PARTNERSHIP FOR STRONG COMMUNITIES

Partnership for Strong Communities promotes equitable change in Connecticut housing policy by coordinating advocacy, advancing research, and uniting diverse partners

TESTIMONY BEFORE THE HOUSING COMMITTEE
ALYSHA GARDNER, SENIOR POLICY ANALYST
PARTNERSHIP FOR STRONG COMMUNITIES

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H.B. 6947 - AN ACT PROHIBITING RESIDENTIAL RENTAL PROPERTY OWNERS FROM USING PRICING ALGORITHMS AND COMPETITORS' SENSITIVE DATA TO SET RENTAL PRICES.

Representative Felipe, Senator Marx, Representative Scott, Senator Sampson and distinguished members of the Housing Committee, thank you for the opportunity to submit testimony today. I am Alysha Gardner, Senior Policy Analyst with the Partnership for Strong Communities. We are a statewide nonprofit research, policy and advocacy organization dedicated to ensuring everyone in Connecticut has a safe, stable home that is affordable to them in an equitable community of their choice.

We respectfully request that the committee support H.B. 6947:

The Partnership for Strong Communities supports policies that promote housing affordability and housing stability. **This legislation, which places restrictions on the use of third-party software for algorithmic price collusion, will protect Connecticut residents from artificially high housing costs as a direct result of market manipulation.**

There is a dire housing affordability crisis in our state. **One in three Connecticut households rent, and over 120,000 renter households spend more than 50% of their income on housing costs.**

The White House Council of Economic Advisors studied the impact of algorithmic rent-setting schemes and released the following findings:

- These third parties add an estimated average of $70 per month (or $850 per year) to the cost of rent, almost certainly a lower bound
- An estimated one in four multifamily housing providers use a RealPage (one third-party company providing these services) pricing algorithm

- In 2023 alone, such algorithms are estimated to have cost renters more than $3.8 billion.

The authors of the report stated, "**Algorithmic pricing weakens competition because it can facilitate price coordination among landlords who would otherwise be competing**. Our analysis indicates that if price coordination was eliminated, there would be an **economically meaningful decrease in price mark-ups for rental units using pricing algorithms**."

Price collusion is illegal under existing anti-trust laws. The federal Department of Justice, together with ten states (including Connecticut) have initiated a lawsuit against RealPage, a leader and innovator in algorithmic price setting. Recognizing the impact of high housing costs on CT residents, Senator Richard Blumenthal has co-sponsored two bills in the U.S. Congress to monitor and prohibit this type of third-party data sharing and price setting. Former Attorney General Merrick Garland accurately captured the issues at stake:

> *"**Americans should not have to pay more in rent because a company has found a new way to scheme with landlords to break the law**. We allege that RealPage's pricing algorithm enables landlords to share confidential, competitively sensitive information and align their rents. Using software as the sharing mechanism does not immunize this scheme from [antitrust legislation] Sherman Act liability, and the Justice Department will continue to aggressively enforce the antitrust laws and protect the American people from those who violate them."*

Unfortunately, there is no guarantee that the current Department of Justice lawsuit will continue this lawsuit under the current Trump administration. In the absence of progress at the federal level, the CT General Assembly can protect renters under state law.

We believe that it is incumbent upon lawmakers to respond quickly when ill-intentioned actors attempt to push the boundaries of existing law by exploiting new technology. **Government leaders are responsible for updating and clarifying the implementation of current law to keep pace with rapid technological change**, as this bill would do in the case of price collusion via algorithm for housing costs. **By passing H.B. 6947, Connecticut will take proactive steps to prevent rapid, illegally-coordinated rent increases on its residents.**

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Thank you for the opportunity to submit this testimony.

Alysha Gardner
Senior Policy Analyst
Partnership for Strong Communities