

## **"The Rent Is Too Damn High"**

By Mike Curtis

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It is true in the city of New York and every other city including Wilmington Delaware. Zohran Mamdani has pledged to freeze the rent if he gets elected New York's mayor. Whether that would be the one million rent stabilized units or all rentals, whether council would go along, or whether the courts would allow it in the Age of Trump, who knows? In Wilmington Delaware the city council rejected a motion to institute a rent stabilization program.

Housing rents are eating up all the increases in wages, all the savings from thrift, and every tax credit or exemption. The majority of tenants are on the treadmill of life.

Limiting a landlord's ability to collect socially created values is not an injustice to landlords. But it does say: Although others are willing to pay more, the current tenants have a vested right to remain and pay less simply because housing rents are enslaving a large portion of the population.

While rent stabilized units have greatly enhanced the lives of low-income Americans, it can do nothing to increase the needed supply of housing.

If landlords were not able to charge enough to get a fair return on their buildings, pay for management, repair, insurance, and their building's eventual replacement, no-one would invest in rental housing; it would be no more. It is doubtful if any rent stabilization program has ever gone anywhere near that far.

What a tenant pays for a building and what they pay for a location (an address) is combined. Clearly the lesser amount the landlord is allowed to charge comes out of what is paid for the location, the socially created value that comes from its proximity to infrastructure, transportation, jobs, stores, recreation, the level of safety, aesthetics, and even the sense of community.

However, when landlords are limited in what they can charge, they tend to defer maintenance until the value of their buildings and the location together, are only worth what they are allowed to charge — decreasing the quality of "stabilized" rental housing.

There are one and a half million abandoned buildings in America. Government could acquire those they do not already own, provide vocational training in their repair or replacement, and add them to the stock of public housing. For all its limitations, public housing offers affordability without incentivizing the deterioration of buildings.

And finally, we come to the root of the housing shortage: The reason the increased demand, and therefore, the increasing price of housing does not generate the needed

supply of housing is that the price of land that is needed goes up with the price of housing. It is withheld because it is an appreciating asset, preventing construction of needed housing.

However, shifting any other taxes (income, capital gains, wage, sales, building) to the value of land would incentivize the rehabilitation or replacement of now vacant housing. It would encourage new construction on land already designated for housing, and it would make it much more profitable to build far higher, economizing our infrastructure and public services. That is because a land value tax is the same whether the land is used or not. Taxing the value of land yields needed housing without grants, tax breaks, or abatements.