

Problems of National Defense

IV. Rent Control

By THE STROLLING REPORTER

THE announcement by Leon Henderson, head of the Office of Price Administration, of a ceiling to be placed on rents and prices, was expected. While the ceiling on prices affects the entire country, that on rentals is effective only in the 302 defense areas, which include every city of 100,000 or more population as well as some sparsely populated sections near military camps and villages where plants engaged in the production of war materials have been built. The City of New York, with its five boroughs, is considered to be in the defense zone.

New York, with a population of seven and a half millions and increasing every day due to the influx of workers seeking jobs in defense industries, is one of the sore spots in the housing situation. While in Queens and Richmond the greater part of the population are home owners, in Manhattan, Brooklyn and the Bronx, the rent-paying population predominates. In Manhattan, 98 per cent of the people are rent-payers. The issue of rent control has focussed in New York.

During World War I, speculation in New York ran wild. Tenements assessed at \$50,000 were sold for \$90,000. Larger dwellings that were assessed at \$250,000 reached a price of \$450,000. The new owners, in order to profit from their purchases, increased rents anywhere from 40 per cent to 100 per cent—and the tenants, having nowhere else to go, were compelled to pay the increases. This was the inevitable result of a sudden crowding of the city, with all outlying sites held by owners for high prices. The legislature finally passed a law which permitted not more than a 25 per cent increase in rent—which was not considered exorbitant. But intense feeling between landlord and tenant continued, and nearly 700,000 landlord-tenant cases found their way into the district courts of the city.

The Department of Taxes and Assessments, taking advantage of the increased selling prices, increased the assessed values of property—of buildings as well as land. When private enterprise was finally able to build new dwellings after the war, rentals gradually began to fall, but the assessed values remained. In the past few years there has been a shrinkage of millions in property values. Foreclosures increased and the properties did not bring 70 per cent of the assessments. This resulted in tremendous losses to equity holders as well as to the financial institutions that carried the mortgages.

But now World War II has come, and again the problem of speculation is rearing its head. Because of losses in the

past years, property owners have recently succeeded in securing reduced assessments—just as conditions are being produced which are causing values to soar again. But now a demand has gone up for rent control—especially since private building has practically ceased because of war priorities.

At the recent session of the New York State legislature ten different rent bills were introduced, all with the intent of protecting the tenants against oppressive increases of rents. Rent laws have always been a political football for both parties, the great majority of voters being rent-payers. This year, however, due to the war, a special Defense Committee was appointed by the legislature and all rent bills were referred to it. After examination of the various bills and after conferences with the Governor, a rent bill was prepared. It was introduced in the legislature and passed the assembly by an almost unanimous vote.

But officials of the Office of Price Administration then appeared at the State Capitol and directed that no state rent regulations be passed at this session on the ground that the OPA would undertake to regulate rentals in the State of New York. The bill was withdrawn and when the legislature adjourned no rent bills had been passed. The OPA contended that, while New York State officials might be relied upon to enforce any state rent regulation that might be passed, this could not be guaranteed in all the other states in the Union, and so, in order to have uniformity, rent regulation is to be made by the Federal Government.

It is interesting to note that, in this matter of rent control, the State of New York has surrendered what has always been considered a basic state right—that the people of the state should have control over purely state matters. However, consideration must be given to the fact that the country is at war, and the interest of all must supersede that of any state or individual.

The law of supply and demand has not been consulted in this latest rent control. By artificial restrictions and regulations, the government is seeking to do what would occur naturally if freer market conditions and free land existed. But we are at war, and building materials cannot be released for private enterprise; under such conditions speculation would run wild without rent control. It may at least be taken as a hopeful sign that government officials wish to protect tenants from speculators.

Of course, the OPA is by no means inconsiderate of prop-

erty owners. It is hoped that owners of rental properties will receive a fair return on their investment, but will not be permitted to exact exorbitant charges as a result of war shortages.

The teeth in the law are long and sharp and will bite deeply into any landlord who attempts to gouge his tenants. For violation of the administrative orders there is a penalty of one year's imprisonment, a maximum fine of \$5,000, or both. In addition to the criminal penalties the administrator may obtain a court order to prohibit an excessive charge, and after August 1, 1942, the administrator or tenant may sue for triple the amount by which the rent exceeded the maximum. The rent control law also makes it unlawful for a landlord to remove a tenant or refuse to renew a lease because the tenant has taken or proposed to take action under the rent control legislation.

It seems never to have occurred to government officials that the best way to secure rent control is to tax the full rental value of land. While it might still be necessary to initiate control of rentals of houses and dwellings for the duration of the emergency, the far more important matter of land speculation would then be properly dealt with.