 5 COUNCILMEMBER BARRY: Well, let me just suggest in
 6 the future you bring all that with you because when you
 7 can't --
 8 MS. JOHNSON: I certainly will, sir.
 9 COUNCILMEMBER BARRY: When you testify before the
 10 Council, they want to know the fine details of what
 11 we're talking about because we don't want people to
 12 assert something, and then we ask them a question to
 13 back it up, and it's not there.
 14 MS. JOHNSON: Okay.
 15 COUNCILMEMBER BARRY: So, I call you tomorrow
 16 morning and get this information, total number of one
 17 bedrooms, the number that are \$535 and the ones that
 18 are \$995. I assume there are some in between, aren't
 19 there?
 20 MS. JOHNSON: Beg your pardon, sir?
 21 COUNCILMEMBER BARRY: Are there some in between?
 22 MS. JOHNSON: Oh, yes.

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1 COUNCILMEMBER BARRY: So, give me the --
 2 MS. JOHNSON: My highest one bedroom is \$995.
 3 COUNCILMEMBER BARRY: I know, but I'm saying, give
 4 me -- 52 units, total number, how many of those units
 5 are \$535, and how many of those \$600, how many are
 6 \$800, how many are -- you know, so we can see exactly
 7 what the picture looked like.
 8 MS. JOHNSON: Well, you did say you'll call me
 9 tomorrow, and I'll most definitely have that.
 10 COUNCILMEMBER BARRY: I appreciate that.
 11 MS. JOHNSON: Thank you, sir.
 12 My concern is that -- I come here in front of the
 13 Board, first of all, to thank you very much for hearing
 14 me.
 15 My building was built in 1938, and if you can on
 16 my fact sheet, all the remodeling that we have done.
 17 And we did not use any of the capital improvement or
 18 the hardship rent increase. We work very hard to make
 19 our residents comfortable at the Normandy.
 20 And my concern is that if we are not able to raise
 21 the vacancies up to the needed to be, I just don't know
 22 where we're going to get the rest of this money from.

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1 And I come to you as someone who works on the property,
 2 that is very concerned about my residents, and my
 3 residents consist of seniors, students, and the working
 4 people. So, I'm here just as someone who actually
 5 works on the property just to let you know that we are
 6 working hard to keep the rents at a perfect level for
 7 our people.
 8 And I've also heard many people said that when the
 9 rents go up, it goes up twice a month -- I mean, twice
 10 a year. And at Borger Management, we have not done
 11 that. Matter of fact, there have been times that we
 12 only go up once a year only, but there have been times
 13 that rent has been raised and Borger has given me the
 14 pleasure to go to the appropriate people to let them
 15 know the situation of some of my residents.
 16 COUNCILMEMBER BARRY: Let me just say what you've
 17 done in terms of the elevator, roof replacement,
 18 hallway renovations, complete refacing of the heating
 19 system, that's commendable.
 20 MS. JOHNSON: Thank you.
 21 COUNCILMEMBER BARRY: On the other hand -- and it
 22 really is. But you could have, if, Mr. Borger, if you

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1 elected to do this, could've gone to capital
 2 improvement route.
 3 MR. BORGER: The differential -- I have to point
 4 that out by -- we were able to fund the \$1,229,000 on
 5 those items because we were able to raise rents up to
 6 closer to market. They're still substantially below
 7 market.
 8 If we had done a capital improvement petition,
 9 everybody would've shared in the total cost of those,
 10 so we would've ended up filing five consecutive capital
 11 improvement petitions, and we would've been able to do
 12 a capital improvement increase in addition to the
 13 annual CPI. And that would've put us into the 180-day
 14 rent increase cycle that's been discussed at length
 15 today.
 16 COUNCILMEMBER BARRY: No, that's why I commended
 17 you for doing this way, but I just wanted to point it
 18 out because watching this hearing on Channel 13 or even
 19 here may get the impression that there were no other
 20 options.
 21 MR. BORGER: Correct.
 22 COUNCILMEMBER BARRY: See what I'm saying why I

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1 did that? But there are --
 2 MR. MCGRATH: There were other options.
 3 COUNCILMEMBER BARRY: That's why I commended you
 4 for doing it this way, because it, in fact, keeps your
 5 rents lower because you don't have to pass on this
 6 capital improvement process or hardship petition.
 7 Okay. Let's go one quick round.
 8 MR. BORGER: Okay. Joyce would like to comment
 9 briefly on Park Manor.
 10 COUNCILMEMBER BARRY: Joyce Roberts.
 11 MS. ROBERTS: Okay, hi. My name is Joyce Roberts.
 12 I'm the Community Manager for Park Manor, Crestview,
 13 and Parkview in Northeast D.C., Sergeant Road, and
 14 Eastern Avenue. It's a total of 152 apartment homes.
 15 We have 43 percent of our occupied residents that have
 16 been there for 10 years or more, and 26 percent that
 17 have been there over 15 or more. And we only have 152
 18 units, so that's like the majority of our residents
 19 have been there for years.
 20 And the lowest one bedroom apartment rental rate
 21 occupied is \$683. The lowest two bedroom occupied is
 22 \$600. That's less than the one bedrooms. I don't have

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1 the average total, but I can tell you that over half of
 2 our residents have been for a long period of time. And
 3 you can see, if you refer to the fact sheet, that most
 4 of our rents are really low and affordable.
 5 Now, at this time, our turn rates for our one
 6 bedrooms are \$1,045 for the one bedroom, and the two
 7 bedroom is -- sorry, \$1,250, and a three bedroom is
 8 \$1,250, plus all utilities included.
 9 Now, I can tell you that our turnover rate --
 10 COUNCILMEMBER BARRY: Pardon, two or three
 11 bedrooms. She says three bedrooms \$1,250.
 12 MS. ROBERTS: I'm sorry? Two bedrooms are \$1,250.
 13 The three bedrooms are \$1,350, sorry.
 14 COUNCILMEMBER BARRY: No, I'm saying this sheet
 15 says --
 16 MS. ROBERTS: That's the highest one that we're
 17 rented for -- we rented it for. We haven't even
 18 reached the \$1,350.
 19 COUNCILMEMBER BARRY: The rent ceiling.
 20 MS. ROBERTS: Because we never have a turnover
 21 rate on three bedrooms.
 22 COUNCILMEMBER BARRY: Okay. All right. Okay.

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1 MS. ROBERTS: You understand?
 2 COUNCILMEMBER BARRY: Of course.
 3 MS. ROBERTS: Okay. That's what I'm trying to
 4 make my point is that we -- our turnover rate is very
 5 low, so we're not even getting the new prices.
 6 COUNCILMEMBER BARRY: Okay.
 7 MS. ROBERTS: But at the same time, we have to go
 8 in and renovate -- do renovations on our occupieds
 9 because they've been there so long, and as well as the
 10 turnovers are complete renovations as well, which is,
 11 you know -- sorry, real costly.
 12 COUNCILMEMBER BARRY: Could you get the same
 13 information I asked Ms. Johnson --
 14 MS. ROBERTS: I sure will.
 15 COUNCILMEMBER BARRY: -- in terms of the total --
 16 I'm going to ask, Mr. Chairman --
 17 MS. ROBERTS: You want a total number --
 18 COUNCILMEMBER BARRY: -- this sheet, total number
 19 of one bedrooms, and then the rent for each one so we
 20 can see what percentage at this \$752 figure.
 21 MS. ROBERTS: Right.
 22 COUNCILMEMBER BARRY: And what the high end of it

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1 so we know whether or not it's a majority or five
 2 percent or 10 percent, because I get the impression Mr.
 3 Borga is opposing the 10 percent ceiling.
 4 MR. BORGER: Our concern, Councilmember, is that
 5 the vacancy turnover, which enables us to raise
 6 apartments closer to market, we get to recoup the
 7 extensive costs that we've spent both on the building
 8 and on the turnover unit. If a unit has been occupied
 9 for 10 or 15 years, we're replacing the appliances, the
 10 cabinets, et cetera. So, it's a \$5,000, \$6,000 item
 11 for most of these buildings.
 12 COUNCILMEMBER BARRY: Well, in most instances, my
 13 experience has been that the turnover rate is greater
 14 than yours, and, therefore -- I told the chairman
 15 that's over a period of time. This rent, because you
 16 use the highest comparable, will eventually be the
 17 highest that you -- it would be past that rent ceiling
 18 because you've already gotten it up there through the
 19 rent.
 20 MR. BORGER: That's probably more true in the
 21 Cambridge, Councilmember, than in other buildings in
 22 Northeast and other places.

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1 COUNCILMEMBER BARRY: Sixteen hundred dollars a
 2 month. But I could afford it, but I don't believe in
 3 renting too long, so I had to move back to Ward 8.
 4 I don't have any more questions, Chairman. But do
 5 you understand the direction of my questions? I was
 6 trying to get a breakdown here of what the actual units
 7 were as opposed to just the lowest and the highest
 8 because that doesn't tell you very much, you know,
 9 statistically, you know.
 10 And let me just say that I was very satisfied with
 11 the management at the Cambridge.
 12 MR. BORGER: Well, thank you.
 13 COUNCILMEMBER BARRY: I thought I was moving there
 14 for a couple of months. I signed a six-month lease.
 15 Thought I was going to be out of there, and my personal
 16 situation with my wife didn't -- took longer, so I had
 17 to get out of there.
 18 MR. BORGER: Well, we're sorry to see you go,
 19 Councilmember.
 20 COUNCILMEMBER BARRY: I had to go back to my home,
 21 Ward 8. Thank you, Mr. Chairman.
 22 CHAIRMAN GRAHAM: Well, thank you for all of that.

1 [Laughter.]
 2 CHAIRMAN GRAHAM: I always find it -- we find out
 3 more and more. But I do appreciate very much -- this
 4 health committee markup lasted 42 and a half seconds,
 5 and, of course, I missed it. But that's a record at
 6 the Council -- 42 and a half seconds. My staff was
 7 timing it. So, we didn't get a chance to do much
 8 there. But I'm glad to be back at this hearing.
 9 I do want to clarify one thing because this has
 10 come up a couple of times, and that is, you know, your
 11 petitions for capital improvements. And the law
 12 provides 42-3502.10 -- and I'm going to read it. "On
 13 petition by the housing provider, the rent
 14 administrator may approve a rent adjustment to cover
 15 the cost of capital improvements to a rental unit" --
 16 did you hear that part -- "to a rental unit or the
 17 housing accommodation." The housing accommodation
 18 means the building. In other words, it's possible,
 19 contrary to some of the suggestions that have been
 20 made, for a housing provider to apply for a capital
 21 improvement -- excuse me, to file a capital
 22 improvements petition for a single unit.

1 every word of what's being said here.
 2 Now, what was I saying to you?
 3 MR. BORGER: You were asking me about or
 4 commenting on the petition process. I could make a
 5 comment back if you --
 6 CHAIRMAN GRAHAM: What?
 7 MR. BORGER: You were discussing the various --
 8 CHAIRMAN GRAHAM: Well, I haven't asked the
 9 question yet, Mr. Borger.
 10 MR. BORGER: Okay, excuse me.
 11 CHAIRMAN GRAHAM: But I do want to ask a question,
 12 because we got all these laws that provide, you know,
 13 housing providers to doing all this stuff and getting
 14 rent increases, and yet you come before me and you tell
 15 me that you're not using it. I mean, that's what this
 16 testimony is here, Borger Management. All completed
 17 without capital improvement. You know, why aren't you
 18 filing these petitions?
 19 MR. BORGER: Well, let me explain that. The first
 20 thing is when you do file a capital improvement
 21 petition, it's a lengthy process. Sometimes it doesn't
 22 coincide with the scheduling of the work that we have

1 And this is one of the puzzlements of this
 2 testimony because today -- and I haven't really quite
 3 gotten to understand why it is that these various
 4 petitions -- and I had a list of the petitions.
 5 Where's my list? Oh, there they are -- hardship,
 6 capital improvements, substantial rehab, voluntary
 7 agreements where if the landlord would sit down with
 8 the tenants and say this is what we need to do, you got
 9 to understand this, will you agree to a rent increase
 10 or a rent ceiling increase. Services and facilities,
 11 all of this is currently available.

12 The fact of the matter -- Ms. Zapata's not back,
 13 is she? Did she come back? Will you call DCRA and
 14 tell them there's nobody here from DCRA. Oops, there's
 15 one person. Why isn't Ms. Zapata here?

16 UNIDENTIFIED SPEAKER: Another matter.
 17 CHAIRMAN GRAHAM: Well, can you call her and tell
 18 her that this is an extremely important hearing? She's
 19 the Rent Administrator. She should not be out of this
 20 hearing for more than just a few minutes, you know. I
 21 really don't care for that, you know. She should be
 22 hearing every word of not just what I'm saying, but

1 to do.
 2 No one that I've ever heard of that's applied on
 3 an individual apartment unit for a capital improvement
 4 because the time lag between the time you did that and
 5 the turnover would be not acceptable.
 6 CHAIRMAN GRAHAM: Well, wait a minute, Mr. Borger.
 7 MR. BORGER: Yes.
 8 CHAIRMAN GRAHAM: See, this is the law, too, here.
 9 You got to look at the law, 42-3502.10(c)(1), no, it's
 10 (e), (e)(1) and (2), requires that the rent
 11 administrator render a decision within 60 days.
 12 MR. BORGER: But for an individual turnover
 13 unit --
 14 CHAIRMAN GRAHAM: Failure of the rent
 15 administrator to render a decision within the 60-day
 16 period shall operate to allow the petitioner to proceed
 17 with the capital improvement. I mean --
 18 MR. BORGER: Can I answer that?
 19 CHAIRMAN GRAHAM: It seems like we've covered
 20 every base here. Am I wrong?
 21 MR. BORGER: Yes. What you're not seeing is the
 22 reality. Let me take it in two steps. A capital

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1 improvement -- we filed many during the 1980s when
 2 there was a permanent increase. It's no longer a
 3 permanent increase now. We don't file them anymore; we
 4 haven't filed one in over 10 years, as most landlords
 5 have not.
 6 The whole process can be long as 18 months. It's
 7 the fact that they have to render a decision in 60 days
 8 assumes that you've had a hearing, and assumes that
 9 there's no appeal process. It assumes also that you
 10 can -- during that period of time, your elevator
 11 contract is going to hold firm on the price for that
 12 period of time.
 13 Furthermore, it requires every apartment to be
 14 inspected. You have to now have the inspection done
 15 before you can even file a capital improvement
 16 petition.
 17 It becomes an extremely lengthy and costly
 18 process. And we didn't -- and, as I pointed out
 19 earlier, that gets passed to every tenant. Every
 20 tenant pays their pro rata share. We felt it was -- it
 21 caused less hassle on the current tenants if the only
 22 people that we were passing real increases on were the

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1 new tenants.
 2 CHAIRMAN GRAHAM: My time is up unfortunately, and
 3 we want to be respectful of everybody who's waited. I
 4 appreciate your testimony, and thank you --
 5 MR. BORGER: Thank you.
 6 COUNCILMEMBER BARRY: Mr. Chairman, can I ask one
 7 more question?
 8 CHAIRMAN GRAHAM: Oh, wait. Just one more
 9 question.
 10 COUNCILMEMBER BARRY: In terms of the 60-day, are
 11 you saying to me that your company and other similarly
 12 situated has not taken advantage of the 60-day rule,
 13 where if it doesn't happen in 60 days, regardless of
 14 what kind of hearings you have to have, and all this
 15 other stuff, you can proceed as though it had been
 16 approved.
 17 MR. BORGER: No, we don't do that. As I said,
 18 Councilmember --
 19 COUNCILMEMBER BARRY: Why?
 20 MR. BORGER: -- because it's a much lengthier
 21 process than the 60 days. It's the filing of the
 22 petition. It's the assembling of the contract. And

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1 after you get the contract, the permitting, the housing
 2 inspection on all the units, the scheduling of a
 3 hearing. The hearing has to be scheduled, then they
 4 can be deferred because the tenants can't attend it,
 5 and it becomes a much longer process --
 6 COUNCILMEMBER BARRY: Mr. Borger, the law says
 7 that at the end of 60 days that if the rent
 8 administrator has not ruled on this, you can proceed as
 9 though it had been approved. Did you know that?
 10 MR. BORGER: Yes, and we did that in the 80s when
 11 it was a permanent rent increase.
 12 COUNCILMEMBER BARRY: So, what's wrong with doing
 13 it now?
 14 MR. BORGER: Because it's not a permanent rent
 15 increase. It's a surcharge that's attached to the
 16 amortized --
 17 COUNCILMEMBER BARRY: If I were a housing provider
 18 and the government took more than 60 days, I'd proceed
 19 like it had been approved that the law says you can do.
 20 MR. BORGER: I understand that.
 21 COUNCILMEMBER BARRY: I would urge you to do that.
 22 It's not fair to you as a manager or property owner,

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1 and it's not fair to the tenants to be strung out all
 2 that time waiting to see what's going to happen.
 3 Thank you very much.
 4 MR. BORGER: Thank you.
 5 MS. JOHNSON: Thank you.
 6 CHAIRMAN GRAHAM: I just want to say, you know,
 7 the -- in terms of the petition process, you know,
 8 we're willing to have a look at that. I don't know
 9 whether we can do it in this legislation, but we can
 10 probably do it and look at it in a separate piece. I
 11 don't want to.
 12 But it's very clear to me -- I mean, I'm aware of
 13 this law, and it seems as though you can have a single
 14 rental unit affected, impacted, increased, everything
 15 there is contemplated by this law.
 16 MR. BORGER: And if you could do that on a
 17 building and get a prior approval that every time an
 18 apartment turned over and you were willing to place the
 19 appliances, the carpet, and whatever needed to be done,
 20 you were guaranteed a rent increase, that would be a
 21 different story. But to apply one over and over and
 22 over and over would be --

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1 CHAIRMAN GRAHAM: It's amortized over a 64-month
 2 period.
 3 MR. BORGER: I understand.
 4 CHAIRMAN GRAHAM: You know, you can't, you know,
 5 do it all immediately. But we can have a look at that.
 6 We can discuss that with the tenant advocates, and we
 7 can see what we come up with. That's a possibility
 8 where we could make some progress. So, I thank you
 9 very much.
 10 MR. BORGER: Thank you, Councilmember.
 11 CHAIRMAN GRAHAM: All right. Now, we have our
 12 next panel. You didn't get too far, Mr. Barry. Kevin
 13 Fitzgerald, Economist. I don't -- oh, there's Kevin
 14 Fitzgerald, Economist. Let's see, Marilyn Rubin,
 15 President, Columbia Plaza Tenants Association, Dorothy
 16 Miller -- I see Ms. Miller is here -- Columbia Plaza
 17 Tenants Association.
 18 MS. MILLER: I'm speaking for ANC 2805 because I
 19 represent them.
 20 CHAIRMAN GRAHAM: I'm going to call Michael
 21 Sussman because we have a fourth seat. Will you come
 22 forward, please? And that bypasses just momentarily

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1 the Dorchester, who we'll pick up just in a minute
 2 here.
 3 I appreciate everybody's patience, but, you know,
 4 we had seven councilmembers participate today, which is
 5 very unusual. You know that, Mr. Barry. Very unusual.
 6 And so, the time that they had was not anticipated,
 7 nor could it be predicted.
 8 So, let's start with this. Kevin Fitzgerald,
 9 Economist. Are you here on your own behalf?
 10 MR. FITZGERALD: I'm representing the New Capital
 11 Park Plaza Tenants Association.
 12 CHAIRMAN GRAHAM: You have five minutes. Marilyn
 13 Rubin, are you here on behalf of Columbia Plaza
 14 Tenants?
 15 MS. RUBIN: Correct.
 16 CHAIRMAN GRAHAM: You have five minutes. Dorothy
 17 Miller, you're an ANC commissioner, aren't you?
 18 MS. MILLER: Right, and I represent them, and our
 19 problems are caused by the misuse of the land. So, I'm
 20 speaking as their ANC commissioner.
 21 CHAIRMAN GRAHAM: You're speaking as their ANC --
 22 yeah, well.

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1 MS. MILLER: I have to.
 2 CHAIRMAN GRAHAM: But are you here on behalf of
 3 the ANC?
 4 MS. MILLER: I am because I represent them.
 5 CHAIRMAN GRAHAM: You're here on behalf of the
 6 ANC. You have five minutes.
 7 Mr. Sussman, are you here on your own behalf?
 8 MR. SUSSMAN: I am, sir.
 9 CHAIRMAN GRAHAM: Okay, that's three minutes.
 10 All right, Mr. Adams, did you follow that? So, we
 11 have five, five, five, three, but swing around to --
 12 swing around so you're squarely at the table, Ms.
 13 Miller, Commissioner Miller.
 14 All right, Kevin Fitzgerald, please.
 15 MR. FITZGERALD: Good afternoon, Councilmember. I
 16 want to thank you and all other councilmembers who have
 17 introduced or co-sponsored any of these five bills.
 18 It's high time in the District of Columbia. We support
 19 them wholeheartedly. And as an economist I will talk
 20 about the Rent Control Reform Amendment Act solely.
 21 CHAIRMAN GRAHAM: Mr. Fitzgerald, you're speaking
 22 very softly. And so, if you project just a little bit.

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1 The microphone's in the right place, but please
 2 project.
 3 UNIDENTIFIED SPEAKER: It's not on.
 4 MR. FITZGERALD: It's on, trust me.
 5 For the past 20 years, the Rental Housing Act has
 6 been arguably the most pervasive and potentially
 7 effective policy to preserve affordable housing in the
 8 District of Columbia. The Council declared an
 9 affordable housing emergency virtually since home rule,
 10 has regulated rents while guaranteeing landlords a
 11 reasonable rate of return, and has survived legal
 12 challenges to its authority to do so. But effective
 13 regulation requires not only clear law, but a
 14 professional regulatory body. And we're discussing
 15 only the law today and recognizing that there are
 16 severe issues with the professionalism of the
 17 regulating agency.
 18 The current situation is this. Under the current
 19 law, rent ceilings have commonly inflated to levels
 20 well beyond what would be market clearing rents in the
 21 absence of rent control. It's not uncommon to find
 22 rent ceilings on the order of three to five times the

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1 rent charges. It's a safe bet that the 12 percent and
 2 highest comparable increases upon vacancy are likely
 3 the chief causes of this inflation. It takes only six
 4 12 percent vacancy increases to double the ceiling by
 5 the rule of 72. You divide your increase percent into
 6 72, and you get your doubling period. And we've seen
 7 highest comps at Capital Park Plaza that more than
 8 double the ceiling.

9 So, rent ceilings are important because annual CPI
 10 rent adjustments are based on the rent ceiling. For
 11 example, the net present value of a 12 percent rent
 12 increase on a \$1,000 apartment is roughly \$12,000 at a
 13 conservative discount over a 10-year -- using a 10
 14 percent discount rate in a 20-year recovery period.

15 The rewards are quite fat for the 12 percent rent
 16 increases, and this gives -- vacancy increases, and
 17 this gives landlords the incentive to churn tenants.
 18 And we've seen this kind of behavior and have had it
 19 reported to us from other wards.

20 Bill 16-457 would eliminate these two chief
 21 causes, and together it's not just the comparable
 22 increase, the highest comp increase, that has this

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1 action. Without the 12 percent vacancy increase, you
 2 wouldn't get this accelerating effect. But the highest
 3 comparable is like an accelerant added on the fire.

4 Both of these -- the bill would eliminate both of
 5 these and put it in its place an allowable increase of
 6 one percent of tenancy, and this is reasonable. In one
 7 fell swoop, this reform would remove the very
 8 mechanisms that have allowed the rent ceilings to
 9 inflate well beyond rents charged. It allows landlords
 10 to recover releasing and painting costs. I'm told
 11 these are prep costs. And it will reduce the
 12 incentives for landlords to churn tenants and to behave
 13 otherwise badly. And we've seen a lot of this.

14 And I don't blame the landlords. The law gives
 15 them the incentive to treat tenants badly because they
 16 profit when tenants leave from the 12 percent
 17 increases.

18 Now, what the bill in its current would not fix is
 19 the actual damage that's been done by this churning
 20 over the years. It would leave the irrational rent
 21 ceiling regime in place. No doubt the proposed 10
 22 percent cap on actual rent hikes allowed once year

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1 would constrain the speed of escalating rents at the
 2 margin. But dramatic escalation would continue
 3 nonetheless.

4 Since this, the first fundamental reform to rent
 5 control in 20 years is poised to do away with the two
 6 most Byzantine provisions of the code, why not simplify
 7 and rationalize the matter all together? I urge the
 8 committee and other councilmembers to seriously
 9 consider going further.

10 Option one, do away with rent ceilings all
 11 together. Pin everything on the current rent charges.
 12 Base everything on current rent charges, or option
 13 two, reset all rent ceiling to a maximum of the current
 14 rent ceiling or, say, 20 percent above current rents,
 15 whichever is higher.

16 Option one would simplify the implementation and
 17 the understanding of this law. Option two wouldn't
 18 simplify it, but there's a historic precedent.
 19 Something like this was done in 1985.

20 Also, the committee should be mindful that changes
 21 like this to rent control can only increase the
 22 incentive to convert to coops or condos.

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1 I'd be happy to answer any questions.

2 CHAIRMAN GRAHAM: Thank you very much. We're
 3 going to go through the whole panel, and then we'll
 4 have questions --

5 COUNCILMEMBER BARRY: Pardon me, Mr. Chairman, I
 6 have to leave and go to a markup in Finance and
 7 Revenue, some tax credit bills, and also the revenue
 8 bonds for the project on 14th Street and Irving.

9 CHAIRMAN GRAHAM: -- USA.

10 COUNCILMEMBER BARRY: That's right, so I know you
 11 want me there.

12 CHAIRMAN GRAHAM: Yeah, I do. I hope it's not 42
 13 seconds.

14 COUNCILMEMBER BARRY: No, we don't operate that
 15 way.

16 CHAIRMAN GRAHAM: All right. Thank you very much.
 17 Now, we have Marilyn Rubin --

18 MS. RUBIN: Hi.

19 CHAIRMAN GRAHAM: -- from the Columbia Plaza
 20 Tenants Association.

21 MS. RUBIN: Thank you, Councilmember Graham, and
 22 members of the committee.

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1 I'm President of Columbia Plaza Tenants
 2 Association. It's a rental property of five buildings
 3 comprised of 800 apartment units. It was built as part
 4 of the urban development to encourage moderate
 5 income --
 6 CHAIRMAN GRAHAM: You have to draw --
 7 MS. RUBIN: Closer?
 8 CHAIRMAN GRAHAM: Yeah. That's it. Now you're
 9 all set.
 10 MS. RUBIN: Okay. It was built as part of a urban
 11 redevelopment with HUD financing it and FHA insuring it
 12 in order to bring moderate income people back into the
 13 city.
 14 I'm talking about just two issues: the Statute of
 15 Limitations Amendment of 2005. CPTA welcomes the
 16 protection to tenants to challenge and simplify rent
 17 increases. In 2000, many CPTA residents who moved in
 18 after 1985 received rent increases, many at \$450 a
 19 month based on events that allegedly took place in 1985
 20 or in the following few years.
 21 Many of the recipients of these increases didn't
 22 even live in the unit until perhaps 10, 15 years later,

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1 2000. We found out, however, that the landlord could
 2 go back to 1985, '86, '87, whereas the tenant who moved
 3 in 2000 could only go back three years. These tenants
 4 were helpless, unknowing victims. However, prior to
 5 2000, this had never occurred, and no one was alerted
 6 to the issue or the time constraints.
 7 Later with the help of the Tenant Action Network,
 8 TAN, David Kahn, we tried to track the rent history at
 9 DCRA's housing office. We were told that the records
 10 were in such disarray that it would be a daunting
 11 experience. Management was probably counting on this.
 12 TAN then suggested a questionnaire to present to
 13 management; however, when we asked management for this
 14 history, we were again rebuffed. However, due to the
 15 anger and proposed legal actions tenants were going to
 16 take, management had a change of heart, and they
 17 realized that most of the moderate income -- for most
 18 of the moderate income working people in the building,
 19 \$450 was an astronomical increase, and agreed to lower
 20 the increase to a mere eight and a half percent,
 21 because that was a fair amount.
 22 I questioned the legitimacy of that percentage,

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1 suggesting that two percent was also very fair, but I
 2 didn't get a response.
 3 We also support Bill 16109, the Tenants Right to
 4 Information Act, in which the rent and rent ceiling
 5 histories are to be explained, as well as a clear
 6 understanding of how calculations are made, especially
 7 those marked unimplemented increases. As things stand
 8 now, several instances come to mind to show the
 9 confusion when the innocent tenant learns that words do
 10 not mean what they say.
 11 Specifically, these increases and unexplained
 12 charges occurred after 2000. For example, one tenant
 13 moved in in 1977, and, therefore, her rent and ceiling
 14 were the same. On several occasions, she experienced
 15 severe water damage in her apartment. Finally, she was
 16 forced to take management to court to resolve the
 17 issue.
 18 In 1994, the court ruled that she be moved with no
 19 expense to her to another unit. The move was made in
 20 '94, and although management moved her and the rent
 21 remained the same, the new unit had a higher ceiling.
 22 Since then, she has had several harassing letters

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1 notifying her to accept unimplemented increase, thus
 2 treating her as a new tenant.
 3 The second example are tenants who also asked to
 4 be moved due to experiences in their apartment. Again,
 5 management complied, assured them that there would be
 6 no increase in the rent. In the new unit, the tenants
 7 learned that the previous tenant had already accepted a
 8 rent increase, and then another was levied on her unit
 9 three months later as she was vacating. After being
 10 assured that they would have no further increase, two
 11 months into their new lease, the new tenants were
 12 notified of an increase, which would be the third one
 13 in a year. And six months later, 180 days, their rent
 14 went up again.
 15 Regarding comparables, a third example of abuse at
 16 Columbia Plaza was a tenant who occupied a one bedroom
 17 unit, but the comparable use for his increase was for
 18 an efficiency. The answers given to us was that the
 19 efficiency had a more frequent turnover because of
 20 student use, and the efficiency was in no way
 21 comparable. It was different in size, different in
 22 view, and located on a higher floor, but it had a lot

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1 of student renters, and, therefore, it turned.
 2 Before moving, the first two residents discussed
 3 were at their ceiling. We feel management deliberately
 4 misled them into thinking that the ceiling rates would
 5 not figure into future rents; in fact, assured them
 6 that the ceiling would not be an issue or have any
 7 impact on future rent increases.
 8 The issue of the gap between the ceiling -- the
 9 rent and the ceiling and the unimplemented rent
 10 increases only came to play after George Washington
 11 University became a partner in Columbia Plaza in
 12 December of '99.
 13 Prior to 2000, rents and ceilings were the same,
 14 and we never heard of unimplemented increases. We're
 15 wondering if there's any connection.
 16 Again, we would ask that the tenant -- Office of
 17 the Tenant Advocate be funded to offer assistance in
 18 determining courses of action on these matters relating
 19 to tenant issues. Thank you.
 20 CHAIRMAN GRAHAM: Thank you very much, Ms. Rubin.
 21 I do want to say that we have funded the Office of the
 22 Tenant --

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1 MS. RUBIN: I found that out.
 2 CHAIRMAN GRAHAM: And they have \$800,000 for the
 3 first year. So, there will be a staff put into place
 4 there hopefully very soon.
 5 MS. RUBIN: Thank you.
 6 CHAIRMAN GRAHAM: Commissioner Miller, five
 7 minutes.
 8 COMMISSIONER MILLER: Good afternoon. I'm Dorothy
 9 Miller, and I'm the Commissioner for Columbia Plaza
 10 tenants. And our problem has been different from
 11 anywhere else in the city because when GW bought into
 12 the, as you found out, they got one of those cute
 13 little letters that say they didn't have to tell us.
 14 They didn't have to tell us. And they took over, and
 15 brought their students.
 16 Now, I put a list attached to my statement showing
 17 the number of apartments. And, of course, this would
 18 be the jewel in the crown for GW. And then the Post
 19 ran an article called "The University That Ate Foggy
 20 Bottom."
 21 Our situation differs because when they moved the
 22 students in there, they turn over a lot faster, and

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1 every time a student leaves, the rent goes up, okay?
 2 Now, you found out that Linda Harrod gave them one
 3 of those sweet little letters that let them not bother
 4 to tell us, and it was three or four months later that
 5 we found out they had it.
 6 Well, CPTA went to the Court of Appeals, and the
 7 case was denied because DCRA had issued a permit. We
 8 know that the permit was not properly issued. GW's
 9 defense and response in court was that it had not
 10 removed residents from the apartments, but had filled
 11 them with students. Now, they don't pay taxes. They
 12 don't live here. And that's one of the problems you're
 13 going to run into with one of your bills. You've got
 14 all these people from out of town, and GW has about
 15 24,000 in our little tiny neighborhood.
 16 The rents in Foggy Bottom West End have
 17 skyrocketed and are no longer affordable to moderate
 18 income residents because the current rent control law
 19 that has increased rents each time a tenant moves out.
 20 Renting to students accelerates the rent increase.
 21 GW has now taken control of 21 of the rental
 22 apartment buildings in Foggy Bottom. Our community has

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1 been almost annihilated by this gorilla.
 2 The Zoning Commission never approved Columbia
 3 Plaza apartments for dormitory use or any of the other
 4 21 apartment buildings in Foggy Bottom West End that GW
 5 are using in part or whole to house their university
 6 student over enrollment, because all are outside of the
 7 campus boundary.
 8 The courts have now ruled in favor of the Zoning
 9 Commission's decision on the campus plan, and it is now
 10 law and should be enforced. This is the case of the
 11 lack of rental accommodations in Foggy Bottom West End
 12 The enforcement of the campus plan could correct and
 13 protect the citizens' rights there.
 14 The permit that gave GW the right to buy into
 15 Columbia wasn't a sale; it was a giveaway. GW told the
 16 courts, and they tell us, the tenants, they do not
 17 control the buildings. The university is given first
 18 right of refusal on vacant apartments, and vacant
 19 apartments are held to see if GW wants them. And if
 20 they don't, GW pays a little money down on them and
 21 holds them empty. If that's not control, what is?
 22 The illegal permit that permitted this, which the

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1 Council now knows was illegal, should be revoked. And
 2 I don't know why they didn't revoke all those illegally
 3 issued permits.
 4 At the Council's hearing, the citizens requested a
 5 tenancy, but you've taken care of that today, I found
 6 out, and I'm glad.
 7 I've also attached -- I put with my copy a copy of
 8 the letter that was written to the current. GW owns \$1
 9 billion worth of property in Foggy Bottom West End, \$1
 10 billion. And if they pay taxes, it would be \$900
 11 million, but they don't have to pay taxes. It's a
 12 separate sheet. I had it crisscrossed so you couldn't
 13 miss it. Did you put it with it? It's a single sheet.
 14 That's it.
 15 UNIDENTIFIED SPEAKER: Down at the bottom.
 16 COMMISSIONER MILLER: Look at that, \$1 billion
 17 worth of property they pay no taxes on. And if they
 18 did, it would be \$900 million. That's what the
 19 citizens of our little area pay and the citizens of the
 20 District pay for that university to destroy us. And
 21 the Mayor's comment says he can't understand why we
 22 don't treat them nicer.

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1 CHAIRMAN GRAHAM: Does that complete your
 2 testimony, Commissioner?
 3 [Laughter.]
 4 CHAIRMAN GRAHAM: Okay.
 5 COMMISSIONER MILLER: Because if they would just
 6 enforce the campus plan, we wouldn't have this problem.
 7
 8 CHAIRMAN GRAHAM: All right. We will be -- let me
 9 finish with the panel, and then we'll have questions.
 10 COMMISSIONER MILLER: Okay.
 11 CHAIRMAN GRAHAM: Michael Sussman?
 12 MR. SUSSMAN: Good morning, Mr. Graham. I have
 13 prepared a statement, but because of the three-minute -
 14 - because of the three-minute rule, I'll just highlight
 15 it.
 16 Unlike my neighbor, I'm not an economist. I don't
 17 play one on TV. I'm a landlord, and I know what I'm
 18 talking about. I have to do this every day. I have to
 19 tell that -- I want to give you a perspective of a
 20 small landlord 20 years or less in a building, my
 21 perspective towards the proposed legislation.
 22 The new law, as I understand it, will eliminate

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1 the highest comparable switch in rents, and that is
 2 very difficult because I'll give you an example. This
 3 is a concrete example.
 4 I have a tenant in one of my buildings and I've
 5 become very close friends with her. She's been there
 6 55 years. About 10 years ago, I went to her and said,
 7 you know, I'm going to hold your rent at \$300 a month.
 8 That's what the rent ceiling is. It's an even number;
 9 we'll just keep it there. She'd been there at that
 10 time 45 years. I thought that was fair. Her rent
 11 ceiling continued to go up; it's about \$400, let's say,
 12 today.
 13 If and when she ever moves out, perhaps in five
 14 years, the law says I can raise the rent 60 percent.
 15 Sixty percent of \$300 is \$480. Four hundred and eighty
 16 dollars. That doesn't cover the cost of providing the
 17 services for that apartment.
 18 The other units in the building have been
 19 subsidizing that unit because they're higher rents.
 20 Most of the people here don't know what it costs
 21 per unit to run an apartment based upon the various
 22 expenses. You've got mortgage. You've got fuel costs.

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1 You've got real estate taxes, which are skyrocketing.
 2 You've got maintenance, you've got capital
 3 improvements. You got to put a new roof on every 20
 4 years. You've got to clean the building. There's a
 5 million things that go wrong with a building.
 6 So, the two and three percent increase that you --
 7 that comes every year doesn't come anywhere close to
 8 covering what it would. For example, someone who has a
 9 \$300 a month apartment, a two or three percent interest
 10 is \$6 or \$8. I've raised people's rent \$6 or \$8 when
 11 heating bills have gone up 10 and 20 percent. And this
 12 year, the heating bills are going to go up 50 or 60
 13 percent. That means the heated building, the 20-unit
 14 building used to cost \$20,000 for the winter. Now it's
 15 going to cost \$35,000. And where does that money come
 16 from? It doesn't come from the two or three percent
 17 annual increase.
 18 In addition, has anyone here tried to hire a
 19 plumber. They get \$75 an hour when you can find them.
 20 The costs involved with maintaining an older
 21 building, and most of these smaller buildings or older
 22 buildings are phenomenal. The amount of time spent by

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1 a landlord is not compensatable by the rents.
 2 I'd also like to bring your attention to the fact
 3 that when you eliminate the highest comparable, you're
 4 shifting the burden to the other tenants in the
 5 building. Those apartments become subsidized by the
 6 other people who are living in the building. You have
 7 to raise their rents to compensate for the rents you
 8 won't be able to raise in apartments you've had for 40
 9 years at lower rents.
 10 And that also leads to another problem. If the
 11 rents stay low, that means the value of the buildings
 12 stay low. And when a person reaches a certain age, and
 13 I'm not there yet, but I know when I'm going to be
 14 there, they want to sell the building. They could sell
 15 the building in only one of two ways. You can either
 16 sell the whole building, or you can sell it in pieces,
 17 in pieces as a condo. And in order to do that, the
 18 rent -- the profit -- the money you get for the whole
 19 building is so little because the profits are -- of the
 20 building are lower. So, you're going to go condo.
 21 That's why this will lead to more buildings being
 22 condo.

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1 And I have one final issue if I could bring it up,
 2 and I've spoken to Mr. Cohen about this. We have
 3 people that don't live in the District of Columbia,
 4 don't pay taxes here, who have rental apartments at
 5 cheaper rents. They use these condominiums for pieta
 6 teres . They give them to their friends, and they use
 7 them -- sometimes sublet them. These are people who
 8 should not be allowed to have rental apartments.
 9 They're not citizens of the District; they're citizens
 10 of other States. They don't vote here, no driver's
 11 licenses, no jury duty. We need to get control. We
 12 need a residency requirement to -- for present
 13 apartments for people -- in order to get rent control.
 14 In New York City, which has the toughest rent
 15 control law in the country, has this as a part of their
 16 law. If you're not a New York City resident, you're
 17 not going to get a rent controlled apartment.
 18 And if you're single -- I just want to get
 19 somebody out and get somebody else in, you can cap the
 20 rent increase from the old tenant to the new tenant at
 21 12 percent, in my estimation, and you can make it so
 22 that the new person has to be a resident of a city, not

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1 someone coming from outside, but an actual resident
 2 moving from another apartment. And that way we can get
 3 more rental properties on the market. This is going to
 4 be a growing problem, and I think it's been talked
 5 about by some other people on the panel. But that
 6 needs to be addressed, Mr. Cohen. We talked about
 7 that.
 8 CHAIRMAN GRAHAM: Thank you very much. I
 9 appreciate your testimony, all of your testimony.
 10 I guess the first question I would have is for Ms.
 11 Rubin. If I heard you correctly, and you're going to
 12 submit your testimony to us? I didn't have it in front
 13 of me. But you're telling me that in your building,
 14 which is the Columbia --
 15 MS. RUBIN: Plaza.
 16 CHAIRMAN GRAHAM: -- Plaza apartments, an
 17 efficiency was used as the highest comparable for a one
 18 bedroom. Is that possible? I mean, and I want to say
 19 that Ms. Zapata is back with us. Thank you very much.
 20 I'm sure you had important things to attend to, but
 21 this is important, too. Can you come up to where we
 22 can see you, because, you know, you're our government

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1 expert here. And the Rent Administrator is back in the
 2 hearing, and so --
 3 But is it possible to use an efficiency as a
 4 comparable for a one bedroom?
 5 MS. RUBIN: Who was there to dispute it? There
 6 was no way to check.
 7 CHAIRMAN GRAHAM: And you have that documentable?
 8 MS. RUBIN: Yes, I talked to the gentleman
 9 yesterday, and I'll -- I should be able to get that.
 10 CHAIRMAN GRAHAM: Well, if you can provide us with
 11 the information on that, you know, that's -- of course
 12 there are going to be abuses pursuant to any legal
 13 regime. You know, there are going to be people who are
 14 going to do the wrong things. But we would be glad.
 15 I know -- Ms. Zapata, did you hear this exchange?
 16 MS. ZAPATA: Yes, I did.
 17 CHAIRMAN GRAHAM: A one bedroom apartment -- I
 18 mean, an efficiency apartment was used as a comparable
 19 for a one bedroom apartment. That doesn't seem to make
 20 any sense.
 21 But the reason they did it, and, again, you know,
 22 I think the public is understanding this rather complex

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1 and somewhat arcane set of laws, is that in the case of
 2 the efficiency, there would probably be considerable
 3 turnover.
 4 MS. RUBIN: Right.
 5 CHAIRMAN GRAHAM: And with that turnover, you get
 6 higher and higher rent ceilings.
 7 MS. RUBIN: Right.
 8 CHAIRMAN GRAHAM: And, thus, the advantage, am I
 9 right?
 10 MS. RUBIN: Right. Every time a student, and
 11 essentially they were students in these buildings. Out
 12 of the 800 units, I would propose that at least 500 to
 13 600 are rented by students at GW.
 14 CHAIRMAN GRAHAM: Now, you know, Mr. Sussman,
 15 you've ended up in the perfect panel, you really have.
 16 You probably feel that way. But you've been patient,
 17 you've waited. But you're in the perfect panel because
 18 you're requesting that we put into place a residency
 19 requirement.
 20 Now, you're in a panel with Ms. Rubin and
 21 Commissioner Miller who know about residency issues.
 22 And one of the complexities that have been previously

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1 pointed out on this issue is, who is a resident. Is a
 2 student a resident, for example? How do we define
 3 residency? How do we define it in a way where some are
 4 excluded and others are included?
 5 Do you have specific thoughts on this?
 6 MR. SUSSMAN: I do. My issue concerned whether
 7 people were -- who had rent controlled apartments were,
 8 in fact, residents of the city, and they were using the
 9 rent control law to their benefit not being residents.
 10 The difference is who's a resident of a city. The
 11 legal definition of a resident of the city is someone
 12 who is a resident for six months and a day or is a
 13 resident on the last day of the year, of the calendar
 14 year. Those people have to file D.C. tax returns, so
 15 that's a resident of the city.
 16 Domicile is something different than residence, as
 17 we know. Someone could be domiciled in the city,
 18 living in an apartment, but not a resident of the city.
 19 My issue concerned neither a domiciliary nor a
 20 resident, but someone who got the benefit of rent
 21 control.
 22 The issue with the students is different. We've

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1 all been students. It's not an issue that we -- I
 2 think we want to go into right now. Suffice it to say
 3 that they're here as students, and they have the right
 4 to rent apartments. Should they file D.C. income tax
 5 forms? Well, that's something else. There's a whole
 6 gray issue. But should they be allowed to rent
 7 apartments? Of course they should be allowed to rent
 8 apartments as anyone should be allowed to rent
 9 apartments.
 10 The issue I brought up was, should someone who is
 11 paying low rent in an apartment be able to keep that
 12 apartment from someone who is a bona fide resident of
 13 the city, which I don't think they should be able to.
 14 CHAIRMAN GRAHAM: I want to hear the response to
 15 that, but I first want to say that, you know, we might
 16 consider this prospectively, but you know I'm not going
 17 to support anything that would result in, you know,
 18 evictions of people who are --
 19 MR. SUSSMAN: An eviction of a non-resident of
 20 this city should cause you no grief. A non-resident is
 21 somewhere who doesn't live here and pay taxes, and we
 22 can put a resident in that apartment? We should all be

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1 happy about that.
 2 CHAIRMAN GRAHAM: Well, I understand the point
 3 that you're making, but, you know, in the final
 4 analysis, these are people. And, you know, they have
 5 certain, you know -- they have a life. They're
 6 accustomed to living in a particular place.
 7 I mean, I would just -- it would be very difficult
 8 for me to be an advocate, however prospectively -- you
 9 know, from a point forward, you know, it's something
 10 worthy of consideration.
 11 MR. SUSSMAN: We're talking apples and oranges. I
 12 agree with you, people should not be evicted unless for
 13 cause and non-payment of rent. But people who don't
 14 live in the apartment that occupy it and keep it from
 15 the rental market, I think we're going a little far
 16 here.
 17 CHAIRMAN GRAHAM: I think we're going to get a
 18 runaway. You've heard my point of view on that.
 19 Commissioner?
 20 COMMISSIONER MILLER: I called eight of the large
 21 universities here and found out that the total student
 22 number was almost 20 percent of the population of the

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1 District of Columbia. They don't pay taxes. They
 2 don't -- they're supposed be here three months.
 3 They're supposed to register their cars; they don't.
 4 And then they take away the apartments from people, and
 5 when you turn them over, it finally reaches a point
 6 nobody can afford them. And a lot of the students
 7 don't even want to live at Columbia Plaza.
 8 Now, if they ever enforce the campus plan, and
 9 starting in August of next year they're supposed to
 10 have the undergraduate students on campus. That'll be
 11 the day. I'd like to live to see it.
 12 MS. RUBIN: Can I say something? I don't want to
 13 say it's the students' fault; it's not theirs. The
 14 university does not do enough to house their students
 15 on campus. Right now there's an order that they have
 16 70 percent of the students on campus, and they're not
 17 doing that. Many of the students -- they take over
 18 Howard Johnson. The students don't like it because
 19 it's too far, so they're now to told to sell Howard
 20 Johnson. But they refuse to build on campus.
 21 And right now they have a square 54. They're
 22 building -- want to build two luxury apartment

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1 buildings and an office building, nothing for students.
 2 That should be used for classroom and student
 3 dormitories.
 4 The students -- there was something written up in
 5 The Hatchet saying that the dormitories they have are
 6 very badly kept. The smoke alarms don't go off. The
 7 water detectors -- water alarms don't go off if there's
 8 flooding. The plaster is falling down. So, the
 9 university is doing nothing to make the dormitories
 10 that they have appealing, and yet they won't build
 11 anymore except through pressure.
 12 COMMISSIONER MILLER: And the one dormitory they
 13 have was built for 700, and now has over 1,000 in it.
 14 CHAIRMAN GRAHAM: Well, I think I -- you know,
 15 that's a little bit off our path right at the moment.
 16 COMMISSIONER MILLER: Well, it isn't because
 17 they're taking your rental properties, and they're
 18 causing a distortion in the price on the rental
 19 properties.
 20 CHAIRMAN GRAHAM: No, but, Commissioner, the path
 21 of my question was how we define resident, you know,
 22 visa vis students. And I think I hear you arguing that

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1 you don't want to -- you want to define it in a way
 2 where students are not included, is that right?
 3 COMMISSIONER MILLER: No, the problem is -- the
 4 difference is rather than a resident is a domicile.
 5 Now, that's what the courts decided. Domicile is where
 6 you bank, where you're going to return, where your
 7 things are, where you live, not a place you're at
 8 temporarily. Now, the problem is the District never
 9 put that into effect. It should be the word
 10 "domicile."
 11 CHAIRMAN GRAHAM: Well --
 12 COMMISSIONER MILLER: Where you're domiciled.
 13 CHAIRMAN GRAHAM: -- this is an issue that is a
 14 complicated issue as it turns.
 15 COMMISSIONER MILLER: Oh, it is.
 16 CHAIRMAN GRAHAM: It really is.
 17 COMMISSIONER MILLER: It's destroyed our
 18 community.
 19 CHAIRMAN GRAHAM: Yeah. I don't know how far
 20 we're going to be able to get on that. But I
 21 appreciate everybody's testimony, I thank you.
 22 Now we're going to go on to our next panel, which

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1 is Benoit Brookings, Esquire, Dorchester Rent Rollback
 2 Organization, please come forward. Luzette King,
 3 Dorchester Apartments. Okay. Rose Marie Flynn, would
 4 you like to come up because you've been very patient.
 5 We have an additional chair. And then we'll be moving
 6 rapidly -- we have 50 witnesses. We have a lot of
 7 witnesses.
 8 Now, we did encourage people to come at particular
 9 hours so that they haven't been here. Some people are
 10 very interested and have been here a while, but we are
 11 going to now --
 12 Now, you have -- Eleanor Johnson, you are now at
 13 the table.
 14 MS. JOHNSON: Yes.
 15 CHAIRMAN GRAHAM: But you're not a witness on the
 16 list.
 17 MS. JOHNSON: Yes, I'm a member of the rent
 18 rollback movement.
 19 CHAIRMAN GRAHAM: Okay.
 20 MR. BROOKINGS: And we'll use the five minute
 21 collectively between the three of us, if that's okay.
 22 CHAIRMAN GRAHAM: Is that what you want to do?

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1 MR. BROOKINGS: Yes.
 2 CHAIRMAN GRAHAM: Okay. And then we'll have --
 3 Ms. Flynn, are you representing the Gray Panthers?
 4 MS. FLYNN: Yes. Yes, I am.
 5 CHAIRMAN GRAHAM: So, you'll have five minutes.
 6 MS. FLYNN: Thank you.
 7 CHAIRMAN GRAHAM: All right. So, who wishes to
 8 present the testimony of the Dorchester Rent Rollback?
 9 MR. BROOKINGS: I'm going to make a brief
 10 introductory remark. I'm Benoit Brookings. I'm with
 11 the Dorchester --
 12 CHAIRMAN GRAHAM: Fine, but just one second. It's
 13 five minutes for this.
 14 MR. BROOKINGS: I'm with the Dorchester Rent
 15 Rollback Organization. I'm part of the group that's
 16 trying to get Consumer and Regulatory Affairs ordered
 17 rent reductions and rent refunds. I'm a former tenant
 18 entitled to rent refunds. My colleagues, Eleanor
 19 Johnson, is entitled to rent reductions, and Mr. Peter
 20 Petropolis, entitled to rent reductions, will be making
 21 comments. Eleanor?
 22 CHAIRMAN GRAHAM: Wait just a minute. What

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1 happened to Luzette King?
 2 MS. JOHNSON: Hello. The clock is --
 3 CHAIRMAN GRAHAM: No, I'll give you the time.
 4 MR. BROOKINGS: I'm not sure what happened to Ms.
 5 King.
 6 CHAIRMAN GRAHAM: Okay, all right. Fine. So, we
 7 don't -- now I'm clear about what we're doing. Please
 8 proceed. You won't be penalized.
 9 MS. JOHNSON: Thank you. First of all, I want to
 10 say that we do support these bills, and thank you for
 11 your leadership on this committee. However, the
 12 strongest tool that we have in the District of Columbia
 13 is the original Rental Housing Act.
 14 As a member of the Dorchester Rent Rollback member
 15 and a named member in a class action suit against the
 16 housing provider to reduce the rents, the rent charges,
 17 the rent ceiling, and to pay refunds, we know better
 18 than anyone what is like to have your right usurped.
 19 The Dorchester House Rent Rollback Organization
 20 was organized in 1979 to purchase the building, and,
 21 subsequently, the tenants raised \$11 million, but as a
 22 result of a 95/5 sale, according to the Washington

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1 Post, the current owner, Mr. John Hotchkinson, and his
 2 group were able to buy it for \$4.9 million.
 3 There were two tenant petitions filed, TP 3788 and
 4 TP 11552. TP 11552 is currently pending. An order has
 5 been issued demanding that the landlord-housing
 6 provider reduce the rents, reduce the rent ceiling,
 7 and, ergo, pay rent refunds. He has failed to do so.
 8 The right to organize is an amendment, and I
 9 strongly support Bill 16-458. All sorts of retaliatory
 10 actions have been taken against myself and other
 11 members of the DTA, as well as the Rent Rollback
 12 community. This includes deferred maintenance,
 13 outrageous rent increases, polarization, isolation, and
 14 other things.
 15 I also want to bring up something that is not
 16 addressed and needs to be corrected in the current Rent
 17 Control Act. The current Rent Control Act exempts
 18 persons based on source of income from rent control.
 19 This has an effect of violating the D.C. Human Rights
 20 act, as well as undermining tenant organization
 21 efforts. A person -- the most vulnerable population in
 22 the District should not be required to carry the weight

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1 of the landlord. We did that in the 80s with the TAP
 2 Program and HAP where rents were far above market and
 3 landlords were running to the bank.
 4 Thank you for your work you're doing here today.
 5 Please consider the pre-1985 Rent Control bill. And
 6 also for us, this is our domicile, our residence, and
 7 the home of our ancestors.
 8 MR. PETROPOLIS: Okay. Yeah. I mean, just
 9 watching these landlords prey up here with their hands
 10 --
 11 CHAIRMAN GRAHAM: Would you please --
 12 MR. PETROPOLIS: My name is Peter Petropolis. I'm
 13 a Dorchester tenant, board member, a lot of other
 14 things in the city.
 15 Watching the landlords come with their hats in
 16 their hands is just with their stories about \$500 rents
 17 makes me wonder about the mythology that's going on in
 18 this city. Those places may exist, but not for
 19 everyone, and there's very few of those places.
 20 We're suffering from illegal rent increases,
 21 crazy, crazy rent ceilings that are used to raise our
 22 rents on a yearly basis when you got a rent ceiling of

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1 \$4,000. Those are the numbers that they raise our
 2 rents on.
 3 These -- you know, all I've been hearing is
 4 profits, profits, profits. And, you know, it's not --
 5 we got to start thinking people over profits because
 6 profits don't vote, and I don't see anybody up here
 7 besides you right now. I wonder why they're not here
 8 because this is one of the most important things in the
 9 city. You've taken our hospitals, you've taken our
 10 schools, now you want to take our homes. And if this
 11 doesn't stop, we're going to take your jobs because,
 12 you know, you are representing us, and until I start
 13 seeing results -- because I don't see them.
 14 I see people on the streets. I see evictions day
 15 in and day out. I see people, you know, going to
 16 mental institutions because they can't deal with this.
 17 And we need you to support the decisions that our
 18 courts make against the landlords because they fight
 19 against the landlords, and then they just take their
 20 time taking care of these issues.
 21 Finally, these landlords, if they can't make it,
 22 sell their properties to us. We can make it. We don't

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1 need them to live here.
 2 MR. BROOKINGS: Mr. Graham, the Dorchester tenants
 3 offered \$11 million to buy the Dorchester, and I think
 4 most of the provisions in your bill is very, very much
 5 needed. We filed our tenant petitions early. They're
 6 pending. We were able to have enough legal people to
 7 volunteer time to work with us. So, we really aren't
 8 struggling, but we do need a confident rental housing
 9 commission to make decisions. We do need a confident
 10 court of appeals to decide these things fairly and
 11 squarely.
 12 And so, those are out of your hands, but we do
 13 need justice for consumers. Thank you so much.
 14 MS. JOHNSON: And one last thing. Well, I'll hold
 15 it. Well, I'd like to say that in terms of the bill
 16 that would allow the one percent up to 10 percent year,
 17 I also agree because of the outrageous rent ceiling and
 18 how they apply to the rent charge, that that should
 19 perhaps be one half of one percent rather than one
 20 percent. Thank you.
 21 CHAIRMAN GRAHAM: Well, let me just complete the
 22 panel, and we'll come back.

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1 Rose Marie Flynn, Gray Panthers.
 2 MS. FLYNN: Good afternoon, and I do want to
 3 express our thanks to you for your actions on rent
 4 control, for opening up this whole thing which has been
 5 held back so long. I didn't want to forget to say
 6 that.
 7 So, yes, I'm Rose Marie Flynn from the Gray
 8 Panthers. The Gray Panthers are pleased to be able to
 9 testify in favor of the five bills being considered
 10 today with but few suggestions of changes.
 11 With the majority of residents of the District of
 12 Columbia in rental housing, it is imperative that their
 13 rights be recognized and strengthened. Rent control
 14 units make up the greater part of these. But the
 15 welcomed advent of an Office of Tenant Advocate --
 16 thank you again -- the tenants should be well informed
 17 of their rights, and that is half the battle in
 18 protecting and using these rights.
 19 In the case of all these bills, it is essential
 20 that not only the tenants, but also the landlords be
 21 informed of the cost. And maybe AOBA and the groups of
 22 small owners could prepare booklets for the landlord,

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1 and I'm serious about that, so that they would know
 2 these things that you're bringing to their attention.
 3 An important stipulation in Bill 16109, the
 4 Tenants Right to Information Amendment Act of 2005, is
 5 that neither rent ceilings nor rents charged may be
 6 increased if the law is not complied with. Although
 7 there have been earlier bills requiring that rent
 8 ceilings and rents charged be given to new or renewing
 9 tenants, this was not always done, and has sometimes
 10 been very difficult to discover the owner of a
 11 building. Only the managers were known.
 12 Bill 16-458, the Tenants Right to Organize
 13 Amendment Act of 2005, spells out clearly the rights of
 14 tenants to organize, to meet, and to spread information
 15 throughout their building. Too often tenants have been
 16 told they could not even distribute flyers from door to
 17 door.
 18 And the fear of eviction, even though perhaps
 19 unwarranted, is very real among tenants, especially for
 20 seniors and those without a good command of English.
 21 They must be reassured and made to feel secure as they
 22 exercise their rights.

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1 Bill 1648, the Rental House Ceiling Calculations
 2 Amendment Act of 2005, would be improved if it included
 3 a penalty for the landlord who does not provide the
 4 requested information in 10 days.
 5 The horror of rent ceilings of thousands of
 6 dollars is, in part, a result of the way in which
 7 either the highest comparable units rent or a 12
 8 percent increase to the rent ceiling a vacated unit has
 9 been used to establish a new rent ceiling. The Rental
 10 Control Reform Amendment Act seems like a good way to
 11 alter the past practices. It provides for the one
 12 percent increase in the rent ceiling for each year
 13 since the last vacancy occurred.
 14 Also, the bill provides for a maximum in the
 15 increase to the current rent charge for an occupied
 16 unit to 10 percent with only one increase in the rent
 17 charged. It will be useful for the tenant to know if
 18 that rent increase was the permitted CPI increase to
 19 the rent ceiling or some saved up unimplemented --
 20 previously unimplemented rent increase, and how much of
 21 such an increase within the rent ceiling can still be
 22 applied to the rent charged.

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1 There is a \$50 per month cap on increases based on
 2 capital improvements for certified seniors and the
 3 disabled. A similar cap should be considered for these
 4 groups for any adjustment in the rent charged. Also,
 5 the income requirement for the \$50 cap has remained
 6 unchanged since 1990 when it was \$40,000.
 7 A tax credit for the landlord similar to that
 8 provided for in the case of the capital improvement
 9 increases could be legislated to make up the loss if
 10 there's a \$50 cap.
 11 Thank you.
 12 CHAIRMAN GRAHAM: Thank you very much, Ms. Flynn.
 13 Your testimony is always appreciated, and the group
 14 you represent is a wonderful group of people. And we
 15 appreciate you. And I thank you for your support. I
 16 thank all of you for your support today on this
 17 legislation.
 18 What is the -- and, by the way, you know, we've
 19 had seven councilmembers here, and I've been on this
 20 Council now for -- this is the end of my seventh year,
 21 and it's very unusual at a hearing, very unusual, to
 22 have that many councilmembers participate. And that's

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1 one of the reasons that we're as delayed as we are
 2 right now is because the councilmembers participated.
 3 They asked questions, and they wanted to make opening
 4 statements. And so, we've had a majority of the
 5 Council here today.
 6 MR. PETROPOLIS: Yeah, but it was mostly at the
 7 beginning when they were listening to landlords and
 8 government officials, not to the tenants.
 9 CHAIRMAN GRAHAM: Well, I can't --
 10 MR. PETROPOLIS: I mean, they should listen to us
 11 here. We're the ones that are suffering here.
 12 CHAIRMAN GRAHAM: Right. I appreciate the point
 13 that you're making. And on the key legislation on rent
 14 control reform, 12 of the 13 councilmembers are on
 15 board. And so, you know, that's what really matters is
 16 that you've got overwhelming support from the Council
 17 for this measure. And, you know, it wasn't long ago
 18 that that would've been just simply out of the
 19 question. And so, some of the people, and you know
 20 what I'm talking about.
 21 So, I want to thank you very much for your
 22 testimony.

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1 I just want to ask a question about the
 2 Dorchester. What are -- can you tell us something
 3 about the situation regarding rents at the Dorchester?
 4 MS. JOHNSON: The rents --
 5 CHAIRMAN GRAHAM: Because there are big apartments
 6 at the Dorchester.
 7 MS. JOHNSON: The rent -- excuse me. The rent
 8 ceilings are so outrageous and the rent charges are so
 9 different. So, with our capital improvement petitions,
 10 which we had many, you see the landlord says that
 11 they'll go into perpetuity because he can't collect
 12 what is the actual rent which he considers the rent
 13 ceiling. So, we have some problems with rent.
 14 What I'd like to see is the tenants that live
 15 there, the disabled persons, the persons that use as
 16 their primary domicile, and their residents to be
 17 stabilized somehow. The building flips regularly.
 18 It's a 394-unit building.
 19 And in reference to Bill -- B. 16-458 where there
 20 is a \$10,000 penalty, I would suggest that that penalty
 21 be increased to \$50,000, and that there be a subsection
 22 6 added where there would be criminal charges taken

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1 against housing providers, because when you have
 2 housing providers that have such large buildings and so
 3 many units, they manipulate the economy and the lives
 4 of persons, and have the potential to do irreparable
 5 harm, and isolate people from their political
 6 environment, social environment, as well as the
 7 economic environment.
 8 Right now, the rent ceilings, as you know, in the
 9 Dorchester, some of them are \$4,000 and \$5,000 per
 10 month.
 11 The elevator has been out for eight months. There
 12 are problems. It's a beautiful building. I hope to
 13 continue living there and to be able to afford to live
 14 there. But we only have this window of opportunity
 15 with this Council because we don't know what will
 16 happen in the future. That's why I strongly suggest
 17 that you reexamine the Rental Housing Act prior to
 18 1985, put those strong treble damages back in there.
 19 The Rent Rollback Committee is protected by one
 20 thing: we were grandfathered in, so we will be able to
 21 collect treble damages for our suffering and hardship
 22 for these years.

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1 CHAIRMAN GRAHAM: Okay. Thank you all very much
 2 for your testimony.
 3 MS. JOHNSON: You're quite welcome.
 4 CHAIRMAN GRAHAM: And now we'll proceed --
 5 MS. JOHNSON: Thank you for having us.
 6 CHAIRMAN GRAHAM: Thank you. We'll proceed to the
 7 individual witnesses. Natalie LeBeaux, Housing
 8 Counseling Services. I saw Ms. LeBeaux. Joe Martin,
 9 Vice Chair, ANC 4C09, Commissioner Martin.
 10 Commissioner Martin? Okay. Mr. -- no, M. Michael
 11 Hull, the Cafritz Company. Is Mr. Hull here? Please
 12 come forward. Donna Lewis. Donna Lewis? Okay. Debra
 13 Lindeman, ANC Commissioner, 3C02. Commissioner
 14 Lindeman? No? Kenneth Rothschild. I see Mr.
 15 Rothschild is here, D.C. Coalition for Rent Control.
 16 Mr. Rothschild, will you come forward, please? Donna
 17 Stimson. Ms. Stimson? Fred Silvers, Bojan or Bojan
 18 Management Corporation. Malcolm E. Peabody. I don't
 19 see Mr. Peabody. I don't see Mr. Peabody. Mary R.
 20 Hueg, Regional Manager, Sawyer Realty Holdings, LLC.
 21 Lynn Dalton. I know Ms. Dalton had to leave. She was
 22 representing Somerset Apartments on 16th Street. She

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1 had to go. Campbell Johnson I have seen. Mr. Johnson?
 2 Okay. Alex Martin, President, Cleveland House Tenant
 3 Association. Mr. Martin, will you come forward,
 4 please?
 5 Now, the first witness is Natalie LeBeaux. She
 6 will be followed by -- let's see, M. Michael Hull from
 7 Cafritz, and then Kenneth Rothschild, and then Alex
 8 Martin. Alex Martin, do you want to take a seat?
 9 All right, Ms. LeBeaux, are you represent Housing
 10 Counseling Testing?
 11 MS. LEBEAUX: Yes, I am.
 12 CHAIRMAN GRAHAM: I mean, Housing Counseling
 13 Services?
 14 MS. LEBEAUX: Services, yes, uh huh.
 15 CHAIRMAN GRAHAM: I beg your pardon. You have
 16 five minutes.
 17 MS. LEBEAUX: Okay.
 18 CHAIRMAN GRAHAM: Mr. Hull, are you representing
 19 the Cafritz Company?
 20 MR. HULL: Yes, I am.
 21 CHAIRMAN GRAHAM: You have five minutes.
 22 MR. HULL: Thank you.

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1 CHAIRMAN GRAHAM: Mr. Rothschild, are you
 2 representing the D.C. Coalition for Rent Control?
 3 MR. ROTHSCHILD: Yes.
 4 CHAIRMAN GRAHAM: You have five minutes. And, Mr.
 5 Martin, are you representing Cleveland House Tenant
 6 Association? You have five minutes. All of these
 7 witnesses have five minutes, Mr. Adams.
 8 Ms. LeBeaux.
 9 MS. LEBEAUX: Okay, thanks. Good afternoon,
 10 Chairman Graham, and staff. My name is Natalie
 11 LeBeaux, and I work with the Tenant Anti-Displacement
 12 Program at Housing Counseling Services. I speak to you
 13 today on behalf of the staff, board, and clients of
 14 HCS, a non-profit agency founded in 1972 to provide a
 15 full array of housing related services in the District
 16 of Columbia.
 17 Our agency's goal is to build sustainable
 18 communities through informed housing consumers. The
 19 goal of the Tenant Anti-Displacement Program, a program
 20 funded by the District's Department of Housing and
 21 Community Development, is to work with low and moderate
 22 income tenants to prevent their displacement from

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1 Washington, D.C.
 2 I come here today in support of all five bills
 3 before you, each of them progressive, protective
 4 measures designed to expand and strengthen the rights
 5 and opportunities of tenants in the District -- the
 6 right to organize as a tenant group, the right to
 7 respond to landlord action, the right to obtain current
 8 and thorough information about their buildings and
 9 their units, and the preservation of affordable housing
 10 throughout the city.
 11 We are tenant organizers. We walk into buildings
 12 that we do not live in where the tenants have received
 13 offers of sale, notices to vacate, or letters from the
 14 owner asking for a condominium conversion election. We
 15 also work in buildings that have major housing code
 16 violations, such as lack of heat, collapsed ceilings,
 17 and rodent infestation. These buildings are in
 18 Columbia Heights, and Anacostia, and Logan Circle, and
 19 Congress Heights, in every quadrant of the city and in
 20 most of its neighborhoods.
 21 We educate and empower tenants who are trying to
 22 raise their children and families in a safe and decent

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1 housing that has been promised to them by D.C. Code.
 2 Separately, these tenants have only their individual
 3 voices to speak to their landlords to D.C. government,
 4 to developers, and to attorneys. Together in an
 5 organized tenants association, they have one powerful
 6 voice.
 7 As a tenant association speaking with one voice,
 8 the tenants from the Bate Street townhomes, Northwest,
 9 1630 Irving Street, Northwest, and Gaylen Terrace,
 10 Southeast, were able to organize to buy their
 11 buildings. The tenants from 3318 Sherman Avenue,
 12 Northwest, were able to determine if a condominium
 13 conversion was in their best interest. At 6000 to 6050
 14 13th Place, Northwest, tenants continue to demand
 15 better living conditions for themselves and for their
 16 families, and to fight a landlord who insists on
 17 vacating the property of its long-term tenants.
 18 As individuals, these tenants are at risk of
 19 losing their rights and their homes. Together they can
 20 gather at their buildings to discuss living conditions
 21 without fear of retaliation. They can become educated
 22 as to their rights and opportunities under the law, and

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1 work together to exercise those rights.
 2 In the past year, we have attended meetings at 61
 3 different properties throughout the District. This is
 4 a dramatic increase from past years, and we have seen a
 5 greater number of tenants at risk of displacement due
 6 to market forces. Landlords are employing a dizzying
 7 array of tactics to rid their buildings of tenants.
 8 While D.C. law protects and empowers tenants in
 9 many ways, it is crucial for D.C. tenants to have the
 10 basic right to organize in their buildings without fear
 11 of retaliation if they are to properly exercise their
 12 rights under the law.
 13 As organizers coming into buildings to help
 14 tenants understand and protect their rights, we have
 15 been threatened by management, harassed by owners, and
 16 have had police officers called to remove us from
 17 buildings. Every time this happens, it is a blow to
 18 the Tenants Association's confidence. It discourages
 19 tenants from learning about their rights, and, thus, we
 20 lose the power of these protective laws.
 21 In a city where the majority of households pay a
 22 significant portion of their income for housing,

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1 strengthening rent control laws is vital to ensure that
 2 low and moderate income tenants can continue to live in
 3 the city. Oftentimes, tenants in rent controlled
 4 buildings contact us after receiving rent increase
 5 notices that seem unusually high.
 6 Recently in one building in Capitol Hill, all
 7 tenants received rent increase notices that raised
 8 their rents \$200 to \$600 for some tenants. This
 9 increased doubled their rent.
 10 Current law permits large vacancy increases that
 11 cause once affordable units to be brought up to
 12 unaffordable market rate rent. As this happens, fewer
 13 and fewer low income households will be able to remain
 14 in the city.
 15 At the Capitol Hill property, these rent increases
 16 are being used as a tactic to empty the building and
 17 discourage the tenants from responding to an offer of
 18 sale. If the goal of rent control is to keep some
 19 buildings affordable, rent ceilings should not be
 20 increased by 12 percent or more each time a tenant
 21 vacates. A tenant earning minimum wage and working
 22 full time earns almost \$14,000 a year. HUD defines

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1 affordable rent for this person as \$349 per month.
 2 This is only possible if we stop allowing vacancy and
 3 comparable rent increases in rent controlled buildings.
 4 In summary, as a community, we must ensure that
 5 the lowest wage earners among us are able to live in an
 6 affordable and safe environment, and that all tenants
 7 are able to exercise their rights by law. Empowered
 8 and educated tenants become concerned and active
 9 citizens, and this can only benefit the District of
 10 Columbia. Bills that further tenant rights and
 11 opportunities, such as these bills, should be enacted,
 12 particularly as market forces threaten to displace the
 13 very residents who create the city's backbone.
 14 Thank you.
 15 CHAIRMAN GRAHAM: Thank you very much. I want to
 16 acknowledge Housing Counseling Services for your most
 17 recent endeavor, which we're working together on.
 18 MS. LEBEAUX: Yes. Yes, thank you.
 19 CHAIRMAN GRAHAM: And, you know, again, I mean,
 20 just -- when you think you've seen everything.
 21 MS. LEBEAUX: I know.
 22 CHAIRMAN GRAHAM: When you think, you know, that

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1 people have done the most outrageous conceivable thing,
 2 you have people who ought to really know better. But
 3 we caught them in time.
 4 MS. LEBEAUX: We could write a book.
 5 CHAIRMAN GRAHAM: We could write a book.
 6 MS. LEBEAUX: Right.
 7 CHAIRMAN GRAHAM: And -- but here again, you know,
 8 and it gives the whole community of owners a bad name.
 9 But we'll be talking more about that situation.
 10 MS. LEBEAUX: Yes, thank you.
 11 CHAIRMAN GRAHAM: So, thank you for your
 12 testimony.
 13 MS. LEBEAUX: Mm-hmm.
 14 CHAIRMAN GRAHAM: Now, we go to Mr. Hull from the
 15 Cafritz Company.
 16 MR. HULL: Good afternoon, My name is Michael
 17 Hull, H-U-L-L. I'm the Executive Vice President of the
 18 Cafritz Company.
 19 CHAIRMAN GRAHAM: We're going to have to ask you
 20 -- you're going to have to pull up the microphone.
 21 We're not getting you.
 22 MR. HULL: Is that better?

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1 CHAIRMAN GRAHAM: Yes, that's good.
 2 MR. HULL: Thank you. Again, thank you for
 3 allowing me to testify. My name is Michael Hull. I'm
 4 the Executive Vice President for Development for the
 5 Cafritz Company. I've been involved in housing for the
 6 Cafritz Company since 1964, so I'm very familiar with
 7 multifamily housing in this city. We have properties
 8 in all wards; I've brought a list of them. But since
 9 you're the only one that has lasted, Mr. Graham, I'll
 10 concentrate on our properties in your ward.
 11 As bad as rent control is for our city, which was
 12 once described in the Brookings Institute by a
 13 Norwegian economist as the only way to destroy middle
 14 housing class faster in a city is to use carpet bombing
 15 than rent control. That aside, I would direct your
 16 attention to properties Tivoli Gardens at 1445 Ogden
 17 and 1445 Otis Street, Northwest, which over a million
 18 and a half dollars have been spent. We welcome you and
 19 any other member of the Council to tour these
 20 buildings.
 21 You may be familiar with a building we have at
 22 3200 16th Street. It is an art deco historic building

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1 where right now over \$2 million in restoration work is
 2 being spent. We also have two buildings in your ward,
 3 again, at 1660 Lanier Place and 2901 18th Street, which
 4 are on the verge of having about \$4 million spent if --
 5 under the existing laws, which basically allow us to
 6 renovate a building for middle class tenants, and I
 7 want to emphasize middle class tenants, and allow that
 8 to happen by cause market rents can make a difference
 9 in the ability to recoup the costs while the existing
 10 residents who pay a much lower rent benefit from these
 11 renovations.
 12 If you adopt the legislation before you, which
 13 you're right, all 12 members are on board. I feel that
 14 has more to do with the fact that this is an election
 15 year than it has to do with -- anything to do with
 16 public housing policy.
 17 If you want to destroy middle class housing, if
 18 you want to see more properties like you have on W
 19 Street, please continue as you're doing.
 20 I would suggest, and I've heard a little bit of it
 21 here today, and I think it's well put, there is a
 22 tremendous need for this sort of housing in the

1 District. I would suggest that you scrap what you have
 2 and you look at needs based housing. What I meant by
 3 that are programs similar to Section 8 programs. We
 4 handle 600 units of them in Northern Virginia. This is
 5 housing where a tenant doesn't pay more than 30 percent
 6 of their income. Their income is proved by a form of
 7 the Federal government, which the District could easily
 8 adopt. Then the answer is, where do you get the
 9 difference between the rent they can afford to pay and
 10 the amount that it takes to run the building. That, by
 11 the way, is determined by the Federal government and
 12 their Fair Housing Market Basket Program. So, they
 13 tell us for this property in this location, this is
 14 what you can get.

15 Example, if they say a one bedroom is valued at
 16 \$1,000 and a resident only qualifies for \$500, then the
 17 difference between the \$500 and the \$1,000 is made up
 18 through Federal subsidies.

19 The District doesn't have to do direct subsidies.
 20 The District could do as they do through their capital
 21 improvement programs, which would allow the owner of
 22 the building to take that difference off his real

1 councilmembers are doing that.

2 Just a blanket support for all the legislation. I
 3 will jump to some specifics. I like the use of
 4 penalties, the \$10,000 penalty for not allowing tenants
 5 to use facilities in the building or interfering with
 6 meeting or organizing. I like the structure of the
 7 increases for the vacancy. I thought that was very
 8 good, one percent per year. Excellent.

9 Tenants Right to Information, absolutely
 10 essential. It's been very hard to get information from
 11 some of the landlords, so these are really good points
 12 that have come across here.

13 Some problem. I have a problem with the 10
 14 percent cap if that applies to the ceilings. In other
 15 words, does that mean that a tenant can get a 10
 16 percent increase every year because the cap is well
 17 above the rent being charged? I don't know. That was
 18 vague to me, and I couldn't quite understand that. But
 19 that's -- a 10 percent increase on some of these higher
 20 rents now would be quite a bit. I mean, \$100 plus a
 21 year, and it's well above CPI.

22 So, I think if you're going to play with that and

1 estate taxes. That would truly be needs best housing,
 2 which is desperately needed in the District, rather
 3 than the situation you have now where you have people
 4 on limited income subject to rent increase, and tenants
 5 living in buildings on Connecticut and Wisconsin Avenue
 6 who are making in the high six figures paying \$300 and
 7 \$400 a month for their apartments because they happen
 8 to have stayed in them since the early 70s.

9 Thank you very much.

10 CHAIRMAN GRAHAM: Thank you.

11 Mr. Rothschild, who is representing the D.C.

12 Coalition for Rent Control.

13 MR. ROTHSCHILD: Yes. Good afternoon, Chairman
 14 Graham. First of all, I just want to thank you for the
 15 legislation you put out there. It's good legislation,
 16 and it's been well drafted, and it's exciting to see
 17 this stuff coming out and seeing it well done.

18 Also, I just want to make a comment on the whole
 19 Council. It's a wonderful change to see the Council
 20 really taking somewhat of a defensive position here and
 21 not allowing the city to be taken away from us, so I'm
 22 very glad to see that, too. And most of the

1 allow those ceilings to stay in place, something ought
 2 to be tagged to the CPI where it's just a little bit or
 3 somewhat above the CPI if we want to give them
 4 something. But 10 percent a year is far too high for
 5 that particular issue. Because many of the rents are
 6 already too high from the way the previous system was
 7 used for vacancies and the increases there. If you
 8 want to get rid of the ceilings, then bring it down to
 9 the current rent charged if we're going to go forward.

10 Now, related issues, and I actually find in terms
 11 of testimony this to be some of the most important part
 12 because it's not covered by other testimony. I've
 13 brought this up before. I thought there ought to be
 14 some way of auditing the tenant -- the landlord filings
 15 because without an audit system, we don't know what's
 16 out there. We heard Marilyn Rubin testify that an
 17 efficiency was used as a comparable for a one bedroom.
 18 So, without auditing the system itself, it's very
 19 weak.

20 I want to also mention something, and I think this
 21 will come under the Committee for Consumer and
 22 Regulatory Affairs. When we get to inclusionary zoning

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1 where there's a requirement, where there's a giveaway
 2 for some FAR and there's some requirements for meeting
 3 low income -- providing low income housing, I think it
 4 is very important when the permits are issued for that,
 5 that there be a specific contract. Why? Because too
 6 many times it's hard to nail down who in the
 7 corporation is responsible. And along with that
 8 contract, I think there should be a surety bond, in
 9 other words, a bond put up by the developer when they
 10 get -- when they're issued the permit so that it is
 11 clear in the contract what it is that they are to
 12 provide, and the bond is there to guarantee that they
 13 provide it so that the city doesn't have to chase
 14 people down later on and find out who the corporation
 15 actually is and so forth. And it means that they're
 16 going to have to abide by the contract, or they're
 17 going to have trouble getting bonding on future work.
 18 One other issue, and I think this is very
 19 important, again, not raised, is tenant buy outs for
 20 conversion elections. This is killing us. If you
 21 really want to look at what's -- why we have such a
 22 dwindling housing stock, the tenants are getting

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1 somewhat of a windfall profit because they happen to be
 2 in the unit at the time. But the fact of the matter
 3 is, if you buy that vote at that time, that is
 4 destroying future low and moderate income housing. And
 5 I think that's what we're about now is to not only have
 6 low and moderate income housing for current tenants,
 7 but we want something to provide for the future, too.
 8 So, I think we really have to examine what I consider
 9 almost to be bribery to get tenants to vote for a
 10 conversion where all they expect to do is take the
 11 money and leave. And I think that's a very important
 12 issue that has to be looked at.
 13 So, there you are. That's basically what I have
 14 to say. And, again, I thank you. I think it's really
 15 good legislation you're cranking out here.
 16 CHAIRMAN GRAHAM: Thank you very much, Mr.
 17 Rothschild.
 18 Mr. Martin?
 19 MR. MARTIN: Yes, thank you, and thank you for
 20 this opportunity to be here. I'm Alex Martin, and I am
 21 the President of the Cleveland House Tenants
 22 Association.

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1 I was never a tenant activist until I discovered
 2 rats, R-A-T-S, the sort that live in sewers in my
 3 apartment. And this led me to discover that there was
 4 a hole infestation of the building. I got activate --
 5 I'm a retired public health service officer, so you say
 6 to public health people rats, wow, is that a red flag.
 7 Landlord, oh, just call the exterminators. Anyway,
 8 that served to activate me and to get my tenant
 9 association going. It's a long story.
 10 I happen to be a scientist by background, and I
 11 like data and I like briefing books. So, I made you a
 12 briefing book with a red flag cover. It says "rent
 13 ceilings out of control." What've done here, and this
 14 is with my habit with numbers, is if you look inside,
 15 you'll see a yellow page, and there you will see the
 16 official listing of the rents and rent ceilings for my
 17 apartment building as of the current -- this is the
 18 latest data for June of '05. And if you look at the
 19 center of the page, you'll see I've drawn a couple of
 20 black lines down there to highlight on the left the new
 21 rent ceiling that is a current rent ceiling, and the
 22 new or current rent charged.

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1 And if you just run your fingers down those
 2 columns, you'll see there's -- just by visually looking
 3 at it, you'll see there's an incredible discrepancy
 4 between the rent actually charged and the rent ceiling.
 5 So, I went through 213 apartment calculations
 6 figuring out the percentage by which the rent ceiling
 7 exceeds the rent charged, and all my data is there. In
 8 fact, there's even my worksheet at the end of it. But
 9 at the beginning, two pages before that, I give the
 10 grand summary.
 11 And what I've concluded is that the average rent
 12 ceiling for all of these apartments, 213 in this case;
 13 there's one that's not included because it's an
 14 outlier, and the landlord will be very glad I didn't
 15 include it because it has a 900 percent figure. But
 16 what I show is that even allowing for the apartments
 17 that have not turned over particularly and the new
 18 ones, the average for f the whole building is 364
 19 percent. You can round that off, if you will, to a
 20 factor of 3.5. It actually ranges as high as 600
 21 percent for -- and 500 percent for quite a number of
 22 units.

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1 What's interesting about this calculation is it
 2 shows graphically what others have been saying, which
 3 is that one of the effects of these hyper inflated rent
 4 ceilings is that they really magnify the cost of living
 5 index calculation for, like, annual or -- well,
 6 sometimes biannual rent increases. And it's sort of
 7 like a fudge factor. As a scientist, I would say you
 8 should include this as a fudge factor or a landlord
 9 profit factor. You take -- you add up perhaps the CPI
 10 and you put on a 2.7 percent last year, and you add on
 11 3.5., and you come up with darn close to 10 percent.
 12 And that's rather revolutionary.
 13 And so, this is a packet that you can keep around
 14 to show people if they want to see an actual
 15 illustration.
 16 Another problem we have in our building is that
 17 this landlord, Archstone Smith, is now issuing almost
 18 routinely one-year only leases, and they're even
 19 ratcheting them down now to six months. And I have
 20 three examples here of tenants who are part of a tenant
 21 petition. These are tenants who have been in the
 22 building for some time, got coerced into signing

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1 something called a flexible lease, where they were
 2 given basically 12 monthly options to pick their
 3 poison, how long they wanted to renew their lease. And
 4 the interesting thing is, and these are only the three
 5 cases that I have data on; I'm not sure they're typical
 6 of everyone in the building. But in these three cases,
 7 when the people renewed their leases -- now the people
 8 stayed in their apartment, just signed a new lease.
 9 They were hit with vacancy increases. Yes. And in one
 10 case, it was a highest comparable. And this data is
 11 all here for you to look at.
 12 But you have to wonder, you know, whether that's
 13 part of a growing pattern. This particular landlord
 14 has been a source of great vexation to us.
 15 Thank you.
 16 CHAIRMAN GRAHAM: Thank you. You're going to have
 17 to help us navigate all these very bright colors. No,
 18 no, no. No, you have to help us navigate some of this
 19 information. Certainly when you tell us that an
 20 occupied apartment is hit with a vacancy increase, you
 21 know, that raises an eyebrow. It's like the efficiency
 22 being the highest comparable, the best comparable for

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1 the one bedroom. There's something wrong here.
 2 The Rent Administrator is still with us, so is the
 3 Chief of Staff of DCRA. Teresa Lewis back, and so
 4 that's very important to have her here. I think I
 5 mentioned that Dr. Canavan was out of town; otherwise,
 6 I'm sure he would be here.
 7 MR. MARTIN: Incidentally --
 8 CHAIRMAN GRAHAM: Tell me where -- we've been
 9 hearing a lot about this one year, six month lease
 10 situation. Which of these bright colors is the
 11 beginning of that?
 12 MR. MARTIN: Well, at least you can separate them
 13 out. They start at green.
 14 CHAIRMAN GRAHAM: No, no, I appreciate the colors,
 15 but just get me to where I need to be here.
 16 MR. MARTIN: Well, go down to green.
 17 CHAIRMAN GRAHAM: I'm in green.
 18 MR. MARTIN: All right. Go through one, two,
 19 three pages.
 20 CHAIRMAN GRAHAM: One, two, three. The one that's
 21 dated 7/13/2004?
 22 MR. MARTIN: That's correct, for Lorraine

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1 Schroeder, apartment 236. And here you'll see an
 2 example of the boiler plate that they're using. And
 3 they generally give the tenants only a short time to
 4 make a decision of what they want.
 5 CHAIRMAN GRAHAM: And what is the ramification of
 6 this, Mr. Martin?
 7 MR. MARTIN: Well, one of the ramifications is
 8 that when the tenant signs one of these flexible
 9 leases, he's giving up any long-term lease that he
 10 previously held. And those -- that's attached. Go
 11 back two pages, and you'll see this person's long-term
 12 lease drawn up in June of '95, she received -- she and
 13 others received this rent proposal which many of them
 14 thought was just an annual rent increase, but done a
 15 little bit differently because the management company
 16 had changed. They sign it. And when they sign it, by
 17 law, they have backed themselves out of their previous
 18 lease, which was durable, and instead chosen a short
 19 term terminal lease. And currently they're issuing
 20 them for -- they seem to be issuing them for six month
 21 intervals.
 22 CHAIRMAN GRAHAM: I mean, this is pretty

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1 remarkable because if you look at it, there's -- I
 2 don't know how many choices here. It looks like
 3 there's a dozen choices that are set forth. And, of
 4 course, the month to month is the most expensive, it
 5 would appear. But she had -- this particular tenant
 6 had been on a month to month because the prior lease
 7 had expired, right?
 8 MR. MARTIN: No, it had not expired.
 9 CHAIRMAN GRAHAM: Well, I mean, it had flipped
 10 over into a month to month lease, am I right?
 11 MR. MARTIN: Well, that's correct. It had gone to
 12 the traditional month to month, which really means
 13 continuing lease. But the landlord here is defining
 14 month to month as meaning one month at a time.
 15 CHAIRMAN GRAHAM: But now she had signed up for a
 16 12 month lease --
 17 MR. MARTIN: Correct.
 18 CHAIRMAN GRAHAM: -- which gives her the lowest
 19 rent that's proposed here.
 20 MR. MARTIN: Correct.
 21 CHAIRMAN GRAHAM: And also gives her some sense of
 22 stability.

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1 MR. MARTIN: Perhaps.
 2 CHAIRMAN GRAHAM: So, what is it -- just tell me
 3 succinctly. I'm just trying to get at what the adverse
 4 ramifications are of this for the tenant.
 5 MR. MARTIN: Well, for this one there are two.
 6 First, the previous lease continued indefinitely. The
 7 tenant was not forced to renegotiate a new lease
 8 periodically. I, for example, am living under a 26-
 9 year-old lease that I signed in 1979. I've never, ever
 10 had to sign another lease. I get rent increases, but I
 11 don't have to sign another lease, first thing.
 12 So, she's boxed herself into a one year only
 13 lease. Simultaneously, as you'll see two pages further
 14 down, she gets a 12 percent vacancy increase that was
 15 thrown at her, confusing her, of course, but that was
 16 thrown out. And I have two other instances there. And
 17 all of this documented with DCRA officially stamped
 18 papers. That's why it's so thick.
 19 CHAIRMAN GRAHAM: The other thing that leaps out
 20 at me from your materials, now she lives in a
 21 particular apartment. I'm not trying to mention her
 22 name or the apartment.

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1 MR. MARTIN: All right.
 2 CHAIRMAN GRAHAM: But she lives in a particular
 3 apartment, and -- let's see. The new rent that she is
 4 paying is \$1,750, up very considerably. Am I right?
 5 MR. MARTIN: Well, that was a typo because they
 6 did actually put her back, if you go two pages further,
 7 to \$1,490. That was another point of confusion.
 8 CHAIRMAN GRAHAM: Who are these apartments that
 9 have under \$1,000 in rent, because --
 10 MR. MARTIN: Not in our building.
 11 CHAIRMAN GRAHAM: -- I just want to note that, you
 12 know, for those who are following this, like there's a
 13 rent ceiling here of \$8,330.
 14 MR. MARTIN: Oh, yes. That's like a one bedroom.
 15 CHAIRMAN GRAHAM: There's a rent ceiling of
 16 \$7,438. I mean, clearly, you know, both unreasonable
 17 and out of sync, even with market levels. But who are
 18 these folks who -- I mean, what are the situations
 19 where we have rents at this building under \$1,000? You
 20 know the ones I mean.
 21 MR. MARTIN: Yes, I know those.
 22 CHAIRMAN GRAHAM: Without mentioning the

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1 apartments.
 2 MR. MARTIN: Yes, I know every one of those
 3 individuals. Those are people who have been there for
 4 25 to 30 years. We have one on this list who had been
 5 there for 44 years.
 6 CHAIRMAN GRAHAM: Now how do you respond, because
 7 we've heard testimony today from landlords and from
 8 owners and managers who say, well, they have been
 9 subsidizing these apartments year after year after
 10 year. And that the highest comparable, which is one of
 11 the principle issues that we have on the table right
 12 now is the repeal of that -- it was put into place in
 13 1985 -- that the highest comparable is their
 14 opportunity. And, again, I'm using their words, not
 15 mine, to catch up after all these years of subsidy.
 16 How do you respond to that?
 17 MR. MARTIN: Well, I see this process as sort of
 18 the incoming tide that raises all ships. All landlords
 19 are cheek to jowl at the same trough. All of their
 20 rents are tending to go up. They're competing with
 21 each other, so their rents keep coming up as much as
 22 the market will bear and as much as they can get away

1 with. And when you have this rising tide effect, it
2 kind of eliminates some of the competition. Now, I'm
3 speaking off hand. This is not legally admissible
4 material in that sense or scientific. But it seems to
5 me that all the landlords are able to rise at the same
6 rate.

7 Now, what do you about a 40-year tenant whose rent
8 is extremely low compared to the market? I would say,
9 Mr. Landlord, you got a very good tenant there. For 40
10 years or 30 years, whatever, they paid their rent on
11 time, right on day one. You didn't have to waste one
12 penny advertising for a new tenant. They were right
13 there. And these long-term tenants are also a resource
14 for landlords because they tend to take good care of
15 their apartments, many of them, most of them. And they
16 tend to look out for the community itself.

17 CHAIRMAN GRAHAM: Now, Mr. Martin, that -- I'm old
18 enough to remember when that used to be a great value
19 for a landlord. But today, we said here about
20 churning, and rather than the reliability of that.

21 Let me ask you this question, because your
22 materials, your research, is actually very helpful

1 I hope they're there forever, but when that tenant
2 gives up that unit, under the existing law, the
3 landlord is entitled to go to actually higher probably,
4 but this will do to make the point, to an apartment
5 with a \$6,200 -- what did I say -- \$6,281 rent ceiling,
6 and theoretically could move the rent to the top of
7 that ceiling if they wanted to.

8 MR. MARTIN: Or what the market will bear.

9 CHAIRMAN GRAHAM: Right. And so, that's what's
10 happening. And that's -- no, it's not going to \$6,200.

11 But what's happening is that owners are using the
12 highest comparable, you know. Once one of these, you
13 know, long-term tenants leaves or whatever, you know,
14 they're using the highest comparable to lift the rent
15 up, as some people have testified, to catch up. And
16 that's how these affordable rentals are being lost.

17 That's exactly what is happening.

18 Well, I appreciate very much. You've helped us.
19 And I think we can use some of your research to
20 illustrate it. I do have a question --

21 MR. ROTHSCHILD: Mr. Graham?

22 CHAIRMAN GRAHAM: Yes, Mr. Rothschild?

1 because you illustrate how this highest comparable
2 would work.

3 For example, if you look at unit 128 or 129, you
4 see the very low rent, and you see the very low rent
5 ceiling. Can you just from your own knowledge of this
6 building, which appears to be very extensive, can you
7 identify for me an apartment in the building which
8 would be comparable. Please don't identify an
9 efficiency for a one bedroom, but a comparable unit to
10 those two units so that we can see what a comparable
11 rent ceiling would be.

12 MR. MARTIN: Well, that's very easy to do because
13 the buildings are stacked in tiers. So, if you take
14 one --

15 CHAIRMAN GRAHAM: So, we can look at 328.

16 MR. MARTIN: Exactly, look ahead to 328.

17 CHAIRMAN GRAHAM: I flipped that around, but I
18 didn't even look at it. All right, 328 has a rent
19 ceiling of \$6,281.

20 MR. MARTIN: That's correct.

21 CHAIRMAN GRAHAM: The same unit with a low rent
22 has a rent ceiling of \$839. Now when that tenant, and

1 MR. ROTHSCHILD: Could I just add to that what you
2 just mentioned? Nobody goes in to check whether they
3 are comparable, so that's even another issue. That's
4 why the audits are important. Nobody goes back to find
5 out whether or not it was done correctly.

6 CHAIRMAN GRAHAM: Well, you know, and I keep
7 harping on this because this is going to be important,
8 and it's going to be important depending upon how you
9 and I and others oversee this. But the Chief Tenant
10 Advocate and his or her staff, there's going to be a
11 new capacity to review these things and to make sure
12 that it's being done correctly.

13 I want to ask Mr. Hull, I'm glad to hear that
14 you're putting so much capital money into Ward 1
15 buildings. I sincerely am. And I did, if I can find
16 your testimony, I know -- oh, here it is -- that you're
17 putting in a considerable amount of money into 1660
18 Lanier and 2901 18th Street.

19 Are you filing capital improvement petitions as
20 part of that work?

21 MR. HULL: First, let me clarify. The money has
22 gone into 1145 Ogden and 1445 Otis. The money is going

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1 into 3200 16th Street, Northwest. The two buildings
 2 you mentioned, sir, are in the process of analysis
 3 right now. We actually have not begun the work. And,
 4 no, we have not -- up until years ago we filed numerous
 5 capital improvement petitions in this city as many
 6 landlords did to achieve various needing improvements
 7 that met the test. In that case, I might add, you had
 8 the situation, and still do in some buildings, where
 9 tenants who qualify due to their age and income, as you
 10 know, did not pay the capital improvement increase, and
 11 it was deduced from the real estate taxes. That goes
 12 to my testimony about needs based housing.

13 I think that's the more appropriation approach
 14 than the agony that you're hearing before you in terms
 15 of keeping records. I'm glad you recognized Mrs.
 16 Teresa Lewis. She is an excellent member of that staff
 17 down there. I hope she stays there forever, like you
 18 mentioned, the tenants. And I think if you ask her
 19 about our filings and our records there, she will
 20 report what she finds.

21 CHAIRMAN GRAHAM: Thank you so much.
 22 MR. HULL: To answer your question, those

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1 buildings right now are under financial analysis, and
 2 one of the reasons I'm sitting in front of you today is
 3 I can assure that if this legislation that is before
 4 you now passes, which I fear, as I said, due to the
 5 incoming elections, common sense will be put aside so
 6 people can get elected because there are more tenants
 7 that vote than landlords.

8 Those two buildings will probably have to be dealt
 9 with in another manner because what we were able to do
 10 in the past, the options will no longer be open to us.

11 So, what'll happen to 1660 Lanier and 2901 18th Street
 12 is a question mark. The other buildings typically has
 13 been done and over about \$2 million is being in
 14 progress at 3200 16th Street, even as we speak.

15 And as I said, I welcome you and any other
 16 councilmember to tour those buildings.

17 CHAIRMAN GRAHAM: I'd like to welcome you to
 18 respond to my question.

19 MR. HULL: Sure, I did.

20 CHAIRMAN GRAHAM: No, I don't think you did.

21 MR. HULL: Well, let me try.

22 CHAIRMAN GRAHAM: I don't know whether you even

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1 heard my question judging from your response. But the
 2 question that I am asking, I'm trying to find this out
 3 from various people who are involved in management and
 4 ownership of rental buildings. And the questions is a
 5 rather simple one, which is, why aren't -- why isn't
 6 there greater use of, for example, it's not just the
 7 capital improvements. Where's my list of things? It's
 8 not just the capital improvements petitions. There's
 9 hardship petition, substantial rehab petitions,
 10 voluntary agreement petitions, services and facilities
 11 petitions. All of this is in the current law. All of
 12 this is undisturbed. Please hear that word,
 13 undisturbed, by the bills that are before us.

14 So, what I'm just trying to figure out is just why
 15 is it -- well, the first question to you, did you use
 16 these petitions -- this petition mechanism on whatever
 17 buildings you did rehab on? Did you use it?

18 MR. HULL: Yes and no. In some buildings we did,
 19 and others we didn't. Why are we not using those
 20 methods now which are on the books? For two reasons.
 21 One, the time and the cumbersome nature of them make it
 22 financially very, very restrictive for the landlord.

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1 And the capital improvement petition I must file all
 2 the paperwork. I must have 100 percent inspection by
 3 the Housing Department of the property. It takes me
 4 about a year to get approval.

5 So, when you look at all the time to get through
 6 each and every one of the mechanisms that you
 7 described, landlords are saying financially it doesn't
 8 make any sense. If we can't do it under the existing
 9 structure of having those rents that are market bear
 10 the cost of this, then generally landlord are backing
 11 away simply for that reason.

12 CHAIRMAN GRAHAM: Well, and I think I previously
 13 recognized that as something of concern. I mean, we
 14 certainly don't want mechanisms in the law that aren't
 15 working. And so, for example, there was some testimony
 16 that the paperwork was daunting and overwhelming and
 17 that type of thing.

18 MR. HULL: We could deal with the paperwork, sir.
 19 It's the time.

20 CHAIRMAN GRAHAM: Well, the time -- we want to
 21 look at that because, as you know, the law provides
 22 that the Rent Administrator must render a decision

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1 within 60 days of receipt of a complete petition. And
 2 if the Rent Administrator fails to do that, then you --
 3 that allows the petitioner to proceed with the capital
 4 improvement.
 5 MR. HULL: Would that it worked that way. I mean,
 6 I can talk to you all afternoon about what really
 7 happens when you file them, and so can Ms. Lewis and
 8 Ms. Zapata. But unfortunately, the mechanisms don't
 9 allow what you just said to happen. And that's no
 10 negative reflection on anybody.
 11 CHAIRMAN GRAHAM: No, I appreciate that. Ms.
 12 Zapata is here, and I'm inclined to call her before the
 13 end of the hearing back on this issue. But we can look
 14 at that.
 15 Well, thank you all very much for your testimony.
 16 MR. HULL: Did that help?
 17 CHAIRMAN GRAHAM: I appreciate it.
 18 Now, we have had some people who have come in who
 19 I previously called, Donna Stinson. Is she here?
 20 Donna Stinson? Oh, good. Will you come forward,
 21 please? Malcolm E. Peabody; I saw Mr. Peabody. Let's
 22 see, Ed Kraus from the Realtors Association. Mr.

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1 Krause, will you come forward? Lauren Bladen White,
 2 would you come forward, please? And that, I think,
 3 completes -- yes.
 4 Donna Stinson, are you here on your own behalf?
 5 MS. STINSON: Yes.
 6 CHAIRMAN GRAHAM: Do you have -- Mr. Adams or Mr.
 7 Hammond, are you doing this now? Three minutes for Ms.
 8 Stinson.
 9 Mr. Peabody, are you representing the Peabody
 10 Corporation? I bet I know the answer to that question.
 11 MR. PEABODY: Correct.
 12 CHAIRMAN GRAHAM: Right. So, you get five minutes
 13 under our rules.
 14 Ed Kraus, are you representing the Realtors
 15 Association?
 16 MR. KRAUS: Yes, sir. Yes, sir.
 17 CHAIRMAN GRAHAM: You have five minutes.
 18 Lauren Bladen --
 19 MS. WHITE: -- White, a misspelling.
 20 CHAIRMAN GRAHAM: Are you -- we've misspelled.
 21 Are you here as an individual?
 22 MS. WHITE: I'm here representing the 245-249 8th

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1 Street Tenants Association.
 2 CHAIRMAN GRAHAM: Then you have five minutes.
 3 So, everyone -- sorry, Ms. Stinson, but everyone
 4 but Ms. Stinson has five minutes. And in the order
 5 that they were called, we would start with Ms. Stinson.
 6 So, you have the advantage of going first.
 7 MS. STINSON: Thank you. Thank you for allowing
 8 me to be here to speak.
 9 I'm here on behalf of myself, my mother --
 10 CHAIRMAN GRAHAM: You have to speak into this
 11 microphone.
 12 MS. STINSON: Okay. I'm here on behalf of myself,
 13 my mother, and a tenant that lives above me. We have
 14 been in constant contact with the DCRA because our
 15 building is old, and the ceilings have collapsing on
 16 us.
 17 On August the 20th, my ceiling in my living room
 18 caved in at 3:15 a.m. in the morning. On the 18th,
 19 DCRA in my complex doing violations. My landlord was
 20 aware of the cracks in the ceiling and the mice and the
 21 roaches. It's terrible.
 22 There's been a -- well, it's been a game being

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1 played with the tenants and the landlord and DCRA.
 2 We've had several appointments with DCRA for the
 3 inspectors to come in and inspect or apartments. On
 4 various occasions, he has been cited with violation and
 5 given time to come and repair these violations. He is
 6 constantly going down to DCRA and say we won't allow
 7 him to come in and do the repairs.
 8 Well, what he's doing is he's hiring people off
 9 the street that police are looking for now that's been
 10 going in breaking into apartments. And we've been
 11 complaining about that.
 12 Also, we went out of town this past weekend. We
 13 come back, we have no heat. We had to call DCRA to
 14 talk to him to come and turn the heat on. He didn't
 15 turn the heat on until DCRA said that they would
 16 violate him with some fines. Then he came in today at
 17 12:00 and turned the heat on. We went all weekend with
 18 no heat at all. He would not turn the heat on.
 19 We've had various problems with this landlord.
 20 I've had problems with DCRA continuously extending his
 21 time to do repairs in the building. He keeps getting
 22 cited for the same thing that's been going on for a

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1 year.

2 So, I'm here now asking for assistance with

3 someone to look into the matter and to help us.

4 CHAIRMAN GRAHAM: I'm sorry, are you finished?

5 MS. STINSON: Yes, sir.

6 CHAIRMAN GRAHAM: Okay. What is the address of

7 your building?

8 MS. STINSON: 2633 30th Street, Southeast.

9 CHAIRMAN GRAHAM: Okay. Well, I think the thing

10 to do here is, the Rent Administrator is here. Do you

11 know Ms. Zapata?

12 MS. STINSON: No.

13 MS. ZAPATA: There she is for you, and I think

14 that what I would do is I would go directly when we

15 complete your testimony and speak to her.

16 MS. STINSON: Okay.

17 CHAIRMAN GRAHAM: And then I will give you my

18 direct e-mail.

19 MS. STINSON: Okay.

20 CHAIRMAN GRAHAM: And you can -- do you have

21 access to the Internet?

22 MS. STINSON: I will get access to it.

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1 CHAIRMAN GRAHAM: Okay. Well, if you don't have

2 access to the Internet, a phone is just as good. It's

3 also on the same card:

4 MS. STINSON: Okay.

5 CHAIRMAN GRAHAM: And we can follow up with you on

6 what's going on with your building.

7 MS. STINSON: Okay.

8 CHAIRMAN GRAHAM: Okay?

9 MS. STINSON: Okay.

10 CHAIRMAN GRAHAM: All right, Ms. Stinson.

11 MS. STINSON: Thank you.

12 CHAIRMAN GRAHAM: Absolutely.

13 Now, let's see. Next is Malcolm E. Peabody from

14 the Peabody Corporation.

15 MR. PEABODY: Thank you very much, Mr. Graham.

16 Most of the Council and yourself know of my work

17 with the D.C. Public Charter Schools. But since 1975,

18 I have also been an owner and manager of apartment

19 buildings in D.C., and before that mainly involved in

20 low income housing policy in my home State of

21 Massachusetts in the 60s, and at the Department of HUD

22 in '69 to '73 where I was the Deputy Assistant

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1 Secretary of Equal Opportunity.

2 In Massachusetts, as Chair of the Low Income

3 Housing Legislative Study Commission on Low Income

4 Housing, I was responsible for legislation founding the

5 Massachusetts Housing Finance Agency, and a housing

6 allowance program, which I believe was the first in the

7 United States.

8 At HUD, I launched a housing voucher demonstration

9 in Kansas City, the success of which led directly to

10 the passage of the Section 8 housing voucher program,

11 which today uses \$14 million to support two million

12 families nationwide, including several thousand here in

13 D.C.

14 In the 14 years I devoted to this subject, I

15 learned hard lessons about the unintended consequences

16 of housing legislation, which, although passed with the

17 best of intentions, has caused wholesale havoc in our

18 center cities, and has had much to do with the

19 weakening of minority family's structure and subsequent

20 rise of drugs and crimes in the 70s and 80s.

21 The Southwest Urban Renewal Program, which wiped

22 out 100 acres of blighted, but nevertheless

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1 functioning, black community, and relocated thousands

2 to newly constructed public housing in Anacostia, was a

3 classic example of such consequences.

4 Much of the drug business, crime, and gang warfare

5 in the city today can be traced to those projects. The

6 sociology they created was poisonous. The damage they

7 have done far outweighs the housing benefits. This

8 disaster was well reported by Jim Banks, who was the

9 Relocation Director for the project and in a book

10 called Unintended Consequences, published just before

11 he died last year. And if you have an interest, I can

12 get you a copy of that.

13 I cite this history because the success of rent

14 control laws since 1975 have led to the same kind of

15 unintended consequences where deserving tenants get

16 little advantage from the law, while richer ones often

17 pay much less than they can afford, and deprive

18 landlords of the funds they need to keep their

19 buildings in repair, and adding substantial costs to

20 their management to stay abreast of regulations that

21 are often contradictory and extremely complex,

22 particularly for the smaller owner.

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1 This complex system was compounded by the unitary
 2 rent ceiling of '92, which limited rent increases to
 3 one of several, making up a rent ceiling on a recent
 4 court case that any increase must be perfected within
 5 30 days. And with all rent control submissions, these
 6 must be personally carried to the rent control office,
 7 which we now must do every month. And we must come
 8 back with a stamped copy and carefully file it since
 9 the RAO's ability to keep records is almost non-
 10 existent.

11 There is now a service which will do all this for
 12 you, but it is costing us several thousand dollars to
 13 install in each building, and \$10,800 a year to
 14 maintain for 264 units, or \$41 a year. For small unit
 15 owners, the cost is much more, and what this new
 16 legislation will add to their cost is unknown, which
 17 leads me to this point.

18 We do not know clearly, either in the industry -
 19 what this will do to the industry, but neither do you.

20 There have been no effective studies on this, and the
 21 one that you mentioned earlier today by the IG is not
 22 due until early next year.

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1 or probable cuses, and switch their roles with tenants
 2 taking the landowner roles and vice versa and with
 3 government officials taking both roles.

4 Take a hard look at how the hardship petition
 5 works under these conditions, also the capital
 6 improvement petition. Work these cases through and
 7 observe the complexities und the outcomes. Such a role
 8 play could be set up and concluded in a few weeks and
 9 would yield invaluable insights, and do so in a
 10 cooperative rather than a current adversarial
 11 environment. I think that AOBA would be happy to work
 12 with tenant groups and yourselves to design such a
 13 study, and such a study would amplify what the IG would
 14 yield.

15 So, please, I implore you, you are poised with a
 16 battle axe when maybe all you need is a scalpel. For
 17 the good of all of us -- tenants, landowners, and
 18 taxpayers -- think this through.

19 Thank you.

20 CHAIRMAN GRAHAM: Thank you. Let me complete the
 21 witnesses, and then we'll come back to you.
 22 Let's see. Ed Krause, Realtors Association.

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1 The Council, Mr. Graham, is flying essentially
 2 blind, and it could easily damage not only one of the
 3 city's most important industries and invaluable assets,
 4 without any long-term advantage for the people they
 5 hope to serve, which leads me to my proposal.

6 We all need to step back. This is the 30th
 7 anniversary of rent control in the District, and it's
 8 time for an overall look. How can we target assistance
 9 to the poor and elderly without giving major benefits
 10 to well-off, upwardly mobile, single people, who need
 11 little assistance, but who may be getting the lion's
 12 shares of the benefits? How can we direct this
 13 assistance without needlessly complicating the lives of
 14 landowners, particularly smaller ones?

15 Let me suggest a way an analysis can be done
 16 relatively quickly, a way that the military have used
 17 for years to figure out unintended consequences of
 18 programs that are contemplating before they occur. Let
 19 us game the existing and proposed legislation by
 20 setting up a role play situation. Take a number of
 21 landowners - councilmembers or their staff, tenants
 22 and tenant representatives. Give them a series of real

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1 MR. KRAUSE: Thank you, Chairman Graham. My name
 2 is Ed Kraus. I'm Vice President for Public Affairs at
 3 the Washington, D.C. Association of Realtors and the
 4 Greater Washington Commercial Association of Realtors.
 5 These associations comprise more than 3,000 real
 6 estate professionals in the District, and I'm grateful
 7 for the opportunity to speak on this legislation.

8 Mr. Chairman, let me begin by stating for the
 9 record that realtors are for affordable housing. We
 10 are for homeownership for all those who want it, and we
 11 are for every District's resident's desire to own their
 12 home. We want tenants to become homeowners. We want
 13 low and moderate income resident tenants to get on a
 14 path to homeownership if they can. We want District
 15 residents to have their dream home, and we want to
 16 encourage the comprehensive task force goal of
 17 increasing homeownership to 44 percent.

18 We just don't believe that rent control policies
 19 are the best way to achieve those goals. Realtors
 20 understand that not all D.C. residents are in a
 21 position to be home buyers. However, our collective
 22 goal should be to give District residents a path to

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1 homeownership, not resign them to rental situations
 2 that discourage such ownership.
 3 We recognize the need to provide and assist those
 4 residents who are in rental situations who are unable
 5 to become home buyers at that time. The committee
 6 today is attempting to deal with one segment of renters
 7 and issues of affordable housing. We respectfully
 8 disagree with the underlying policy answer to this
 9 problem and the piecemeal non-comprehensive approach to
 10 the affordable housing issues facing all District
 11 residents.
 12 Rent control is still one of the most dangerous
 13 housing policies that exist in the U.S. It discourages
 14 construction of new housing and causes neglect of
 15 existing rental units. Rent control only exacerbates
 16 the shortage of available low income housing and
 17 results in the existing rentals being poorly
 18 maintained.
 19 Excuse me. Instead of helping people with
 20 affordable housing rent control, it reduces the
 21 available supply. The answer to the problem of scarce
 22 housing and rising rent is through increasing the

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1 housing supply, not decreasing it, and possibly through
 2 direct financial assistance to needy residents.
 3 How that can be done is by a comprehensive
 4 strategy that includes all the housing -- affordable
 5 housing mechanisms. The Comprehensive Housing Strategy
 6 Task Force, of which I'll commend you, Chairman Graham.
 7 It was good to see you at Howard University and
 8 stressing the need for rent control in the
 9 comprehensive housing strategies approach.
 10 Some comprehensive strategies for rent control
 11 specifically should include means testing for those
 12 benefiting from rent control and direct financial
 13 assistance and need. Rent control outside of
 14 comprehensive housing strategies -- outside of such --
 15 outside of the task force could cause property owners
 16 to walk away, or the evil dreaded phrase, go condo.
 17 I could highlight all the specifics of the
 18 legislation, the concerns that -- but I'd like to
 19 reiterate all of AOBA's concerns. Please work with
 20 them. Their mission is to work together for an
 21 affordable housing for all District residents.
 22 And in conclusion, I'd like to add this, Chairman.

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1 Some may say that realtors are in a win-win situation.
 2 Some may even ask why the realtors are speaking out
 3 against this legislation. Given that the unintended
 4 consequences of these bills may be that there may be
 5 more condos for sale, more high end housing
 6 opportunities. Realtors are not dedicated just to high
 7 end housing; we are dedicated to finding homeownership
 8 for all District residents who desire it. We believe
 9 homeownership positively impact neighborhoods,
 10 communities, and the District's economic stability.
 11 Rent control, in general, and this legislation, in
 12 particular, undermine that goal.
 13 Please, Mr. Chairman, don't dismiss the property
 14 owners' concerns. Please don't let property owners
 15 leave the District. Believe it or not, the District
 16 needs these housing providers. The District needs
 17 affordable housing because if we don't, we'll be
 18 selling more luxury condos before you know it.
 19 Thank you.
 20 CHAIRMAN GRAHAM: Thank you, Mr. Krause.
 21 We now proceed to Lauren Bladen White.
 22 MS. WHITE: Good afternoon, Councilmember Graham.

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1 In lieu of a traditional testimony, I have prepared a
 2 fact sheet for the Council, hopefully to give you a
 3 concise view of what's going on with our situation.
 4 Before I give you our synopsis, I will list for
 5 you the parties who are involved in our issue. The
 6 former owner is Jack Clark of Clark Management. His
 7 agent is Richard Strauss of Marcus and Millichap. The
 8 current is Nostra Danesh of 245 8th Street, LLC. The
 9 title company is Dupont Title and Settlement. And the
 10 developer is Universal Community Development, LLC.
 11 Now, with the synopsis, on or about January 21st,
 12 2005, the former owner sent an offer of sale to the
 13 tenants. On or about January 27th, 2005, he sent a
 14 notice to tenants informing them that the deposit
 15 amount had changed.
 16 In February of 2005, the tenants were approached
 17 by the developer with an offer to buy the building and
 18 sell the tenants their units at cost. On March 7th,
 19 2005, the Tenants Association incorporated, submitted
 20 its letter of interest in purchasing the building, and
 21 notified the former owner of its intention.
 22 In a letter dated March 25th, 2005, the tenants

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1 were notified that the 245 8th Street, LLC is the new
 2 owner of the building. In April of 2005, the tenants
 3 began to place their rent in escrow. IN May of 2005,
 4 the Tenants Association, along with the developer,
 5 brought a civil against the former owner, the former
 6 owner's agent, the current owner, the title company,
 7 and the Department of Consumer and Regulatory Affairs.
 8 Now, since then, and I think that this is how, in
 9 terms of a practical application of the pending
 10 legislation of what this means for everyday people, our
 11 current owner has increased the rent as much as 60
 12 percent, and parking charges as much as 50 percent,
 13 only for those tenants who are involved in the civil
 14 action. There have been no upgrades to the property.
 15 There have been no improvements. And, in fact, there's
 16 been a reduction in services, including no trash
 17 removal, a loss of usage of the storage area, and a
 18 refusal to respond to service calls from the tenants.
 19 And so, I think is a perfect example of how when
 20 you hear from landlords talking about, oh, you know,
 21 we've got to be able to make money and all this back
 22 and forth, I think that you lose sight of what this

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1 means every day for those of us who are living here in
 2 the District. And I think this is an example of how
 3 one particular landlord is using, because we are not in
 4 a rent controlled property.
 5 And we have some tenants in our building, who, you
 6 know, before this -- and we acknowledge the fact that
 7 in our opinion, this is a retaliatory measure, and
 8 we're fighting that. But in the meantime, I have
 9 tenants who, you know, were formally paying \$735 in
 10 rent that are now paying \$1,200 a month. And, I mean,
 11 this is just, like I said, a practical application of
 12 how this law, how not just in terms of, you know,
 13 making a living for landlords and saying that, oh, you
 14 know, we've got to make a profit, but how they're
 15 actually using the current law against us because we're
 16 not covered by rent control. And our civil case
 17 doesn't come -- isn't going to be heard until March.
 18 Well in the meantime, you know, there re tenants
 19 who are having to pay hundreds of dollars a month extra
 20 in rent, and basically it's working to the landlord's
 21 advantage because tenants can't afford that, and
 22 they're going to have to move out. So, then when the

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1 civil case is heard in March, well, the tenants are no
 2 longer there.
 3 Also another issue that we had is within the
 4 Landlord and Tenant Court, and I think one of the
 5 problems there is the fact that you have this system of
 6 revolving judges that every time you show up there, you
 7 have a different judge hearing your matter.
 8 The Court has granted hearings for the new owners'
 9 attorney without even notifying us. So, it's just that
 10 now not only are we -- you know, we had this increased
 11 rent. You go to hire an attorney, you can't afford to
 12 hire an attorney because you're paying extra, you know,
 13 60 percent in rent, and we're not being notified of
 14 when hearings are taking place. And I guess I think it
 15 goes without saying that we obviously support this
 16 legislation.
 17 CHAIRMAN GRAHAM: Thank you very much, Ms. Bladen
 18 White. You, too, are on the perfect panel. Let's ask
 19 Mr. Krause what his response is. So, this is a non-
 20 rent control building. Put aside the tenant
 21 opportunity to purchase. You've got rent increases of
 22 as much as 60 percent. You know, if we didn't have

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1 rent control, there'd be a great many buildings that
 2 would be operating that way under these circumstances.
 3 What do you say to Ms. Bladen White?
 4 MR. KRAUSE: I think that's an individual
 5 situation, and I think it has to be -- I thought we
 6 were looking at the larger, comprehensive thing. I
 7 think there are individual bad actors, and they should
 8 be rooted out. But I don't think all the property
 9 owners and all the landlords should be lumped in, throw
 10 the entire baby out with the bath water.
 11 CHAIRMAN GRAHAM: I don't know whether this -- I
 12 mean, this may be a bad actor. I don't know whether
 13 it's a bad actor. The fact of the matter is that
 14 they're doing what the law permits them to do, which is
 15 to increase the rent.
 16 Now, maybe this has been targeted in a way which
 17 is discriminatory, and maybe there's a human rights or
 18 civil rights issue here. But the fact of the matter is
 19 that that's what they can do is they can raise the rent
 20 as much as 60 percent, and, you know, take it or leave
 21 it. What's your view of that?
 22 MR. KRAUSE: Well, Mr. Graham, actually if I may,