Agenda Item #1
October 24, 2022
PHED Worksession

M E M O R A N D U M

October 19, 2022

TO: Planning, Housing, and Economic Development Committee

FROM: Christine Wellons, Senior Legislative Attorney

SUBJECT: Expedited Bill 22-22, Landlord-Tenant Relations – Limitations on Rent Increases

PURPOSE: Worksession

Expected Attendees
Jake Weissmann, Assistant Chief Administrative Officer
Aseem Nigam, Director, Department of Housing and Community Affairs
Nicolle Katrivanos, Office of Landlord Tenant Affairs, DHCA
Janmarie Pena, Office of Legislative Oversight
Stephen Roblin, Office of Legislative Oversight

Expedited Bill 22-22, Landlord-Tenant Relations – Limitations on Rent Increases, sponsored by Council President Albornoz at the request of the County Executive, was introduced on July 12, 2022.[1] A public hearing on the bill occurred on July 26, 2022.

Expedited Bill 22-22 would:

(1) temporarily limit rent increases, and notifications of rent increases, by landlords in the County; and

(2) generally amend the law regarding landlord-tenant relations and rental housing.

BACKGROUND

The County Executive requested the introduction of Bill 22-22 to limit – for a period of 6 months – any notice of a rent increase above 4.4%.

The County Executive has explained the need for the bill as follows:

> County renters continue to face economic hardships due to COVID-19 impact on income, health, and family obligations. Census surveys indicate that 17-20% of renters in Maryland have not been able to get current on rent, consistent with the County survey of multifamily tenants. The Council and I recognized these impacts when we extended protections from unrestricted rent increases with Bill 30-21

[1] #RentRelief #TemporaryRentCap

Restrictions During Emergencies – Extended Limitations Against Rent Increases and Late Fees. The extended limitations capped rent increase notices at the voluntary Rent Guideline through May 15, 2022. COVID-19 economic hardships are currently being compounded by the inflationary spike in consumer prices and the rental market pressures from low vacancies and increased demand.

BILL SPECIFICS

Effective on the date that Expedited Bill 22-22 becomes law – and for 6 months thereafter – any notices of rent increases in the County would be limited to no more than 4.4%.

During the 6-month period, a landlord within the County would be precluded from notifying a tenant of a rent increase that exceeds 4.4%. As a result, **rent increases of more than 4.4% would be precluded for 9 months after the bill's effective date** (since landlords in the County must give 90-days advance notice of a rent increase).

If a landlord previously notified a tenant of an increase that will exceed 4.4%, then the landlord would be required to send a new notice either retracting the increase or modifying it down to 4.4%.

The Department of Housing and Community Affairs (DHCA) would be required to post information on its website about the requirements of the bill, as well as its expiration date.

The bill would sunset 6 months after its effective date.

SUMMARY OF PUBLIC TESTIMONY

The public hearing on Expedited Bill 22-22 occurred on July 26, 2022. Approximately 34 individuals and organizations testified in support of or against the bill. (©29).

Arguments in support of the bill included:

- DHCA: "This temporary limit will provide a transition time of six months for tenants to adjust to current extraordinary inflation impacts. We understand that landlords need to maintain their buildings and the increased operating costs, and the 4.4% limit represents the total Housing component of regional CPI, which reflects key components of the costs of operating residential buildings. DHCA has so far received 66 reports of rent increases ranging from 6% to 92%, averaging 22%…."

- Some renters reported that they must move because their rent increases are unsustainable.

- There is a lack of safe and affordable housing in the County.

- Rent increases are exceeding wage increases.

Arguments in opposition to the bill included:

- Developers are finding it increasingly difficult to underwrite new multi-family investment in Montgomery County.

- AOBA: "[T]his 6-month extension of rent control currently before the Council is not tied to the pandemic, or what is occurring in the rental housing market. There is no means testing, financial qualification or even proof that a resident is experiencing financial hardship. Instead, this wide-sweeping measure will ensure that high-income residents continue to receive benefits they do not need, while failing to move the needle for those in need. If the Council wants to assist renters who are truly struggling, this legislation should be narrowly tailored to apply only to residents that can demonstrate financial hardship….In 2015, AOBA commissioned a study conducted by the Regional Economic Studies Institute (RESI) at Towson University to look at the economic and fiscal impact rent control legislation will have, and has had, in the County. The research team found that implementing rent control would result in reductions in property values of existing multifamily properties and would significantly decrease county property tax revenue…."

- MHA: "MHA urges the Council to explore a policy of anti-rent gouging, paired with targeted subsidies to support low-income households. The NYU Furman Center recently published a report with recommendations for this model (enclosed). Such a policy would restrict landlords from imposing exorbitant increases, while allowing them to adjust rents within a reasonable margin in order to ensure enough rental income to remain fiscally solvent and properly manage and maintain properties. California and Oregon have recently pursued this model, limiting rent increases to 5 and 7 percentage points above the consumer price index, respectively…."

- Sage Ventures: "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…."

- Maryland Building Industry Association: "[W]e feel that a countywide rent cap would do more harm than good long term, disallowing building owners in Montgomery County to keep up with market rates, leaving less money for needed building maintenance and deterring future infrastructure investment in the county, while neighboring jurisdictions continue to thrive without being hamstrung by regulations. Also, the county continues to push on a separate front the need for both new and existing buildings to operate as efficient as possible to reach the counties climate goals, this requires for existing buildings retrofits for any number of improvements: heating and cooling systems, windows, insulation etc…."

SUMMARY OF IMPACT STATEMENTS

Fiscal Impact Statement. OMB states that the bill is not expected to have an impact on expenditures or revenues during the period the cap is in place.

Economic Impact Statement. "The Office of Legislative Oversight (OLO) anticipates that enacting Expedited Bill 22-22 would have a net negative impact on economic conditions in the County in terms of the Council's priority indicators. By effectively extending the County's rent stabilization policy for nine months, the Bill likely would reduce rents for certain tenants of rent-regulated properties/units. Certain property owners and managers likely would respond by decreasing operating expenses associated with maintenance, repair, and other building services, removing properties from the rental market (i.e., through condo conversion), or replacing existing tenants with new tenants to take advantage of vacancy decontrol. Based on their relative economic multiplier effects, reduced landlord spending likely would yield economic costs that exceed the economic benefits of increased household spending (holding all else equal). Moreover, extending the rent stabilization policy may moderate certain residential property values and/or decrease the County's competitiveness in the residential rental sub-market relative to jurisdictions in Northern Virginia that lack rent stabilization policies."

Racial Equity and Social Justice Impact Statement. "OLO anticipates Bill 22-22 could have a favorable impact on RESJ through preventing increases in rental costs that would worsen current inequities in housing security among BIPOC and low-income residents. While BIPOC landlords could potentially be harmed by the Bill, the potential benefits to BIPOC renters exceeds this potential harm. Further, the Bill also aligns with best practices recommended by the Eviction Lab at Princeton, the Urban Institute, and PolicyLink for reducing the risk of evictions among low-income households.41 Given the Bill does not address structural inequities that cause housing insecurity and allows for rent increases that could meaningfully constrain household budgets, OLO anticipates the favorable RESJ impact of this Bill will be small."

ISSUES

The Council might wish to consider the following issues and potential amendments in connection with Bill 22-22.

1. <u>Whether to Further Extend Limitations on Rent Increases</u>

COVID-19 Renter Relief Act. In 2020, the Council enacted **Expedited Bill 18-20**, Landlord-Tennant Relations – Rent Stabilization During Emergencies; (a/k/a, the "COVID-19 Renter Relief Act"). The purpose of Bill 18-20 was to limit rent increases for tenants during and immediately following the catastrophic health emergency declared by the Governor on March 5 in response to the COVID-19 pandemic.

The Governor's declared emergency expired on August 15, 2021 and, under Expedited Bill 18-20, rental limitations were set to expire on November 15, 2021. However, the Council extended the duration of the COVID-19 Renter Relief Act by enacting **Expedited Bill 30-21**. The Council extended the duration of the legislation until May 15, 2022, in recognition of continued public health and economic concerns associated with the pandemic.

Under Expedited Bill 30-21, notices of rent increases above rent guidelines were precluded until May 15, 2022. Therefore, rent increases above rent guidelines were precluded until August 15, 2022 (after the 90-day notice period required for rent increases).

In its deliberations regarding Expedited Bill 30-21, the Council explicitly considered – but decided against – extending the rental relief afforded under the COVID-19 Renter Relief Act until August 15, 2022. After a PHED Committee recommendation and multiple full Council worksessions, the Council determined that providing the relief until May 15, 2022 was the appropriate approach.

Executive's Rationale for Extending the Renter Relief. The County Executive's proposed bill, Expedited Bill 22-22, reopens the issue regarding how long to extend emergency rental relief that was adopted in response to COVID-19. The Executive notes that the legislation is needed due to continued economic hardships resulting from COVID-19 and recent inflation. In addition, the Executive staff notes that:

> Reports of rent increases as of June 22 include 34 tenants reporting rent increase percentages averaging 24%, ranging from 6% to 92%. The reports are from 14 zip codes, with no specific pattern of rent increases in certain areas.

The Committee might wish to obtain further data from Executive and Council staff, regarding trends of rental increases and landlord costs in the County, before determining whether to enact longer-term limitations on rent increases.

2. Other Jurisdictions

Temporary, COVID-related rent increase limitations imposed by neighboring jurisdictions, and by municipalities within the County, have expired. In the Legislative Request Report, the Executive notes the following experiences in other jurisdictions:

- **District of Columbia:** 2020 COVID emergency cap on all rent increases, expired December 31, 2021;

- **Prince George's County:** legislation in December 2020 capped rent increases to 2.6% until 90 days after Governor's state of emergency expired in August 2021;

- **Rockville**: 2020 COVID emergency act capped increases to County VRG, expired February 15, 2022; and

- **Gaithersburg:** 2020 COVID emergency act capped increases to County VRG, expired May 15, 2022.

Rent stabilization programs exist in the City of Takoma Park, the District of Columbia, and New York City. Other jurisdictions, such as Los Angeles, have expanded renter rights through legislation as COVID-related protections phase out. *See* LA City Council Sets Course To Expand Tenant Protections As Eviction Moratorium Deadline Is Set - LA City Council District 4 Website.

3. Whether to Alter the Duration of the Bill

As introduced, Bill 22-22 would prevent notices of rent increases above 4.4% for 6 months after the bill's effective date and would prevent the actual increases for 9 months after the bill's effective date. The Committee might wish to ask Executive staff to comment upon the current thinking on the bill's duration. Does the executive still consider 6 months to be the appropriate duration?

4. Whether to Exclude Higher Priced Rental Properties from the Bill

To focus rental relief on moderate-to-lower income residents, while seeking to minimize economic harm to landlords, the Committee might wish to consider limiting the scope of Bill 22-22 to rental units priced at or below HUD's fair market rates for the metropolitan area or some other metric.

Number of Bedrooms	Fair Market Rent in USD
0	1,539
1	1,567
2	1,785
3	2,260
4	2,713
5	3,120
6	3,527

Source: https://www.huduser.gov/portal/datasets/home-datasets/files/HOME_RentLimits_State_MD_2022.pdf

5. Whether to Increase the Amount of Increases Permitted under the Bill

Under the bill, rental increases would be limited to 4.4%. The 4.4% was chosen based upon the March 2022 Bureau of Labor Statistics Consumer Price Index (CPI) for annual total housing cost change.

Since March 2022, the CPI for housing has increased. The CPI for shelter in September 2022 was 6.6 % more than the CPI for shelter in June 2021.
https://www.bls.gov/news.release/cpi.nr0.htm

In order to reflect the rising CPI for housing, the Council might wish to consider raising the 4.4% cap to 6.6%, the most recent CPI for housing. Another option would be to look to the City of Takoma Park's rent stabilization program. The City of Takoma Park has set its rent stabilization allowance as 7.3% for July 1, 2022 through June 30, 2023.

6. Potential Further Data Collection and Studies

The Committee might wish to ask Council and DHCA staff to assemble more thorough data regarding rent increases in the County. Additional data points could include rent increases over time in relation to household income, landlord size, zip code, and the types of properties affected (*e.g*., single-family or multi-family). Data regarding landlord costs and landlord incomes also would be helpful.

On October 18, Executive staff provided the enclosed data regarding complaints received by OLTA since the expiration of the COVID Renter Relief Act. OLTA has received 41 complaints. In addition, OLTA has received 109 reports of rent increases, with an average increase of 22.92%.

The Committee also might wish to ask OLO to provide additional study on the items raised in the EIS and RESJIS, and to engage in a larger review of approaches to protecting renters. For example, OLO stated in the EIS: "Councilmembers may want to consider the following discussion items: whether the residential rental sub-sector has been sufficiently profitable to absorb the loss of rental revenue; the extent to which the Bill would reduce housing insecurity and the economic costs associated with it; and if there is a more targeted approach that can target resources for tenants facing housing insecurity. Furthermore, Councilmembers may want to consider whether the March 2022 CPI for housing (4.4%) is an appropriate threshold for achieving the Bill's goals of helping renters adjust to increasing rents and providing landlords with rent increases for operating expenses. For one, there are significant differences in the housing CPI over time. To illustrate, July 2022 CPI for housing is 5.7%—1.3% more than the March 2022 housing CPI. Moreover, the threshold may not capture what the average tenant could afford, as wage gains have lagged increases in cost of living. Nor does it capture rising operating costs for landlords (i.e., cost of fuels and utilities has been significantly higher than the housing CPI). In short, it is unclear to OLO why the March 2022 CPI for housing was chosen as the threshold."

The RESJIS raised additional issue that might warrant further study: "Should the Council desire to actualize more significant reductions in housing inequities via legislation, PolicyLink's Priorities for Advancing Racial Equity Through the American Rescue Plan offers the following recommendations for investing in "frontline, Covid-impacted, and disinvested communities" and for "preventing displacement and increased community ownership of land and housing" that could be considered as potential amendments to this Bill:

- **Support projects that affirmatively further fair housing** by ensuring BIPOC residents have equitable access to low-poverty neighborhoods with community assets and by investing in low-income communities. Strategies aimed at increasing access to low-poverty neighborhoods include inclusionary zoning and increasing the value of housing voucher payments in low-poverty neighborhoods. The County's Moderate Price Dwelling Unit (MPDU) Program aligns with recommended practices for promoting inclusionary zoning in low-poverty communities.
- **Maintain strong eviction moratoria and provide funding to eliminate rent debt** and support struggling landlords and nonprofit affordable housing providers. Best practices include pairing landlord assistance with eviction protections and lease renewals, protecting renters from exorbitant rent increases, and programs that ensure undocumented people can access services. Of note, the County has expanded funding for legal services for households facing evictions; established a rental assistance program for households experiencing financial hardship from COVID-19 (where applicants are not required to prove citizenship status); and enacted multiple bills (18-20, 30-21) to limit exorbitant rent increases.

- **Expand services and acquire permanent housing for people without housing.** The County currently provides a continuum of services for individuals and families experiencing homelessness, but most clients do not receive permanent housing. Among single adults served in 2020, 44 percent were placed in permanent supportive housing while the remainder received rental support or time-limited rental subsidies of up to 24 months; among families served in 2020, only 12 percent were placed in permanent supportive housing.
- **Fund acquisition strategies to transfer housing and land to community ownership and stewardship,** including rapid-response acquisition funds, community land trusts, and land banks to quickly purchase properties that come up for sale and compete with speculators. Montgomery County's Housing Investment Fund (HIF) and Housing Acquisition and Preservation Funds could potentially be used toward these ends." (RESJIS; footnotes omitted).

Expedited Bill No. 22-22
Concerning: Landlord-Tenant Relations – Limitations on Rent Increases
Revised: 6/16/2022 Draft No. 1
Introduced: July 12, 2022
Enacted: January 11, 2024
Executive:
Effective:
Sunset Date:
Ch. ______, Laws of Mont. Co. ______

COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

By the Council President as the Request of the County Executive

AN EXPEDITED ACT to:

(1) temporarily limit rent increases, and notices of rent increases, by landlords in the County; and
(2) generally amend the law regarding landlord-tenant relations and rental housing.

By adding
Montgomery County Code
Chapter 29, Landlord-Tenant Relations
Section 29-56

Boldface	*Heading or defined term.*
Underlining	*Added to existing law by original bill.*
[Single boldface brackets**]**	*Deleted from existing law by original bill.*
Double underlining	*Added by amendment.*
[[Double boldface brackets**]]**	*Deleted from existing law or the bill by amendment.*
* * *	*Existing law unaffected by bill.*

The County Council for Montgomery County, Maryland approves the following Act:

Sec. 1. Section 29-56 is added as follows:

29-56. Rent increases – temporarily limited.

(a) *Definitions*. In this Section, the following terms have the meanings indicated.

Base Rent means the rent charged during the last month that a dwelling unit was leased before the effective date of this Section.

Dwelling unit means that portion of a building that is designated, intended, or arranged for use or occupancy as a residence by one or more persons.

Tenant means any person who occupies a dwelling unit for living or dwelling purposes with the landlord's consent.

(b) *Rent increases*. A landlord must not increase a tenant's rent to an amount that exceeds 4.4% of the base rent.

(c) *Notices of rent adjustments*.

(1) A landlord must not notify a tenant of a rent increase if the increase would exceed 4.4% of the base rent.

(2) If a landlord provided notice of a rent increase to a tenant prior to the effective date of this Section and the increase would exceed 4.4% of the base rent, the landlord must inform the tenant in writing:

(A) to disregard the notice; or

(B) that the increase is amended to be less than or equal to 4.4% of the base rent.

(d) *Notice of expiration.* The Department must post on its website information about the requirements of this Section, including the date that the requirements under this Section expire.

Sec. [29-56] <u>29-57</u> – Sec. 29-65. Reserved by 2000 L.M.C., ch. 32, § 1.

Sec. 2. Expedited Effective Date. The Council declares that this legislation is necessary for the immediate protection of the public interest. This Act takes effect on the date on which it becomes law.

Sec. 3. Sunset date. This Act expires, and has no further force or effect, six months after the effective date.

OFFICE OF THE COUNTY EXECUTIVE

Marc Elrich
County Executive

MEMORANDUM

June 14, 2022

TO: Gabe Albornoz, President
Montgomery County Council

FROM: Marc Elrich, County Executive

SUBJECT: Bill XX-22E, Landlord-Tenant Relations Limitations on Rent Increases

County renters continue to face economic hardships due to COVID-19 impact on income, health, and family obligations. Census surveys indicate that 17-20% of renters in Maryland have not been able to get current on rent, consistent with the County survey of multifamily tenants. The Council and I recognized these impacts when we extended protections from unrestricted rent increases with Bill 30-21 Restrictions During Emergencies – Extended Limitations Against Rent Increases and Late Fees. The extended limitations capped rent increase notices at the Voluntary Rent Guideline through May 15, 2022. COVID-19 economic hardships are currently being compounded by the inflationary spike in consumer prices and the rental market pressures from low vacancies and increased demand.

Unrestricted rent increases following the expiration of the extended limitations expose tenants to the risk of displacement, as a rent increase of 10% represents $178 per month on the average County rent of $1,784. The County's economy will be materially harmed if significant and rapid rent increases force residents to move or experience housing, food, and health insecurity.

This Bill provides a six-month extension of limitations on rent increases, capping rent increases at 4.4% - the March 2022 Bureau of Labor Statistics Consumer Price Index for annual total housing cost change - to provide a period of adjustment to new higher rents and to provide landlords with increases for operating costs. This legislation is necessary for the immediate protection of the public interest and would take effect on the date on which it becomes law. Rent increase notices issued after May 15, 2022, which exceed 4.4%, would be amended to no more than 4.4%.

ME:fd

101 Monroe Street • Rockville, Maryland 20850
240-777-2500 • 240-777-2544 TTY • 240-777-2518 FAX
www.montgomerycountymd.gov

Expedited Bill No. Bill XX-22E
Concerning: Landlord-Tenant Relations Limitations on Rent Increases
Revised: ______________ Draft No. ___
Introduced: ______________
Enacted: ______________
Executive: ______________
Effective: ______________
Sunset Date: ______________
Ch. _____, Laws of Mont. Co. ________

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By the Council President as the Request of the County Executive

AN EXPEDITED ACT to:

(1) temporarily limit rent increases; and
(2) generally amend the law regarding rental housing.

By adding
Montgomery County Code
Chapter 29, Landlord-Tenant Relations
Section 29-56

Boldface	*Heading or defined term.*
Underlining	*Added to existing law by original bill.*
[Single boldface brackets**]**	*Deleted from existing law by original bill.*
Double underlining	*Added by amendment.*
[[Double boldface brackets**]]**	*Deleted from existing law or the bill by amendment.*
* * *	*Existing law unaffected by bill.*

The County Council for Montgomery County, Maryland approves the following Act:

Sec. 1. Section 29-56 is added as follows:

29-56 Rent increases – temporarily limited.

(a) *Definitions*. In this Section, the following terms have the meanings indicated.

Base Rent means the rent charged during the last month that a dwelling unit was leased before the effective date of this Act.

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Tenant means any person who occupies a dwelling unit for living or dwelling purposes with the landlord's consent.

(b) *Rent increases*. A landlord must not increase a tenant's rent to an amount that exceeds 4.4% of the base rent.

(c) *Notices of rent adjustments*.

(1) A landlord must not notify a tenant of a rent increase if the increase would exceed 4.4% of the base rent.

(2) If a landlord provided notice of a rent increase to a tenant prior to the enactment of this law and the increase would exceed 4.4% of the base rent, the landlord must inform the tenant in writing:

(A) to disregard the notice; or

(B) that the increase is amended to be less than or equal to 4.4% of the base rent.

(d) *Notice of expiration*. The Department must post on its website information about the requirements of this Section, including the date that the requirements under this Section expire.

Sec. [29-56] 29-57 – Sec. 29-65. Reserved by 2000 L.M.C., ch. 32, § 1.

Sec. 2. Expedited Effective Date. The Council declares that this legislation is necessary for the immediate protection of the public interest. This Act takes effect on the date on which it becomes law.

Sec. 3. Sunset date. This Act expires, and has no further force or effect, six months after the effective date.

Approved:

Gabriel Albornoz, President, County Council | Date

Approved:

Marc Elrich, County Executive | Date

This is a correct copy of Council action.

Judy Rupp, Clerk of the Council | Date

APPROVED AS TO FORM AND LEGALITY
OFFICE OF COUNTY ATTORNEY
BY
DATE 2/14/22

LEGISLATIVE REQUEST REPORT

BILL: XX-22, Landlord-Tenant Relations Limitations on Rent Increases

DESCRIPTION:	This Bill provides a six-month extension of limitations on rent increases, capping the increase at 4.4%. Rent increase notices issued after May 15, 2022, which exceed 4.4%, would be 1) disregarded or 2) amended to no more than 4.4%.
PROBLEM:	Unrestricted rent increases following the expiration of Bill 30-21, Restriction During Emergencies -Extended Limitations Against Rent Increases and Late Fees, have exposed tenants to the risk of displacement.
GOALS AND: OBJECTIVES	To temporarily limit rent increases and amend the law regarding rental housing.
COORDINATION:	The Office of the County Executive. Department of Housing and Community Affairs
FISCAL IMPACT:	Office of Management and Budget
ECONOMIC: IMPACT	Office of Legislative Oversight
EVALUATION:	
EXPERIENCE: ELSEWHERE	District of Columbia 2020 COVID emergency cap on all rent increases, expired December 31, 2021; Prince George's County act December 2020 capped rent increases to 2.6% until 90 days after Governor's state of emergency expired in August 2021; Rockville 2020 COVID emergency act capped increases to County VRG, expired February 15, 2022; Gaithersburg 2020 COVID emergency act capped increases to County VRG, expired May 15, 2022; Montgomery County's COVID-19 Renter Relief Act of 2020 (April 2020, expired November 15, 2021); Restrictions During Emergencies – Extended Limitations Against Rent Increases and Late Fees (November 2021, expired May 15, 2022)
SOURCE OF: INFORMATION	Ken Hartman, Director of Strategic Partnerships Francis "Frank" Demarais, Deputy Director, DHCA
APPLICATION: WITHIN MUNICIPALITIES	Does not apply within Municipalities
PENALTIES:	Violation of OLTA requirements requires full restitution for amounts over charged, failure to comply with requirements is Class A violation

Fiscal Impact Statement
Expedited Bill XX-22 - Landlord-Tenant Relations Limitations on Rent Increases

1. **Legislative Summary.**

   This Bill extends the County's limitations on rent increases for six months, capping the increase at 4.4%. Rent increase notices issued after May 15, 2022, that exceed 4.4% are directed to be disregarded or amended to no more than 4.4%.

   On May 15, 2022, the previous rent increase limit expired, and County law requires at least a 90-day notice prior to an increase in rent. Thus, the earliest an individual's rent can effectively be adjusted is August 13, 2022, 90 days after May 15, 2022. This legislation seeks to limit that increase to no higher than 4.4%.

2. **An estimate of changes in County revenues and expenditures regardless of whether the revenues or expenditures are assumed in the recommended or approved budget. Includes source of information, assumptions, and methodologies used.**

   This Bill is not expected to have an impact on County expenditures or revenues, like the estimated fiscal impact presented for Bill 30-21E and Bill 18-20E, which also limited rent increases.

3. **Revenue and expenditure estimates covering at least the next 6 fiscal years.**

   This Bill is not expected to have an impact on expenditures or revenues during the period the cap is in place.

4. **An actuarial analysis through the entire amortization period for each bill that would affect retiree pension or group insurance costs.**

   Not applicable.

5. **An estimate of expenditures related to County's information technology (IT) systems, including Enterprise Resource Planning (ERP) systems.**

   Not applicable.

6. **Later actions that may affect future revenue and expenditures if the bill authorizes future spending.**

   This Bill does not authorize future expenditures.

7. **An estimate of the staff time needed to implement the bill.**

   The implementation of this Bill is expected to have a minimal impact on staff time and can be absorbed within the Department of Housing and Community Affairs complement.

8. **An explanation of how the addition of new staff responsibilities would affect other duties.**

   See response to Question #7 and implementing this Bill will have a minimal impact on staff time and responsibilities.

9. **An estimate of costs when an additional appropriation is needed.**

   Not applicable.

10. **A description of any variable that could affect revenue and cost estimates.**

    Not applicable.

11. **Ranges of revenue or expenditures that are uncertain or difficult to project.**

    Not applicable.

12. **If a bill is likely to have no fiscal impact, why that is the case?**

    DHCA did not experience additional expenses through administering the COVID-19 Renter Relief Act requirements under Bill 30-21E and Bill 18-20E.

13. **Other fiscal impacts or comments.**

    Not applicable.

14. **The following contributed to and concurred with this analysis:**

    Frank Demarais, Department of Housing and Community Affairs
    Richard H. Harris, Office of Management and Budget

Jennifer Bryant, Director
Office of Management and Budget

6/16/22
Date

Economic Impact Statement

Office of Legislative Oversight

Expedited Bill 22-22 Landlord-Tenant Relations – Limitations on Rent Increases

SUMMARY

The Office of Legislative Oversight (OLO) anticipates that enacting Expedited Bill 22-22 would have a net negative impact on economic conditions in the County in terms of the Council's priority indicators. By effectively extending the County's rent stabilization policy for nine months, the Bill likely would reduce rents for certain tenants of rent-regulated properties/units. Certain property owners and managers likely would respond by decreasing operating expenses associated with maintenance, repair, and other building services, removing properties from the rental market (i.e., through condo conversion), or replacing existing tenants with new tenants to take advantage of vacancy decontrol. Based on their relative economic multiplier effects, reduced landlord spending likely would yield economic costs that exceed the economic benefits of increased household spending (holding all else equal). Moreover, extending the rent stabilization policy may moderate certain residential property values and/or decrease the County's competitiveness in the residential rental sub-market relative to jurisdictions in Northern Virginia that lack rent stabilization policies.

BACKGROUND

The County's rent stabilization, which prohibited rent increases exceeding the voluntary rent guidelines, expired on May 15, 2022. The goal of Expedited Bill 22-22 is to mitigate economic hardship and risk of displacement for tenants in the County caused from rent hikes since the expiration of the rent stabilization measure.[1] The Bill would attempt to achieve this goal by:

- prohibiting rent increases more than 4.4% for six months after it becomes law;
- prohibiting landlords from notifying tenants of rent increases above 4.4% during this time; and
- requiring landlords who previously notified tenants of rent increases above 4.4% to either retract the increase or amend it to 4.4% or below.[2]

The 4.4% threshold is based on the March 2022 Bureau of Labor Statistics Consumer Price Index (CPI) for the total housing cost change from March 2021 to March 2022.[3] According to the County Executive's memo enclosed in the Introductory Staff Packet, this threshold was chosen "to provide a period of adjustment to new higher rents and to provide landlords with increases for operating costs."[4]

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[1] Elrich to Albornoz, Memorandum.
[2] Bill 22-22.
[3] Elrich to Albornoz, Memorandum; Consumer Price Index, Washington-Arlington-Alexandria area – March 2022.
[4] Ibid.

Due to the County's requirement that landlords provide 90-day advance notice of all rent increases, **the Bill, in effect, would limit rent increases of more than 4.4.% for nine months after the Bill's effective date**.[5]

Two features of the County's rent stabilization policy are important to note: First, extending the rent stabilization policy would apply only to existing tenants. Because the program does not include a vacancy control, extending the policy would not prevent landlords from increasing rents for new tenants above the 4.4% threshold. Second, the policy does not in any way restrict landlords from converting rental properties/units to condos or removing them from the market. For these reasons, the County's policy is best described as "moderate rent stabilization."[6]

INFORMATION SOURCES, METHODOLOGIES, AND ASSUMPTIONS

Per Section 2-81B of the Montgomery County Code, the purpose of this Economic Impact Statement is to assess the impact of Expedited Bill 22-22 on residents, private organizations, and overall economic conditions in the County in terms of the Council's priority indicators.[7] To do so, OLO does the following in this analysis:

1. *Assess whether the rental market can support rent increases above 4.4%.* The primary way the Bill would affect stakeholders and economic conditions in the County is through preventing landlords from raising rents above the 4.4% threshold for certain properties and units. For the Bill to affect prices, conditions in the market (e.g., supply and demand for rental housing, information asymmetries) would need to support rent increases above the threshold. Otherwise, extending the rent stabilization program would lack a real-world impact on rental prices. To assess market conditions, this analysis draws on rent and vacancy trends in data from CoStar, a commercial estate information and analytics provider, which staff from Montgomery Planning Department provided to OLO.
2. *Review the econometric literature on rent regulations.* To understand the economic impacts of rent regulations, this analysis synthesizes findings from Paster, et al's (2018) literature review of the econometric evidence on the topic and Gardner's (2022) study on the effect of rent stabilization on evictions. These studies were identified using the Google Scholar database.
3. *Draw on the above evidentiary sources to infer the likely impacts of extending the rent stabilization policy on economic stakeholders and conditions.* Among residents, the stakeholders include:
   - existing tenants;
   - new tenants; and
   - homeowners and buyers.

   Among private organizations, the stakeholders include:

[5] Wellons to County Council, Memorandum.
[6] Pastor, et al, "Rent Matters."
[7] Montgomery County Code, Sec. 2-81B.

- landlords;
- building service providers;
- residential remodelers; and
- other businesses.

VARIABLES

Some of the variables that would affect the economic impacts of enacting Expedited Bill 22-22 are the following:

- total annual rent revenues;
- total household income;
- residential property values; and
- building services expenses.

IMPACTS

WORKFORCE ▪ TAXATION POLICY ▪ PROPERTY VALUES ▪ INCOMES ▪ OPERATING COSTS ▪ PRIVATE SECTOR CAPITAL INVESTMENT ▪ ECONOMIC DEVELOPMENT ▪ COMPETITIVENESS

Rental Market Conditions

OLO anticipates that conditions in the residential rental market support rent increases above the 4.4% threshold for certain existing tenants in rental properties/units.

First, from the standpoint of many property owners and managers, there is a need to increase rents to cover increasing operating expenses and maximize profit margins. In the current inflationary environment, landlords have been facing rising costs related to staffing, utilities, maintenance, etc. To illustrate, in the Washington metropolitan area, wages and salaries increased by 3.8% and the price of fuels and utilities increased by 11.2% for the 12-month periods ending in June and July 2022, respectively.[8]

Second, while wages continue to lag cost of living increases and many renters face housing insecurity,[9] some portion of tenants would be willing to pay rents above the 4.4% threshold, particularly higher-income tenants of Class A apartments. This is suggested from what new tenants, who have not been subject to the County's rent stabilization policy, have been willing to pay. CoStar has data on average annual effective rents for brand new units and existing units where occupancy changed. (The data does not reflect price changes for existing tenants re-leasing units.) As shown in **Table 1**, average

[8] Changing Compensation Costs in the Washington Metropolitan Area — June 2022; Consumer Price Index, Washington-Arlington-Alexandria area – July 2022.
[9] See Census Bureau's Household Pulse Survey.

effective rents across all building classes increased by 4.6%—a rate slightly above the proposed threshold. Meanwhile, overall vacancy rates have generally lowered over the past two years, despite rising rents. See **Table 2**.

Thus, with rising operating expenses cutting into landlord profits and market conditions allowing landlords to continue to increase rents, it is clear certain existing tenants would experience rent increases above this threshold in the absence of extending the rent stabilization program.

Table 1. Average Effective Rents for Multi-family Rental Units in Montgomery County

Building Class	2021	2022	Annual Percent Change
All	$1,877	$1,968	4.8%
A	$2,291	$2,414	5.4%
B	$1,823	$1,905	4.5%
C	$1,560	$1,633	4.7%

Data source: CoStar

Table 2. Overall Vacancy Rates for Multi-family Rental Units in Montgomery County

	Building Class			
Period	**All**	**A**	**B**	**C**
2022 YTD	4.580%	7.573%	4.128%	2.592%
2021	4.829%	6.583%	5.025%	3.020%
2020	6.224%	8.071%	6.495%	4.289%

Data source: CoStar

Economics of Rent Regulation

What does the economics literature suggest about the potential impacts of preventing rent increases above 4.4% for existing tenants? Researchers have examined both, the economic impacts of rent regulations and their removal. Based on Paster, et al (2018) and a study published after their review, the econometric evidence on the impact of rent regulations points to the following conclusions:

- **Rent regulations generally improve affordability for tenants in rent-regulated units, particularly for long-term tenants who move into their units around the time when regulations are established**. Rent regulations have been shown to decrease rents for lower-income tenants and those in social groups with relatively greater economic needs (e.g., elderly, people of color, and single parents). As a universal program, rent regulations also reduce rents for middle- and upper-income tenants; therefore, they are inefficient in targeting tenants with greater needs.
- **Rent regulations may have mixed impacts on affordability for tenants in non-regulated units**. Some studies have found rent regulations can slightly lower rents in non-regulated units. This effect may be due to declining

building/unit quality from lower maintenance, decreasing appeal to higher-income renters or other factors. In contrast, rent regulations may increase rents for new tenants during and after periods of supply-induced price hikes. In fact, Diamond, et al (2019) find San Francisco's rent stabilization policy incentivized landlords to convert rental buildings to condos, thereby decreasing the city's supply of rental units by 15 percent. The loss of supply "likely led to rent increases in the long run, consistent with standard economic theory."

- **Rent regulations can increase chronic maintenance problems.** To compensate for lower rental income, rent regulations can reduce landlord incentives to maintain units. This negative side-effect of rent regulations is especially prevalent in jurisdictions that do not permit rent increases contingent on quality improvements and/or lack stringent code enforcement.

- **Rent regulations, particularly those lacking limitations on condo conversions, can reduce the supply of existing rental housing through conversion and market removal**. Rent regulations impact the *existing rental stock* by incentivizing landlords to remove rent-regulated units from the market. This is typically done in several ways—owners convert rentals to condos, sell the property, or move into the property. While rent regulations can reduce the supply of existing rental units, there is limited evidence they impact *new housing construction*. This is especially the case in jurisdictions that exempt new construction from any price controls and include vacancy decontrol.

- **Rent regulations decrease tenant mobility**. On the one hand, decreased mobility can improve housing stability when rent regulations prevent tenant displacement due to sharp rent hikes. On the other hand, decreased mobility can lead to housing misallocation when rent regulations discourage tenants from moving into units that better fit their needs (i.e., when family sizes increase).

- **Rent regulations lacking vacancy controls can increase the risk of eviction for tenants.** Without vacancy controls, landlords have an incentive to remove tenants and re-rent units at market rate. Using a quasi-experimental methodology,[10] Gardner (2022) examines the risk of eviction—measured as eviction filings—for tenants in controlled and uncontrolled units in San Francisco from 2007 to 2017. He finds that while eviction notices impacted a small share of total tenants, rent-controlled units were 2.4 times more likely than their uncontrolled counterparts to receive eviction notices on an annual per unit basis. Thus, Gardner (2022) shows the impact of rent regulations can have more heterogenous impacts on housing stability than indicated by the studies reviewed in Pastor, et al (2018).

The evidence on the economic impacts of removing rent regulations points to the following: Removing rent regulations **increases rental prices** in regulated and non-regulated units, **raises property values** in regulated and non-regulated buildings, and **forces out certain lower-income tenants** who can not afford higher rents.

[10] The study uses a regression discontinuity design that leverages San Francisco's 1979 Rent Ordinance which stabilized rents in properties built in or before 1979, but not in properties built after.

Residents

Based on the econometric evidence reviewed above, OLO anticipates that enacting Expedited Bill 22-22 likely would have a positive impact on residents in terms of several economic indicators prioritized by the Council.

Existing Tenants: The primary residents affected by the change in law would be current tenants of residential rental units. By extending the temporary rent stabilization policy, the Bill would decrease rents for residents who otherwise would experience rent increases above the 4.4% threshold in the absence of the change in law. Holding all else equal, lower rents would increase net household income for affected residents. Given the long-standing affordability crisis in rental housing in the County, lower rents would be particularly beneficial to cost-burdened and lower-income tenants.[11]

In addition, OLO expects the Bill to prevent certain existing tenants who otherwise would be unable to afford rent hikes above 4.4% from being displaced through eviction, non-renewal, or some other means. In these cases, the change in law may prevent tenants from incurring the various economic costs associated with housing instability—job loss, lost income, work disruptions, moving costs, legal fees, loss of possessions, etc.[12] However, because the County's rent stabilization policy lacks vacancy controls, some landlords may remove certain tenants to bring in new tenants subject to higher market rate rents.

New Tenants: As previously discussed, studies on rent regulations suggest the County's rent stabilization policy may have had mixed impacts on rents for new tenants. On one hand, the policy may have decreased rents through building/unit quality decline, residential sorting, etc. On the other hand, it may have increased rents by exacerbating the lack of affordable rental housing in the County. While extending the County's rent stabilization program for nine months likely would decrease maintenance in rentals and encourage certain landlords to either convert their units to condos or remove them from the market, OLO is doubtful these impacts would be sufficient in magnitude to meaningfully affect rents given the duration of the program extension.

Homeowners/buyers: The Bill also may affect certain homeowners and homebuyers. Based on the studies reviewed above, extending the rent stabilization program may temporarily moderate property values for certain residential properties. On the one hand, this effect may negatively impact certain residents who plan to sell their homes during the timeframe of rent stabilization extension. On the other hand, reduced property values may benefit certain homebuyers, particularly first-time homebuyers.

Other residents: As further discussed below, OLO anticipates certain owners and managers of rent-regulated properties would protect profit margins from lower rent revenues by reducing operating costs associated with building services. Net household income may decrease for any residents who experience employment loss or work hour reduction because of these business decisions.

[11] Montgomeryplanning.org, Rental Housing Study.
[12] Bryant, et al, "Evictions in Montgomery County." For more on the costs of eviction, see the Eviction Lab.

Beyond these potential impacts, OLO does not expect Expedited Bill 22-22 to significantly affect residents in terms of the Council's other priority indicators.

Businesses, Non-Profits, Other Private Organizations

OLO anticipates that enacting Expedited Bill 22-22 would have an overall negative impact on private organizations in the County in terms of several economic indicators prioritized by the Council.

Landlords: The primary businesses affected by the change in law would be landlords in the residential rental sub-sector. As previously discussed, OLO anticipates that market conditions would support rents above the 4.4% threshold for certain properties/units. By extending the rent stabilization measure, certain landlords would lose rental revenues they otherwise would collect in the absence of enacting the Bill. Forgone rental revenues would result in a net decrease in business income for affected landlords.

To compensate for revenue loss and protect profit margins, certain landlords likely would reduce their operating costs associated with repair and maintenance or other building services. Owners and managers of highly profitable rental properties may be able to absorb revenue loss without significantly reducing operating costs. However, owners and managers of properties with tight profit margins likely would reduce expenses. While a thorough assessment of the profitability of the residential rental sub-sector is beyond the scope of this analysis, OLO suspects small rental properties would be hardest hit by revenue loss.

Other Businesses: Extending the rent stabilization policy likely would have mixed impacts on other business groups. On the one hand, certain *building service providers* likely would experience net decreases in business income from property owners and managers reducing building services for rental properties/units in response to the rent stabilization extension. On the other hand, certain *residential remodelers* may gain business income through condo conversions. Moreover, lowering rents would increase household spending for certain tenants in rent-regulated units and, thus, result in additional revenue for certain *retail and other businesses*.

While the Bill may affect other private organizations in terms of the Council's priority indicators, it is beyond the scope of this analysis to identify all potential impacts.

Net Impact

Extending the rent stabilization policy would have conflicting impacts on various resident and business stakeholders. Quantifying the net effect of these impacts is not possible due to data and time limitations. Nevertheless, OLO anticipates enacting Expedited Bill 22-22 would have an overall negative impact on economic conditions in the County in terms of the Council's priority indicators for several reasons.

First, as discussed in the Economic Impact Statement on the previous extension of the rent stabilization measure (Expedited Bill 30-21, Landlord-Tenant Relations – Restrictions During Emergencies – Extended Limitations Against Rent Increases and Late Fees), the total multiplier effect for the real estate industry is greater than the household sector, holding all else equal. The multiplier effect captures how changes in economic activity affect other rounds of spending, and how additional spending impacts certain economic indicators. To illustrate, an increase in household income may in turn increase demand for local restaurants, resulting in restaurant owners hiring more workers. Using the Regional Input-Output Modeling System (RIMS II) final-demand multipliers, OLO shows the negative impacts from, for instance, a $1,000 reduction in spending from the real estate industry are greater than the positive impacts from a $1,000 increase in household spending.

Second, enacting the Bill may reduce the County's competitiveness in the residential rental sub-market relative to certain nearby jurisdictions, particularly those in Northern Virginia. There is no rent control in Virginia.[13] Extending the rent stabilization policy may increase fears among investors that the County plans to adopt a permanent, more stringent policy (i.e., vacancy controls and/or restrictions on condo conversions), which could reduce the attractiveness of the County for investment.

DISCUSSION ITEMS

Councilmembers may want to consider the following discussion items: whether the residential rental sub-sector has been sufficiently profitable to absorb the loss of rental revenue; the extent to which the Bill would reduce housing insecurity and the economic costs associated with it; and if there is a more targeted approach that can target resources for tenants facing housing insecurity.

Furthermore, Councilmembers may want to consider whether the March 2022 CPI for housing (4.4%) is an appropriate threshold for achieving the Bill's goals of helping renters adjust to increasing rents and providing landlords with rent increases for operating expenses. For one, there are significant differences in the housing CPI over time. To illustrate, July 2022 CPI for housing is 5.7%—1.3% more than the March 2022 housing CPI.[14] Moreover, the threshold may not capture what the average tenant could afford, as wage gains have lagged increases in cost of living. Nor does it capture rising operating costs for landlords (i.e., cost of fuels and utilities has been significantly higher than the housing CPI). In short, it is unclear to OLO why the March 2022 CPI for housing was chosen as the threshold.

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[13] Tenant-Landlord Handbook 2022 – Fairfax County.
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CAVEATS

Two caveats to the economic analysis performed here should be noted. First, predicting the economic impacts of legislation is a challenging analytical endeavor due to data limitations, the multitude of causes of economic outcomes, economic shocks, uncertainty, and other factors. Second, the analysis performed here is intended to *inform* the legislative process, not determine whether the Council should enact legislation. Thus, any conclusion made in this statement does not represent OLO's endorsement of, or objection to, the Bill under consideration.

CONTRIBUTIONS

Stephen Roblin (OLO) prepared this report.

Racial Equity and Social Justice (RESJ) Impact Statement

Office of Legislative Oversight

EXPEDITED BILL 22-22: LANDLORD-TENANT RELATIONS – LIMITATIONS ON RENT INCREASES

SUMMARY

The Office of Legislative Oversight (OLO) anticipates Expedited Bill 22-22 could have a favorable impact on racial equity and social justice (RESJ) in the County through preventing increases in rental costs that would worsen current inequities in housing security among BIPOC and low-income residents. While BIPOC landlords could potentially be harmed by the Bill, the potential benefits to BIPOC renters exceeds this potential harm. Given that the Bill does not address structural inequities that cause housing insecurity, OLO anticipates the favorable RESJ impact of this Bill will be small.

PURPOSE OF RESJ IMPACT STATEMENT

The purpose of RESJ impact statements is to evaluate the anticipated impact of legislation on racial equity and social justice in the County. Racial equity and social justice refer to a **process** that focuses on centering the needs, leadership, and power of communities of color and low-income communities with a **goal** of eliminating racial and social inequities.[1] Achieving racial equity and social justice usually requires seeing, thinking, and working differently to address the racial and social harms that have caused racial and social inequities.[2]

PURPOSE OF EXPEDITED BILL 22-22

The goal of Expedited Bill 22-22 is to temporarily limit rent increases, and notifications of rent increases, by landlords in the County.[3] If enacted, any notices of rent increases will be capped at 4.4 percent for six months after the law becomes effective. Since landlords in the County must give 90-days advance notice of a rent increase, the Bill would essentially prohibit rent increases of more than 4.4 percent for nine months after its effective date.

The County Executive cited continuing economic hardship among renters from the on-going COVID-19 pandemic, rising inflation, and rental market pressures as justification for requesting the Bill.[4]

Expedited Bill 22-22 follows two bills that were previously passed by the Council to limit rent increases during the COVID-19 emergency:

- Expedited Bill 18-20, Landlord-Tenant Relations – Rent Stabilization During Emergencies, signed into law on April 24, 2020, prohibited the increase of rent above the voluntary rent guideline[5] during the COVID-19 state of emergency declared by Governor Hogan.
- Expedited Bill 30-21, Landlord-Tenant Relations – Restrictions During Emergencies – Extended Limitations Against Rent Increases and Late Fees, signed into law on November 9, 2021, extended the limitation on rent increases from Bill 18-20 and prohibited the increase of rent above the voluntary rent guideline until May 15, 2022.

If the Bill is enacted, a landlord notifying a tenant of a rent increase exceeding 4.4 percent after May 15, 2022 would be required to send a new notice retracting the increase or modifying it to be no more than 4.4 percent.

Expedited Bill 22-22 was introduced to the Council on July 12, 2022.

In September 2021, OLO published a RESJ impact statement (RESJIS) for Expedited Bill 30-21, Landlord-Tenant Relations – Restrictions During Emergencies – Extended Limitations Against Rent Increases and Late Fees.[6] OLO builds on Expedited Bill 30-21's analysis for this RESJIS.

HOUSING INSECURITY AND RACIAL EQUITY

Low-wealth and low-income households have been negatively impacted by financial burdens associated with the pandemic. Households lacking access to affordable and safe housing, also known as secure housing, are at greater risk of experiencing evictions and homelessness.[7] At risk households in the County are disproportionately Black and Latinx, and many were at risk of eviction and homelessness prior to the pandemic.

To understand the drivers of racial and ethnic inequities in housing that preceded the COVID-19 pandemic, this RESJIS describes the role that housing segregation in particular has played in creating housing inequities in the County, as well as local data on housing security by race and ethnicity. Please see the RESJIS for Expedited Bill 30-21 for background on the racial wealth divide, another significant driver of housing inequities. The intent of this overview is to demonstrate that racial and ethnic disparities in housing security are neither natural nor random, but instead reflect the government's role in creating and maintaining racial and ethnic inequity in housing.

Racial Segregation in Housing. Segregation by race and ethnicity characterizes the housing market in the County, whereby White residents are concentrated in the most affluent communities. Specifically, in 2015:[8]

- White residents accounted for 47 percent of County residents but comprised 72 percent of District 1 residents (Chevy Chase, Bethesda, and Potomac) where a near majority of households (47 percent) had annual incomes exceeding $200,000 compared to 13 percent of households that had annual incomes less than $75,000.
- Asian residents accounted for 15 percent of County residents but comprised 19 percent of District 3 residents (Rockville and Gaithersburg) where a fifth of households (21 percent) had annual incomes exceeding $200,000 compared to a third of households that had annual incomes less than $75,000.
- Black residents accounted for 18 percent of County residents but comprised 32 percent of District 5 residents (Takoma Park, Silver Spring and Burtonsville) where less than a fifth of households had annual incomes exceeding $200,000 compared to 40 percent of households that had annual incomes less than $75,000.
- Latinx residents accounted for 18 percent of County residents but comprised 26 percent of District 4 residents (Wheaton and Olney) where a sixth of households had annual incomes exceeding $200,000 compared to a third of households that had annual incomes less than $75,000.

While some attribute segregation in the housing market to personal preferences and differences in income and education by race and ethnicity, these explanations often ignore the role of systemic discrimination in driving preferences, income, and educational attainment, as well as housing segregation itself.[9] Moreover, defining housing segregation as a function of personal preferences ignores the role of government in creating segregated communities.

The role of government in creating and sustaining housing segregation begins with the origins of the nation. Slavery, sharecropping, Jim Crow laws, and the Homestead Act were government policies designed to build wealth among White residents by extracting resources from Black, Indigenous, and Other People of Color (BIPOC). Government policies reinforcing housing segregation continued with the New Deal as the Federal Housing Administration (FHA) provided government subsidized financing to White residents and developers to purchase or build homes in White-only enclaves.[10] As noted by Oliver and Shapiro:[11]

> "African Americans who desired and were able to afford homeownership found themselves consigned to central-city communities where their investments were affected by the "self-fulfilling proficiencies" of the FHA appraisers: cut off from sources of new investment, their homes and communities deteriorated and lost value in comparison to those homes and communities that FHA appraisers deemed desirable."

Accompanying these benefits for White homeowners and communities were racial covenants attached to residential property and redlining of neighborhoods predominantly occupied by people of color.[12] Between 1902 and 1948, for example, Silver Spring enacted more than 50 racially restrictive covenants that prohibited owning or renting "the whole or any part of any dwelling or structure thereon, to any person of African descent."[13] Further, Colonel Edward Brook Lee, Maryland politician and Montgomery County private developer, attached racially restrictive covenants to all his suburban properties in the County.[14] The GI Bill was also implemented in racially exclusionary ways that denied Black veterans loans and reinforced segregation.[15]

Collectively, between 1933 and 1978, taxation, housing, and transportation policy lead to the suburbanization of America, enabling 35 million White families to purchase homes in the suburbs but restricting Black families to central cities.[16] Prior to the Fair Housing Act of 1968, affordable government-backed mortgages created a platform for wealth in White neighborhoods, however, only two percent of these secured mortgages were issued to Black applicants.[17] While the Fair Housing Act of 1968 eliminated racially explicit segregation in housing, the policies that built the segregated housing market "have never been remedied and their effects endure."[18]

The growth of Montgomery County was driven by the suburbanization of the Washington Metropolitan region following White flight from Washington, D.C. Housing segregation within the County also reflects the migration of BIPOC families from D.C. to Prince George's County and to the eastern parts of the County, and subsequent White flight from those environs to the western parts of the County (e.g., Bethesda and Potomac). Moreover, given the value of investments in greenlined areas, the value of segregated White housing increased exponentially compared to housing in mixed and predominantly Black areas that were undervalued and underinvested in due to redlining.[19]

Today, racial discrimination in housing continues with predatory lending practices targeted to BIPOC communities (e.g. subprime and other undesirable loans or denied loans);[20] racial and ethnic bias in the rental and real estate markets;[21] and the "implicitly racialized tax code" that favor asset holdings with lower tax rates over income earned, and mortgage holders over renters.[22] Montgomery County's 2015 analysis of the Impediments to Fair Housing Choice acknowledges that housing discrimination in the County on the basis of income source also persists, despite County law that makes such discrimination illegal.[23]

Data on Housing Insecurity. Local data on three metrics of housing insecurity – rent-burdened households, rental assistance during the pandemic, and homelessness – demonstrate that Black and Latinx households in the County are especially housing insecure, reflective of the larger forces of housing segregation and the racial wealth divide. More specifically, in the County:

- In 2019, 66 percent of Latinx renters and 60 percent of Black renters were rent-burdened (expending 30 percent or more of income on rent), compared to 43 percent of White renters and 33 percent of Asian renters.[24]
- Among recent COVID-19 Rent Relief Program clients, 45 percent were Black and 25 percent were Latinx, while 6 percent were White and 2 percent were Asian or Pacific Islander.[25]
- Among single adults experiencing homelessness in 2020, 60 percent were Black, 30 percent were White, 17 percent were Latinx, and 5 percent were Asian or Pacific Islander.[26]
- Among families experiencing homelessness in 2020, 78 percent were Black, 15 percent were White, 9 percent were Latinx, and 2 percent were Asian.[27]

Local data on homeownership also confirms housing inequities by race and ethnicity. In 2019, 75 percent of White and 73 percent of Asian households in the County were owner-occupied, compared to 50 percent of Latinx households and 41 percent of Black households.[28]

ANTICIPATED RESJ IMPACTS

To consider the anticipated impact of Expedited Bill 22-22 on RESJ in the County, OLO recommends the consideration of two related questions:

- Who are the primary beneficiaries of this bill?
- What racial and social inequities could passage of this bill weaken or strengthen?

For the first question, OLO analyzed the demographics of renters – the residents who would be most impacted by limitations on rent increases. Census data summarized in Table 1 suggests that BIPOC residents could disproportionately benefit from the Bill, as Black and Latinx households are overrepresented among renter households, while White and Asian households are underrepresented. Further, the median household income of renter households in the County was $69,046, compared to $111,812 for all households in the County, suggesting that lower-income residents could also primarily benefit from the Bill.[29]

Table 1: Percent of All Households and Percent of Renter-Occupied Households by Race and Ethnicity, Montgomery County, MD

Race and ethnicity[30]	All Households	Renter-Occupied Households
Asian	14.3	11.8
Black	17.7	30.3
White	57.3	43.0
Latinx	13.9	18.6

Source: 2020 American Community Survey (Table S2502)

The counterpart of the first question is which groups could be most harmed by this Bill. Reports have documented the struggles of individual investor landlords, often referred to as “mom-and-pop” landlords, amid increasing COVID protections for renters.[31] Comprehensive research on landlords, including with regards to their race, ethnicity, and financial standing is very limited.[32]

Nationally, mom-and-pop landlords own 41 percent of rental units, and are an especially significant provider of rental units in properties with 4 units or less (72.5 percent).[33] Conversely, mom-and-pop landlords own 11.9 percent of rental units in properties with 5 or more units, making them a smaller provider of rental units in larger properties.[34] Census data indicates that most renter households in the County (73.5 percent) live in properties with 5 or more units, suggesting that mom-and-pop landlords may provide a minority of rental housing in the County.[35]

Nonetheless, the potential of smaller landlords selling their properties to institutional investors to alleviate their own financial challenges could pose an issue for preserving affordable housing in the County.[36] This concern could be addressed by engaging landlords and reaching them with rental assistance funds more effectively.[37] Of note, the County reopened the fourth phase of the COVID-19 Rent Relief Program on July 27, 2022.

For the second question, OLO considered the extent to which this Bill could address racial disparities in housing insecurity. As discussed in 'Housing Insecurity and Racial Equity,' BIPOC households in the County experience higher levels of housing insecurity, placing them at higher risk for evictions and homelessness. The majority of BIPOC renter households in the County are rent-burdened, making them sensitive to even modest increases in rent. Rising inflation is causing further financial strain on the budgets of BIPOC and low-income households.[38,39]

Recent reports have documented rapidly rising rents in the region. An analysis of Apartment List data by WAMU found that average rents have grown 9 percent over the last year,[40] double the limitation established by Bill 22-22. Further, several tenants interviewed by WAMU reported having rent increases of 20 percent of more. Table 2 illustrates examples of potential increases in rent with and without the limitations from Bill 22-22. The table uses 9 percent to proxy the potential rent increase without any limitations, though it is important to note that rent increases could be much higher.

Table 2: Potential Rent Change With and Without Limitations (Examples)

If rent is...	Total rent with limitation (4.4 percent increase)	Total rent without limitation (9 percent increase)
$1,000	$1,044 (+ $44)	$1,090 (+ $90)
$1,250	$1,305 (+ $55)	$1,363 (+ $113)
$1,500	$1,566 (+ $66)	$1,635 (+ $135)
$1,750	$1,827 (+ $77)	$1,908 (+ $158)
$2,000	$2,088 (+ $88)	$2,180 (+ $180)

OLO anticipates Bill 22-22 could have a favorable impact on RESJ through preventing increases in rental costs that would worsen current inequities in housing security among BIPOC and low-income residents. While BIPOC landlords could potentially be harmed by the Bill, the potential benefits to BIPOC renters exceeds this potential harm. Further, the Bill also aligns with best practices recommended by the Eviction Lab at Princeton, the Urban Institute, and PolicyLink for reducing the risk of evictions among low-income households.[41] Given the Bill does not address structural inequities that cause housing insecurity and allows for rent increases that could meaningfully constrain household budgets, OLO anticipates the favorable RESJ impact of this Bill will be small.

RECOMMENDED AMENDMENTS

The Racial Equity and Social Justice Act requires OLO to consider whether recommended amendments to bills aimed at narrowing racial and social inequities are warranted in developing RESJ impact statements.[42] OLO finds Expedited Bill 22-22 could have a favorable impact on RESJ by preventing the widening of racial disparities in housing insecurity.

Should the Council desire to actualize more significant reductions in housing inequities via legislation, PolicyLink's Priorities for Advancing Racial Equity Through the American Rescue Plan offers the following recommendations for investing in "frontline, Covid-impacted, and disinvested communities" and for "preventing displacement and increased community ownership of land and housing" that could be considered as potential amendments to this Bill:[43]

- **Support projects that affirmatively further fair housing** by ensuring BIPOC residents have equitable access to low-poverty neighborhoods with community assets and by investing in low-income communities. Strategies aimed at increasing access to low-poverty neighborhoods include inclusionary zoning and increasing the value of housing voucher payments in low-poverty neighborhoods. The County's Moderate Price Dwelling Unit (MPDU) Program aligns with recommended practices for promoting inclusionary zoning in low-poverty communities.
- **Maintain strong eviction moratoria and provide funding to eliminate rent debt** and support struggling landlords and nonprofit affordable housing providers. Best practices include pairing landlord assistance with eviction protections and lease renewals, protecting renters from exorbitant rent increases, and programs that ensure undocumented people can access services. Of note, the County has expanded funding for legal services for households facing evictions; established a rental assistance program for households experiencing financial hardship from COVID-19 (where applicants are not required to prove citizenship status); and enacted multiple bills (18-20, 30-21) to limit exorbitant rent increases.
- **Expand services and acquire permanent housing for people without housing.** The County currently provides a continuum of services for individuals and families experiencing homelessness, but most clients do not receive permanent housing. Among single adults served in 2020, 44 percent were placed in permanent supportive housing while the remainder received rental support or time-limited rental subsidies of up to 24 months; among families served in 2020, only 12 percent were placed in permanent supportive housing.[44]
- **Fund acquisition strategies to transfer housing and land to community ownership and stewardship,** including rapid-response acquisition funds, community land trusts, and land banks to quickly purchase properties that come up for sale and compete with speculators. Montgomery County's Housing Investment Fund (HIF) and Housing Acquisition and Preservation Funds could potentially be used toward these ends.

CAVEATS

Two caveats to this racial equity and social justice impact statement should be noted. First, predicting the impact of legislation on racial equity and social justice is a challenging, analytical endeavor due to data limitations, uncertainty, and other factors. Second, this RESJ impact statement is intended to inform the legislative process rather than determine whether the Council should enact legislation. Thus, any conclusion made in this statement does not represent OLO's endorsement of, or objection to, the bill under consideration.

CONTRIBUTIONS

Janmarie Peña, OLO Performance Management and Data Analyst, drafted this RESJ impact statement with assistance from Elaine Bonner-Tompkins, OLO Senior Legislative Analyst.

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[1] Definition of racial equity and social justice adopted from "Applying a Racial Equity Lens into Federal Nutrition Programs" by Marlysa Gamblin, et.al. Bread for the World, and from Racial Equity Tools. https://www.racialequitytools.org/glossary
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Statement of the Apartment and Office Building Association on Bill 22-22, Landlord-Tenant Relations – Limitations on Rent Increases

July 26, 2022

The Apartment and Office Building Association of Metropolitan Washington (AOBA) is a non-profit trade association representing more than 133,000 apartment units and over 24 million square feet of office space in suburban Maryland. In Montgomery County, AOBA members own/manage over 60,000 of the County's estimated 83,769 rental units and 20,000,000 square feet of office space. AOBA submits this statement in opposition to the County Council's enactment of County Bill 22-22.

For the past 28 months (April 2020-August 2022), the County's rental units have been subject to rent control set at the Voluntary Rent Guidelines. AOBA members appreciated the need to extend financial protections to County residents during the unprecedented COVID-19 public health emergency. However, this 6-month extension of rent control currently before the Council is not tied to the pandemic, or what is occurring in the rental housing market. There is no means testing, financial qualification or even proof that a resident is experiencing financial hardship. Instead, this wide-sweeping measure will ensure that high-income residents continue to receive benefits they do not need, while failing to move the needle for those in need. If the Council wants to assist renters who are truly struggling, this legislation should be narrowly tailored to apply only to residents that can demonstrate financial hardship.

Despite many pledges to let Bill 30-21 sunset when it expired on May 15, 2022 (allowing for rent increases to commence on August 15, 2022), the County has now reversed its position and is seeking an additional nine months of rent control (six months plus the mandatory 90-day notice period for rent increases). It appears the County is exploiting the COVID-19 pandemic and subsequent economic climate to usher in rent control policies. Housing providers feel there is no end in sight, with the Council leaning on temporary half-measures of the worst kind that paper over the cracks of what is primarily a housing supply issue.

Moreover, the County's singular focus on rent control ignores the financial perils all residents and business owners are facing. With record-high inflation, supply chain, and employee shortages, housing providers are facing staggering cost increases to maintain apartment communities. As costs rise, the County's mandated cap on rent increases is prohibiting property owners from passing on any of those costs to residents. This is creating an untenable situation for market rate providers and naturally occurring affordable housing providers who operate on razor-thin margins, do not have large financial reserves, and are contending with increased operating and maintenance expenses. To put some fiscal pressures in perspective, WSSC has implemented a 6.5% rate increase for fiscal year 2023, the Public Service Commission authorized a $52 million revenue increase and corresponding rate increase until March 2024 for PEPCO, and new Building Energy Performance Standards (BEPS) require largescale retrofits and expensive capital improvements to meet compliance. These cost increases and new regulatory burdens are the tip of the iceberg as personnel costs are rising, utility usage is at an all-time high, cleaning and sanitation costs are skyrocketing and all products cost 8-9% more than they did months ago.

Additionally, even short-term rent stabilization creates damaging and long-lasting impacts on the local economy. Housing providers do not make decisions in a vacuum, neither do they have unlimited resources. The property management companies and property owners AOBA represents answer to investors, lenders, and development partners who are finding it increasingly difficult to underwrite new multi-family investment in Montgomery County. This is the direct result of the high costs of doing business and the perceived unfavorable and unpredictable legislative climate. Creating arbitrary rent controls and an uncertain return on investment will slow investment in new housing projects in the County substantially. Also, high rent delinquency rates and income losses over the past two years are driving owners and investment groups to pressure management companies into selling unproductive rental housing communities for redevelopment or condo conversion. This puts the County's housing goals, particularly affordable housing goals, in jeopardy.

Rent Increases on Yearly Renewals in Montgomery County

AOBA has heard the antidotal stories propelling this legislation, but these anecdotes contain no context. Paying 25% more to live in the same unit in the same condition as a resident did the year before is jarring. However, we know that is not the case in the professionally managed communities AOBA represents. It is important to note that the market simply cannot absorb the type of requisite rent increases that would be required for housing providers to keep pace with rent losses and inflation—certainly nothing in the range of 15% as has been claimed. Indeed, rent increases locally lag significantly behind the national average. According to RealPage, a provider of multifamily real estate data and market analysis, average rent increases for lease renewals in the region hover around 8.8% but is significantly lower in Montgomery County submarkets.

	Year Over Year Rent Roll Change (Rev per Occ. SF) Lease Transaction Data	New Lease Rate Change (Trade Out) Lease Transaction Data	Renewal Lease Rate Change (Trade Out) Lease Transaction Data
Bethesda/Chevy Chase	0.1%	8.3%	**2.8%**
Central Alexandria	0.4%	13.4%	**8.4%**

Central DC	6.5%	15.7%	**15.0%**
College Park/Greenbelt	0.5%	4.9%	**6.9%**
Columbia Pike	8.5%	14.8%	**8.7%**
Crystal City/Pentagon City	6.1%	20.0%	**17.0%**
Downtown Silver Spring	3.0%	12.2%	**1.8%**
East Alexandria	4.7%	15.1%	**9.0%**
East Silver Spring/Takoma Park/Adelphi	**--**	--	--
Frederick	9.4%	21.7%	**3.6%**
Fredericksburg/Stafford	13.0%	21.9%	**11.1%**
Gaithersburg	5.3%	20.3%	**1.7%**
Germantown	5.9%	17.1%	**0.7%**
Hyattsville/Riverdale	7.5%	6.9%	**5.2%**
Landover/Bowie	4.9%	19.3%	**13.6%**
Laurel/Beltsville	9.4%	14.5%	**7.0%**
Loudoun County	10.2%	20.2%	**10.7%**
Manassas/Far Southwest Suburbs	8.3%	18.3%	**7.5%**
Navy Yard/Capitol South	5.2%	17.9%	**15.1%**
North Arlington	6.2%	15.5%	**11.6%**
North Central DC	0.2%	13.4%	**8.8%**
Northeast DC	3.5%	19.0%	**14.2%**
Northeast Montgomery County	1.4%	9.9%	**1.3%**
Northwest DC	2.7%	8.7%	**8.6%**
Reston/Herndon	8.9%	15.6%	**9.3%**
Rockville/North Bethesda	3.6%	13.9%	**4.4%**
Seven Corners/Baileys Crossroads/Annandale	0.1%	39.7%	**7.9%**
South Fairfax County	12.8%	13.3%	**7.5%**
South Prince George's County/St. Charles	6.6%	11.7%	**5.1%**
Suitland/District Heights/Capitol Heights	1.8%	10.8%	**4.4%**
Tysons Corner/Falls Church/Merrifield	5.7%	14.7%	**9.3%**
West Alexandria	6.1%	11.5%	**9.6%**
West Fairfax County	8.5%	17.1%	**8.3%**
Wheaton/Aspen Hill	1.8%	15.2%	**1.9%**
Woodbridge/Dale City	6.7%	17.6%	**9.2%**
Washington, DC Market Avg.	7.2%	15.6%	8.8%

The rent increase notices AOBA members began sending residents after May 15 align with the nationally reported data.

- Member Company A manages approximately 3,500 units in 10 multifamily communities. They average rent increases of 3.4% at the time of lease renewal.
- Member Company B owns or manages nearly 4,000 units in 11 multifamily communities. They average rent increases of 3.22% at the time of lease renewal.
- Member Company C issued 640 rent increase notices across their Montgomery County Portfolio of 4,400 units in 12 multifamily communities. They average rent increases of 1.3% at the time of lease renewal.
- Member Company D sent out rent renewal notices indicating a 3-4% increase on 12-month lease renewals and 5-6% increase on 24-month lease renewals.
- Member Company E averages renewal rent increases at an average of 5.5% at multifamily communities across the County in Gaithersburg, Silver Spring and Rockville.
- Member Company F reports it did not take any rent increases from April 2019 to April 2022. In May 2022, the company issued an average rent increase of 6% to all residents due lease renewals. If resident signed a 2-year lease the increase was lowered to 4%.
- Member Company G states "rent increases have been given based on each residents' relationship to market rent. No rental increases have been given to residents who have applied for rental assistance and are substantially delinquent."

Ultimately, AOBA members question the premise behind the bill—what multifamily communities are issuing rent increases in excess of 15%? Are these astronomical rent increases for residents going from year long leases to month-to-month? Did the resident knowingly enter into a lease as part of a "rent special" where the first-year rental rate was 10% below market-rate knowing that the rent would return to market-rate (10+% increase) at renewal? Was the property substantially upgraded to a new property class? We have none of those details to accompany the shocking rent increases that have been so publicly and anecdotally reported.

Rent Control in Montgomery County

While this bill is yet again described as a short-term measure, housing providers and investors are increasingly skeptical that these restrictions will ever go away. Analysis of the economics of rent control in Montgomery County demonstrates that would be terrible for the County's supply of housing and fiscal health. In 2015, AOBA commissioned a study conducted by the Regional Economic Studies Institute (RESI) at Towson University to look at the economic and fiscal impact rent control legislation will have, and has had, in the County. The research team found that implementing rent control would result in reductions in property values of existing multifamily properties and would significantly decrease county property tax revenues. Additionally, they found rent control would reduce income tax revenues paid by the 62% of multifamily property owners that resided in the County. Further, because this policy disincentivizes the construction of new multifamily and mixed-use properties, there would be revenue losses related to additional tax revenue and jobs. According to RESI, the specific fiscal impacts of rent control to Montgomery County included the following:

- Estimated annual tax revenue loss of $46.1 million in 2020 increasing to $101.3 million per year by 2025; and
- Ten-year (from 2015-2025) total tax revenue losses of $538.5 million.

If enacted, the County would have lost over half a billion dollars in local tax revenue, thus jeopardizing the County's financial stability. To offset the fiscal impact of rent control with additional taxes, the County would have been forced to increase owner-occupied households' property tax rates by an average of $267 per household in 2025. Additionally, by 2025 the loss of income from forgone construction projects and reduced employee mobility would have resulted in:

- Over 70,900 jobs unrealized
- Loss of $10.4 billion in County economic output; and
- Loss of $5.4 billion in wages.

In this way, both homeowners and renters, particularly low-and-moderate-income renters, face direct adverse financial impacts from the imposition of rent control in the form of tax increases and lost employment opportunities.

The results of the RESI study are mirrored in a 2019 analysis by Capital Policy Analytics commissioned by the National Apartment Association (NAA). Capital Policy Analytics modeled the impact of implementing a 7 percent rent cap in the cities of Chicago, Denver, Seattle, and Portland, and found the following:

- Despite the inclusion of a 15-year exemption for new construction, a 7 percent rent cap would significantly discourage investment in new properties. Seattle would see a reduction in construction of 1,739 units per year, with 779 fewer units constructed annually in Denver, 320 fewer per year in Chicago and 233 in Portland.
- Annual maintenance spending would fall by an estimated $5.9 million in Seattle, $5.4 million in Chicago, $4.5 million in Denver, and $2.7 million in Portland.
- Decreased maintenance would put 42,460 units at operational risk in Chicago, 35,163 units in Denver, 21,052 units in Portland, and 46,085 in Seattle.
- Significant lost rental income for property owners would translate into hundreds of millions of dollars in property value loss. This in turn would lead to lower property tax collections totaling between $3.5 million (Denver) and $6.1 million (Chicago) annually.

The negative impacts of rent control are far-reaching and directly inhibit the County from producing badly needed apartment housing across the income spectrum. For these reasons, AOBA opposes Council Bill 22-22 and requests an unfavorable report on the legislation.

Please contact Erin Bradley, AOBA's Vice President of Government Affairs-MD, at ebradley@aoba-metro.org or (301) 904-0814.

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 unprecedent 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

Gil Horwitz

President

MONTGOMERY HOUSING ALLIANCE

www.montgomeryhousingalliance.org

A coalition of organizations focused on increasing the rate of preservation and development of affordable housing in Montgomery County

Action in Montgomery
Affordable Housing Conference of Montgomery County
AHC, Inc.
APAH
Coalition Homes, Inc.
Coalition for Smarter Growth
Enterprise Community Partners
Habitat for Humanity Metro Maryland
Housing Initiative Partnership
Housing Opportunities Commission of Montgomery County
Housing Unlimited
Interfaith Works
Jewish Community Relations Council of Greater Washington
Keystar Real Estate
Latino Economic Development Center
MHP
Montgomery County Coalition for the Homeless
Rebuilding Together Montgomery County
Victory Housing

July 25, 2022

Hon. Gabe Albornoz, President
Montgomery County Council

Re: Bill 22-22 – Limitations on Rent Increases

Dear Council President Albornoz and Members of the Council,

As you consider action to address the issue of severe rent increases and potential displacement in Montgomery County, Montgomery Housing Alliance (MHA) strongly urges you to develop and implement a long-term sustainable policy that both protects tenants and supports landlords, especially mission-minded non-profit affordable housing providers.

Sudden extreme rent increases that amount to rent gouging are destabilizing for many renter households. Currently, 20,000 households in Montgomery County are severely cost burdened, spending over half their incomes on housing costs. Every day these families are making impossible choices between paying for housing and paying for other critical priorities like education, health care, and reliable transportation. As households have faced COVID-related reductions in income, it has become even more challenging for them to cover housing costs. For the past two years, tenants have been protected from major rent increases as a result of the COVID-19 Renter Relief Act. This was an important and necessary measure to address the economic shocks of the pandemic on renters, especially those disproportionately affected, such as low-income households and communities of color. We recognize that many of these households are still struggling with the effects of the COVID-19 crisis and are now seeing untenable rent increases that will deepen their cost burden, or worse, result in displacement. We strongly feel that a long-term solution is the best course forward to address this issue. As we move through the third year of the pandemic, short-term emergency measures only postpone, and may even exacerbate, the inevitable: severe rent increases to compensate for income losses landlords have faced over the past several years.

As affordable housing providers and advocates, we want to ensure that all county residents are protected from displacement and have the ability to thrive. We also recognize the challenges facing landlords, who have seen major decreases in rental income as a result of the pandemic and caps on rent increases. Non-profit affordable housing providers, in particular, continue to see up to 25% of tenants delinquent on rent (constituting up to 16% of the providers' monthly revenue). This coincides with severe spikes in capital and operating costs, such as construction, labor, and insurance. Taken together, increased costs and rental income loss jeopardize the ability to meet operating expenses and threaten the stability of properties.

MHA urges the Council to explore a policy of anti-rent gouging, paired with targeted subsidies to support low-income households. The NYU Furman Center recently published a report with recommendations for this model (enclosed). Such a policy would restrict landlords from imposing exorbitant increases, while allowing them to adjust rents within a reasonable margin in order to ensure enough rental income to remain fiscally solvent and properly manage and maintain properties. California and Oregon have recently pursued this model, limiting rent increases to 5 and 7 percentage points above the consumer price index, respectively.

Pairing an anti-rent gouging policy with shallow subsidies targeted at low-income households would help those most at risk of severe cost burden and displacement to absorb rent increases. The purpose of this form of rental subsidy is distinct from current COVID-related emergency rent relief. Federally funded emergency rental assistance has helped tenants and landlords maintain some stability during the pandemic but is a temporary stopgap and is targeted at tenants with (often significant) delinquency. Many of these tenants experienced job loss due to the pandemic and are still struggling to find adequate employment. For these households, the County must provide ongoing COVID-related emergency rent relief. For tenants who have employment but do not earn enough to shoulder major rent increases in a time of inflation, establishing anti-rent gouging measures augmented by targeted rental subsidies is critical, and will help prevent these households from accruing delinquency.

We recognize the need for the County to protect tenants from unexpected and untenable spikes in their monthly housing costs. The most effective and conscientious way to address this issue is to develop a long-term policy that balances the needs of renters, especially those with the lowest incomes, and property owners, especially small landlords and mission-minded affordable housing providers. We strongly encourage you to explore a policy of anti-rent gouging, paired with narrow, targeted rental subsidies; we are more than willing to work together with the Council and the Administration to determine the optimal model for long-term rental policy in Montgomery County. Thank you for your time and attention.

Sincerely,

Montgomery Housing Alliance

MARYLAND BUILDING INDUSTRY ASSOCIATION
11825 West Market Place | Fulton, MD 20759 | 301-776-6242

July 24, 2022

The Honorable Gabe Albornoz
President, Montgomery County Council
Council Office Building, Third Floor
100 Maryland Avenue
Rockville, MD 20850

RE: Opposition Expedited Bill 22-22, Landlord – Tenant Relations – Limitations on Rent

Dear President Albornoz and Council Members,

The Maryland Building Industry Association, representing 100,000 employees statewide, appreciates the opportunity to participate in the discussion surrounding Bill 22-22, which would temporarily limit rent increases and notifications of rent increases, by landlords in the County for period of six months after its effective date, any notices of rent increases in the County would be limited to no more than 4.4 percent. MBIA recognizes the ongoing struggles Montgomery County residents are facing in making rent payments, and we are committed to working with the county to mitigate the financial burden. However, we feel that a countywide rent cap would do more harm than good long term, disallowing building owners in Montgomery County to keep up with market rates, leaving less money for needed building maintenance and deterring future infrastructure investment in the county, while neighboring jurisdictions continue to thrive without being hamstrung by regulations. Also, the county continues to push on a separate front the need for both new and existing buildings to operate as efficient as possible to reach the counties climate goals, this requires for existing buildings retrofits for any number of improvements: heating and cooling systems, windows, insulation etc. Adding a rent cap on top of new climate retrofit policies creates the potential for very trouble unanswered economic questions: Understanding this is down the road in terms of implementation, how does that will retrofits get financed without rental income? Is the county going prepared to aide significant for private building owners, if rents rent increases are unable not legally allowed to be raised past a certain point to mitigate increased costs? Just This rent cap proposal is just another aspect as this where we are concerned that one County policy will continues to get pushed to think about even while it harms other existing County policies.

This body has already put into place two separate rent stabilization measures and is now considering a third, while other jurisdictions have allowed theirs to phase out and is now considering a third. Is it going to be a regular occurrence every 6 months or sooner to tweak the figure to reflect to the current labor statistics or lower? The county needs to allocate more money to DHCA and actually set up a rental assistance department that is well staffed and well-funded to aid residences in a timely and helpful manor. Based upon the staff memo, it suggest for this legislation states that census data suggests that 17-20 percent of the renters in the state are behind on their payments. So, if the other 83 or so percent of renters are up to date with their payments, and again this is statewide data indicating the number for Montgomery County is smaller, to the suggestion made earlier why can't the county seek to help those that actually need the help (the 17-20%) or smaller with rent relief payments or some other mechanism, instead of giving 100% of the renters a reduced rent?

There are better ways to protect vulnerable renters. In addition to the allocation of more money to DHCA — an example came from a Bloomberg report to help curb rental increase in San Francisco. A citywide system of government social insurance for renters. Households that see their rents go up could be eligible for tax credits or direct payments to offset rent hikes, and vouchers to help pay the cost of moving. The money for the system would come from taxes on landlords, which would effectively spread the cost among all renters and landowners instead of laying the burden on the vulnerable few.[1]

[1] "Yup, Rent Control Does More Harm Than Good" - https://www.bloomberg.com/opinion/articles/2018-01-18/yup-rent-control-does-more-harm-than-good

Furthermore, that bill is quite vague when it comes to the “retroactive” portion of this bill (as written). As a practical matter, it would seem difficult to renegotiate leases that have already been written. The “Contract Clause” of the U.S. Constitution prevents state and local governments from passing laws that interfere with existing contracts to the benefit of one party and at the expense of others. The basic constitutional premise is that no state or local government may “impair the obligations of contracts.” The retroactivity provision in the bill suggests the landlord or property manager would be required to inform the tenant and amend the lease to reflect the 4.4 percent or less number if they raised rents higher. Does this also require the landlord to reimburse the tenant for the difference, can the tenant take legal action the landlord for reimbursement? Rent caps and rent moratoria are very suspect and it can be argued that these laws violate the Contract Clause of the Constitution, when enacted against private contracts

Montgomery County should proceed cautiously in making permanent a piece of legislation that was originally supported by the significant public purpose of affording temporary pandemic-related relief. Extending this law well beyond the public emergency days of the early pandemic is no longer legitimately tied to that same public purpose. In fact, this legislation fails to advance a reasonable public purpose at all.

There is also a public policy issue in forcing private landlords, no matter how big or small, to continue to shoulder the burden of a shifting economy when they are facing the same inflationary problems as their tenants and anyone else who operates in the economy. There is no legitimate purpose served by interfering with landlords’ expectations and shifting all burden onto the landlords when their lenders have the same private enforcement mechanisms as before. Landlords will go into loan default if they cannot recoup appropriate rents. It is important to remember that not all landlord or property managers are large corporations and are able to just absorb the ongoing inflationary pressures and operational costs. First, not all landlords are alike. Large, wealthy real estate firms and development conglomerates don’t control the entire market: In fact, just over half of the U.S. rental supply, about 25.8 million units, are owned by business entities, according to the 2015 American Housing Survey. The other 22.7 million rental units are owned by individuals, who are more likely to own single units, homes and duplexes, and are often called “mom-and-pop” landlords.[2] These folks are not raising rents 15-20 percent, they have two or four units and serve a community need. They cannot absorb everyone else’s struggles.

We appreciate the sponsor and the County Executive’s intent and agree something needs to be done to help mitigate the burden of increased rent, but we feel another rent cap is not the solution and for the reasons stated above we ask the council to oppose Bill 22-22.

Thank you for your consideration, for more information about this position, please contact Griffin Benton at gbenton@marylandbuilders.org

cc: Montgomery County Council Members and Staff

[2] “How Eviction Moratoriums Are Hurting Small Landlords—and Why That's Bad for the Future of Affordable Housing” - https://time.com/5846383/coronavirus-small-landlords/

MARYLAND MULTI-HOUSING ASSOCIATION, INC.

Expedited Bill 22-22

Jurisdiction: Montgomery County Council
Date: July 26, 2022
Position: Oppose

This testimony is offered on behalf of the Maryland Multi-Housing Association (MMHA). MMHA is a professional trade association established in 1996, whose members house more than 530,000 residents of the State of Maryland.

I. Summary

Expedited Bill 22-22 would prohibit housing providers from providing notice of a rent increase greater than 4.4% during a 6-month period. Since landlords in the County must give 90-days advance notice of a rent increase, rent increases of more than 4.4% would be precluded for 9 months after the bill's effective date.

As inflationary costs for housing providers have risen, Montgomery County has continued to subject housing providers to an onerous rent control policy. Despite pledges to allow rent control to expire on May 15, 2022 with a 90 day notice period to August 15, 2022, a limited number of proponents are now seeking to undermine those pledges and enact rent control for another nine months. To be clear, Expedited Bill 22-22 subjects housing providers to continued rent control without any means testing, financial qualification, or proof that a resident has experienced a financial hardship.

II. Bill Impact

Over the past two years, Montgomery County's housing providers have experienced increased maintenance requirements and untenable inflationary pressures that are required to maintain an apartment community. As those inflationary pressures have increased the cost of materials and services, Montgomery County has chosen to place additional pressure on housing providers through its continued implementation of an onerous rent control policy.

A few examples of increased costs that have occurred recently include WSSC's implementation of a 6.5% rate increase for fiscal year 2023, the Public Service Commission's authorization of a $52 million revenue increase and corresponding rate increase until March 2024 for PEPCO, and new Building Energy Performance Standards (BEPS) that will require largescale retrofits and expensive capital improvements to meet compliance. In addition to these increased short-term and long-term costs, housing providers have been confronted with price increases of more than 9% for maintenance and upkeep in addition to increased costs for labor.

Short-term rent control creates damaging and long-lasting impacts on the local economy. The continued imposition of a rent control policy will strain the financial reserves of housing providers and create unsustainable fiscal scenarios. Moreover, such a continuation will encourage divestment from Montgomery County's current rental housing stock and ultimately disincentivize future investment and development of rental housing within Montgomery County.

III. Current Data

Every other county in Maryland has ended their COVID connected rent control policy. Montgomery County is the last county in Maryland with a COVID rent control policy. Based on data from the District Court of Maryland, it is clear that rent court filings and evictions have remained historically low in the counties that ended their rent control policies 90 days after the end of the state of emergency.

Maryland's state of emergency stemming from the COVID pandemic ended on August 15, 2021, and 90 days later emergency rent control policies ended in Baltimore City and Baltimore, Howard, and Prince George's counties. Based on an analysis of the District Court's eviction data, every county that ended its rent control policy continued to experience an historic decline in rent court filings and evictions compared to pre-pandemic. The chart below denotes the continuation of historic declines in evictions (pre-pandemic vs current) in counties that ended their rent control policy 90 days after the end of Maryland's state of emergency.

Jurisdiction with Rent Control	Historic Decline in Evictions[1]
Baltimore City	69.4% Decline
Baltimore County	68.7% Decline
Howard County	53.9% Decline
Prince George's County	72.2% Decline

The chart below shows continued historic declines in rent court filings (pre-pandemic vs current) in counties that ended their rent control policy 90 days after the end of Maryland's state of emergency.

Jurisdiction with Rent Control	Historic Decline in Rent Court Filings[2]
Baltimore City	67.6% Decline
Baltimore County	61.2% Decline
Howard County	72% Decline
Prince George's County	69.4% Decline

An analysis of the District Court's data is exceedingly clear - rent court filings and evictions have remained low in counties that ended their rent control policies. As such, evictions and rent court filings are expected to remain low after Montgomery County ends its rent control policy.

IV. Rent Control's Impact

Expedited Bill 22-22 is once again described as a short-term measure, but housing providers and investors are increasingly worried that a similar policy will become permanent, and we have seen the

[1] Percentages were obtained by comparing eviction totals from the three months after rent control policies expired (December 2021 – February 2022) to totals from the same pre-pandemic timeframe (December 2019 - February 2021).
[2] Percentages were obtained by comparing filing totals from the three months after rent control policies expired (December 2021 – February 2022) to totals from the same pre-pandemic timeframe (December 2019 - February 2021).

disastrous impact of rent control in Montgomery County. Montgomery County attempted rent control twice, once from 1973-1977 and again from 1979 -1981. According to a report from Towson University on Montgomery County's policies, "During this period, sales prices for apartment buildings fell substantially, and essentially no new units were constructed or planned for development, despite very low vacancy rates."[3]

In spite of the policy's negative impacts on the County at large, Takoma Park chose to implement its own rent control policy. The Towson University study notes that, "Following the expiration of Montgomery County rent control in 1981, [Montgomery] County property values increased substantially, while Takoma Park values remained stagnant."

Further, when Montgomery County's Office of Legislative Oversight (OLO) reviewed a separate rent control policy that was considered by the county, OLO noted,

> "Within the field of economics there is broad agreement that rent control and stabilization laws produce negative economic consequences. Housing analyst Lisa Sturtevant succinctly summarized the consensus in the field: 'Economists nearly universally agree that rent ceilings reduce the quantity and quality of housing and that even more moderate forms of rent stabilization have efficiency challenges and negative housing market impacts.'"[4]

V. Conclusion

Short-term rent control creates damaging and long-lasting impacts on the local economy. Every other county in Maryland that implemented a form of rent control due to the COVID pandemic has allowed the policy to expire, and every one of those counties has continued to experience a historic decline in evictions according to data published by the District Court of Maryland. Expedited Bill 22-22 will subject housing providers to untenable inflationary exposure, encourage disinvestment from Montgomery County's rental housing industry, result in unintended, negative consequences for Montgomery County's economy. For these reasons, MMHA respectfully requests an **unfavorable** report on Expedited Bill 22-22.

[3] Regional Economic Studies Institute of Towson University, *Economic and Fiscal Impacts of Rent Control Legislation in Montgomery County, Maryland* (June 19, 2015).
[4] Montgomery County Office of Legislative Oversight, *Economic Impact Statement, Bill 52-20,* (2020).

July 21, 2022

Via email

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

Re: Proposed Rent Control Bill and BEPS Compliance

Dear County Council President Albornoz,

The county council is again considering a new rent control bill (Bill 22-22), and I would like to share the impact that passing such legislation could have on the ability of multifamily providers to make the retrofits necessary to meet the Building Energy Performance Standards (BEPS) soon to be established for buildings across the County.

Multifamily properties have one main source of revenue; rent collections. That revenue is used to offset both operating expenses and help pay for longer-term capital improvements, all designed to ensure the building lives up to the standards of our residents, with leftover income distributed to the lenders and then investors who trusted us to manage their funds. These leftover funds are not extravagant, per the National Apartment Association's 2021 Survey of Operating Income and Expenses, it is often just $0.09 per dollar of rent[1]. By restricting future revenue growth to an arbitrary 4.4% figure as proposed in Bill 22-22, we are going to have to scale back capital improvements, reduce expected returns to investors, as well as reduce operating expenses, as the impacts of inflation are going to far outweigh the potential revenue growth. While we appreciate that the bill currently lists an endpoint for this latest round of rent control, we do not believe the Council will hesitate to extend it yet again, as they have done repeatedly over the last 27 months.

In addition to the challenges posed by rent control in a normal environment, we are facing an enormous hurdle in Montgomery County in the form of the Building Energy Performance Standards (BEPS), which may end up being the single most transformative law impacting the building environment in the history of this County. Compliance with BEPS, especially in the case of a Zero Net Carbon target, appears likely to require full building electrification of all multifamily properties and has been estimated to cost $13.90/square foot on average[2]. We anticipate these costs will fall disproportionately on older properties, including workforce and Class B/C housing, and in many cases, the costs could be a good bit higher. Electrification for a building is not as simple

[1] https://www.naahq.org/sites/default/files/naa-documents/dollar_of_rent_2022.pdf

[2] Steven Winter Associates*; Building Energy Performance Standards Development – Technical Analysis Montgomery County, MD,* Page 10; February 2022

as plugging the system into an outlet and turning off the gas—entirely new heating and cooling systems will be needed in many cases, along with increasing the amount of electricity required to operate each building—all such costs would be borne by housing providers. This is work that will already displace other capital improvements over the next 20 years, but if we cannot expect adequate rent growth to eventually help cover these high retrofit costs, then we will be left with few options.

Multifamily properties would be squeezed on the revenue side with rent control and the expense side with BEPS—such a situation would tell any real estate investors in Montgomery County to focus their efforts instead on single family home developments, rather than multifamily, or to leave the County altogether.

As you know, many critical industries in the County have faced rising costs and must now share those rising costs with consumers to ensure the firms can stay afloat; this includes property management firms and our suppliers, but also grocery stores, which have never faced the same kinds of proposed price caps that have increasingly been used when regulating housing. We are all facing the same issues with rising costs but targeting our industry with price controls is not the solution.

The County Council needs to take seriously the practical realities of multifamily development and management and allow us to do what we do best; manage our own revenue and expenses to best address resident needs, now and into the future.

Thank you for your consideration.

Regards,

Luke Lanciano
LEED AP Operations and Maintenance
Co-Chair of AOBA's Maryland Government Affairs Committee
Manager of Sustainability and Energy Management, Bernstein Management Corporation

July 28, 2022

Montgomery County Council
100 Maryland Ave
Rockville, MD 20850

Testimony for:

Bill 22-22E - Landlord-Tenant Relations - Limitations on Rent Increases (Support)

Jane Lyons, Maryland Advocacy Manager

The Coalition for Smarter Growth supports Bill 22-22E, which would limit rent increases to 4.4 percent for six months, and strongly urges you to develop and implement a long-term policy that protects tenants without hindering the construction of new housing. We also associate ourselves with the testimony of the Montgomery Housing Alliance, of which we are a member.

As short-term emergency measures come to an end and landlords face rapidly rising prices, it is unfortunately inevitable that rents will increase severely to compensate. These increases threaten many residents with displacement from their homes and communities. This is why we support Bill 22-22E as a short-term measure, and urge you to act on it expeditiously.

We also urge you to work towards creating a permanent anti-rent gouging policy to protect tenants from excessive housing price changes. Such legislation must be carefully crafted to ensure that rent controls do not result in disinvestment in existing housing or a reduction in new housing production. Residents will be best served by a combination of tenant protections, targeted subsidies, and new housing production.

To achieve a balanced policy to provide long-term housing security for renters while avoiding negative impacts on the housing stock, we propose the following:

1. Set the rate of allowed increase to three percent plus the rate of inflation. The cost of labor, construction, and climate change mitigation/adaptation measures are often rising faster than the rate of inflation.
2. Apply the provision countywide so that all renters are protected and transit-oriented development is not disincentivized.
3. Exempt new buildings for 15 years. Properties need to produce the highest rate of return for the first 10-17 years in order to pay off construction loans. Without an adequate exemption period, new construction is unlikely.
4. Consider different treatment for small multi-family buildings (10 to 50 units) and exempt buildings less than 10 units. Smaller buildings often have a more difficult time with capital maintenance because financing costs are typically higher due to a lack of economies of scale.

5. Exempt already rent regulated units until that regulation expires. For example, overlaying another rent regulation on top of existing ones could discourage Low Income Housing Tax Credit (LIHTC) investments, resulting in lost lower-priced units.

Thank you for your consideration.

Montgomery County Council

Council Hearing on the
Expedited Bill 22-22, Landlord-Tenant Relations – Limitations on Rent Increases

July 26, 2022

Testimony of Aaron Droller
Silver Spring, Maryland

Thank you, Council President Albornoz and members of the Council, for allowing me to submit testimony regarding Expedited Bill 22-22, Landlord-Tenant Relations – Limitations on Rent Increases ("Bill"). I am writing to respectfully request that you vote against the Bill. I share the Council's goal of increasing affordable housing in the County. However, the Bill, while well intentioned, ultimately may harm the very people it is trying to assist.

The drawbacks of rent control policy are well known and I'm sure are well understood by this Council. One need only look at other jurisdictions that have implemented rent control to know that this policy has market distortion effects that often result in far less housing stock, and higher housing and rental prices as a result. It is because of those drawbacks that I ask the Council to not consider any further rent control provisions on an emergency or expedited basis. The rent control measures put into place in response to the Covid-19 public health emergency must be allowed to end. I am concerned that with each successive temporary or emergency rent control policy, the County risks enshrining policies into law without appropriate deliberation or public input.

Because rent control is a major policy consideration with many potential, and well documented, unintended consequences, any consideration should go through regular order, with time for full public deliberation and legislative process. I believe this will provide transparency to the public and assist the Council in crafting the best possible affordable housing policy. Please vote against Expedited Bill 22-22. Thank you for your time.

Anna T Levy, Rockville, MD

In Support of Expedited Bill 22-22, Landlord-Tenant Relations –
Limitations on Rent Increases
July 26, 2022

My name is Anna T Levy, and I live in District 1. I am submitting this testimony in support of **Bill 22-22, Landlord-Tenant Relations – Limitations on Rent Increases.**

As a Jewish person, I am taught that tenant's rights are just as important as landlords' rights. We have an obligation to ensure fairness in tenant/landlord law, to ensure safe living conditions, and to prevent homelessness. The Book of Lamentations compares homelessness to the loss of a parent or spouse. Without a secure home, economic, health, social, and educational stability are jeopardized. By contrast, the establishment of a permanent home promises lasting security.

In April 2020, **Bill 18-20** was put in place to provide critical support to renters, who make up approximately 35-40% of County residents. The bill provided assurances that rent would not increase above the Voluntary Rent Guidelines (currently 0.4%) providing some additional housing stability to vulnerable populations during the COVID-19 health emergency. This bill expired on May 15, 2022, although the pandemic continues. Essentially, this means that landlords can raise rents without limit.

We know that rent costs in Montgomery County are already not affordable for many vulnerable community members who live with no financial safety net, many of whom are Black and Brown. With the expiration of the rent protections of Bill 18-20, the skyrocketing costs of rent in already high-rent Montgomery County, along with current inflationary costs for groceries, gasoline, and other needs of daily living, many more renters will be forced from their homes.

This bill will hold rent increases to 4.4% for an additional 6 months; effectively 9 months from the date of passage when 90-day notification requirements are considered. Stabilizing rent is not rent forgiveness, but it will help renters to plan for covering the bills that they know about without adding to their burden so that they can stay in their homes.

I am fortunate to be able to afford housing in a safe and stable neighborhood. But many of my neighbors in this wealthy County already pay 40 or 50% or more of their incomes toward rent. Large rent increases force people to search for difficult to find - more affordable housing, and in worst cases, to live in fear of, and face, eviction. Although high rents may attract wealthy residents and improve the County's tax base, they push out people who want to continue to live in, benefit from, and contribute to our communities. When a community becomes more and more unaffordable, longtime residents are forced to leave; destabilizing their immediate family's lives and their communities. Is this the Montgomery County that we strive to create? Montgomery County thrives on the diversity of our residents and we need to make sure that all of our residents can thrive.

I thank County Executive Marc Elrich and Councilmember Will Jawando for introducing this important bill and **urge the members of the Montgomery County Council to approve Bill 22-22 to help to keep people in their homes during this continued time of pandemic, which has disproportionately affected low-income Black and brown families and individuals**.

Thank you for the opportunity to provide comments on this critical legislation.

Dear County Council Members:

I am writing to you in support of Expedited Bill 22-22, Landlord-Tenant Relations – Limitations on Rent Increases.

As a renter in Silver Spring, this bill affects me very personally. Recently my property manager provided my partner and I options to renew our lease. The terms offered included rent increases ranging from 9.99% to 19.99%. This would result in an increase in the monthly rent by about $200 to $400. This is something not sustainable for us, and while we can make due with this increase, we are now making plans to move elsewhere because the situation is not sustainable for us.

While my partner and I have the good fortune to be paid enough to meet these increases, many in the county do not. I have friends who have already moved because of these rent increases or are already in the process of trying to find somewhere else to live because they can no longer afford to live in their homes.

We have been in the middle of a housing crisis for years, and we are now facing an intensifying epidemic of displacement.

I believe this bill should be passed–it is absolutely necessary–but the council needs to take further action. This rent crisis only demonstrates how bad the housing crisis is, and we can no longer afford to wait for some potential “better time” to address the county’s problems with housing. Landlords and property managers need the predictability of an established policy rather than the turmoil of hastily put together emergency legislation. Renters need the security of rent stability policy that is not temporary. While this bill applies retroactively, people’s lives have already been upturned by the massive increases in rents landlords are offering as part of lease renewals. Landlords and property managers need the predictability of an established policy rather than the turmoil of hastily put together emergency legislation. We need long-term policies promoting the development of new affordable housing.

Please pass Expedited Bill 22-22 and then expedite work on a long-term rent stabilization policy and policy to create new affordable housing for when this bill expires.

Thank you,

Benjamin Bradley
Downtown Silver Spring

Danielle Herrmann

Silver Spring, MD

TESTIMONY IN SUPPORT OF EXPEDITED BILL 22-22

Landlord - Tenant Relations - Limitations on Rent Increases

My name is Danielle Herrmann, and I am a tenant living in a multifamily dwelling near downtown Silver Spring. **I am submitting this testimony in support of Bill 22-22, Landlord - Tenant Relations - Limitations on Rent Increases.** My rent is $2095 per month excluding the costs for gas, water, and parking. As a senior citizen with kidney disease, I am immunocompromised. Yet due to high rents, I cannot afford to stop working. Despite being a tenant in good standing and having paid over $25,000 so far in rent, I live in substandard dangerous conditions.

When I moved here a year ago to be near family and to medically isolate from the ongoing COVID pandemic, I never fathomed my life and financial wellbeing would be at risk due to the lack of safe and affordable housing in Montgomery County. My doctor has informed me I must move because I contracted roach related asthma. He also fears that, due to property mismanagement, I'll sustain injury to my remaining kidney function from roach and mold related diseases and repeated exposure to pesticides. Finding affordable housing as an elderly person with serious medical conditions during the pandemic, when there are no guardrails regarding the rising cost of rentals, has been a nightmare. The other tenants are faring no better by staying. They're terrified of rent increases with no limits and fear retaliation if they speak up regarding the situation.

I'm also a social worker for whom navigating housing resources should be easy - at least, easier. Yet the search has been arduous and exhausting. What type of community is Montgomery County creating if it does not address the suffering of those of us living with housing insecurity, which is even more pronounced for our county's BIPOC, disabled, and low-income communities?

There is a movement of tenants and supporters demanding change. I ask that Montgomery County leadership step up to pass the critical protections we need to prevent struggles like mine from continuing. **I urge the Council to use its power to keep people housed by supporting Bill 22-22.**

David Haigler
Silver Spring MD
20903
Nob Hill Apartments

Bill 22-22, Favorable Testimony

My name is David Haigler. I'm a new resident to Montgomery County, less than a year, 10 months. I reside in Silver Spring.

I'm in favor of rent control. I believe the landlords should be entitled to a fair rate. But right now, rent goes up four times faster than my pay raises. I'm starting to fall behind on my rent because I moved from DC to Montgomery County and my rent went up $500, not including gas and electric. I do have to have cable for my work, so I'm managing that bill as well.

It's hard for a single individual to pay all his bills and rent. Rent is supposed to be 60 percent of your income. Right now rent is at least 80 percent of my income. It's not fair that I won't be able to justify the means, because I'm not getting a pay raise. I only have one income so far. I want to have more, but I'm tied down to only one income. Most people can't even have two incomes to survive. I'm going to get another income soon, but at the same time the rent will always continue increasing.

Members of the County Council

I am writing to you to express my support for Expedited Bill 22-22, Landlord - Tenant Relations - Limitations on Rent Increases. Like previous emergency rent control measures, I think it is needed to stem an acute crisis that the county and its residents were not prepared for, and that many are being hurt by.

Let me get this out of the way. Many of the concerns raised about the bill and the message it sends to landlords, developers, and the rest of the housing industry are valid, and I assure you supporting the measure is not a decision I come to lightly, frankly I've gone back and forth on my feelings about it. Still, given the way the county did not seem to have a plan to address rent spikes after previous emergency rent stabilization measures expired, and the number of people at risk of immediate displacement, I think this measure has the potential to do a lot of good in the short term, while giving the county time to come up with a more comprehensive, long term solution on rent policy that the council, the executive, and we as a county, have failed to do to this point. We can't keep doing emergency measure after emergency measure and call it a plan. We need to stem the bleeding and figure out what to do to address the issue in a more durable way, both by coming up with less strict, but permanent rent stabilization policy, and by making it easier to build more homes so landlords have less leverage over their tenants.

As I have testified before, and discussed elsewhere, both the benefits and costs of rent control are very real. I know that some of the recent uptick in rent is likely due to landlords playing catch up after earlier emergency measures, and I do, like I suspect most of you do, worry about the message it sends if temporary measure after temporary measure is passed on end, becoming de-facto permanent policy. I have wrestled with my feelings on this bill for a few weeks now, but at the end of the day, I think rejecting this measure risks overcorrecting in the short term in order to prevent longer term damage. Again, it's an understandable instinct, but I worry doing so wouldn't strike the right balance.

Accordingly, I think it would be best if you, (and though a bit outside the scope of this testimony, potentially the councilmembers that follow you) use the six months this bill would provide to begin the groundwork on more moderate, permanent rent stabilization, something that would exempt new buildings for 10-15 years and provide a decent buffer above inflation to prevent price gouging, while allowing the flexibility, particularly in newer buildings to allow landlords to remain profitable, keeping an incentive for more housing to be built, and help control prices through competition itself. We obviously need more housing, and need to do the zoning reform and other measures to do it. That's a more "durable" solution, but needless to say, that relief isn't coming in the next six months.

I supported both past emergency rent control measures and I am glad they passed, but the county did not have a plan of what to do when they ended, and we are seeing a shocking number of double digit rent increases. If some different, slightly higher percentage increase than

4.4% being allowed is more feasible, I can see the value in being flexible there. I am aware that landlords have costs they must pay, and, our system being what it is, profits to be made and investors to reimburse, that isn't to be disregarded, but getting into that business, in a scale large or small, has inherent risks that they signed up for, and most landlords are better positioned to take this six month hit than their tenants are to handle some of the shocking rent increases we are seeing around the county.

I won't sit here and pretend that none of my motivation here is personal, nor do I think that's a shortcoming. Though not a renter myself, I have friends at risk of being priced out, and through my advocacy, know of any number of less fortunate people that are suffering more immediate crises.

If nothing else, the council should pass this law, and work with incoming council members to signal what direction the county plans to go when the legislation expires, to give both renters and landlords a clearer picture of what the future will hold. I think a lot of this cost run up comes from people not being sure what is coming next, and we dropped the ball on addressing this in a strategic manner. This bill gives us a chance to avert an immediate crisis, while we work on a more comprehensive solution.

It's not an easy decision, I know that, but I think it's the right one. People will be helped and hurt no matter which direction you go. That's the case with every law that is or isn't passed. Legislating is not an easy burden to bear, but it is one that elected members of the council chose to carry. At the end of the day, all I can ask is that you remember that, and do what you think will do the most good here, though obviously I hope these words sway you in my direction.

Thank you,

Michael English
Downtown SIlver Spring

July 22, 2022

Testimony on Bill 22-22

Neil King

Bethesda, MD

My wife and I have lived in the same rental unit in Bethesda for the last six years. For the last two years, we have been on a month-to-month lease, and we would like to continue renting on that basis.

On June 7, our landlord gave us a 90-day notice of rent increase, scheduled to take effect as of September 5, 2022. We were informed that if we choose to continue with a month-to-month lease, the new rent level will be **more than 30% higher** than our current rent.

This strikes me as unreasonable overreach on the part of our landlord and indicates a need for the adoption of a reasonable rent increase ceiling in Montgomery County.

Thank you for considering this testimony.

Montgomery County Council

Testimony on behalf of County Executive Marc Elrich on Expedited Bill 22-22 Landlord-Tenant Relations – Limitations on Rent Increases

July 26, 2022

1:30 p.m.

Good afternoon, Council President Albornoz and Councilmembers, my name is Aseem Nigam, Director of the Department of Housing and Community Affairs. I am here on behalf of the County Executive in support of Bill 22-22,

This temporary limit will provide a transition time of six months for tenants to adjust to current extraordinary inflation impacts. We understand that landlords need to maintain their buildings and the increased operating costs, and the 4.4% limit represents the total Housing component of regional CPI, which reflects key components of the costs of operating residential buildings.

Even with low unemployment, the economy has not recovered to pre-pandemic levels: We have almost 30,000 fewer employed persons since the start of the pandemic. Census surveys indicate up to 20% of renters in Maryland have not been able to get current on rent, consistent with County surveys. Many households remain in distress due to lost jobs and businesses, as well as health impacts. These challenges are now compounded by cost-of-living increases that offset wage or benefit increases. This fall, the County Executive will be proposing approaches to address affordability for lower income residents.

DHCA has so far received 66 reports of rent increases ranging from 6% to 92%, averaging 22%, from tenants who reported excessive rent increases. Rents at $1,730, affordable to households at MPDU level of 65% of area median income, would see increases of $380 a month, $4,560 a year at 22%. These reported rent increases represent amounts that create housing, food, and health insecurity. A transition period of six months will allow renters time to adjust their budgets and work on alternate housing arrangements – before unregulated rent increases go into effect.

This Bill will limit rent increases notices to 4.4% for six months, limiting the effective date of unrestricted rent increases for nine months, given the 90-day notice requirement.

By providing this reasonable period of limitations, we can support landlords and tenants in working together.

Thank you.

Elizabeth Hinkson

My name is Elizabeth Hinkson, and I live in Gaithersburg. I live with my mother, an older woman who needs care and financial support. Unfortunately, living costs have increased dramatically, and it's harder to pay for necessities and rent. Without any current rent stabilization protection, I'm afraid I'll be forced to move elsewhere outside the county. And with my mother being of age, It will make the process even more difficult. Please consider extending the rent stabilization. Thank You.

Ruth Escobar

My name is Ruth Escobar, and I live in Montgomery County at [redacted]. I am an elderly person and still work a full-time job as rent does not wait for anyone. A few months ago, our landlord illegally tried to raise our rent during the protection of the rent stabilization. Thanks to CASA, we were able to report their illegal activity and won a zero percent increase. However, the time is approaching for our lease renewal, and I am afraid our landlord will unjustly raise our rent out of retaliation. Therefore, I am asking the council to re-extend the rent stabilization in hopes that the City of Gaithersburg will follow suit. At one point, does rent cost become too much? Montgomery County needs to lead the way in keeping housing affordable.

Violeta Morales

My name is Violeta Morales, and I live in Montgomery County at [redacted]. There are six members of my family, including two children, who, along with my husband, have to take turns taking care of them. During the pandemic, we lost working hours which forced us to be at home without generating economic income. this has caused us not to be able to pay the rent and other family expenses. For this reason, I request the council for Rent Stabilization for the entire Montgomery County community. As a tenant of the summit park apartments, I identify with this need to stabilize rent and provide better housing conditions.

My name is Ilana Weltman and I am an educator in Washington DC. I recently moved to Bethesda to save on costs of living. In the same year, my apartment complex in downtown Bethesda, Gallery Place I, owned by Greystar, increased my rent by 13.2% right after the COVID-19 cap was diminished. I stand by the bill for a 4.4 % cap for these rental corporations.

Hi, My name is Rosa Dalia Manueles and I am a single mother, and I have three children. I have struggled to cover their basic needs since I lost my job due to the pandemic. Thanks to rental assistance, I can keep a roof over my head. I have been able to find jobs and donations to get back on my feet slowly. However, I fear I'll again fall behind without the protection of a rent cap. I ask the council to please help us by protecting us! We need a rent cap to keep us housed during this tough economic time.

Hello, My name is Maria and I am a single mother with three small children, and I am very concerned about the rent increase now that we don't have any protection. As a single mom, it’s challenging to financially prioritize my children's basic necessities. As a house cleaner, I can’t afford to get sick or take a day off. I live in fear that one day I will lose my job or get my hours drastically reduced and will not be able to provide for my family. Any increase in rent above $30 for me would be a catastrophe. I would be forced to relocate outside the county to keep a roof over my head. I beg the council to consider protecting renters like myself and extend the rent cap. Thank You!

My name is Sandra Rodriguez and I am a Silver Spring resident. Unfortunately, I have had to fight alone for myself and my daughter since the start of the pandemic. My husband had a cerebral aneurysm and had to operate urgently and in a state of recovery and now requires much-needed medical care. Aside from that, my daughter and I have gotten sick from COVID twice. To say that living in Montgomery County has been a struggle is an understatement. With medical bills piling up and the cost of living increasing by the day, any rent substantial rent increase would put us over the edge of potential eviction. So, as our lease is renewed, we ask the council to extend the rent stabilization. It's the only thing that has kept us housed.

My name is Rosa, and my husband and I are senior citizens. I work as a cleaner, even with a disability. My knees in my legs make it difficult for me to stand up a lot since I have had several operations. We work extremely hard to be able to make ends meet. That means barely being able to afford our monthly rent. Thanks to the prior Rent Cap protections, we have been able to get by; however, at the rate that they are raising rents, I don't know if we will be able to afford to live here much longer. My husband currently does not have medical insurance. So anytime he gets sick, we have to pay our share of the medical bills that come our way. And we don't have a choice. Without payment, I don't think we would be alive today. I ask the current council to have a heart and think of community members like my husband and me. I ask that they support extending the rent cap

Geareald Armas

As a father of three small children and a sick spouse, our family needs the protection of rent stabilization. We are still feeling the effects of the pandemic and high costs of living. Work has been hard to come by, and we continue to make tough financial decisions, such as putting food on the table, paying our monthly health insurance, and more. Thanks to the protection of the prior Rent Stabilization, my family was able to stay put for another year in the apartment that we have called home for over a decade. And that’s despite living in pretty horrendous conditions. But unfortunately, that’s all that we can afford at the moment. We are staying in Montgomery County for our children and the opportunity that they have. However, if our rent increases, we might be forced to relocate outside of the county. I ask the council to extend the rent stabilization bill.

"Good day,

My name is Justin. I'm a middle school teacher writing this as an individual supporting proposed rent stabilization.

As an educator who wants the best possible outcomes for his students, it is important to me to be able to live in the same county where I work. This allows me to attend more evening events at my school, building relationships and integrating myself into the local community. Thanks to the previously existing stabilization measures on the books, I have been able to do just that. Not only have the current stabilization measures allowed me more opportunity to connect with my school community, but it has also allowed me additional financial benefit. I can afford to live in an area that will enable me to not own a car as public transportation is competitive with driving - and much less stressful.

A large rent increase that prices me out of my current home would likely price me out of Montgomery County. This would cause me to not be a part of my school community as I currently am. The long commutes I see so many other people already priced out of Montgomery County make every day would become my reality. Just as they leave immediately at the end of the duty day to beat the traffic to Howard County or Frederick County, I would find myself doing the same thing. Furthermore, I would be forced to take on the expenses of car ownership, causing additional potential financial hardships. As I have witnessed with other former colleagues, these hardships and stresses caused them to leave the teaching profession altogether. It is not unreasonable to think that there is a direct correlation between a person being able to afford to live in the county they work in and a person choosing to find other employment.

Rent stabilization methods would remove this uncertainty, allowing for predictable increases to be planned for and budgeted around. This makes it much more likely that people like myself would be able to remain in the homes and communities they now enjoy. While I speak for myself here today, I am sure that other educators feel like I do and would be similarly impacted by significant rent increases. Thank you.

Gaspar Marcos

“In June, my landlord wanted to raise my rent 15% from $2000 to $2300. I immediately became stressed and nervous when he told me about this increase. We were not used to having to pay so much, and our pay did not go up in my household to support such an increase. I am lucky to speak with my landlord and get him to be more reasonable, but I think of all the people who aren’t so lucky. With the economy now, rent increases need to be controlled, so people don’t have to worry about and suffer over how they will pay their rent.”

Dolores St. Paul -

“If the county doesn’t control the rent, many people will face homelessness. As prices of everything like groceries and goods go up, families are in tough financial positions. The county needs to consider families' financial needs, and controlling rent increases will help. People deserve to stay in their apartments and shouldn’t worry that their rent will increase so much that they can’t pay for it. We are still coming out of the pandemic, and people are barely getting back on their feet. Bill 2222 will help people recover from the pandemic and protect them long-term from poverty and homelessness.”

Sara Martinez -

Our county needs a rent increase limit because the economy is awful. I am unemployed, and my husband is the only breadwinner in our household. If our rent were to increase, it would be stressful, and we would have to make hard choices about spending on food and other essential needs. I know many people who are having their rent increased. Some people are being evicted because they can't keep up with the increases. I ask the council to consider a favorable report on Bill 22-22.

As a renter in Montgomery County, it is hard to find high-quality housing at an affordable price. With major rent increases, I don't know how I could afford my rent and many other bills. We need to control rent for people who an extra $100 a month to their rent would be catastrophic for their budgets. If my rent were drastically increased, as is rumored to occur in the Hamptons Apartments in Germantown, I would have to work additional hours to cover my living expenses. Many like me have to care for themselves and struggling family members. Rent control has many implications on where money in the county will be going: already wealthy landlords or the 10,000s of working people who need any extra dollar they can get.

My name is Ivan Morales, and I am a Germantown resident. We need a rent increase cap because everything else is expensive. If my landlord increased my rent by 5% or 10%, it would ruin my budget. I would have to choose between getting food for my family or getting gas to go to work and rent. A bill like this would help protect working people in the county. I ask for a favorable report on bill 22-22. Thank You.

Don Mewha
Kemp Mill, MD

Testimony in Support of Bill 22-22
Landlord-Tenant Relations – Limitations on Rent Increases

My name is Don Mewha, I live in the new District 6 of Montgomery County in Kemp Mill, and I'm asking the Council to support Bill 22-22, which would limit rent increases in Montgomery County to 4.4% for six months.

I'm the Chief Technology Officer for a Behavioral Health practice located here in Montgomery County, and the proud parent of four children and the guardian for my nephew, each of whom have attended or are attending Montgomery County Public Schools. I moved to Montgomery County from Philadelphia back in 2003 because of the opportunities that the county offered: better schools for my kids, better jobs for me and my wife, and a more vibrant and diverse community for us to be a part of.

In the time that we've lived here, we've had one goal: home ownership. We have attempted to save money toward that goal through good times and bad. I've been laid off three times, my wife has been laid off twice, but we've always made it through, and we've never talked about looking anywhere but here for our first home purchase.

That's no longer the case.

In 2020, we moved from an apartment in the Aspen Hill area where we paid just under $2000 per month in rent to a house in Kemp Mill, where our rent was nearly $2900 per month. It was a steep increase, but given everything that was going on, we decided it was worth living with a bit less of a cushion if it provided an opportunity to be more comfortable. Two years later, our rent has now increased to nearly $3100 per month.

$31000 per month.

To rent.

We looked for less expensive options. I would hate to move again, but I have serious concerns about being able to make these rent payments. The horrifying truth is that they were in line with other prices in the county, if not on the low end for a 4 bedroom home.

I don't know how anyone can be expected to be able to make headway toward home ownership with that sort of burden, especially when you add in the increased cost associated with everything else from health care, to gas, to food into the mix. Two of our children are in college at the moment, just beginning to take their first steps as adults. They're the sort of people that would previously have been attracted to live in MoCo: Young, educated, professionals who either have or are pursuing advanced degrees. Up until recently, both of them had intended to live in Montgomery County when they graduated. One of them wants to teach here.

That changed when they started looking into what housing would cost.

The oppressively high rents that are being charged in the county are an impassable barrier for people looking to purchase their first home, or even rent their first apartment in the county.

I completely understand my privilege in this situation. My position and salary afford my wife and I the ability to absorb financial hardship that many less fortunate residents don't have, which is why I have to stress that if this is happening to someone in my position, I can only imagine the impact it's having on people in a far more vulnerable economic space.

People need help, and they need it now. The long-term solutions to our County's crisis deserve significant thought and an all-hands on deck approach. And in the meantime, I ask the Council to pass Bill 22-22 to temporarily cap the rent at 4.4%, so that renters like myself — and the many more who are even more vulnerable to economic precarity — can stay housed during this ongoing crisis. Thank you.

Hi, my name is Merissa Wiles.

I want a limit on rent increases because I am already struggling to pay what I have as it is. There is no room to do anything else. If my rent increased by an extra $100, I wouldn’t be able to buy more groceries or even get my son ready for the following school year with supplies and everything he needs.

Statement of the Apartment and Office Building Association on Bill 22-22, Landlord-Tenant Relations – Limitations on Rent Increases

The Apartment and Office Building Association of Metropolitan Washington (AOBA) is a non-profit trade association representing the owners and managers of over 60,000 of the County's estimated 83,769 rental housing units. AOBA submits this statement in opposition to Council Bill 22-22.

At its core, rent control is an Ill-advised approach with a well-documented track record of compounding housing affordability issues and diminishing the overall supply and quality of a community's housing stock. Instead of producing or facilitating the development of new housing, it deters investors and lenders from financing new multifamily projects and fails to provide targeted benefits to those who need it most.[1] [2] Similar policies across the country have a well-documented record of stifling housing supply, forcing properties into a state of disrepair and failing to keep rents low. Such a policy would be devastating to Montgomery County.

For 28 months beginning in April 2020 and ending just a few months ago in August of 2022, the County's rental units were subject to temporary rent control at a rate set by the Voluntary Rent Guidelines, artificially depressing rents. At the same time, record-high inflation, supply chain disruptions, and employee shortages challenged the ability of housing providers to maintain apartment communities. These dynamics continue to persist to date and show no signs of abating. [3]

Housing providers rely on rent as a singular source of revenue that is used to cover a bevy of operational expenses, including mortgage payments and interest, payroll, real estate taxes, utilities, business licenses, insurance, general maintenance, and major capital improvements, among others. Unexpected cost increases may only be managed through increases in rent, service reductions to residents, or deferred maintenance and major repairs. Many AOBA members have reported cutting back on staffing and delaying capital improvements to keep up with routine maintenance.

Operational Costs are Rapidly Rising

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[1] https://home.treasury.gov/system/files/136/Treasury-Housing-Finance-Reform-Plan.pdf (Pg. 22)

[2] Michael St. John. *Rent Control in Perspective: Impacts on Citizens and Housing in Berkeley and Santa Monica Twelve Years Later*. St. Johns and Associates, 1993

[3] AOBA External At Issue: January and March Editions.

To put some fiscal pressures in perspective, WSSC has implemented a 6.5% rate increase for fiscal year 2023, the Public Service Commission authorized a $52 million revenue increase and corresponding rate increase until March 2024 for PEPCO, and new Building Energy Performance Standards (BEPS) require largescale retrofits and expensive capital improvements to meet compliance requirements. These cost increases and new regulatory burdens are the tip of the iceberg as personnel costs are rising, utility usage is at an all-time high, cleaning and sanitation prices are rapidly increasing, and all products cost 8-9% more than they did months ago. Continuing a policy of arbitrary rent controls will make it incredibly challenging to maintain County's rental housing stock, particularly for naturally occurring affordable housing providers that cater to lower-income residents, operate on razor-thin margins, and do not have large financial reserves.

Substantial delinquencies reported by AOBA members totaling tens of millions of dollars only exacerbate these pressures, much of which is not eligible for reimbursement under the Emergency Rental Assistance Program. This goes far beyond housing providers simply pocketing less money. Typically, only 9% of rental income goes toward "profit," and that assumes 100% occupancy and rent collection. Such substantial delinquency fundamentally threatens the ability of the housing provider to maintain the property, perform necessary capital improvements and even continue to operate long-term.

Data Shows Need for Targeted Approaches

This legislation has been introduced based on anecdotal stories of significant rent increases and a feeling that a large swath of the renter population is receiving such increases. Paying 25% more to live in the same unit in the same condition as a resident did the year before is jarring. However, we know that is not the case in the professionally managed communities AOBA represents, nor is it reflective of the market as a whole. It is important to note that the market cannot absorb the type of requisite rent increases required for housing providers to keep pace with rent losses and inflation—certainly nothing in the range of 15% as has been claimed.

Indeed, rent increases locally lag significantly behind the national average and, in most cases, the regionally average. **Exhibit 1** contains data from RealPage, a provider of multifamily real estate data and market analysis, on rent increases since Q4 of 2019. The chart distinguishes between leases signed by new residents and lease renewals signed by current residents. As you can see, lease renewal rates have trailed new lease rates in the region by as much as 8-10% over the past year. Therefore, the vast majority of renters have not received anything close to a 15% increase in rent upon renewal. The second trend to note is that for new leases, rates have rebounded from significant pandemic-induced rent reductions, as shown by the Delta Associates data in **Exhibits 2, 3, and 4**. Such a rebound was to be expected considering the collapse in demand in 2020 and 2021, the current economic climate, and the low supply of rental housing in the county resulting in sub-2 % vacancy rates across the region **(Exhibit 4)**.[4]

Exhibit 5 is a chart from RealPage showing the rent-to-income ratios of market-rate apartment renters nationally. This large population of renters is spending 23 percent of their income on rent,

[4] According to the Metropolitan Washington Council of Governments, the region needs to produce 320,000 units by 2030 to keep pace with demand, 75,000 beyond what is currently forecasted.

far below the 30 percent affordability threshold established by the Department of Housing and Urban Development (HUD). Extending the benefits of a rent control policy to this group of renters would be unnecessary and counterproductive.

The negative impacts of rent control are far-reaching. Continuing a scattergun policy of temporary rent controls will directly inhibit the County from producing badly needed apartment housing across the income spectrum. Low-income renters are most sensitive to cost increases of all types of goods and services, not just housing. AOBA is willing to work with the council to develop a suitable policy alternative.

Exhibit 1: RealPage Rental Market Statistics for Montgomery County

RealPage DC Metro Market Statistics													
Name	Metric	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22
Washington-Arlington-Alexandria, DC-VA-MD-WV	**New Lease Rate Change**	**-1.5%**	**0.7%**	**-2.3%**	**-4.6%**	**-8.6%**	**-5.3%**	**1.6%**	**8.4%**	**8.7%**	**10.3%**	**14.6%**	**10.9%**
Washington-Arlington-Alexandria, DC-VA-MD-WV	**Renewal Lease Rate Change**	4.2%	4.1%	2.8%	1.6%	1.6%	1.8%	2.4%	3.6%	5.4%	6.7%	8.4%	9.0%
Bethesda/Chevy Chase	**New Lease Rate Change**	0.2%	-2.9%	-4.7%	-10.2%	-14.1%	-15.1%	-5.2%	0.5%	3.7%	5.1%	9.8%	10.6%
	Renewal Lease Rate Change	3.9%	3.8%	2.2%	0.9%	1.3%	1.5%	0.5%	1.8%	3.1%	3.8%	2.7%	5.7%
Downtown Silver Spring	**New Lease Rate Change**	-2.3%	-1.1%	-5.2%	-7.0%	-7.0%	-7.9%	0.2%	3.7%	7.4%	7.6%	9.8%	9.3%
	Renewal Lease Rate Change	3.6%	3.3%	3.0%	1.5%	1.8%	2.1%	2.4%	3.5%	3.0%	1.3%	1.8%	5.2%
East Silver Spring/Takoma Park/Adelphi	**New Lease Rate Change**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Renewal Lease Rate Change	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Survey Rent Growth	4.3%	3.6%	0.4%	0.3%	-0.6%	-1.4%	1.0%	4.5%	6.6%	8.0%	8.3%	8.5%
Gaithersburg	**New Lease Rate Change**	3.2%	6.8%	1.6%	1.3%	-1.0%	-2.8%	4.3%	8.4%	9.2%	12.7%	15.4%	12.5%
	Renewal Lease Rate Change	3.5%	4.2%	2.9%	2.5%	3.1%	3.1%	3.1%	2.1%	2.1%	2.5%	2.0%	4.7%
Germantown	**New Lease Rate Change**	-0.6%	1.9%	2.7%	1.9%	0.6%	3.6%	6.4%	18.4%	12.2%	9.4%	15.1%	17.6%
	Renewal Lease Rate Change	4.5%	4.9%	3.1%	1.8%	1.8%	4.3%	3.2%	0.7%	5.5%	3.0%	1.5%	10.1%

Exhibit 2: Class B Apartment Rent Trends in 2020

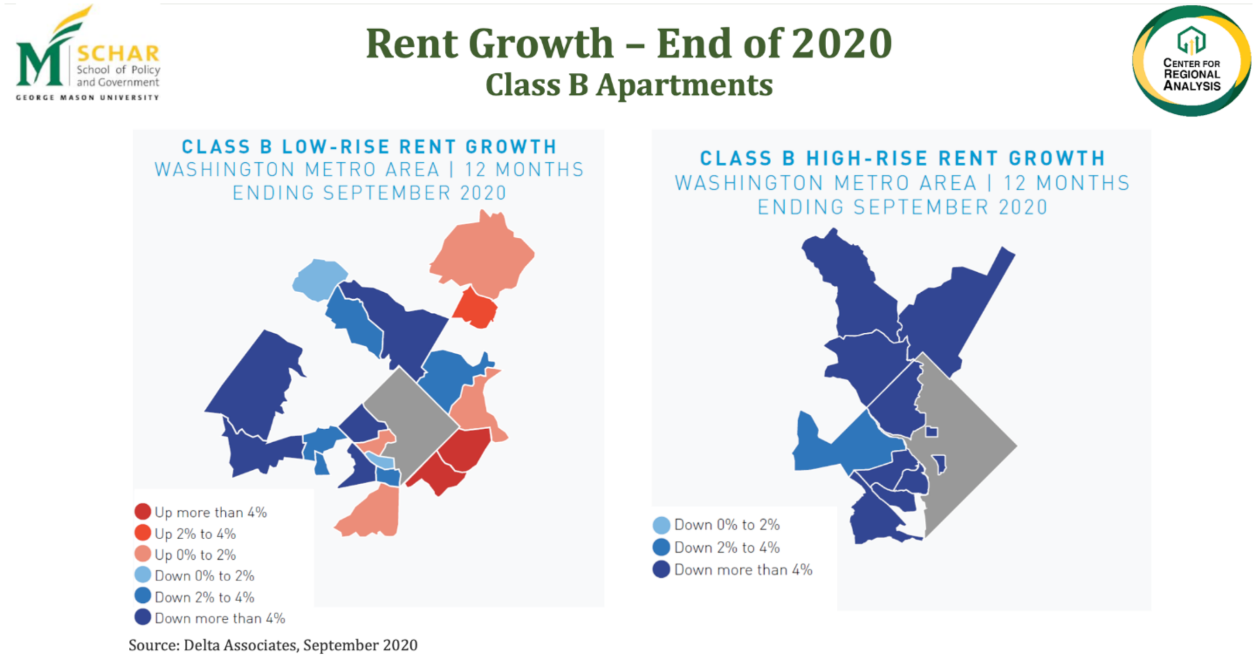


Exhibit 3: Annual Class A Apartment Rent Growth with Projections (2008-2022)

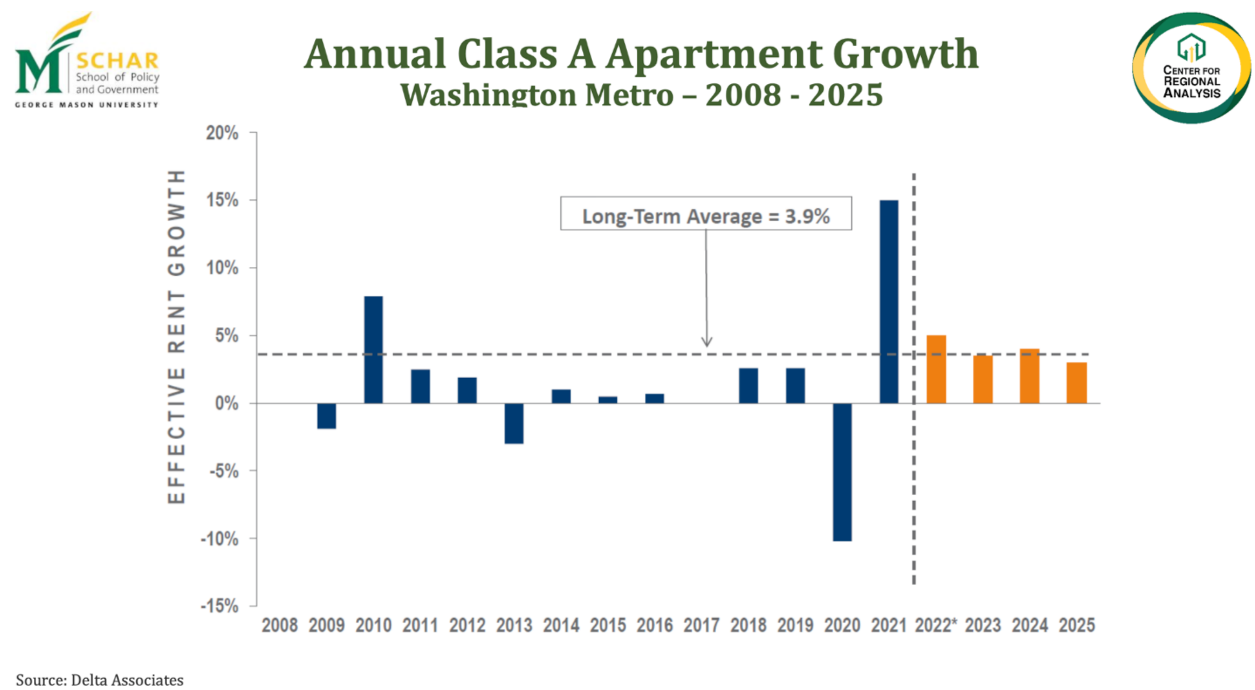


Exhibit 4: Effective Rent vs. Vacancy Rate in Class B Apartments

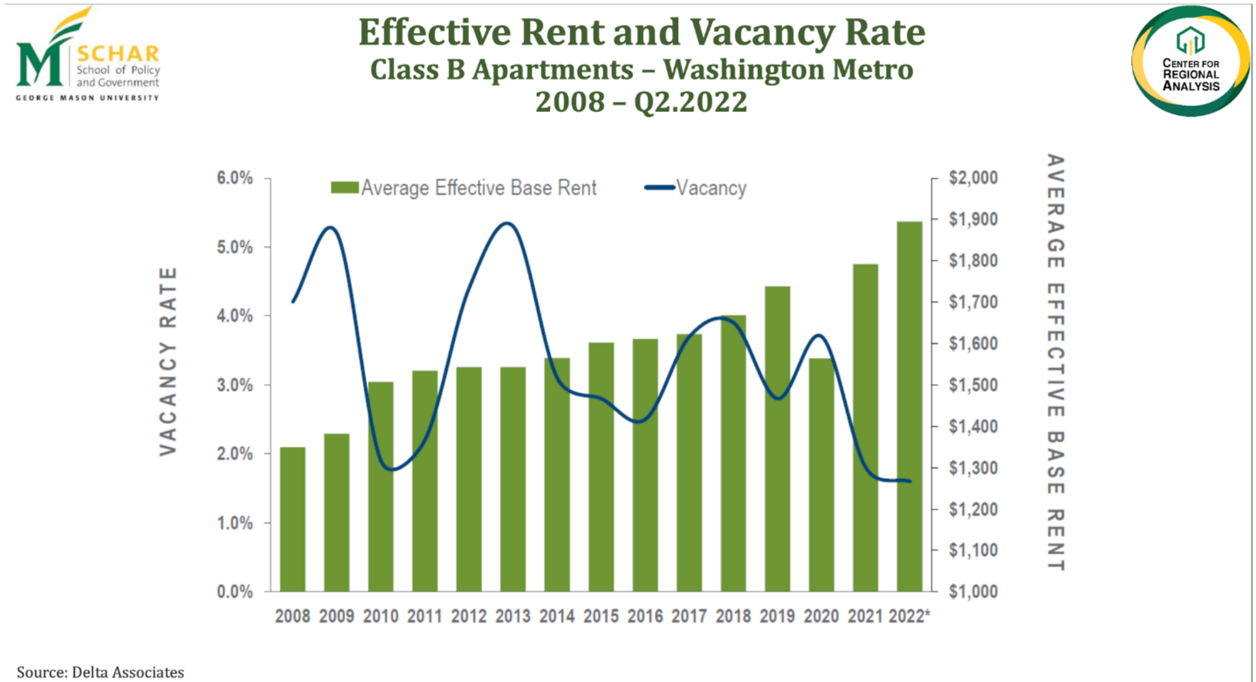
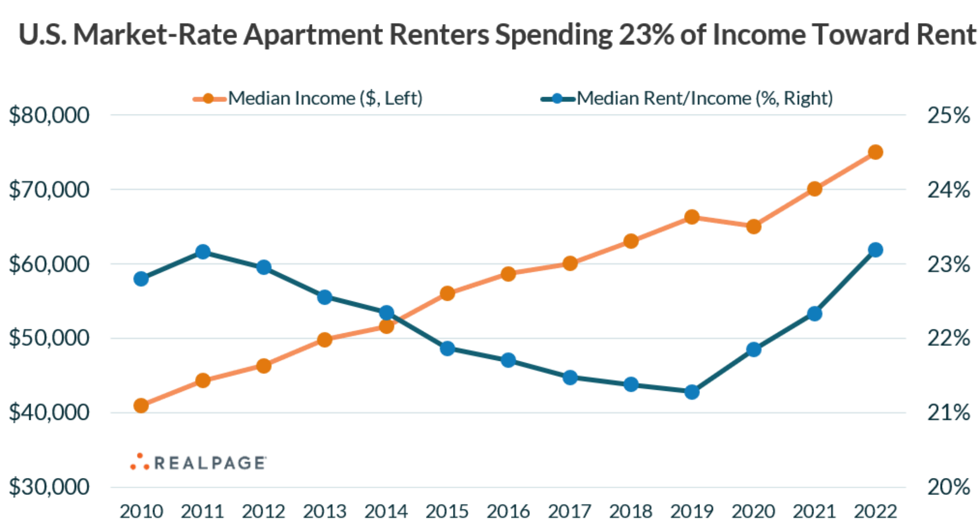


Exhibit 5: Rent-to-income Ratios of U.S. Market Rate Renters



Montgomery County Rent Increase Notifications- Based on OLTA Reports

	Zipcode	% Rent Increase Reported	Single or Mult-Family Homes	Complaint Filed?:
1	20877	5.73%	Multi- Family	
2	20877	7.80%	Multi- Family	
3	20877	9.88%	Multi- Family	
4	20877	16.11%	Multi- Family	
5	20878	21%	Multi- Family	
6	20874	41%	Multi-Family	
7	20879	47%	Multi-Family	
8	20852	6.95%	Multi-Family	
9	20910	21.60%	Multi-Family	1
10	20910	11%	Multi-Family	
11	20910	19%	Multi-Family	
12	20854	20%	Multi-Family	
13	20906	10%	Multi-Family	
14	20852	19%	Multi-Family	
15	20852	25%	Multi-Family	
16	20852	53%	Multi-Family	
17	20815	14%	Multi-Family	
18	20904	7%	Single-Family	1
19	20850	10%	Multi-Family	1
20	20816	22%	Multi-Family	1
21	20904	44%	Multi-Family	1
22	20904	40%	Multi-Family	1
23	20878	10%	Multi-Family	1
24	20904	15%	Multi-Family	1
25	20902	28%	Single-Family	1
26	20904	8%	Multi-Family	1
27	20904	7%	Single-Family	1
28	20886	12.50%	Single-Family	1
29	20910	19.00%	Multi-Family	1
30	20910	30%	Multi-Family	1
31	20910	92.00%	Multi-Family	1
32	20850	40%	Multi-Family	
33	20874	25%	Multi-Family	
34	20902	53%	Multi-Family	1
35	20814	17.40%	Multi-Family	
36	20814	15.30%	Multi-Family	
37	20814	27%	Multi-Family	
38	20902	27%	Multi-Family	
39	20910	30%	Multi-Family	
40	20910	10.59%	Multi-Family	
41	20850	10.02%	Multi-Family	
42	20850	14.56%	Multi-Family	
43	20850	10.78%	Multi-Family	
44	20910	19%	Multi-Family	

45	20910	10%	Multi-Family	
46	20910	28%	Multi-Family	
47	20850	32%	Multi-Family	
48	20910	12.65%	Multi-Family	
49	20910	10.09%	Multi-Family	
50	20910	10%	Multi-Family	
51	20910	9.96%	Multi-Family	
52	20815	4.90%	Multi-Family	
53	20814	21%	Single-Family	
54	20876	13%	Single-Family	
55	20906	30%	Single-Family	
56	20815	20%	Multi-Family	
57	20850	20%	Multi-Family	1
58	20814	33%	Multi-Family	
59	20901	36%	Multi-Family	1
60	20902	74%	Multi-Family	1
61	20850	20%	Multi-Family	1
62	20814	33%	Multi-Family	1
63	20852	13%	Multi-Family	1
64	20910	8%	Multi-Family	1
65	20850	30%	Multi-Family	
66	20910	9%	Multi-Family	
67	20904	30%	Multi-Family	
68	20902	16%	Multi-Family	1
69	20904	7%	Multi-Family	
70	20814	30%	Multi-Family	1
71	20814	34%	Multi-Family	
72	20874	19%	Multi-Family	
73	20910	22%	Multi-Family	1
74	20910	11%	Multi-Family	1
75	20814	15%	Multi-Family	1
76	20910	13%	Multi-Family	
77	20910	6%	Multi-Family	
78	20814	12%	Single-Family	
79	20814	35%	Multi-Family	
80	20850	19%	Multi-Family	1
81	20878	17%	Multi-Family	1
82	20852	36%	Multi-Family	1
83	20854	12%	Multi-Family	1
84	20910	9%	Multi-Family	1
85	20874	15%	Multi-Family	1
86	20814	33%	Multi-Family	1
87	20814	23%	Multi-Family	1
88	20910	10%	Multi-Family	1
89	20852	19%	Multi-Family	
90	20814	13%	Multi-Family	
91	20877	10%	Multi-Family	1

92	20874	54%	Multi-Family	1
93	20814	21%	Multi-Family	
94	20852	19%	Multi-Family	1
95	20854	25%	Multi-Family	
96	20904	18%	Multi-Family	
97	20814	30%	Multi-Family	
98	20852	15%	Multi-Family	
99	20878	7%	Multi-Family	
100	20902	15%	Multi-Family	
101	20902	26%	Multi-Family	
102	20902	247%	Multi-Family **	
103	20878	23%	Multi-Family	1
104	20814	26%	Multi-Family	
105	20814	5%	Multi-Family	
106	20873	9%	Multi-Family	
107	20910	17%	Multi-Family*	
108	20910	3%	Multi-Family	
109	20910	4%	Multi-Family**	
	Avg	**22.92%**		
			# of Complaints Filed	**41**

Reported Rent Increase Average by Zip Code

20814	24%
20815	13%
20816	22%
20850	21%
20852	23%
20854	19%
20873	9%
20874	31%
20876	13%
20877	10%
20878	16%
20879	47%
20886	13%
20902	61%
20904	20%
20906	20%
20910	17%

* = month to month renewal
** = four month renewal