

TESTIMONY OF HARRY GURAL
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HEARING ON RENT “CONCESSIONS”
COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT
OCTOBER 19, 2016

I would like to thank Chairman Anita Bonds for holding this important hearing and for the members of the committee for taking the time to consider this issue.

My name is Harry Gural. I am the president of the Van Ness South Tenants Association, which represents the residents of the apartments at 3003 Van Ness Street.

We are here today to discuss efforts by major landlords to circumvent the rent control laws of this city. They specifically target the provisions of legislation passed by the city council ten years ago, the Rent Control Reform Act of 2006.

“Rent” is rent

This hearing focuses on a word that doesn’t appear in DC housing law, the word “concession.” Large landlords use the word “concession” to mean supposed discount to attract new tenants. But in reality there is no discount. The word “concessions” is a key part of a deliberate rent scam.

But the most important word underlying this issue is the word “rent.” Some large landlords claim that the word “rent” is a figure that far higher than the market rent – an effective rent ceiling. They claim that they can raise the amount tenants pay based this fictitious higher rent. They say that the amount actually paid is irrelevant.

They debate we are about to begin hinges on the word “rent.” The vast majority of DC residents believe that the word “rent” means what they pay. The City Council should make clear that they are right.

Why is this important? It’s because the scam costs DC residents citywide tens of millions of dollars a year.

My building at 3003 Van Ness is at the center of the fight against the “concession” scheme. It is owned by Equity Residential, a \$22 billion corporation headquartered in Chicago. Equity is the largest apartment Real Estate Investment Trust (REIT) in the United States. It is listed on the New York Stock Exchange with the symbol EQR. Equity’s founder is multi-billionaire Sam Zell.

This very large corporation is taking advantage of thousands of residents of Washington DC, who have little power to fight back.

I learned about the rent “concessions” scam by accident. Almost three years ago, residents of my building started coming to me to complain that Equity Residential was demanding outrageously high rent increases. I first knew of only a few cases, but soon there were two then three dozen, then four.

We believe that most tenants of our 600 apartment building are suffering the same fate. We have evidence that Equity is doing the same thing in its other rent-controlled buildings.

Furthermore, we have reason to believe that this systemic avoidance of DC rent control laws extends far beyond Equity Residential.

Circumventing DC rent control law

As you know, DC rent stabilization law allows owners of rent-controlled buildings to assess on most residents a maximum annual increase of 2 percent plus the Consumer Price Index (CPI). Because inflation rate is zero this year, the maximum legal increase in my building is mostly in the range of \$30 to \$50.

Yet residents have shared with me written evidence revealing that Equity Residential has demanded rent increases of 20%, 30%, 40% and almost 50% per month. In dollar terms, Equity was demanding rent increases of \$1,500 per month for tenants who do not sign a new 12-month lease. I hear from residents literally every day.

When residents come to me to discuss outrageously high rent increases they are very distraught. They are afraid that they'll have to pay much more than they can afford. They are afraid they'll have to move. They are afraid that Equity will sue them. They are afraid that Equity will hurt their credit rating. They are afraid that they'll come home to find that they have been evicted and all their belongings have been put at the curb.

They are right to be afraid. Every one of those things has happened.

Why don't people just move out? Some do. In reality, no one can afford a \$1,000 per month rent increase. So Equity dangles the promise of a substantially lower rent increase for those who agree to sign a new lease. It is below the massive increase first demanded, but frequently several times higher than is allowed by law.

How it works – the bait and switch

I'd like to back up a minute and tell you how the rent "concessions" scam works. It all begins with the "bait and switch."

Equity advertises a one-bedroom apartment for \$1,800 – a typical rent in our neighborhood. The exact amount doesn't matter – the same trick works with any rent in any part of the city.

A young couple sees the advertisement on-line, visits the building and is shown the apartment. Like many people, they may have had a difficult search to find the right place at the right price. They like the apartment and they decide to rent it.

But when the couple sits down with the Equity agent to sign a lease, they notice that the rent listed isn't \$1,800 – the lease says \$2,800 or more. The couple asks if they'll actually have to pay that much.

"No," says the leasing agent. We're giving you a discount, a "concession." \$1,000 off the market rate.

"But why does the lease say \$2,800," the couple ask. The apartment was listed at \$1,800.

Equity leasing agents have some deceptive answers to this question. Sometimes they say that "it's just a formality," or "it's just for our internal purposes." But we have emails from Equity leasing agents that use this misleading wording:

"The Rent Control Price of \$2,800 is the rent amount that is recorded with the city. It is the maximum amount that the city tells us we can charge for your specific apartment... But \$1,800 is the amount you will actually pay."

“What happens next year,” the couple asks. “Don’t worry,” the leasing agent says. “We give big concessions every year.”

But the next year, the couple receives a letter and a form from Equity Residential stating that their new rent will be over \$2,800 – more than a \$1,000 increase. The letter states that if the couple signs a new lease – which by law they don’t have to do – they can get another “concession.” But this “concession” likely will be smaller than the first, and the couple’s rent increase will end up being far higher than is allowed under DC law.

The city is partly to blame

Owners of rent-controlled buildings are required by law to file rents with the Rental Accommodations Division (RAD). But Equity Residential doesn’t file the amount that is actually paid; it files the fictitious, extremely high figure that they call the “Rent Control Price.”

And here’s where the city becomes complicit. The Rental Accommodations Division accepts extremely high figure as if it were the actual rent. The RAD doesn’t challenge the landlord’s filing even if it is as high as \$3,500 for a one-bedroom apartment in Van Ness. To be clear, there is no such thing as a \$3,500 one-bedroom in Van Ness.

I personally have gone down to the Rental Accommodations Division to complain that Equity has filed a report saying that my rent as is several hundred dollars higher than what I actually pay. I show the clerk the bank statements. I ask him to change the amount reported because the my rent increase is based on that higher fictitious number. But the RAD refuses.

I say that many tenants have reported to me that their rents submitted by Equity are much higher than what they actually pay. I am told that nothing can be done about it. I ask if the Rent Administrator knows that the numbers reported by Equity are false. I am told that he knows.

I have made the same inquiry several times. Other tenants have done the same. Yet the Rental Accommodations Division refuses to check the numbers.

When tenants receive an annual rent increase form from Equity, the rent reported for the previous year is the much higher than the actually rent paid. Therefore, the rent increase demanded is many times larger than what is legal.

But tenants are often duped by this because Equity Residential uses a city form so it appears that the extremely large increase is legal. In the top right corner is the form is the name and address of the Rental Accommodations Division. In the top left corner is the name of Smith Property Holdings, a part of Equity Residential.

The city form is confusing and most of it is in legalese. It is also misrepresents DC law, stating that “the dollar adjustment in your rent charged is” X dollars and “the percentage adjustment in your rent charged is” Y percent. One critical word is missing – maximum. Tenants assume that the rent increase list is mandated under rent control law.

If the rent increase is e.g. \$200 per month, tenants may pay that amount. If it’s large, e.g. \$1,000, they beg Equity for mercy. Equity eventually allows them smaller increase, but one that substantially exceeds what is allowed by law.

Equity tells residents that they can only get this price if they sign a new 12-month lease. The new lease lists the fictitious higher amount as the “rent charged.” The resident signs under what is essentially duress. Next year, the cycle continues.

We are here today to break that cycle, and to prevent landlords from charging rent increases that far exceed what is allowable under DC rent control laws.

There are several ways to do that. Legislation is a key part of the solution, but it is not all that can be done. Part of the solution can begin today.

Recommendations

I would like to offer the following recommendations:

Legislative recommendations

1. Pass legislation that clarifies the meaning of the Rent Control Act of 2006, reiterating what is obvious to most of us – that the word “rent” means “rent,” and the word “rent charged” means the amount the tenant actually pays. It is not, as Equity Residential and its attorneys claim, the fictitious and extremely high number that is reported to the Rental Accommodations Division. Rent is rent is rent.
2. Make sure that the legislation also reiterates the original intent of the 2006 law, that “rent ceilings are abolished.” The word is written clearly at the very top of the bill, “abolished.” Rent ceilings are abolished.
3. Include in the legislation a provision that substantially increases fines on landlords that make false submissions to the Rental Accommodations Division. The current penalty is only \$5,000 total for a form that may lists dozens of rent prices. For large landlords, \$5,000 is just the cost of doing business.

Non-legislative recommendations

1. Find out the scope of the problem. This effort could be started in three ways.
 - a. First, require the Rent Administrator to submit a letter or short report stating clearly what his policy has been to date—whether his division makes any effort at all to check the rent prices reported.
 - b. Second, require the Rent Administrator to release a large number of the RAD-9 forms filed by landlords, which may each include supposed rent prices for dozens of tenants.
 - c. Third, get the client list for the law firm Greenstein, DeLorme and Luchs, which advises Equity Residential on the rent “concessions” scheme and which apparently represents other large landlords. Greenstein, DeLorme and Luchs likely give other large landlords the same advice they give Equity.
2. Publicize the rent “concessions” scam. Many residents are suffering because they don’t know that this practice is illegal. Many city officials likely don’t know about the rent “concessions” scam. This gives Equity Residential a huge advantage when it sues tenants for refusing to meet their demands.