

SEATTLE'S LOW-INCOME TENANT
RELOCATION ASSISTANCE ORDINANCE:
A REVIEW OF PROF. HEYNE'S
ECONOMIC ANALYSIS

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**SEATTLE'S LOW-INCOME TENANT RELOCATION
ASSISTANCE ORDINANCE: A REVIEW OF
PROFESSOR HEYNE'S ECONOMIC ANALYSIS**

I. INTRODUCTION

What follows is written in response to Professor Paul A. Heyne's "Economic Analysis of Seattle's Tenant Relocation Assistance Ordinance." I have also reviewed the transcript of Professor Heyne's deposition taken on the third, fourth and tenth of January 1995 and include the elaborations and explanations provided there as part of Professor Heyne's analysis of the Ordinance. I have consulted other materials including Census data, the City's *Consolidated Plan*, and King County's *Consolidated Housing and Community Development Plan*, County Assessor's reports, studies on low-income problems in Washington state, as well as other articles, materials, cases and general reference materials.

In what follows I set forth an overview of the ordinance, develop the statistical context of the problem, and then present a topic by topic economic review of Professor Heyne's analysis of the ordinance by topic.

My major conclusions are as follows:

1. **Purpose** The purpose of the ordinance is to provide relocation assistance to very low-income tenants forced to move when owners of rental property "demolish, change the use, substantially rehabilitate, or remove use restrictions on assisted housing." It is not the purpose of this ordinance to expand the supply of low-income housing.
2. **Need** The ordinance is tailored to provide assistance to tenant families with incomes at or below 50% of median income. This "50% of median income" category corresponds with the income standard set forth in 24 CFR §91.5 (1992) for "very low income" families under the Cranston-Gonzalez National Affordable Housing Act, and is a broadly used indicator of what constitutes very low income.
3. **Need** There are a large number of very low-income families in Seattle living at or below the 50% of median income standard set in the ordinance. A large number of these families are paying out more than 30% of their incomes in rent. Various federal low-income housing programs use this 30% of income standard to define the maximum share of income that should go to rent plus utilities if low-income families are to meet other minimum standards.
4. **Need/Effectiveness** The ordinance is designed to meet the need of very low-income tenants for relocation assistance. Even Professor Heyne concedes that the ordinance will be effective in achieving this objective.

5. **Low-Income Housing Supply** I have seen no objective evidence that the Ordinance has had or is having an adverse effect on the supply of low-income housing in Seattle, nor would I expect that it would theoretically under prevailing conditions in Seattle.
6. **Low-Income Housing Supply** Under current conditions in Seattle, the ordinance will, at worst, have no adverse effect on the supply of low-income housing in Seattle, and should have, if anything, a mild tendency to slow the rate of conversion of low-income housing to other uses.
7. **Shared Burden** The owner's contribution to the relocation assistance payment is tailored to the degree to which the owner's decisions contribute to the problem of very low-income displacement due to housing conversion. The owner's aggregate payment is small if the owner's decisions result in few relocations, and greater if the owner's decisions result in more relocations.
8. **Shared Burden** The relocation assistance payment in 1990 was \$2,000. Of this \$2,000 the City of Seattle paid \$1,000. Since the remaining \$1,000 nominally the responsibility of the landlord is deductible for federal tax purposes, the landlord will pay roughly 70% X \$1,000 or \$700, depending on tax brackets. Moreover, most landlords will be able to pass some or all of the relocation assistance obligation on to tenants, and so will pay an even smaller share of the nominal total.
9. **Benefits of the Ordinance to Landlords** Professor Heyne concedes and I agree that the ordinance may well be cost effective for landlords in reducing the costs of evicting tenants absent the assistance program.
10. **The Ordinance Does Not Restrict Uses** Landlords have suffered no economic loss due to an elimination of allowable uses by the ordinance. The ordinance does not restrict the use to which the rental properties can be put. Professor Heyne concedes that with the possible exception of a short (1 year) pause, there will be no slowing in the realization of investment plans by landlords.
11. **The Ordinance Does Not Limit Development Choices** Professor Heyne concedes and I agree that this ordinance presents no barrier to development of affected properties. Moreover, Professor Heyne concedes, and I agree, that landlords had reasonable notice that such legislation was possible in Seattle given the broad scope of housing related regulation, and the existence of a similar ordinance from 1980-1987.
12. **Adverse Impacts of the Ordinance on Landlords Should Be Minimal** Professor Heyne concedes and I agree that the landlords should not have a difficult time adjusting to the ordinance.

First, nothing in the ordinance forces the landlord to convert the property;

Second, even if the landlord does decide to convert the property, the burden is shared between the City, landlords, tenants and federal taxpayers;

Third, in the typical case a substantial portion of the landlord's share of the remaining burden will be shared by federal taxpayers;

Fourth, the residual will typically be shared with current tenants as an increment to rents;

Fifth, the ordinance provides for an orderly process for moving the tenants, which Prof. Heyne concedes, and I agree, may well reduce

substantially the costs of removing the tenants without the ordinance; and,

Sixth, the landlord may be able to pass through any residual cost to the purchaser of the property when the property changes hands.

II. PURPOSE AND OPERATION OF THE ORDINANCE

The purpose of the ordinance, as set forth in §§22.210.020(A) and (B), is to deal with the problem of relocation of very low-income tenants¹ when they are forced out of their homes due to a decision on the part of the landlord to do something else with the property.² Since Seattle has experienced substantial conversion of low-income housing and a constriction in the low-income housing market, displaced very low-income tenants encounter difficulty in financing the transactions costs involved in finding and moving into replacement housing. Because conversion may force them to move more often than higher income tenants, their ability to finance these moves from meager savings may soon be exhausted leaving them helpless.³

The ordinance creates an orderly process for the notification of the City and the tenants of the landlord's plan for "demolition, change of use, substantial rehabilitation, or removal of use restrictions" ("conversion"). All tenants get 90 days notice, and very low-income tenants receive some financial assistance from the landlord.

If the landlord follows the procedure and the tenant refuses to vacate the premises in an orderly fashion, the tenant is subject to severe penalties including, but not limited to, loss of the relocation allowance.⁴

III. NEED FOR THE ORDINANCE

¹ The ordinance language is "low-income tenants" but the income test adopted in the definitions section 22.210.030(G) corresponds roughly with HUD's "very low income" level.

² A study of Ordinance 22.210 shows that nowhere in the ordinance is there any language that suggests that the purpose of *this* ordinance is to preserve or expand the supply of low-income housing.

³ Barbara Linden & Anne Wicks, "Residential Mobility and the Low-Income Consumer." NSSLC September 1985.

⁴ See Ordinance §22.210.180. This section of the ordinance also provides a private right of action.

The City Council in Ordinance 22.210.020 sets forth four findings relating to conditions in the low-income housing market which show the need for relocation assistance:

- ★ **Housing Supply** The City is experiencing a rapid rate of development which has reduced and continues to reduce the supply of rental housing available to low- and moderate income tenants and has reduced the supply of rental housing affordable to such tenants.
- ★ **Short Supply Makes the Task of Finding Replacement Housing More Difficult and Costly** The real estate market has not kept pace with the loss of low-income housing "making it more difficult and more costly for low-income persons who are displaced * * * to locate affordable substitute rental housing."
- ★ **Increasing Rents Make it Harder to Find Affordable Housing** Rents in Seattle have been increasing rapidly and vacancies are at low levels making it increasingly difficult for tenants, especially those with low-incomes to locate affordable housing.
- ★ **High Conversion Rates Result in High Stress on Low-Income Tenants' Savings to Finance Moving and Search Expenses** The high conversion rate results in higher rates of dispossession and the accrual of search and moving costs which stress the budgets of very low-income families.

These findings are consistent with demographic data on conditions in Seattle. The Puget Sound Regional Council estimates that there are roughly 77,000 very low-income households in Seattle (1990 Census data). This number constitutes roughly 33% of households of all income levels.⁵

There is thus a substantial population at risk. A large portion of this population is also paying in excess of the 30% standard used in many federal programs to denote the maximum a low-income family should be paying for rent and utilities to still have enough left over to care for other basic needs. Table 1.

It is axiomatic that very low income families are going to have a limited ability to generate significant savings to cushion relocation expenses which may run to more than a typical month's income. Professor Heyne put it bluntly:

"If you are thinking of tenants having time to save money, these are low-income tenants and presumably they can't save much money. If they were in a position to save much money they wouldn't be called low income people." (Heyne Tr.116-7).

To the extent that conversions of low-income housing are more likely than conversions of middle and high income housing, this will place a differential burden on very low income families not felt--at least not to the same degree--by middle and upper class families with a more stable housing stock. This differential

⁵ City of Seattle, **The 1995 Seattle Consolidated Plan for Housing and Community Development**, Seattle, October 1994, p.141 and STF 3A.

TABLE 1
LOW-INCOME RENTER HOUSEHOLDS PAYING MORE THAN
30% OF THEIR INCOME FOR RENT AND UTILITIES
1990

Renter Household Type	Extremely Low-Income 0 to 30% MFI	Very Low-Income 31 to 50% MFI	Other Low-Income 51 to 80% MFI	Total Low-Income	Percent Household Type
Elderly	5,200	2,820	1,400	9,420	21%
Small Related	4,593	2,876	2,152	9,621	21%
Large Related	849	578	298	1,725	4%
Single Non-Elderly	10,542	8,778	5,400	24,720	54%
Total	21,184	15,052	9,250	45,486	100%
Percent by Income Level	47%	33%	20%	100%	

Source: 1995 Seattle Consolidated Plan for Housing and Community Development: October 1994, Table 5. Table 5 is derived from HUD Analysis of 1990 Census Data; mean family income figures are based on the 1990 Census or HUD adjusted income limits, if applicable.

Note: "MFI" is median family income.

will arise for three reasons:

1. Low-income households will be subject to a higher expected number of moves;
2. The low-income family's resources to cover these costs are more limited; and
3. The low-income family is faced with a narrower base of housing that it can afford.

Eligibility under sections 22.210.100 and 22.210.030(G) of the Ordinance corresponds to the "very low-income families" definition adopted by HUD in 24 CFR §91.5 pursuant to the Cranston-Gonzalez National Affordable Housing Act (P.L. 101-625).

IV. EFFECTIVENESS

The Ordinance is designed to assist that group of tenants most likely to face dispossession due to a conversion decision by their landlords, and most vulnerable due to their poverty. In his deposition testimony Professor Heyne agreed that the Ordinance would be effective in assisting displaced very low-income tenants in finding and moving to alternate affordable housing. (Heyne Tr.118-9 and Tr.246). I have seen no indication in the materials I have reviewed that the ordinance is not operating effectively.

V. THE IMPACT OF THE ORDINANCE ON LOW-INCOME HOUSING SUPPLY

In the first paragraph of his brief economic analysis of the ordinance Professor Heyne declares:

"The provisions of the ordinance will contribute to further reducing the stock of inexpensive rental housing available in Seattle." (§1 Deposition Exh.4).

His argument is that any measure that makes it more expensive to own and operate low-income rental housing will decrease the incentive to own and operate it

and so lead somehow to further reductions in supply. For the reasons set forth below this argument is simply incorrect.

Low-Income Housing is Rarely New Housing Professor Heyne is correct when he tells us that low-income housing is rarely, if ever, built new (government sponsored housing excepted)⁶(Tr.176); that most low-income housing is housing that has "trickled down" from other users (Tr.176); and that many or most owners of low-income rental property are holding it in the hopes of being able to convert it at some later date. (Tr.370-1). Thus Professor Heyne's argument has to be either that the ordinance interferes with the evolutionary process where non-low-income housing trickles down into the low-income housing stock, or that the ordinance provides an incentive for the accelerated exit of low-income housing from the existing low-income housing stock.

The Trickle Down Effect Professor Heyne himself denies any claim that the ordinance has had a significant impact on the trickling down of units into the low-income housing stock.

A. I am not saying this ordinance, I have never said this ordinance by itself has any significant impact. What I am claiming is there has been a dramatic increase since the late 1970s, at least, in the number of former apartment buildings that are no longer apartment buildings but that are cooperatives or condominiums. Tr.193.

Q. Now, you are saying this ordinance doesn't have a significant impact on conversion to condos. I assume it also doesn't have an impact by itself on the rental housing market itself. What you are saying, it's actually the threat and the pattern of other ordinances, is that correct?

A. Yes. Tr.194.

The Existing Stock Since the obligation to pay the relocation assistance only arises when the landlord puts into effect a decision to convert the property, as long as no very low-income tenants are displaced due to conversion of the property, the landlord will never have to pay any relocation assistance. Because of this, if anything, the existence of the relocation assistance obligation should provide a mild incentive to maintain the property in its low-income use.

Two other factors parallel the weak tendency of the ordinance to maintain the existing low-income housing stock. First, as noted above, basic economics tells

⁶ Which is to say we are not faced with a situation where low-income housing would otherwise be built new but for the presence of the relocation assistance requirement. And even if it were, it would be difficult to imagine that developers or buyers would concern themselves with a \$700 net payment at the far end of 30 or more years of housing life. Even at 5% interest, the present value of \$700 30 years from now is only \$162, and the amount of the rent increment necessary to recoup the full \$700 would only be 84 cents a month.

us that a cost pushed further into the future has a lower expected value than a current cost; if you want to minimize the cost of the relocation allowance hold the property longer. And second, the longer the conversion is delayed, the greater the opportunity for the landlord to amortise the cost through higher rental rates to his or her tenants. (More on this below).

In sum, to the small degree that the landlord is left with an obligation, the relocation assistance requirement should make low-income housing marginally more valuable to landlords willing to hold the property for low-income rental use than for conversion. However, the net amounts involved are so small (see below) the effect should be imperceptible. Professor Heyne does not appear to disagree:

Q. So forgetting, putting aside for a moment the symbolism of the ordinance, or the signal which you believe the ordinance sends, viewed in isolation, viewed just as a discrete ordinance that regulates the relocation process, does the ordinance on its own have any negative economic consequences for property owners?

A. I don't think -- I don't think that it has major negative economic consequences for property owners. (Tr.364)

And:

Q. But you do agree with the point that it may be in landlords' economic interests to do what this ordinance requires them to do, is that right?

A. Yes, yes, I certainly would agree that it may be in their best interests to do what this ordinance requires them to do. (Tr. 364).

And finally:

Q. Is it fair to say those (economic impacts of the ordinance) are relatively minor?

A. Speaking with more than my accustomed amount of ignorance, I would say yes, it's fair to assume those economic impacts for most landlords would be relatively minor, all things considered. (Tr.365).

I conclude that the ordinance will have no discernible impact on the supply of low-income housing, but that if there were to be any impact at all it would probably tend to minimally **slow** the rate of conversion rather than accelerate it.

VI. PROPORTIONALITY OF THE BURDEN

Professor Heyne argues that the ordinance places an unfair and illegitimate burden on landlords renting to low-income tenants. Yet the burden the ordinance imposes for payment (as opposed to the 90-day notice requirement, available to all tenants) is directly proportional to the amount of the individual landlord's contribution to the problem of the resettlement costs of displaced very low-income tenants. To the extent that no very low-income tenants are displaced, no assistance need be paid. The amount of the payment is directly proportional to the number of very low-income tenants displaced. Nor is the landlord required to pay relocation assistance to tenants better off than very low income tenants. The ordinance directs and limits the assistance required to that class of tenants likely to suffer serious financial and housing access problems due to the landlord's decision to convert.

Moreover, since Professor Heyne apparently agrees (see the last section) that the ordinance has a de minimis--or possibly even a positive--impact on landlords, it is difficult to discern his economic (as opposed to his ideological) argument on this issue. Once again:

Q. Is it a significant impact?

A. I am not saying this ordinance, I have never claimed this ordinance by itself has any significant impact. (Tr.193).

VII. CALCULATING THE NET FEE

The amount of the relocation assistance mandated by the ordinance is \$2,000 plus annual adjustments based on the CPI. Of this amount the City of Seattle pays half. This leaves approximately \$1,000 to be paid by the landlord. This amount is generally deductible as a business expense for federal income tax purposes. Most landlords are probably either in the 28% or 33% marginal income tax bracket; call it 30% for ease of presentation. The \$1,000 payment will thus have a federal tax value of approximately \$300. Netting out this value from the \$1,000 leaves a net burden of \$700.

Now let's assume that the landlord plans on converting the property in approximately five years.⁷ How much would the landlord have to raise the rent now in order to have generated \$700 at the end of the 5th year for the payment of the relocation charge? Assume a 5% interest rate. Five years is 60 months of payments. The

⁷ For a fuller elaboration of scenarios refer to table 2 below.

rent increase necessary to completely offset the \$700 burden to the landlord would be just over \$10 per month; a five dollar increase would offset \$350 of the burden, and so on.

In sum, Seattle city taxpayers will pay half the cost; Federal taxpayers will generally pay 30% of the remainder; and the tenants themselves will probably pay some or all of what's left through higher rents, depending on conditions.⁸

VIII. PASSING ON THE FEE TO TENANTS

On the first page of his "Economic Analysis" Professor Heyne tells us:

"(The relocation assistance cost) cannot be passed along to subsequent buyers or renters, because the market does not allow sellers to raise their prices on the basis of special costs they have had to bear." (Deposition Exh. 4, page 1).

In this he is in error.

When the wholesale price of asparagus goes up in the winter, so does the retail price; stores pass on the increase. How many of us cancel our magazine subscriptions when there is a 10% increase reflecting an increase in postage? Other things equal, how many of us would move rather than avoid a \$5 or \$10 per month rent increase?

However, this is not to say that all of the increase will be passed on in every case; the price elasticity of demand along with other factors will determine how much landlords will be able to pass through to tenants. The presence of substantial transactions costs involved in moving, especially in the short-run (but also in the longer term), suggest that demand will be inelastic and landlords will be able to pass through more rather than less of the cost.⁹

Maximum Rents Heyne argues to the contrary that if rents could have been raised, landlords would have done so already, and that the ability to raise rents

⁸ The following section addresses Professor Heyne's assertion that no amount of the relocation charge can be passed on to tenants.

⁹ I.e. knowing the problems involved, very low-income tenants would probably prefer to pay, if possible, a small increment in rent rather than face the costs both financial and psychological of displacement and relocation.

due to cost increases doesn't exist because landlords--as a matter of blackboard economics--have already raised rents to the very maximum level objectively achievable.

Much modern research, however, suggests that this is not the case. Many landlords, especially ones in closer contact with their tenants, only tend to raise rents when they can point to an external justification. In his deposition Professor Heyne conceded that this was indeed the case:

"When property taxes go up that gives them an excuse, a justification. And landlords are eager to find a justification for raising rents because tenants are in possession of valuable property and they don't want to incur the ill will of their tenants. So you will see this effect." Tr.198.

In addition, when asked:

Q. Are owners of low income housing or inexpensive housing getting the most rent that they can get as a normal rule, or could they raise their rent?

He responded:

A. I don't know. Tr.199.

And went on to say:

A: There is another factor. A landlord is always interested in keeping down turnover. So you can keep your turnover low, and hence your vacancy rate low, by keeping the rates lower than market. So let's assume that you own a unit where there is a long queue, all right. There is a long waiting list to get into this apartment. In fact, when people vacate they usually have a friend that they recommend to the landlord. Now there is an advantage to the landlord of this. He gets recommended tenants, a proven tenant recommends another tenant, and it's a smaller vacancy rate, and vacancies are very costly to landlords. **So there is an incentive to landlords to keep their units somewhat below market.**

It may be optimally profitable. Now, if rents are increased then -- excuse me, property taxes are increased, that may jar them. They may say well, gee, I can't do this any longer. They may just say, notify the tenants I've got to raise the rent \$50. Tr.200. (Emphasis added).

And finally:

Q. Would it surprise you to know when the city council passed an ordinance requiring registration of rental housing which was going to cost about \$30 a unit a year, that owners used that to pass on the costs to pretty much wholesale raise the rents of rental housing?

* * *

A. Yes I would be very interested in looking at the evidence on that. * * * I would not be surprised. Tr.204-5.

In sum I conclude that some -- though probably not all -- landlords faced with the likelihood of having to pay relocation assistance sometime in the future will raise rents to reflect this additional expense. The amount of the increase -- given some less than immediate plan to convert the property -- need not be large on a monthly basis to accumulate an amount to offset the relocation assistance. Table 2 presents several possible scenarios by way of illustration.¹⁰

<p style="text-align: center;">TABLE 2 SIX PASS-THROUGH SCENARIOS USING DATA FROM JANUARY 1990 AND JANUARY 1995</p>			
Scenario	Horizon (Years)	T-Bill Rate of Corresponding Term	Monthly Rent Increase Needed to Generate \$700 Over the Horizon
Jan 1990	10	8.24%	\$3.78
Jan 1990	5	8.17%	9.48
Jan 1990	2	8.16%	26.95
Jan 1995	10	7.74%	\$3.88
Jan 1995	5	7.73%	9.48
Jan 1995	2	7.48%	27.13

Note that the longer the term between the enactment of the ordinance and the date the relocation assistance payment comes due the smaller the amount of the rent increase that would have to be imposed to pass through the entire relocation assistance amount. In each case half the monthly rent increase would offset half (\$350) of the \$700 liability.

¹⁰ The interest rates used in the table are the actual risk free federal securities rates for the dates involved.

In sum, I conclude that the typical landlord planning a conversion involving very low-income tenants will have to cover a net payment of somewhere between 0% and 35% of the total relocation assistance payment as determined by the ordinance. Whether this net payment will tend toward the zero end or the 35% (\$700) end, will depend on actual conditions and the planning horizon for the conversion.¹¹

IX.

DID THE ADOPTION OF THE ORDINANCE HAVE AN ADVERSE IMPACT ON LANDLORDS AS CLAIMED BY PROFESSOR HEYNE?

Professor Heyne's theory is that the passage of the ordinance and the relocation assistance it entails would be reflected in a one time capital loss to existing owners of low-income rental property likely to be impacted. Tr.168 and Tr.169-70.

This is a testable hypothesis. If Professor Heyne is correct, and if the impact is other than de minimis, the market value of low-income rental property should have a noticeable downward "notch" at the point in time the ordinance was adopted.

I have reviewed County Assessor's reports on some of the properties involved in this litigation and I find no such "notch" in value of the sort one would expect to find if Professor Heyne were correct.

X. VALUE OF THE ORDINANCE TO LANDLORDS

Given the difficult housing situation facing very low-income tenants, landlords often encounter resistance in their efforts to evict tenants in the process of converting the property to other uses. This resistance might manifest itself in a variety of ways. Tenants might have to be evicted through expensive recourse to the legal process; damage to the property is a possibility, and there might be difficulty in extracting rent in the closing months of the tenants' tenure.

The ordinance, in that it is designed to ease the very low-income tenant's movement from the property to be converted into replacement housing, will tend to

¹¹ To the extent that landlords have properties with both very low-income and non-very low-income tenants, the landlord may be able to spread the rent increase across all tenants and so reduce the average increase.

substantially reduce costs in the categories listed above. Tenants may lose their right to the relocation assistance and be subject to other penalties if they do not vacate the property voluntarily. §22.210.180(A)(2).

The amounts involved may well be commensurate with the landlord's share of the relocation allowance. Just the cost of fighting through an eviction may be in the \$500 to \$1,000 range for the landlord.

Q. Would it shock you to learn that the cost of evicting a tenant is probably going to be at a minimum somewhere between \$500 and a thousand dollars?

A. I would not be surprised to hear that. * * * I find it plausible. (Tr.360)

Professor Heyne also agreed that the ordinance could have substantial benefits for some landlords.

Q. Well, is it fair to say that the rules of the game contained in the Tenant Relocation Assistance Ordinance have actual or potential economic benefits for landlords who are voluntarily engaging in an action that is going to displace tenants?

A. Yes, for some landlords, yes. (Tr.361).

And finally,

Q. But you do agree with the point that it may be in landlords' economic interests to do what this ordinance requires them to do, is that right?

A. Yes, yes, I certainly would agree that it may be in their interest to do what this ordinance requires them to do. (Tr.364).

My conclusion from this is that the ordinance creates important monetary benefits for landlords. In weighing the financial burden of the ordinance on landlords these benefits have to be placed in the scales as well.

XI. OTHER ASPECTS OF THE ORDINANCE

Not A Zoning Ordinance The Tenant Relocation Assistance Ordinance is not a zoning ordinance. It does not limit the uses to which low-income rental properties can be put, nor does it restrict development options. If the ordinance results in additional costs to landlords, it is not because it enacts limitations in either of

these areas.

Was the Ordinance Unanticipated? Professor Heyne suggests that this ordinance was "unanticipated," and that costs were imposed on owners who rent to very low-income persons, because by owning real estate they have given "hostages to fortune." "Economic Analysis" Deposition Exh.4, ¶3.

The implication is wide of the mark. The business of rental housing has been heavily regulated independent of this ordinance for decades. The passage of this ordinance in 1990 was preceded by the deployment of a similar ordinance in the years 1980-1987. State legislation specifically authorizing ordinances of this type was enacted prior to its passage. Far from giving "hostages to fortune," participants in this market are certainly well aware that rental housing is subject to various sorts of regulation, and that these regulations change from time to time.

Neither the manner or timing of its passage, its subject matter, or the modest magnitude of the net burdens imposed on landlords, make this ordinance in any way unique or out of the ordinary as regulatory ordinances go.

XII. CONCLUSIONS

I have set forth my twelve major conclusions at the beginning of this review. For the typical landlord the net financial impact will be minimal; if the owner bought the property after the passage of the ordinance, any adverse impact was already--Professor Heyne himself tells us--factored into the purchase price. All owners, both new and old will find costs shared by both City and federal taxpayers and by the tenants themselves. Benefits from lessened conflict with displaced tenants will have a significant dollar value benefit for landlords in the typical case.

From an economic perspective the ordinance substantially resolves a problem, reduces conflict, shares the costs and benefits, and does not place a disproportionate economic burden on any group.

DATED: January 30, 1995

Michael F. Sheehn