

**TESTIMONY OF HARRY GURAL**  
**PRESIDENT, VAN NESS SOUTH TENANTS ASSOCIATION**  
**COMMITTEE ON HOUSING AND NEIGHBORHOOD REVITALIZATION**  
**BUDGET OVERSIGHT HEARING ON FY2017**  
**APRIL 11, 2017**

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.

I would like to thank Chairman Anita Bonds for holding this important hearing. I also would like to thank her for her work on so-called “concession” leases. This growing scandal likely costs DC residents tens of millions of dollars a year. If this practice is widespread, it may also inflate rent prices citywide and make housing less affordable.

I would like to talk today about the Department of Housing and Community Development, specifically a section of that department, the Rental Accommodations Division. The Rental Accommodations Division is complicit in this scandal – in fact, the practice of “concession” leases would be impossible for all intents and purposes if it were to provide the most basic oversight of large providers of rent stabilized housing.

When I testified before this committee on October 19<sup>th</sup> of last year, I explained how certain large landlords use so-called “concession” leases to charge tenants annual rent increases that substantially exceed the legal limit. At the time, my testimony was based on my direct experience with dozens of tenants who had complained to me of potentially illegal rent increases by a major landlord, Equity Residential. Today, I can present to you over 1,000 pages of evidence, uncovered by a Freedom of Information Act (FOIA) request, that reveals that Equity has used so called “concession” leases systematically for perhaps 10 years. This has the effect of circumventing the rent stabilization law that this council passed in 2006.

I am providing for the record and for each member of the committee records obtained by FOIA for part of 2016 – the Rental Accommodations Division still has not provided all records for the year. I am providing only those pages because of prohibitive copying costs, but I can provide more than 900 additional pages on request.

Here is how the housing provider circumvents the DC rent stabilization law and how the Rental Accommodations Division enables it:

- 1) The housing provider advertises an apartment for X dollars – the market price for the area.
- 2) It misleads new tenants into sign leases that list the rent for (e.g.) twice as much, telling them that this high number is required by rent control laws. They tell the tenant that he or she will receive a discount (“concession”) so they will pay only the advertised price.
- 3) The housing provider reports the much higher number to the Rental Accommodations Division. The Rental Accommodations Divisions not review the filing to determine if the amount is remotely plausible. For example, it does not investigate a filing even if a housing provider reports the rent on an aging one-bedroom apartment as \$3,500 per month.

- 4) In the following year, the housing provider charges a rent increase based on the false figure on file. The Rental Accommodations Division tacitly allows this by providing an official-looking form sent to tenants, which the housing provider fills out with the incorrect figure. The form also falsely states that rent increases are mandated – in fact the law determines a maximum increase.
- 5) The tenant pays an effective rent increase that can be many times the legal limit. It is not unusual for a tenant to pay \$50 per month more than the legal limit, but the amount can be much higher. This conservative estimate amounts to \$600 per year, paid every subsequent year, compounded by future increases that also exceed legal limits.

When I first found out about this potentially illegal behavior, I assumed that the Rental Accommodations Division must not be aware that our housing provider was reporting “rents” that far exceed the actual rent paid. When I found that my own rent had been falsely reported and that my landlord was attempting to charge a rent increase based on this false amount, I went in person to the Department of Housing and Community Development to complain. I came with my bank statements – proof of the amount of rent paid – in hand.

I was told by employees of the DHCD on two occasions that it is the policy of the Rental Accommodations Division not to review rent filings by housing providers. Moreover, I was told that it is the policy of the Rental Accommodations division not to investigate even if a tenant can provide evidence that the rent paid is less than the rent reported.

I specifically asked on both occasions if the Acting Rent Administrator knows that many of the rent filings are false. I was told that he does. I asked several times to make sure that I understood correctly. I was told that the Acting Rent Administrator knows that the rent filings likely are incorrect.

In November of last year, I submitted a FOIA request to the Rental Accommodations Division for Equity Residential’s filings for our building. The 1,000 pages later obtained reveal that Equity frequently lists rents for one-bedroom apartments for much higher than market rates – from a few hundred dollars higher to well over one thousand dollars higher. The Rental Accommodations Division provided this information to me because it was legally bound to do so. The rent filings are made under penalty of perjury, so the figures uncovered by the FOIA represent potentially illegal activity. Yet to my knowledge the Rental Accommodations Division has done nothing.

In January, I exchanged emails with the Acting Rent Administrator on this issue. I asked if his division reviews rent figures submitted by housing providers. He wrote that it does not. I asked whether his division would investigate a rent filing if a tenant provides evidence that the filing is wrong. He said that it would not investigate unless the tenant gave up his or her right to file a tenant petition against the housing provider. I asked how many investigations the Rental Accommodations Division has done over the past five years. He reports that it has done none.

Because of this complete lack of oversight by the Rental Accommodations Division, it is extremely difficult for tenants to bring a successful complaint against a landlord, even if the landlord demands a rent increase that is several hundred dollars or more higher per month than what is legally permissible. As the president of the tenants association, I refused to sign a lease listing a “rent” that was almost three hundred dollars per month higher than the actual amount paid. Equity Residential sued me, claiming that if I didn’t sign a lease with the false number I would be forced to pay \$297 higher than the legal rent. A judge in Landlord and Tenant Court ruled that I must pay into escrow that amount every month.

To better explain this case and my subsequent tenant petition against Equity Residential, I am submitting for the record my motion to the Office of Administrative Hearings that explains the situation in greater depth. It contains over 100 pages of evidences, as well as an additional 1,000 pages of records obtained via the Freedom of Information Act.

If justices in the Landlord and Tenant Branch of DC Superior Court knew that my housing provider was systematically overstating rents on thousands of tenants by hundreds or even over a thousand dollars per month, they likely would not so easily accept a landlord's claim for an exceptionally high rent increase. They likely would not assess penalties on tenants who are pursued for defending their rights.

Yet the Rental Accommodations Division, which likely has tens or hundreds of thousands of pages of documents showing that housing providers are systematically overstating rents and likely circumventing rent stabilization laws, has not made any effort to publicize this information. To my knowledge, it has not made an attempt to inform the City Council.

So-called "concession" leases, which have the effect of circumventing DC rent stabilization laws and costing DC residents tens of millions of dollars or more, would be greatly curtailed if the Rental Accommodations Division would provide even the most basic oversight of rent filings. Because it has not taken such steps, today I am filing a second Freedom of Information Act request, demanding historical rent filings for six other Equity Residential buildings. I have already been told by leasing agents at those buildings that they use "concession" leases – the FOIA will reveal the extent of the practice.

I ask the Committee on Housing & Neighborhood Revitalization today to substantially increase oversight of the Rental Accommodations Division and the actions of the Acting Rent Administrator. I request that the Committee formally request that the Acting Rent Administrator present an in-depth report on the extent of the practice of "concession" leases through false rent filings. This report should go beyond Equity Residential and should look at other major housing providers that likely employ the same practice.

In addition, I ask the Committee today to hold a separate hearing on the "concessions" scandal. I request that the Committee call the Acting Rent Administrator as a witness. I ask that members of the Committee to use every resource at their disposal to help put a stop to a practice that greatly harms many of their constituents.