



Montgomery County Council
100 Maryland Avenue, 5th Floor
Rockville, MD 20850
Attn: Council President Gabe Albornoz

July 21, 2022

Re: Proposed Rent Cap Bill

Dear County Council President Gabe Albornoz,

I am writing as the owner and property manager of Fairland Crossing Apartments, located in Montgomery County, to request your support. We are experiencing unique challenges in wake of the proposed rent cap extension bill.

We all experienced unprecedented challenges throughout the COVID-19 pandemic, which has already extended for 27 months. As housing providers, we benefit from providing housing to our residents. When challenges hit, such as throughout the pandemic, we share in our residents' struggle to maintain a roof over their heads. We strive for nothing less than to support them throughout their struggles, especially when it involves financial hardships. Now, as the nation pivots to pandemic recovery mode, we are met by extraordinary challenges.

We acquired Fairland Crossing (formerly Parc at Woodlake) in December 2019 as a distressed property. Residents were living in dilapidated living quarters, with notable plumbing issues. Over the past 2 ½ years, we invested over \$7 million in improving Fairland Crossing's residents' quality of life, by renovating their apartments and making many repairs to the plumbing and infrastructural issues at the property. Through these efforts, our residents now benefit from the apartment- and community-amenities of a class B+ property.

Most of these improvements were performed while our residents were residing in their homes, as a grace to our residents for the duration of their lease term. Since renewal increases were capped throughout the pandemic, our residents had an opportunity to further benefit from these life quality improvements for prolonged periods of time at no cost. Now that we have the opportunity to increase their rental rates, our residents have embraced their part in the deal by signing renewal leases at increased rents, a minority of which are in excess of 10%.

We have also provided a new home to many residents who have joined us over the past couple of years. These new residents, typically at 50-100% AMI, are paying rent at rates approximately 10% higher than the in-place rents at the property. Our residents have continuously paid their rent, and we have not experienced any out-of-the-ordinary levels of delinquency on rent payment.





We are now faced with a new challenge by the proposed bill to prolong the caps on rent increases. We are a mid-sized operator, and first-time operator in Montgomery County. Our investment in Montgomery County is based on our promise to our lenders and investors to provide a return on their investment. To justify our investment in Montgomery County, we need to start tapping into increased sources of revenue through rent increases, and our residents are exhibiting readiness to pay.

Besides from owning and managing rental apartments, we also develop homes in the Washington, DC – Maryland region. We have added over 700 homes to the region, with more than 500 more under development. Our ability to invest in the future of Maryland requires us to make grounded assumptions as to our revenue potential. Legislation such as the rent cap bill under consideration presents a tremendous risk to our operation, as our lenders and investors would not agree to assume the risk of uncertainty in restrictions on rental revenue. This type of uncertainty will surely preclude us and similar land developers from investing in the future of Montgomery County.

I look forward to partnering with Montgomery County in providing housing to many more residents, and in continually improving the quality of life in the County. I urge you to do whatever is in your power to stop this bill from advancing further.

Sincerely,

Sage Ventures, LLC

A handwritten signature in black ink, appearing to read "GH", written over a horizontal line.

Gil Horwitz

President

