Evaluating the Impact of Rent Control on Property Tax Burdens in Portland

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Prepared for the Greater Portland Board of REALTORS

WALLACE ECONOMIC ADVISERS

About this Report

This research was funded by the Greater Portland Board of REALTORS through a consumer advocacy grant from the National Association of REALTORS. The information and commentary provided in this report rely on information and data that are publicly available. While every attempt is made to validate their accuracy, there may be errors and inconsistencies that may impact the underlying findings of this analysis. Estimates made in this analysis are based on our understanding of the current socioeconomic and fiscal conditions of the region, as well as a set of projections and assumptions that we believe are reasonable. Results of this report may differ from those used by other parties in evaluating the impact of rent control on the distribution of property valuations and burdens. Even if the underlying assumptions are realized, the results of the analysis may vary from the actual realized impacts. In no way will Wallace Economic Advisers, LLC be held responsible or have any liability or be subject to damages as a result of this analysis or information contained in this report.

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Executive Summary

Portland is currently completing a comprehensive revaluation as of April 1, 2025 providing the assessment basis for fiscal years 2026 through 2030, or until an earlier revaluation takes place. Market values of real property provide a basis for tax assessment purposes that are the primary revenue source for a municipality's operations, including the public school system. Maine law requires property valuations to estimate the just value, or market value. Income generating properties are valued in large part based on potential revenue generation.

In November 2020, Portland voters approved a rent control ordinance aimed at improving housing affordability. This ordinance limits annual rent increases for certain rental properties, including non-owner-occupied buildings with fewer than five units and multi-unit properties with five or more units that are not affiliated with municipal housing authorities or public control. When rental income is capped below market levels, the value of these income-producing properties declines, reflecting a lower price buyers are willing to pay. Collectively, this reduction in valuation decreases the total taxable value contributed by rental properties and shifts the property tax burden onto other property owners, such as single-family homeowners and commercial entities.

While rent control has been studied from various angles, little attention has been given to its effects on municipal property tax distribution. This study uses publicly available data and standardized appraisal methods to estimate how rent restrictions influence taxable values and redistribute tax burdens across property types. The goal is to inform public discussion by addressing this previously unexplored impact of rent control policies. Understanding both the intended and unintended consequences of such policies is critical for evaluating their overall community benefits and costs.

Key Findings:

- Median sale prices have surged since 2019, rising 86% for single-family homes and 69% for two-unit residential properties.
- Since 2022, prices for multi-unit buildings with three to four units have diverged, with slight declines in sale prices, while single-family and two-unit property prices continued to increase.
- Rent restrictions are estimated to reduce Portland's total taxable property valuation by 3.2% to 5.4% compared to a no-restriction scenario.
- This decline in taxable value necessitates a higher mill rate to meet the FY 2026 budget requirements, resulting in a tax burden shift of $6.3 million to $10.6 million.

- About 63% of this tax burden shift falls on single-family and condominium property owners.
- For the median single-family home (valued at $605,000), this translates to an additional tax of $224 to $379 in FY 2026, above increases related to city and school budget growth.
- In percentage terms, this represents an added 3.3% to 5.7% increase in property tax for single-family and condominium owners, exclusive of other tax rate increases.
- Over the five-year period from FY 2026 to FY 2030, the median single-family homeowner can expect a cumulative additional tax burden of approximately $1,240 to $2,100 compared to a scenario without rent restrictions.

Overview and Scope

Portland has emerged as a highly desirable place to live and work. However, increasing demand has contributed to significant housing affordability challenges—especially for families, essential workers who sustain the city's appeal, and older homeowners on fixed incomes. High housing costs have also impeded the ability of local employers to recruit talent from outside the region.

In response, Portland voters approved a rent control ordinance in November 2020 aimed at mitigating the rising cost of housing. The ordinance establishes a base rent as of June 2020 for regulated units and limits annual rent increases to no more than 70% of the Consumer Price Index (CPI) for the Boston Metropolitan Statistical Area (MSA). Notably, there are no corresponding controls on ownership or maintenance costs for rental properties.

Property taxes, based on assessed market values, are the primary source of revenue for municipal services, including public education. In the case of rental properties—especially larger complexes with five or more units—assessments are primarily income-based. When rental income is capped by regulation, the market value, and hence the assessed value, of these properties may decline relative to unrestricted market conditions. This results in a reduced share of tax responsibility for rent-controlled properties, effectively shifting a greater share of the tax burden to other property types—such as single-family homes, commercial properties, and other non-restricted uses.

Under Maine law, municipalities must conduct a comprehensive property revaluation at least once every ten years. Portland's last revaluation, conducted as of April 1, 2021, relied on data that predated the implementation of rent control. As a result, current assessments do not fully reflect the policy's impact. A new citywide revaluation is underway as of April 1, 2025, and will form the assessment basis for the FY2026 tax year.

While extensive research exists on the broader economic and social impacts of rent control—including effects on rent levels, tenant mobility, housing supply, and ownership—few studies have explored its fiscal implications for local governments.[1] The limited research available suggests that rent control can reduce tax revenues, sometimes by millions of dollars.[2] However, no studies to date have examined the redistributive effects on property tax burdens across different property types.

This analysis aims to fill that gap by using publicly available data to simulate the effects of rent control on Portland's tax base valuation and burden distribution. The goal is to inform public discourse around the policy's financial consequences—both intended and unintended.

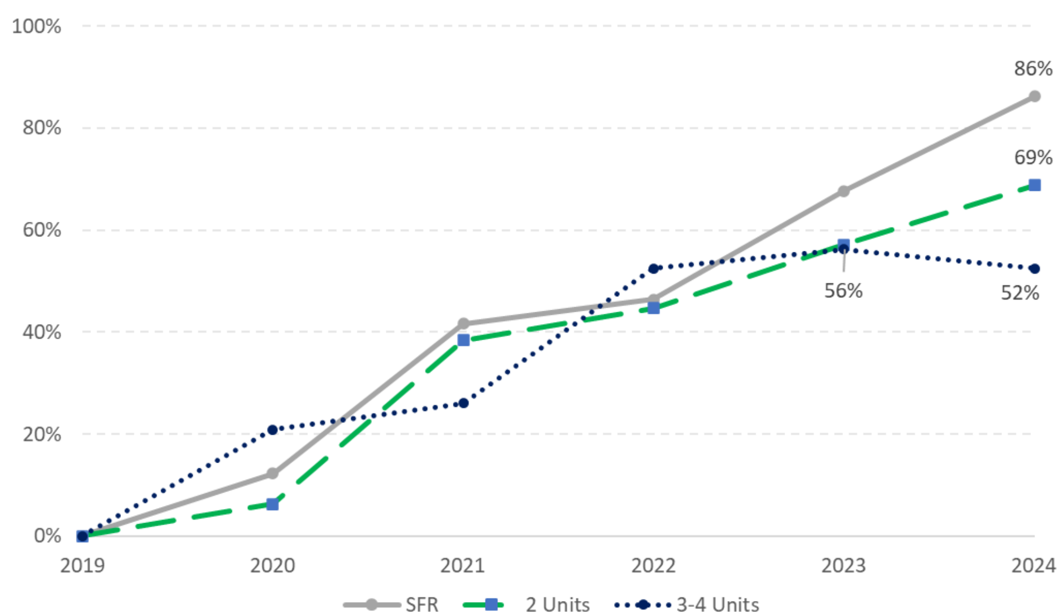
Residential Real Estate Market Trends[3]

Single-Family Residence, Condominiums, and Small Multi-Unit Properties (2-4 Units)

Portland's residential real estate market has experienced substantial growth over the past decade, with price appreciation accelerating notably since the onset of the COVID-19 pandemic. Figure 1 illustrates the percentage change in median sale prices for single-family residences (including condominiums), two-unit properties, and three- to four-unit buildings since 2019.

The median sale price of a single-family residence (SFR) increased by 86% from 2019 to 2024, reaching $605,000—a 67% increase since 2020 alone. Two-unit properties experienced nearly 70% appreciation over the same period, with the median price rising to $729,000. These properties have gained popularity among first-time buyers who occupy one unit and rent the other to help offset mortgage payments and other costs.

Figure 1: Median Sales Trends by Type Indexed to 2019



Source: Multiple Listing Service (MLS), author's calculations. In nominal dollars.

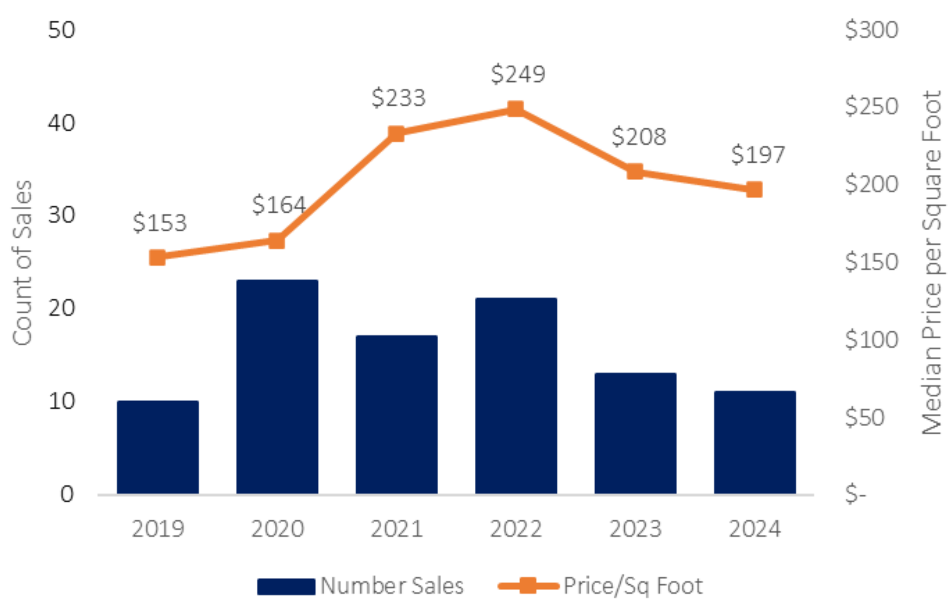
Three- and four-unit properties are also attractive to first time home-buyers for similar reasons. However, they are more commonly purchased by non-owner-occupied investors and are subject to rent control restrictions. While these properties saw a 52% increase in median sale price from 2019 to 2024, a divergence emerged beginning in 2022. Since then, prices have plateaued and slightly declined, breaking away from the upward trends seen in smaller residential segments.

Multi-Units with 5 or More Units

Market sales data on residential properties with 5 or more units is less reliable when trying to understand sales trends because of the limited number of transactions each year, the varying building sizes, and presence of mixed-use properties that include both residential units as well as commercial space, such as retail or office.

Figure 2 presents annual sales counts (navy bars) and average price per square foot (orange line) for residential properties with five or more units, excluding mixed-use developments. Between 2019 and 2024, 95 qualifying properties were sold, with 80% comprising 5 to 10 units. Only one transaction involved a building with more than 20 units. After a notable spike in both transaction activity and price growth from 2020 to 2022, the market has cooled. Sales volume has declined, and price per square foot growth has slowed accordingly.

Figure 2: Annual Sales Count and Median Price per Square Foot for 5+ Multi-Units



Source: MLS. In nominal dollars.

Rent Control and Tax Base Revaluation

Portland's Rent Control Ordinance

Various forms of rent control have been used in urban areas across the United States for decades as a means to address rental housing affordability for tenants. In 2020, voters in the City of Portland voted in favor of enacting protections for residential rental housing tenants to address rapidly increasing costs of housing. The rent control ordinance, subsequently revised in 2023, establishes protections for tenants that include restrictions on the annual increases in rental prices. [4] The key provisions of Portland's rent control ordinance relevant to this analysis include:

- **Coverage:** Applies to all rental units in the city, with exemptions for owner-occupied properties with fewer than five units, municipal housing authority properties, and units with publicly controlled or subsidized rents.
- **Base Rent:** Establishes a "base rent" as of July 2020, used to determine future rent increases. Units entering the rental market after that date may establish base rents at prevailing market rates.
- **Annual Increases:** Limits annual rent increases to no more than 70% of the Consumer Price Index (CPI) for the Boston Metropolitan Statistical Area (MSA), as reported by the U.S. Bureau of Labor Statistics (BLS).
- **Banked Increases**: Allows landlords to "bank" unused allowable increases for future use, capped at a maximum increase of 10% in any single year.
- **Vacancy Adjustments**: Permits a 5% rent increase upon voluntary tenant vacancy, applied to the original base rent.
- **Vacancy Reset Restrictions**: Prevents market-rate rent resets unless the unit has remained unrented for a continuous 60-month period.

Assessment Standards in Maine

Maine law requires municipalities to reassess property values every ten years to ensure assessments reflect just value—commonly interpreted by courts as market value: the price a willing buyer and seller would agree upon in an arm's length transaction.[5] Portland's most recent revaluation was effective as of April 1, 2021, with a new revaluation underway as of April 1, 2025.

Appraisers conducting a citywide revaluation must follow the Uniform Standards of Professional Appraisal Practice (USPAP). [6] These standards require the collection and analysis of sufficient market data and the use of accepted valuation methods, including:

1. **Sales Comparison Approach**: Uses recent sales of comparable properties to estimate value.
2. **Income Approach**: For income-generating properties, estimates value based on net operating income and capitalization rates.
3. **Cost Approach**: Estimates value based on the cost to reproduce or replace the structure, less depreciation.

Given these standards, it can be reasonably hypothesized that rent-restricted (i.e., rent-controlled) properties will generate lower net operating income than comparable market-rate properties, resulting in lower assessed values.

Present Distribution of Portland's Tax Base

The Portland Assessor's Office provided parcel-level assessment data from 2019 through 2025. Parcels are categorized into approximately 34 land use types (as of FY2025). Figure 3 illustrates the share of **total taxable value** (net of exemptions) by land use category for FY2021—reflecting values prior to rent control and the last revaluation—and FY2025, just prior to the upcoming revaluation.

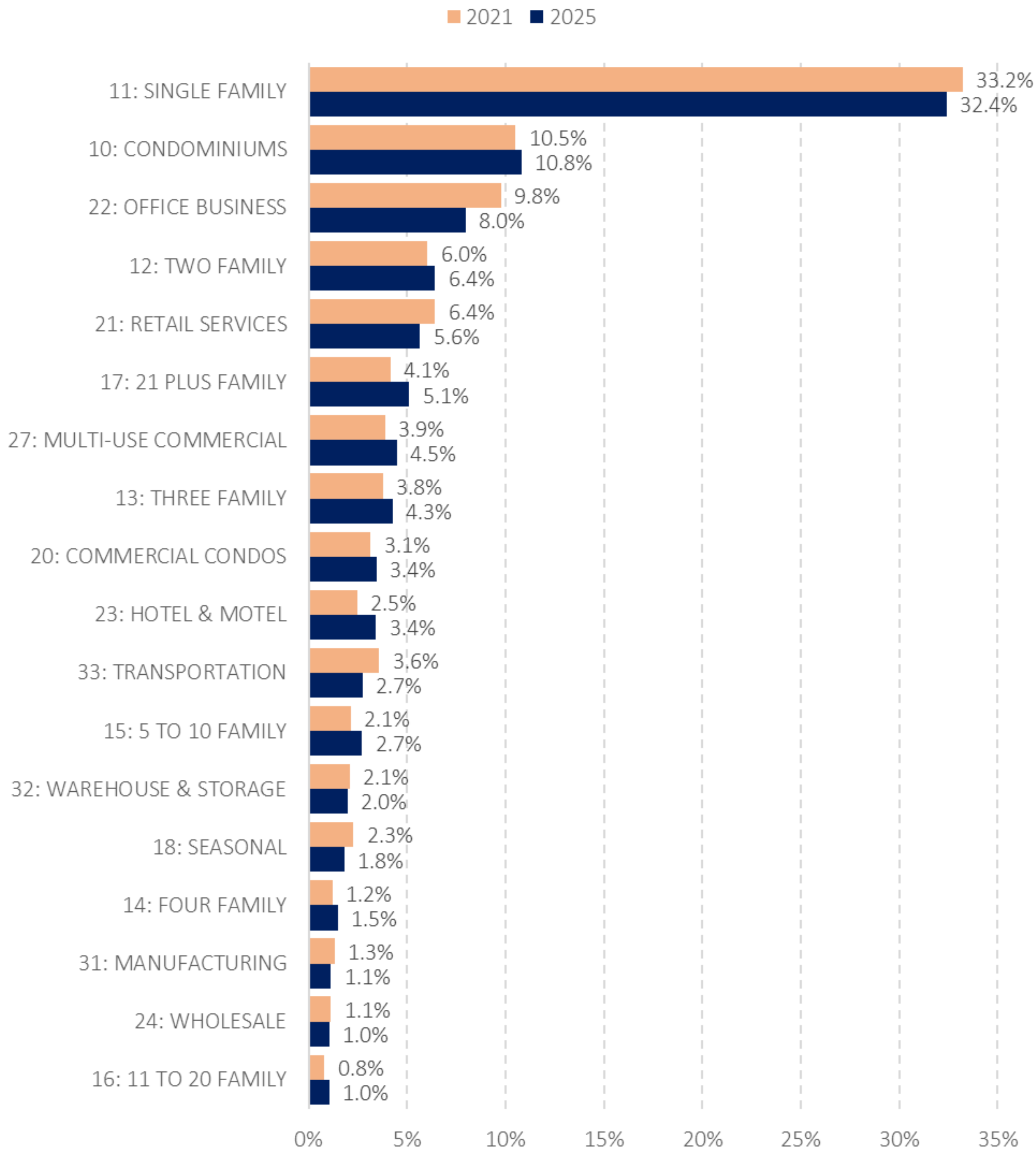
Despite some fluctuations from new construction and shifting market conditions, the distribution of the tax base has remained largely stable between 2021 and 2025:

- The 21+ Family category expanded due to a substantial number of new multi-unit developments.
- Several hotel properties were also added, increasing the taxable base in the Hotel/Motel category.
- The Office Business category saw a notable decline in assessed value, likely reflecting reduced demand stemming from the COVID-19 pandemic and the rise of remote work.

As of FY2025:

- Residential parcels (e.g., Single Family, Condominium, Multi-Family) make up 66% of the total taxable base.
- Properties directly affected by rent control (e.g., those with three or more residential units) account for nearly 15% of total value.
- Retail Services (5.6%) and Multi-Use Commercial (4.5%) categories may include rent-controlled residential units, but the residential vs. commercial/retail split is not always discernible.

Figure 3: Share of Taxable Value by Land Use 2021 and 2025



Source: City of Portland Assessors Office, author's calculations

Estimating Shifts in Portland 's Tax Base

Estimation Overview

This analysis estimates how Portland's rent control ordinance affects the city's taxable base and how tax burdens shift across different land uses. Two valuation scenarios are simulated:

1. **Rent Control Scenario** – Reflects the existing ordinance, with rent-restricted properties generating lower income and thus lower valuations.
2. **Market Value Scenario** – Assumes no rent control; rents and valuations are determined by market forces.

Mill (tax) rates are calculated under each scenario using the proposed FY2026 city budget. [7] These mill rates are then applied to each land use category to estimate tax burden distribution.

Because a full parcel-by-parcel revaluation requires detailed, confidential data (e.g., income and expense reports, on-site inspections), this analysis instead uses **aggregated market data and statistical averages** (e.g., mean, median, variance) to estimate broader shifts in taxable value. While this exercise may not arrive at precise values for each parcel, it does capture aggregated average changes in the valuation of the tax base.

Procedures and Assumptions

Categorizing Properties

Using Portland's tax commitment database as a base, parcel details were collected, such as units subject to rent restrictions, which the City's rental registration database was the primary source of information. For the majority of properties with 5 or more units, parcel specific information was collected such as whether units are subject to rent control, the number of units, age of the structure, and other details where relevant.

Not all residential units are in strictly residential properties. Mixed-use commercial, multi-use residential, retail, and other land use categories include income generating properties that have residential units subject to rent control that may impact valuations. For these parcels with at least 4 residential units, similar information was collected and verified, including whether the units were rent restricted (i.e. reported in the rent registration database), number of units, age of structure, and other relevant details. Values of mixed-use properties with less than 4 residential units were not adjusted between scenarios (i.e. the same value was assumed). Though it is likely values are directly impacted (decreased) compared to the market value scenario.

Estimating Residential Values Using the Sales Approach

The value of single family, condominium, and 2-4 multi-unit properties were estimated using a generalized market (sales) appraisal approach. Market sales data from the Multiple Listing Service (MLS), Zillow, and others publicly available. Price per unit and price per square foot metrics were used to imply value by respective parcel land use and compared to market growth rates since the last valuation, which were relatively consistent.

Single-Family, Condominium, and Two-Family Parcels

The value of single family, condominium, and two-family properties are assumed *not directly* impacted by rent restrictions, due to their substitutability as owner-occupied residences, as evidenced in market sales trends since 2019. For this reason, it is assumed the value of these property types will not be directly impacted by rent restrictions, and therefore the same values for these property types are assumed for both scenarios.

Three- and Four-Family Parcels

While 3-4 units may also include owner occupied units and thus not subject to Portland's rent control ordinance, most 3-4 multi-family properties are purchased as investment properties and subject to the rent control ordinance. Data on which properties are owner occupied is limited making it difficult to meaningfully determine which 3 and 4 family properties are subject to rent control. However, there is a sufficient number of sales from which to confidently approximate value for 3-4 family properties. Sales trends highlighted in Figure 1 suggest values for 3-4 family properties have been impacted by rent control. Given the divergence in sale prices from single-family and two-family properties since 2022, values for 3-4 family properties are estimated separately for each simulation. Under the Rent Control simulation, sales data on three-four units from 2023 and 2024 are used to estimate a mean value. For the Market Value scenario, values for 3-4 family properties are estimated using per unit sale prices as if they had followed sales trends in line with two-unit properties.

Estimating Residential Units Using the Income Approach

As reviewed in a previous section, comparable sales data for multi-unit properties with five or more units is limited. In absence of sufficient sales data, a generalized income approach was used to estimate value for land use parcels categorized with five or more residential units (5+) and for mixed-use residential and mixed-used commercial properties. This follows a similar focus used by city assessors in the 2021 valuation.[8] Value under the income approach is calculated as the net operating income (rents minus expenses) divided by a capitalization rate. Inputs are discussed below.

Average Rents

Market rents (under the market Value scenario) were approximated using a sample of rents from non-rent restricted properties (i.e. owner-occupied multi-units), from listing services (e.g. Craigslist, Apartments.com, etc.), and from new units on the market in the last two years with base rents being set for the first time at market rates. A mean value of $2,065 per month was calculated. Average and median rents for non-exempt rent restricted properties (under the Rent Control scenario) are calculated from the city's rent control database after eliminating outliers in the distribution.[9] A value of $1,706 per month was calculated, consistent with the mean rent calculated in the Rent Control Board's 2023 report inflation-adjusted.

Expenses

Average monthly expenses per unit data was calculated from a collection of properties with diverse size, age, and location and calculated as $727 per unit. Per unit expenses only include those for property operations and valuation purposes and exclude any expenses related to debt service or capital improvements.

Capitalization Rates

Capitalization rates[10] were determined based on sales (where data was available) form the past two years for 5+ properties and data from commercial real estate market analytic firms.[11] Average capitalization rates for multi-unit residential properties in Portland range from approximately 6% to 9%, under typical market conditions. Under the Market Value scenario, a 6% capitalization rate is assumed for all properties. Under the Rent Control scenario, two capitalization rates are simulated to provide a range of impacts - 6% (Lower End Range) and 9% (Upper End Range).

Estimating Value in for Other Land Uses

Market data for other land use classifications, including commercial office, retail, and industrial space were culled from publicly available reports and properties listed for sale on relevant websites.[12] Growth rates and price per square foot were used to estimate market value across respective land use categories.

Calculating Mill Rates

Mill rates are calculated for each scenario to satisfy Portland's tax revenue requirements stated in the most recent proposed budgets for FY 2026 totaling $242,586,161, including $127,155,979 for the proposed school budget. The differences in mill rates are applied to the change in share of valuation by land use to calculate the shifts in tax burdens.

Upon completion of the current revaluation as of April 1, 2025, it is assumed that those values will remain constant until the next revaluation, expected in five years. This has been the case since the previous valuation – parcel valuations remained constant. While there may be parcel level valuations updated in some instances and additions to the valuation from new properties or conversions, it is assumed the relative shares of each land use's contribution to taxable value, and therefore tax revenues, will be consistent. Annual municipal revenue requirements are assumed to increase at the average annual increase for the period FY2021 through proposed FY2026 (5.2% per year) and used to calculate mill rates and tax impacts by land use.

The Impact of Rent Control on Shifts in Tax Burden

Rent control is projected to reduce Portland's total taxable valuation by approximately 3.2% to 5.4% relative to a scenario without rent restrictions (see Table 1). This decline is concentrated in land use categories subject to rent control, leading to an increased share of the tax base being absorbed by other property types, particularly Single Family and Condominium properties.

To maintain revenue levels consistent with the FY2026 budget, the lower overall valuation necessitates a higher mill rate. This results in an estimated tax burden shift of $6.3 million to $10.6 million in FY2026 alone. Cumulatively, from FY2026 through FY2030, the total shift in tax burden is expected to range from $34.9 million to $58.9 million.

Roughly 63% of this additional burden is expected to fall on Single Family and Condominium property owners. For a median single-family home (valued at $605,000), this translates to an additional $224 to $379 in property taxes in FY2026. Over the five-year period, the cumulative impact ranges from $1,242 to $2,107. On an annual basis, this equates to a 3.3% to 5.7% increase in taxes for these property types—exclusive of any future budget-driven increases from the city or schools.

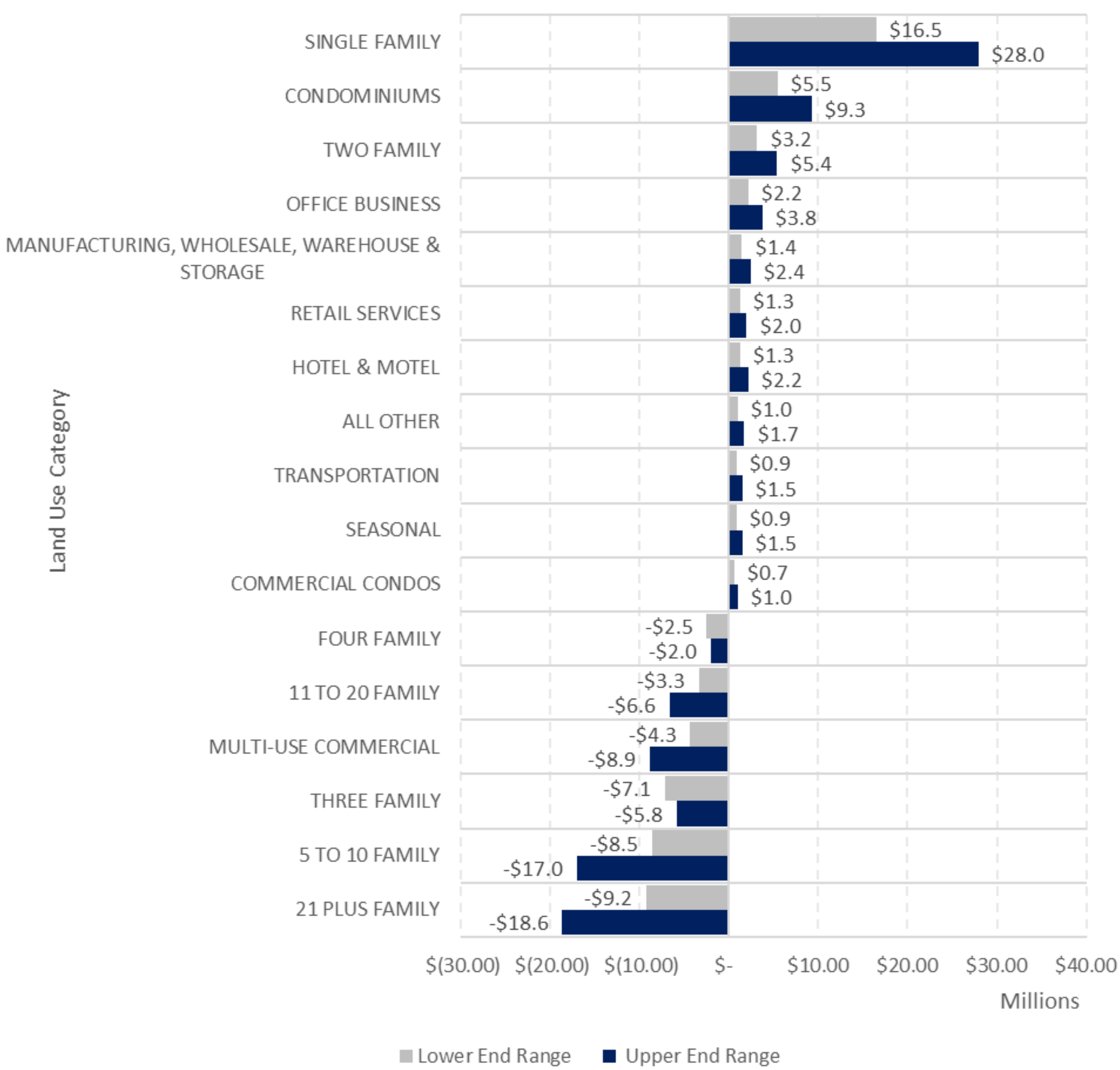
Table 1: Incremental Shift in Tax Burden Resulting from Rent Control FY2026-2030

	Difference from Market Value Scenario	
Measure	Lower End Range	Upper End Range
Change in Total Valuation	-3.2%	-5.4%
FY2026 Tax Burden Shift	$6.3 million	$10.6 million
Total FY2026-30 Tax Burden Shift	$34.9 million	$58.9 million
Share of Tax Burden Shift to Single Family/Condo	63.0%	63.3%
FY2026 Tax Impact Median Home Owner	**$224**	**$379**
Total FY2026-30 Tax Burden Shift to Median Home Owner	**$1,242**	**$2,107**

Figure 4 illustrates how the cumulative tax burden shift is distributed across land use categories for FY2026 through FY2030. Properties subject to rent control, such as multi-unit residential buildings, see a reduction in tax burden, while other categories see increases. Single Family homes may experience a $16.5 million to $28.0 million increase in tax liability, and Condominium properties may face an additional $5.5 million to $9.3 million.

These increases are offset by decreases among rent-controlled property types. For instance, 21+ Family buildings could see a reduction in tax burden of $9.2 million to $18.6 million, and 5 to 10 Family buildings may see reductions between $8.5 million and $17 million.

Figure 4: Projected Shift in Tax Burden by Land Use Category for FY2026-FY2030



The simulations are based on capitalization rates typical for Portland's real estate market. However, actual cap rates for rent-restricted properties may be higher, which would further reduce assessed values and taxable property values—ultimately amplifying the tax burden shift to other properties.

Case Studies

Overview

As a second component of this analysis, four case studies of multi-unit residential properties in Portland were conducted to provide deeper insight into the effects of rent control on property valuation and tax burden. The properties were selected from a pool of non-exempt, rent-controlled buildings with at least 10 units.

Current rental data for each property was obtained from the City of Portland's rent registration database. Operating expenses were estimated based on comparably sized and aged buildings. Industry-standard assumptions were applied for property management fees (7%), vacancy (5%), and reserves/repairs (5%). For market-rate comparisons, rents were imputed using prevailing rates based on unit size and publicly available market data.

Using these inputs, valuations under rent restrictions were calculated by capitalizing net operating income (NOI) using both lower and upper bound capitalization rates. These were then compared to valuations assuming market-rate rents and a 7% capitalization rate. Tax impacts were estimated based on the differences in assessed values between rent-restricted and market-rate scenarios.

Case Study One

Case subject 1 is a 13-unit property located in the Back Cove neighborhood, consisting of primarily two-bedroom units. Current annual cashflows from rental revenues total approximately $183 thousand with estimated annual expenses of just under $89 thousand for an NOI of approximately $94 thousand per year (Table 2). In comparison, if the property units were not subject to rent control, prevailing market rents would generate approximately $322 thousand per year in revenue, producing an NOI of approximately $233 thousand.

Table 2: Case 1 - Net Operating Income

	Current		Market Rate	
	Monthly	**Annual**	**Monthly**	**Annual**
Revenues (Rental Income)	$15,285	$183,420	$26,845	$322,140
Expenses	$7,399	$88,787	$7,399	$88,787
Net Operating Income (NOI)	$7,886	$94,633	$19,446	$233,353

Based on the NOI for each of these scenarios, the implied just value with prevailing market rate rents is estimated to be $3.3 million based on a 7% capitalization rate (Table 3). The estimated value under a lower and upper bound capitalization rate and restricted rent rates indicates a value between $1 million and $1.3 million. Comparing the market rate value to rent restricted value suggests a decrease of between $21 thousand and $25 thousand in tax revenues from this property in FY 2026. Over the next five years, the total decrease in tax revenues from this property will total between $121 thousand and $140 thousand compared to property value with prevailing market rents.

Table 3: Case 1 - Current Valuation and Scenario Comparison

Measure	Value	Difference from Market Rate	Tax Equivalent (FY 2026)	Five Year Tax Equivalent
Market Rate Assessment	$3,333,614	-	-	-
Value at Lower Bound Cap Rate	$1,351,900	-$1,981,714	$21,886	$121,419
Value at Upper Bound Cap Rate	$1,051,478	-$2,282,137	$25,204	$139,825

Case Study Two

Case subject two is a 11-unit property located in downtown Portland close to Commercial Street. Current annual cashflows from rental revenues total approximately $$170 thousand with estimated annual expenses of $61 thousand for an NOI of approximately $46 thousand per year (Table 4). In comparison, if the property units were not subject to rent control, prevailing market rents would generate approximately $187 thousand per year in revenue, producing an NOI of approximately $126 thousand.

Table 4: Case 2 - Net Operating Income

	Current		Market Rate	
	Monthly	Annual	Monthly	Annual
Revenues (Rental Income)	$8,915	$106,980	$15,620	$187,440
Expenses	$5,098	$61,180	$5,098	$61,180
Net Operating Income (NOI)	$3,817	$45,800	$10,522	$126,260

Based on the NOI for each of these scenarios, the implied just value with prevailing market rate rents is estimated to be $1.8 million based on a 7% capitalization rate (Table 5). The estimated value under a lower and upper bound capitalization rate and restricted rent rates indicates a value between $509 thousand and $763 thousand. Comparing the market rate value to rent restricted value suggests a decrease of between $11 thousand and $14 thousand in tax revenues from this property in FY 2026. Over the next five years, the total decrease in tax revenues from this property will total between $64 thousand and $79 thousand compared to property value with prevailing market rents.

Table 5: Case 2 - Current Valuation and Scenario Comparison

Measure	Value	Difference from Market Rate	Tax Equivalent (FY 2026)	Five Year Tax Equivalent
Market Rate Assessment	$1,803,718	-	-	-
Value at Lower Bound Cap Rate	$763,338	-$1,040,380	$11,490	$63,744
Value at Upper Bound Cap Rate	$508,892	-$1,294,826	$14,300	$79,333

Case Study Three

Case subject 3 is a 37-unit property located in the West End of Portland on peninsula. Current annual cashflows from rental revenues total approximately $704 thousand with estimated annual expenses of $280, thousand for an NOI of approximately $424 thousand per year (Table 6). In comparison, if the property units were not subject to rent control, prevailing market rents would generate approximately $910 thousand per year in revenue, producing an NOI of approximately $630 thousand.

Table 6: Case 3 - Net Operating Income

	Current		Market Rate	
	Monthly	Annual	Monthly	Annual
Revenues (Rental Income)	$58,654	$703,844	$75,850	$910,200
Expenses	$23,319	$279,832	$23,319	$279,832
Net Operating Income (NOI)	$35,334	$424,013	$52,531	$630,368

Based on the NOI for each of these scenarios, the implied just value with prevailing market rate rents is estimated to be $9 million based on a 7% capitalization rate (Table 7). The estimated value under a lower and upper bound capitalization rate and restricted rent rates indicates a value between $4.7 million and $6 million. Comparing the market rate value to rent restricted value suggests a decrease of between $32 thousand and $47 thousand in tax revenues from this property in FY 2026. Over the next five years, the total decrease in tax revenues from this property will total between $180 thousand and $263 thousand compared to property value with prevailing market rents.

Table 7: Case 3 - Current Valuation and Scenario Comparison

Measure	Value	Difference from Market Rate	Tax Equivalent (FY 2026)	Five Year Tax Equivalent
Market Rate Assessment	$9,005,262	-	-	-
Value at Lower Bound Cap Rate	$6,057,322	-$2,947,941	$32,557	$180,619
Value at Upper Bound Cap Rate	$4,711,250	-$4,294,012	$47,423	$263,092

Case Study Four

Case subject 4 is a 92-unit property located in central downtown Portland. Current annual cashflows from rental revenues total approximately $1.3 million with estimated annual expenses of $756 thousand for an NOI of approximately $572, thousand per year (Table 8). In comparison, if the property units were not subject to rent control, prevailing market rents would generate approximately $$1.8 million per year in revenue, producing an NOI of approximately $1.1 million.

Table 8: Case 4 - Net Operating Income

	Current		Market Rate	
	Monthly	**Annual**	**Monthly**	**Annual**
Revenues (Rental Income)	$110,676	$1,328,112	$151,800	$1,821,600
Expenses	$62,946	$755,356	$62,946	$755,356
Net Operating Income (NOI)	$47,730	$572,756	$88,854	$1,066,244

Based on the NOI for each of these scenarios, the implied just value with prevailing market rate rents is estimated to be $15 million based on a 7% capitalization rate (Table 9). The estimated value under a lower and upper bound capitalization rate and restricted rent rates indicates a value between $5.7 million and $7.5 million. Comparing the market rate value to rent restricted value suggests a decrease of between $85 thousand and $105 thousand in tax revenues from this property in FY2026. Over the next five years, the total decrease in tax revenues from this property will total between $471 thousand and $582 thousand compared to property value with prevailing market rents.

Table 9: Case 4 - Current Valuation and Scenario Comparison

Measure	Value	Difference from Market Rate	Tax Equivalent (FY 2026)	Five Year Tax Equivalent
Market Rate Assessment	$15,232,057	-	-	-
Value at Lower Bound Cap Rate	$7,536,263	-$7,695,794	$84,992	$471,517
Value at Upper Bound Cap Rate	$5,727,560	-$9,504,497	$104,968	$582,335

Conclusions

This study evaluates the impact of rent restrictions on the distribution of taxable property value and resulting tax burden using appraisal standards consistent with Maine law. The analysis finds that limiting annual rent increases below prevailing market rates reduces the city's total taxable valuation by an estimated 3.2% to 5.4%. This reduction is primarily driven by the lower assessed values of income-generating properties subject to rent control.

As a result, a higher mill rate is necessary to meet the revenue needs of Portland's proposed FY2026 budget and beyond. Assuming no changes to budget levels, this increase in the mill rate would lead to an additional annual tax burden of approximately $220 to $380 (a 3.3% to 5.7% increase) for the median-value homeowner. Cumulatively, over the FY2026–FY2030 period, this represents an added tax cost of between $1,240 and $2,100.

This analysis does not assess the broader policy effectiveness of rent control in achieving its intended goals, such as housing affordability or tenant stability. Instead, it aims to inform public discourse by addressing a previously underexplored area: the fiscal and distributional effects of rent restrictions on Portland's property tax system.

Appendices

About the Author

The principal investigator of this report is Ryan Wallace, Ph.D. As principal economist of Wallace Economic Advisers, Ryan conducts economic, workforce, and community development research for public and private sector organizations. Since 2010, he has completed hundreds of studies on topics impacting the Maine, New England, and US economies across a variety of economic and policy contexts. Prior to WEA, Ryan served as the director of the Center for Business and Economic Research at the University of Southern Maine and as director of the Maine EDA University Center for the University of Maine System, where he was an appointed member of the Maine State Revenue Forecasting Committee and served on the advisory board of the Federal Reserve Bank of Boston's New England Public Policy Center. He earned a Ph.D. in Regional Planning from the University of Massachusetts Amherst where he was a National Science Foundation Offshore Wind Energy IGERT Fellow and Associate, and holds a baccalaureate degree in finance from Bentley College (now Bentley University).

[1] Kholodilin, Konstantin A. "Rent control effects through the lens of empirical research: An almost complete review of the literature." *Journal of Housing Economics* (2024): 101983.

[2] See Peat Marwick, *A Financial Analysis of Rent Regulation in New York City: Costs and Opportunities* (1988), Community Development Department, City of Berkeley, Rent Control in the City of Berkeley, 1978 to 1994: A Background Report for Updating the City of Berkeley's General PlanHousing Element. Berkeley, 1994, Sternlieb, George, and James W. Hughes. "Rent Control's Impact on the Community Tax Base." Appraisal Journal 47.3 (1979),

[3] Supplemental data on market trends is shown in the Appendices.

[4] See the following links for information on the full ordinance https://www.portlandmaine.gov/1148/Rent-Control-Rental-Housing-Rights or https://content.civicplus.com/api/assets/78f22237-21c9-4ad5-9b67-56223c0b6e6c.

[5] 36 M.R.S. §701-A. See Maine Revenue Service, Revised June 2022. "Introduction to Property Tax Assessment". Retrieved from https://www.maine.gov/revenue/taxes/property-tax/.

[6] See Commercial Revaluation Appraisal Documentation and Statistics, City of Portland, Maine 2021. Prepared by Tyler Technologies. Report provided by Portland's Assessors Office.

[7] As of April 22, 2025, the proposed city budgets and tax revenue to be raised through property taxes totals $242,586,161 including both the City and School budgets.

[8] See Commercial Revaluation Appraisal Documentation and Statistics, City of Portland, Maine 2021. Prepared by Tyler Technologies. Report provided by Portland's Assessors Office.

[9] The rental database has known issues with outliers as discussed in the Portland Rent Board Annual Report dated January 9, 2024. Accessed at https://content.civicplus.com/api/assets/38a498d1-12ed-4ac1-b0ba-5a00cc72e41d on May 1, 2025. Outliers are primarily units with rents reported as $0, rent increased above the allowable limits, and units that decreased rents by more than 10% of the previous year or the base year.

[10] Capitalization rates represent the expected rate of return for an income generating investment, in this case rental properties and are used to calculate the value investors would pay for a property.

[11] See, Colliers https://www.colliers.com/en/news/maine/midyear-me-multifamily#:~:text=The%20average%20cap%20rate%20is,area%20for%20long%2Dterm%20holds, the Dunham Group https://www.dunham-group.com/uploads/2024-southern-maine-industrial-market-survey_digital_.pdf , and the Boulos Company https://boulos.com/portland-maine-2024-office-market-outlook/.

[12] *Ibid.*