

Utilities the Key to Affordable Tenant Rentals: Here is AI's take on the Approach

By Fred Neil, 3rd District, Dover City Council, 303-678-3288

Delaware, along the rest of the Nation, is saddled with outrageous high tenant rents, and poorly maintained rental units do to the paucity of rental units and the aggressive pursuit of profit of Private Equity. While smaller landlords seek additional income for themselves, the corporate housing giants seek to enrich their investors without regard to economic well being of the State or the financial hardship to the tenants. This is diametrically opposed to what we, as elected officials, see as need for affordable housing and keeping money in the economy.

Without an oversupply of rental units to allow competition, which permits Capitalism to regulate tenant rents, discounted loans to create affordable housing from institutions such as Fanny Mae and Freddy Mac disappear without Legislators taking notice. Those Legislators who recognize that "something must be done" are often sidetracked by private interests who use their 'Magic Financial Wands" to poke holes in any Bills which will require them to justify their rents and require them, under penalty, to maintain their properties.

The most effective way to prevent the outrageous amounts of rent money from leaving the Delaware Economy and protect those tenants placed in financial peril is to adopt the Utilities model of guaranteeing profits to the landlords. The Utility model is also the only fair method to all parties to restore rents to the affordable range, while automatically adjusting to inflation, and help State agencies police maintenance issues.

AI Looks at the Utility Type of Rent Control

"A Utilities-type rent commission could be an innovative approach to managing rental properties. Here are some key aspects and potential benefits of such a system:

Key Aspects

Centralized Management: The commission would oversee the administration and maintenance of rental properties, ensuring that all expenses are transparent and accounted for.

FN: Place under DSHA after Charter change is an option.

Profit Regulation: Profits would be regulated based on the actual costs incurred for administration and maintenance, preventing excessive rent hikes and ensuring fair pricing.

Utility-Like Billing: Similar to utility companies, the commission could bill tenants based on their usage and the costs associated with maintaining the property. This could include water, electricity, and other essential services.

Tenant Protections: By centralizing the management and billing, tenants would have clearer protections and a single point of contact for disputes and issues.

Potential Benefits: Transparency: Tenants would have a clear understanding of how their rent is being used, with detailed breakdowns of expenses and profits.

Fair Pricing: Rent increases would be justified based on actual costs, preventing arbitrary hikes and ensuring affordability.

Efficiency: Centralized management could lead to more efficient maintenance and administration, potentially lowering overall costs.

Accountability: With a regulatory body overseeing the process, there would be greater accountability and less room for exploitation.

Challenges: Implementation: Setting up such a commission would require significant changes to existing laws and regulations.

Oversight: Ensuring that the commission operates fairly and transparently would require robust oversight mechanisms.

Initial Costs: There might be initial costs associated with setting up the commission and transitioning to this new system. *FN: Adjustable annual fee paid by Tenants. Rent savings will more than compensate.*

This approach could provide a balanced solution to the issues of rent control and housing affordability by ensuring that rents are fair and based on actual costs.” *FN: Inflation protection will be automatic for landlords*

Question? Is Using the Utility Model Legally Feasible?

“The constitutionality of Rent Control laws in the U.S. has been a subject of debate and legal scrutiny. Here are some key points:

Historical Context: The Supreme Court has upheld rent control laws in certain circumstances, particularly during times of economic emergency. For example, in the 1921 case *Block v. Hirsh*, the Court upheld a Washington D.C. rent control law enacted after World War I.

Economic Regulation: Generally, the Court has allowed economic regulations, including rent control, especially during wartime or economic crises. The rationale is that public exigencies can justify restrictions on property rights without compensation.

Modern Challenges: Some argue that rent control laws violate property rights and economic freedoms. Critics claim that these laws can be seen as an unconstitutional taking of property without just compensation, violating the Fifth Amendment. Since the landlord would be compensated as are utility companies with a profit, this form of the rent control is not a taking.

State Variations: Rent control laws vary widely between states and cities. Some states have strong rent control regulations, while others have banned them altogether.

Legal Precedents: The Supreme Court has generally upheld rent control laws when challenged, but the specifics of each case can influence the outcome. For instance, the Court has sustained rent control laws during wartime but struck down overly vague economic regulations.

In summary, while rent control laws have been upheld in various contexts, their constitutionality can depend on the specific circumstances and the way the laws are implemented.”

Human Intelligence: Carolyn Carter, Deputy Director, NCLC - U.S. Constitution Comments
Here are the Thoughts of a Constitutional Expert:

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To Fred Neil

I've never seen a case addressing the constitutionality of a Public Service Commission for rent, but I think the issue would be analyzed the same as the constitutionality of rent control - the idea is at its heart a rent control or rent justification provision, but with a state commission making the decisions rather than local boards or the courts.

Just as state Public Utility Commissions are charged with setting rates that give the utilities a fair and reasonable return on their investment, I assume that if a state commission handled rent it would take the same approach, which would probably put to rest the argument that it amounted to taking of property without just compensation.

However, it's such a novel idea that I wouldn't want to predict how courts would rule. In addition, I don't think the constitutionality of rent control has been definitively resolved, and even if it had been this is a changing area of the law.



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**How a Tree shows through a forest of excess profit
as RHP chips \$ away from low & middle income,
seniors and retired military tenants and the Delaware
economy!**

If RHP has to cut down a tree in one of their communities, the homeowner can't plant a new tree because RHP won't spend money to remove it when it reaches 6" around & 25 ft high.



Behind RHP Tree Economics

RHP is a Michigan based corporation boasting a huge national collection of leased land communities. Starting in 2017, RHP went on a buying spree in Delaware scooping up Shady Grove, Colonial East, Wild Meadows, Ridgeway Manor, Murray Manor and Park Place. Local owners made a bundle while the home owning tenants paid for the sale through gigantic rent increases annually. That money can't be spent in the local economy if it is in Michigan.

In 2023, the Senior 223 home community of Wild Meadows in Dover, RHP spent less than \$500,000 to operate and maintain (when forced to do so). RHP took from the Delaware economy \$1.8 million.

In order to give these corporate landlords "a safe harbor", the Legislature in its wisdom passed HB 317 which legally permitted compounded rent increases of 13.5% over 2 years hurting the tenants & the Delaware economy.

Not one single elected Delaware official knows the gross aggregate amount of rental income from Apartments, Houses, or Leased Land communities... or expenses claimed... or income tax paid. Ask them!

Leased Land Homeowners continue to be the Red Headed Step Child to be ignored & taken advantage of by predators who have no interest in affordable housing in Delaware. Shouldn't the people we elect care?

This message is from Fred Neil, 3rd District, Dover City Council.