

MEMORANDUM

June 22, 2023

TO: County Council

FROM: Christine Wellons, Senior Legislative Attorney

SUBJECT: Bill 15-23, Landlord-Tenant Relations – Ant-Rent Gouging Protections

PURPOSE: 2nd Worksession – Committee recommendation expected

Expected Attendees

Acting Director Bruton, Department of Housing and Community Affairs
Nicolle Katrivanos, Office of Landlord-Tenant Affairs
Natalia Carrizosa, Senior Legislative Analyst, Office of Legislative Oversight
Leslie Rubin, Senior Legislative Analyst, Office of Legislative Oversight
Stephanie Bryant, Legislative Analyst, Office of Legislative Oversight

Bill 15-23, Landlord-Tenant Relations – Anti-Rent Gouging Protections, sponsored by Lead Sponsors Councilmember Fani-González, Council Vice-President Friedson, and Councilmembers Alborno, Balcombe, Katz, and Luedtke, was introduced on March 7, 2023. A public hearing occurred on March 28, and an initial Planning, Housing, and Parks (PHP) Committee worksession occurred on June 15.

Bill 15-23 would:

- (1) establish protections against rent increases above a threshold for certain rental units;
- (2) set the base rental amount for certain rental units;
- (3) provide exemptions from rental increase restrictions for certain units;
- (4) permit certain rental increases to fund capital improvements;
- (5) require landlords to submit annual reports regarding rents; and
- (6) generally amend County law concerning rents and landlord-tenant relations.

BACKGROUND

The purpose of Bill 15-23 would be to prevent rent-gouging in the County. In general, annual rent increases in excess of the sum of local annual CPI-U plus 8 percent would be prohibited.

BILL SPECIFICS

Under Bill 15-23, the Director of the Department of Housing and Community Affairs (DHCA) annually would publish a “rent increase allowance” – which would consist of 8 percent of

existing rent, plus the Consumer Price Index for All Urban Consumers (CPI-U) for the Washington-Arlington-Alexandria Area, published by the U.S. Bureau of Labor Statistics.

In general, annual rent increases for rental units in the County would be limited to the “rent increase allowance.” Certain types of rental units and facilities would be exempt from this limitation. In particular, the following would be exempt:

- (1) a unit that has been offered for rent for less than 15 years;
- (2) a unit in a licensed facility, the primary purpose of which is the diagnosis, cure, mitigation and treatment of illnesses;
- (3) a unit in a facility owned or leased by an organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code if the primary purpose of the organization is to provide temporary shelter for qualified clients;
- (4) an owner-occupied group house;
- (5) a religious facility, including a church, synagogue, parsonage, rectory, convent, and parish home;
- (6) a transient lodging facility subject to Chapter 54;
- (7) a school dormitory;
- (8) a licensed assisted living facility or nursing home;
- (9) a building originally designed and constructed to contain only 2 dwelling units, one of which the owner currently occupies as a principal residence;
- (10) an accessory dwelling unit;
- (12) a unit subject to a regulatory agreement with a governmental agency that restricts occupancy of the unit to low and moderate income tenants;
- (13) a single-family home; and
- (14) a condominium owned by an individual.

For units subject to the rent allowance increase, a landlord would be permitted to exceed the allowance in certain circumstances, including in cases of undue financial hardship to the landlord, and in order to fund certain capital improvements. Through regulations, the Director of DHCA would grant and administer these exemptions, which would be limited in duration.

An exemption for hardship would last for one year, unless renewed due to ongoing financial hardship to the landlord. An exemption to allow a surcharge to fund capital improvements would be subject to certain limitations, including:

- (1) the surcharge is limited to an amount necessary to cover the costs of capital improvements to the regulated unit, excluding the costs of ordinary repair and maintenance;
- (2) the surcharge does not take effect until after the capital improvements are completed;
- (3) if the capital improvements are building-wide, the surcharge is prorated over 24 months;
- (4) if the capital improvements apply only to certain regulated rental units and are not building-wide, the surcharge is prorated over 12 months; and

- (5) the surcharge ends once the costs of the capital improvements have been recovered by the landlord.

SUMMARY OF IMPACT STATEMENTS

Under the **Racial Equity and Social Justice (RESJ) Impact Statement**, the Office of Legislative Oversight (OLO) anticipates that Bill 15-23 would have a small positive impact upon RESJ outcomes, and OLO makes the following recommendations:

- “Amend Bill 15-23 to include vacancy controls and other provisions to prevent tenant displacement. Studies have shown that jurisdictions where rent regulations remain in place after a unit is vacated (i.e., vacancy controls) increased their share of Black and Latinx renters and were generally more affordable to lower-income households. Including vacancy controls and other provisions to prevent tenant displacement in Bill 15-23 could help improve its impact on housing stability for Black, Latinx, and lower-income renters in the County.
- “Establish systems for proactive administration and enforcement of Bill 15-23. As explained by researchers at the Urban Institute, ‘[d]ecisions about who will govern, administer, and enforce rent control can mitigate or compound existing unequal tenant-landlord power dynamics.’ To improve equitable tenant outcomes, the rent regulation program could be structured to avoid putting the onus of enforcement on tenants through complaints, and instead establish a reporting and monitoring system that facilitates proactive enforcement. The rental property registry in San Jose, California that tracks controlled apartments, tenancy, and allowable increases through an online portal could be a model for the County to consider.” (footnotes omitted).

Under the **Climate Impact Statement**: “The Office of Legislative Oversight (OLO) anticipates Bill 15-23 could have a positive impact on community resilience in the County, as housing stability is an important component of community resilience. However, as enhanced community resilience would be a co-benefit of increased housing stability, the significance of this impact is indeterminate.”

Under the **Economic Impact Statement**: “The Office of Legislative Oversight (OLO) anticipates that enacting Bill 15-23 would have a small to moderate net negative impact on economic conditions in the County in terms of the Council’s priority indicators.”

Under the **Fiscal Impact Statement**, the Office of Management and Budget estimates that the bill would have a net negative fiscal impact of \$6,721,622 from FY24 through FY29. The annual costs would range between approximately \$1 million and \$1.2 million. The increased costs would be associated with a newly developed office within DHCA. The office would consist of 8 FTEs, who would implement the bill’s requirements.

SUMMARY OF PUBLIC HEARING

Numerous individuals and organizations provided testimony regarding Bill 15-23 and Bill 16-23. Highlights of the testimony included:

In favor of rent stabilization:

- The Hispanic Chamber of Commerce voiced support for Bill 16-23.
- The Montgomery County Renters Alliance spoke in favor of Bill 16-23 and expressed concern that the rent cap under Bill 15-23 would be too high.
- Multiple individuals expressed the view that a 10% rent increase, which would be permitted under Bill 15-23 when the CPI-U is above 2%, would constitute constructive eviction. Individuals expressed that an 8% increase is unaffordable.
- The Coalition for Smarter Growth stated that rent stabilization must be paired with policies to increase housing supply. The Coalition would support a cap of 3 to 5% plus inflation.
- A representative of Latino businesses and non-profits expressed support for Bill 15-23.
- Delegate Acevero (District 39) expressed support for Bill 16-23.
- The Climate Action Plan Coalition expressed support for Bill 16-23 and stated the County's need for safe and clean housing.
- MCGEO testified in support of Bill 16-23 and stated that a growing number of public employees are being forced to move to less expensive jurisdictions. MCGEO noted that affordability is a key factor when individuals decide where they want to work.
- An individual requested support for Bill 16-23 to help him age in place.
- MCEA expressed concern that teachers cannot afford to live in the County.
- A landlord spoke in favor of Bill 15-23. He noted that operating expenses during COVID rose by 21 percent.
- The Greater Bethesda Chamber of Commerce supported Bill 15-23 as an "equitable approach" to balance the needs of renters and property owners. The Chamber also stated that rental assistance should be increased.

Noting concerns about or opposition to rent stabilization:

- A trade group for small rental properties opposed both Bill 15-23 and Bill 16-23. The group stated that 40% of rental housing is provided by small landlords, and that the bills would harm these landlords.
- The Donahoe Companies testified that Bill 16-23 would be detrimental to housing supply in the County because it would take away incentives for developers to invest in the County. The Donahoe Companies stated a concern that Bill 16-23 would jeopardize their ability to pursue development projects in the County, including projects with affordable units.
- The Planning Board Chair testified that rent stabilization leads to supply pressures and does a poor job of targeting those with the greatest needs.
- AOBA testified that either bill would negatively affect the supply and quality of housing. AOBA stated that new construction should be exempt from rent stabilization for at least 20 years.
- A real estate company testified that any anti-gouging guidelines should allow for investment and lending opportunities.
- GCARR voiced a preference for Bill 15-23 over Bill 16-23, but noted a general concern that rent regulation would reduce housing.

SUMMARY OF FIRST WORKSESSION

At its initial worksession on June 15, the PHP Committee received an overview of Bill 15-23 and discussed numerous issues related to the bill. Participating in the discussion were Acting Director Bruton and Ms. Katrivanos of DHCA; Ms. Carrizosa, Ms. Rubin, and Ms. Bryant of OLO; and Councilmembers Mink, Balcombe, Stewart, and Katz.

Among other issues, the Committee discussed and considered potential exemptions based on financial hardship; fair return petitions; potential exemptions for single-family homes and condominiums; challenges with DHCA's annual rent survey; potential banking of rent increases; the appropriate amount of rent cap(s); and aspects of state law, including just cause eviction and condominium conversion.

The Committee also requested that staff prepare a side-by-side comparison of Bill 15-23 and 16-23. As a follow up to the first worksession, Director Bruton submitted to Councilmembers proposed amendments to Bill 15-23. See © 175.

ISSUES FOR THE COMMITTEE'S CONSIDERATION

The Committee might wish to consider some or all of the following issues and potential amendments in connection with Bill 15-23.

1. Comparison of Bills 15-23 and 16-23

At the request of the PHP Committee, staff has prepared a chart to compare the bills for the Committee's reference. See © 197.

2. Level of the Rent Cap

As introduced, Bill 15-23 would provide for an annual rent cap of the CPI-U plus 8 percent of the base rent. If the Committee wishes to consider any alterations to the rent cap under the bill, it could consider the following proposals, among others.

DHCA Proposal. One proposal regarding the rent cap has been made by Acting Director Bruton, who recommends establishing the cap at the CPI-U or 5 percent of the base rent, whichever is lower.

If the Committee wishes to adopt the Director's suggestion, it could adopt the following amendment.¹ *Amend lines 20-22 as follows.*

¹ Council staff has drafted this potential amendment, and other DHCA-proposed amendments contained in this memorandum, to reflect the Director's recommendations at ©175 in the event the Committee wishes to move forward with any of the amendments. Staff has altered the specific language, but has endeavored not to alter the substance, of the suggested amendments contained in DHCA's proposal to conform with Council drafting requirements.

- (a) Annual rent increase allowance. The Director annually must calculate a rent increase allowance for regulated rental units equal to the CPI-U [[plus 8 percent]] or to 5 percent of the base rent, whichever is lower.

3. Banking of Rent Increases

One issue discussed at the first worksession was whether to permit landlords to “bank” rent increases. Under a banking approach, a landlord would be permitted to save or bank certain foregone rent increases, and to apply those banked increases to future years.

DHCA Proposal. If the Committee is interested in adding banking provisions to the bill, it could consider a proposal by Acting Director Bruton, among other options. (©175). First, Director Bruton suggested that when a vacancy arises, a landlord should be able to charge the new tenant a rent equal to the published rent allowance, plus the actual dollar amount of any previously foregone increases (*i.e.*, banked increases).

Second, the Director proposed allowing a landlord to bank the difference between 5 percent and the actual CPI-U, if the CPI-U exceeds 5 percent. In a subsequent year when the CPI-U is less than 5 percent, the landlord could add the banked amount to the rent allowance – with the 5 percent cap still in place.

Council staff drafted the following amendment to reflect the Director’s recommendations on banking, should the Committee wish to pursue his recommendations. *Add a new section to the bill as follows.*

xx.xx. Banking of Annual Rent Allowances.

- (a) Banking permitted. Subject to subsections (b) and (c), a landlord may reserve, and may apply to a future annual rent increase:
- (1) the actual dollar amount of an unused annual rent increase allowance for a regulated unit; and
 - (2) if the CPI-U exceeds 5 percent, the difference between an annual rent increase allowance and the CPI-U.
- (b) Rent increases – following a vacancy. If a landlord leases a vacant regulated unit, the landlord may increase the base rent of the unit, during the first year of the new lease, in an amount equal to:
- (1) the rent increase allowance; plus
 - (2) the dollar amount under paragraph (1) of subsection (a).
- (c) Rent increases – when the rent allowance is less than 5 percent. If the rent increase allowance is less than 5 percent, a landlord may increase the base rent of the unit in an amount equal to the lesser of:

- (1) the rent increase allowance, plus the amount under paragraph (2) of subsection (a); or
- (2) 5 percent of the base rent.

4. Capital Improvements

With respect to rent surcharges for capital improvements, the Committee discussed whether greater clarity is needed under the bill regarding improvements that would or would not qualify for a surcharge.

Councilmember Fani-González Amendment. Councilmember Fani-González supports the following amendment, which would include within permissible “capital improvements” those required by federal, state, or County law.

Add the following definition:

Capital improvements mean permanent structural alterations to a regulated unit intended to enhance the value of the unit. Capital improvements include structural alterations required under federal, state, or County law. Capital improvements do not include ordinary repair or maintenance of existing structures.

DHCA Proposal. The DHCA Director has put forward additional potential amendments regarding capital improvements (©179), which would set forth additional explicit standards that the Director would be required to weigh when considering whether to allow a surcharge.

Amend lines 34-49 as follows.

- (b) Limited surcharge for capital improvements. [[The]] Subject to subsection (c), the Director must grant a landlord’s [[application]] petition to add a surcharge to the amount permitted under subsection (a) if, in accordance with Method (2) regulations, the Director determines:
 - (1) the surcharge is limited to an amount necessary to cover the costs of capital improvements to the regulated unit, excluding the costs of ordinary repair and maintenance;
 - (2) the surcharge does not take effect until after the capital improvements are completed;
 - (3) if the capital improvements are [[building-wide]] for all rental units within the building, the surcharge [[is prorated over 24 months]]:
 - (A) is divided equally among the units;

- (B) is prorated over at least 96 months; and
 - (C) does not exceed 20 percent of the base rent;
 - (4) if the capital improvements apply only to certain regulated rental units [[and are not building-wide]] within the building, the surcharge:
 - (A) is divided equally among the affected units;
 - (B) is prorated over [[12 months]] at least 60 months; and
 - (C) does not exceed 15 percent of the base rent;
 - (5) the surcharge to each tenant ends once the costs of the capital improvements, including any interest and service charges, have been recovered by the landlord;
 - (6) the capital improvements would protect or enhance the health, safety, and security of the tenants or the habitability of the rental housing;
 - (7) if the capital improvements would result in energy cost savings:
 - (A) the savings would be passed on to the tenant; and
 - (B) either:
 - (i) the improvements would result in a net savings in the use of energy in the building; or
 - (ii) the improvements are intended to comply with applicable law;
 - (8) the capital improvements are depreciable under the federal Internal Revenue Code;
 - (9) the applicant has certified to the Director the costs of the capital improvements, including any interest and service charge; and
 - (10) the applicant has certified to the Director that required governmental permits and approvals have been granted.
- (c) Surcharge – additional requirements.
- (1) A landlord must maintain, and must make available to a tenant upon request, all plans, contracts, specifications, and permits related to any capital improvements for which a surcharge has been granted.
 - (2) Immediately upon the completion of capital improvements under this Section, a landlord must permit the return to affected rental units of any tenants displaced due to the improvements.

Note: DHCA also has proposed certain timelines related to applications for capital improvements surcharges and other procedural details. (© 180). As discussed during the first worksession, procedural requirements could be covered under the bill, or they could be covered by regulation to provide greater flexibility in the event procedures should be adjusted in the future.

5. Fair Return

During its first worksession, the Committee discussed whether Bill 15-23 potentially should be amended to permit landlords to achieve a “fair return” and to delete the bill’s current exemption for financial hardship. As originally drafted, Bill 15-23 would permit a landlord to apply for a hardship exemption from the rent restrictions, pursuant to Method (2) regulations; the details of the hardship exemption would be established through regulation. If the Committee is interested using a “fair return” standard, it could consider the proposals outlined below.

Background. The concept of “fair return” – as applied to rent stabilization – is intended to ensure that a landlord may increase rents in an amount that is sufficient to cover the landlord’s net operating costs and to provide a reasonable return on investment. The staff packet regarding Council Bill 16-23 [[Bill 16-23 Staff Report](#)] provides additional detailed information about how the concept of fair return has been applied in other jurisdictions and interpreted by courts.

Council staff notes that a fair return provision would be particularly important in the event that a rent cap is relatively low, and a landlord might be at risk of not covering costs or achieving a return on investment. In a bill with a rent cap that meets or exceeds inflation, it seems less likely that a fair return provision would be used frequently. Thus, the Committee might want to weight the amount of the rent cap and any fair return provisions in tandem.

Councilmember Fani-Gonzalez Amendments. Councilmember Fani-Gonzalez supports amendments to eliminate the exemption for financial hardship and, instead, to allow landlords to petition DHCA for a defined “fair return”. The amendments supported by Councilmember Fani-Gonzalez are reflected in DHCA’s proposal at ©192.

Councilmembers Jawando and Mink Amendments. Councilmembers Jawando and Mink would recommend adding to Bill 15-23 the fair return provisions of Bill 16-23. The fair return provisions supported by Councilmembers Jawando and Mink appear at lines 185-452 of Bill 16-23.

Council Staff - Potential Amendment. Administering fair return petitions requires nuanced, case-specific considerations by the DHCA Director and expert housing staff. It also requires the flexibility to adjust administrative processes, definitions, and timelines based upon experience. Thus, Council staff recommends that – if the Committee wishes to adopt a fair return provision – the following amendment would provide a clear yet flexible approach.

Add the following new section.

29-xx. [Reserved.] Rent increases pursuant to a fair return increase petition.

- (a) Fair return rent increase. In accordance with this Section and Method (2) regulations adopted by the Director:
 - (1) A landlord may apply to the Director to increase rent for a regulated unit in an amount that exceeds the annual rent increase allowance; and
 - (2) the Director must grant the application if the Director finds that the increase is necessary for the landlord to obtain a fair return on the regulated unit.
- (b) For purposes of this Section, fair return means a return on investment:
 - (1) sufficient to offset operating expenses; and
 - (2) commensurate with returns on investments in other enterprises having comparable risks.
- (c) The Director must adopt Method (2) regulations necessary to implement the requirements of this Section, including regulations to establish:
 - (1) a formula to determine the rent increase necessary to obtain a fair return for a regulated unit;
 - (2) application requirements, including the information an applicant must submit to demonstrate the rent necessary to obtain a fair return;
 - (3) a uniform system and procedures for processing applications;
 - (4) criteria the Director must use to evaluate and to grant or deny an application;
and
 - (5) the duration of a rent increase approved under this Section.

6. Automatic Exemptions – Single Family Homes and Condominiums

As originally drafted, Bill 15-23 would exempt several types of properties, including single-family homes and condominiums owned by individuals.

Councilmember Fani-Gonzalez Amendment. Councilmembers Fani-Gonzalez has proposed striking single family homes and condominiums from the exemptions, but replacing these exemptions with an exemption for a rental unit owned by a person (natural or corporate) who owns only a single rental unit.

Amend lines 51-73 as follows.

(a) Exemptions. The requirements of Section 29-58 do not apply to:

* * *

- (12) a unit subject to a regulatory agreement with a governmental agency that restricts occupancy of the unit to low and moderate income tenants; and
- (13) [[a single-family home]] a rental unit owned by a corporate or natural person who owns no more than one rental unit in the County[[: and
- (14) a condominium owned by an individual]].

Councilmembers Jawando and Mink, as well as the DHCA Director, would also support deleting the bill's exemptions for single family homes and for condominiums.

DHCA proposal. The DHCA Director has recommended making certain exemptions, which are currently automatic under Bill 15-23, instead dependent upon an application by the landlord. DHCA proposes adding the following new subsection.

Grant of exemption. After submission of an application by an owner, the Director must grant an application for an exemption from Section 29-58 for the following:

- (1) rental housing that is subject to a regulatory agreement with a governmental agency that controls the rent levels of one or more rental dwelling units so that they are available only to low- and moderate-income tenants;
- (2) a dwelling unit, single family owned by a real person so long as that real person owns no other rental dwelling units in the County; or
- (3) a newly constructed rental dwelling unit for a period of 15 years after it is first offered for rent.

7. Vacancy Controls

During the first worksession, the Committee discussed whether vacancy controls should be added to Bill 15-23, particularly because the County currently lacks authority to regulate just cause evictions.

Councilmember Jawando and Mink Amendments. If the Committee wishes to add vacancy controls to the bill, one approach would be to amend the bill to include Bill 16-23's

vacancy controls. This approach is favored by Councilmembers Jawando and Mink, as well as the DHCA Director.

A potential amendment would be to add the following subsection to Section 29-58 after line 49.

- (c) Rent increase following a tenant vacancy - prohibited. A landlord, who terminates a tenancy for a reason not provided for in the lease or during the first year of a tenancy, may not reset the rent for the next tenant in an amount higher than the base rent paid by the prior tenant. Any subsequent rent increase must be in accordance with this Section.

8. Enforcement and Reporting

The Office of Legislative Oversight has emphasized that enforcement of rent stabilization regulations tends to be more effective when the enforcing agency has adequate information and can proactively enforce the regulations. The Committee might wish to ask DHCA whether it believes that more frequent reporting or additional enforcement powers are needed under the bill. Under current law, rents must be reported to DHCA annually. In addition, DHCA currently may investigate complaints or undertake investigations at the Director's initiative.

9. Clarifying Amendment – Office of the County Attorney

The Office of the County Attorney has recommended the following clarifying amendment: Add “of base rent” after “percent” on line 22. Council staff concurs with this recommended amendment.

10. Additional Technical Amendments

Depending upon which of the amendments described above (if any) the Committee adopts, additional technical amendments or clarifications might be required. Council staff requests the Committee's permission to make needed technical corrections or clarifications, subject to final Council approval.

NEXT STEP: Committee recommendation on whether to enact Bill 15-23, including any amendments.

This packet contains:

Bill 15-23
RESJ Impact Statement
Economic Impact Statement

Circle #

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Bill No. 15-23
Concerning: Landlord-Tenant Relations –
Anti-Rent Gouging Protections
Revised: 03/02/2023 Draft No. 4
Introduced: March 7, 2023
Expires: December 7, 2026
Enacted: _____
Executive: _____
Effective: See Sec. 2
Sunset Date: None
Ch. _____, Laws of Mont. Co. _____

COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

Lead Sponsors: Councilmember Fani-González, Council Vice-President Friedson, and
Councilmembers Alborno, Balcombe, Katz, and Luedtke

AN ACT to:

- (1) establish protections against rent increases above a threshold for certain rental units;
- (2) set the base rental amount for certain rental units;
- (3) provide exemptions from rental increase restrictions for certain units;
- (4) permit certain rental increases to fund capital improvements;
- (5) require landlords to submit annual reports regarding rents; and
- (6) generally amend County law concerning rents and landlord-tenant relations.

By adding

Montgomery County Code
Chapter 29, Landlord-Tenant Relations
Sections 29-56, 29-57, 29-58, 29-59, and 29-60

Boldface	<u>Heading</u> or defined term.
<u>Underlining</u>	Added to existing law by original bill.
[Single boldface brackets]	Deleted from existing law by original bill.
<u>Double underlining</u>	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. Article VI is renamed and Sections 29-56, 29-57, 29-58, 29-59, and 29-60 are added as follows:

Article VI. Central Data Collection, [and] Rent Guidelines, and Anti-Rent Gouging Protections.

* * *

29-56. [Reserved.] Anti-rent gouging – definitions.

Definitions. In Sections 29-56 through 29-60, the following terms have the meanings indicated:

Base rent means rent charged for a regulated rental unit under a lease, exclusive of any rental discounts, incentives, concessions, or credits that are:

- (1) offered by the landlord;
- (2) accepted by the tenant; and
- (3) itemized in the lease separate from the rent.

CPI-U means the Consumer Price Index for All Urban Consumers for the Washington-Arlington-Alexandria Area, published by the U.S. Bureau of Labor Statistics.

Regulated rental unit or regulated unit means a rental unit that is not exempted under Section 29-59.

29-57. [Reserved.] Annual rent increase allowance.

(a) Annual rent increase allowance. The Director annually must calculate a rent increase allowance for regulated rental units equal to the CPI-U plus 8 percent.

(b) Publication. The Director must publish the annual rent increase allowance in the County Register and on the County website.

(c) *Duration.* A rent increase allowance under subsection (a) remains in effect for a 12-month period, beginning July 1st of each year and ending on June 30th of the following year.

29-58. [Reserved.] Rent increases – in general; limited surcharges for capital improvements.

(a) *In general.* Upon a lease renewal, a landlord must not increase the rent of a regulated rental unit to an amount greater than:

(1) the base rent; plus

(2) the rent increase allowance under Section 29-57.

(b) *Limited surcharge for capital improvements.* The Director must grant a landlord's application to add a surcharge to the amount permitted under subsection (a) if, in accordance with Method (2) regulations, the Director determines:

(1) the surcharge is limited to an amount necessary to cover the costs of capital improvements to the regulated unit, excluding the costs of ordinary repair and maintenance;

(2) the surcharge does not take effect until after the capital improvements are completed;

(3) if the capital improvements are building-wide, the surcharge is prorated over 24 months;

(4) if the capital improvements apply only to certain regulated rental units and are not building-wide, the surcharge is prorated over 12 months; and

(5) the surcharge ends once the costs of the capital improvements have been recovered by the landlord.

29-59. [Reserved.] Exempt rental units.

(a) *Exemptions.* The requirements of Section 29-58 do not apply to:

- (1) a unit that has been offered for rent for less than 15 years;
- (2) a unit in a licensed facility, the primary purpose of which is the diagnosis, cure, mitigation and treatment of illnesses;
- (3) a unit in a facility owned or leased by an organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code if the primary purpose of the organization is to provide temporary shelter for qualified clients;
- (4) an owner-occupied group house;
- (5) a religious facility, including a church, synagogue, parsonage, rectory, convent, and parish home;
- (6) a transient lodging facility subject to Chapter 54;
- (7) a school dormitory;
- (8) a licensed assisted living facility or nursing home;
- (9) a building originally designed and constructed to contain only 2 dwelling units, one of which the owner currently occupies as a principal residence;
- (10) an accessory dwelling unit;
- (12) a unit subject to a regulatory agreement with a governmental agency that restricts occupancy of the unit to low and moderate income tenants;
- (13) a single-family home; and
- (14) a condominium owned by an individual.

(b) Exemptions for hardship. The Director must grant to a landlord an exemption from the requirements of Section 29-58 for a unit if, in accordance with Method (2) regulations, the Director determines that the requirements would cause undue financial hardship to the landlord.

(c) Expiration of exemption.

(1) An exemption under subsection (a) expires when the conditions entitling the unit or facility to an exemption cease to exist.

(2) An exemption for hardship under subsection (b) expires 1 year after the exemption is granted.

(d) Renewability of hardship exemption. The Director must renew annually an exemption granted under subsection (b) if, in accordance with Method (2) regulations, the Director determines that the requirements of Section 29-58 would continue to cause an undue financial hardship to the landlord.

29-60. [Reserved.] Annual reporting requirements.

(a) On or before September 30th of each year, a landlord must submit to the Department a report for the preceding 12-month period, beginning July 1st and ending on June 30th, regarding regulated rental units, rents, and notices of rent increases.

(b) The landlord must submit the report in the form and manner prescribed by the Director under Method (2) regulations.

[29-56] 29-61 - 29-65. Reserved.

Sec. 2. Effective Date. This Act must take effect 6 months after it becomes law.

98 **Sec. 3. Regulations.** No later than 3 months after the effective date of this Act,
99 the Department must submit to the County Register proposed Method (2) regulations
100 required under the Act.

Racial Equity and Social Justice (RESJ) Impact Statement

Office of Legislative Oversight

BILL 15-23: LANDLORD-TENANT RELATIONS – ANTI-RENT GOUGING PROTECTIONS

SUMMARY

The Office of Legislative Oversight (OLO) anticipates Bill 15-23 will have a small positive impact on racial equity and social justice (RESJ) in the County. While the proposed rent regulations would disproportionately benefit Black and Latinx tenants, the magnitude of the allowable rent increases could still displace cost-burdened Black and Latinx households. Further, the Bill contains no provisions to prevent tenant displacement. Nonetheless, the Bill could prevent more excessive rent increases that could worsen current racial inequities in housing insecurity.

PURPOSE OF RESJ IMPACT STATEMENTS

The purpose of RESJ impact statements (RESJIS) 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 BILL 15-23

Rent regulation policies generally establish how much landlords can increase rents each year. Across the U.S., two states and nearly 200 municipalities regulate their rental market.³ As explained in the “Minneapolis Rent Stabilization Study:”

“The details and implementation of rent regulations vary based on jurisdictional goals. Broadly, these goals include protecting tenants from excessive rent increases, alleviating the affordable housing crisis, preserving existing affordable housing, providing housing habitability and security of tenure for renters, maintaining economic and racial diversity, and preventing real estate speculation.”⁴

The intent of Bill 15-23, according to its sponsors, is to eliminate “excessive rent increases in a way that doesn’t threaten new housing construction” in the County.⁵ If enacted, Bill 15-23 would:⁶

- **Establish protections against rent increases above a threshold for certain rental units.** Annual rent increases for certain rental units in the County would be prohibited from exceeding the “rent increase allowance,” defined as 8 percent of existing rent plus the Consumer Price Index for All Urban Consumers (CPI-U) for the Washington-Arlington-Alexandria Area.
- **Provide exemptions from rental increase restrictions for certain units,** including newly constructed units for fifteen years, accessory dwelling units, certain owner-occupied properties, health facilities, religious and non-profit organizations, and licensed facilities.

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- **Permit rental increases in cases of landlord financial hardship or to fund certain capital improvements.** Landlords subject to the annual rent increase allowance would be permitted to exceed the allowance in cases of undue financial hardship, as determined by the Department of Housing and Community Affairs (DHCA). If granted, the exemption would expire after one year, though it may be renewed annually. Landlords could also apply for an exemption to the annual rent increase allowance through a limited-term surcharge to fund certain capital improvements.
- **Require landlords to submit annual reports regarding rents.** Landlords would be required to submit an annual report regarding “regulated rental units, rents, and notices of rent increases” to DHCA.

Bill 15-23 contains several other provisions, including, among others, administrative requirements for DHCA and requirements for DHCA to submit Method (2) regulations for administering various portions of the Bill.

Bill 15-23, Landlord-Tenant Relations – Anti-Rent Gouging Protections, was introduced by the Council on March 7, 2023.

In September 2021, OLO published a RESJIS for Expedited Bill 30-21, Landlord-Tenant Relations – Restrictions During Emergencies – Extended Limitations Against Rent Increases and Late Fees.⁷ Please refer to this RESJIS for detailed background on racial segregation in housing and the racial wealth divide.

HOUSING INSECURITY AND RACIAL EQUITY

To understand the drivers of housing inequities by race and ethnicity, this statement describes the role of housing segregation in fostering housing inequities in the County and local data on housing security by race and ethnicity. 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 2020:⁸

- White constituents accounted for 69 percent of District 1 constituents (Bethesda, Chevy Chase and Potomac) compared to 43 percent of County constituents. Approximately 6 in 10 District 1 households had incomes exceeding \$150,000 compared to 1 in 10 households that had incomes of less than \$50,000.
- Asian or Pacific Islander constituents accounted for 20 percent of District 3 constituents (Rockville and Gaithersburg) compared to 15 percent of County constituents. Approximately a third of District 3 households had incomes exceeding \$150,000 compared to a quarter of households that had incomes of less than \$50,000.
- Black constituents accounted for 38 percent of District 5 constituents (White Oak, Colesville and Burtonsville) compared to 18 percent of County constituents. About a quarter of District 5 households had incomes exceeding \$150,000 compared to quarter of households that had incomes of less than \$50,000.
- Latinx constituents accounted for 35 percent of District 6 constituents (Wheaton, Glenmont and Aspen Hill) compared to 20 percent of County constituents. About a quarter of District 6 households also had incomes exceeding \$150,000 compared to less than a quarter of households that had incomes of less than \$50,000.

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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 that 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 constituents 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) created a platform for wealth in White neighborhoods through providing White residents and developers government subsidized financing to purchase or build homes in White-only enclaves.¹⁰ For example, the Montgomery County Planning Department's Mapping Segregation Project found that White constituents received 400 of 409 Home Owners' Loan Corporation (HOLC) loans made while only 7 were received by Black constituents.¹¹

Racial covenants attached to residential property and the redlining of neighborhoods predominantly occupied by people of color also fostered housing segregation.¹² For example, between 1902 and 1948, 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 This included racially restrictive covenants attached to all suburban properties developed in the County by Colonel Edward Brooke Lee.¹⁴ The GI Bill was also implemented in racially exclusionary ways that denied Black veterans loans and reinforced segregation.¹⁵

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.¹⁶

Today, racial discrimination in housing continues with predatory lending practices targeted to BIPOC communities (e.g. subprime loans);¹⁷ racial and ethnic bias in the rental and real estate markets;¹⁸ and the "implicitly racialized tax code" that favor asset holdings with lower tax rates over income earned, and mortgage holders over renters.¹⁹ 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.²⁰

Data on Housing Insecurity. Local data demonstrates 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 2021, 63 percent of Latinx renters and 57 percent of Black renters were cost-burdened (expending 30 percent or more of income on rent), compared to 45 percent of White renters and 38 percent of Asian renters.²¹
- Among recent COVID-19 Rent Relief Program clients, 45 percent were Black and 23 percent were Latinx, while 8 percent were White and 2 percent were Asian or Pacific Islander.²²
- Among single adults experiencing homelessness in 2021, 56 percent were Black, 33 percent were White, 5 percent were Native American, and 4 percent were Asian or Pacific Islander.²³
- Among families experiencing homelessness in 2021, 84 percent were Black, 12 percent were White, and 3 percent were Native American.²⁴

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Local data on homeownership also confirms housing inequities by race and ethnicity. In 2021, 77 percent of White and 69 percent of Asian households in the County were owner-occupied, compared to 54 percent of Latinx households and 43 percent of Black households.²⁵

EVIDENCE ON RENT REGULATIONS

Rent regulation is a highly debated issue. While some argue that rent regulations support housing affordability and stability, others argue they harm the housing market in ways that ultimately undermine these benefits.

To help unpack the veracity of these arguments, this RESJIS summarizes the research describing the advantages and disadvantages of rent regulations. This summary of empirical studies is based on a review of reports from researchers at the University of Minnesota (UM), the University of Southern California (USC) and other institutions.^{26,27} Overall, OLO finds the research describing the advantages of rent regulations to be stronger and more consistent than the research describing the potential harms of rent regulation.

Advantages of Rent Regulation. There is strong evidence that rent regulations are effective in *supporting housing affordability and stability* for tenants in regulated units. Studies have overwhelmingly found that tenants in regulated units stay in their homes for longer than tenants in non-regulated units. Further, several studies have found that rent regulations disproportionately benefit BIPOC tenants. For example, a Stanford University study of rent regulations in San Francisco found the regulations had an especially large impact on preventing the displacement of Black and Latinx tenants.²⁸ As noted by the UM and USC researchers, housing stability has proven benefits across multiple facets of well-being, including physical, mental and emotional health, and educational achievement among children.

Disadvantages of Rent Regulation. There is weaker and more inconsistent evidence that rent regulations undermine housing affordability and stability in the long-term because they harm housing markets. A summary of the potential disadvantages of rent regulation noted in the research literature and empirical evidence follows.

Undermine financial stability of smaller landlords. Some stakeholders argue that rent regulations threaten the financial stability of small “mom-and-pop” landlords, however, few studies have explored this topic. Some studies have suggested that mom-and-pop landlords are more likely to charge lower rents and negotiate with tenants, implying they may be less impacted by moderate rent regulations.

Decrease in rental units and increase in rents. Some stakeholders argue that rent regulations undermine housing affordability for future renters by decreasing the supply of rental units. Research findings indicate that rent regulations do not negatively impact new housing construction, especially in jurisdictions where new buildings are exempt. Most studies have also found that rents in non-regulated units stayed the same or were lowered following rent regulations. However, rent regulations may incentivize landlords to remove regulated rental units from the market through condo conversions, redevelopment, or owner move-ins.

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Displace tenants. Some stakeholders argue that rent regulations could undermine housing stability by creating incentives for landlords to evict tenants. This is of particular concern in jurisdictions where landlords are able to increase rents to market rate for new tenants after a unit is vacated (i.e., vacancy decontrol) or where landlords can more easily deregulate units through condo conversions, redevelopment, or owner move-ins. One study found that jurisdictions with vacancy decontrol were less affordable and disproportionately displaced Black tenants.²⁹ Jurisdictions commonly accompany rent regulation programs with “just-cause” eviction protections to limit the legal reasons for which a landlord can evict a tenant. State legislation allowing local jurisdictions to adopt just-cause eviction laws was introduced this year in the Maryland General Assembly.³⁰

Decrease building maintenance and quality. Some stakeholders argue that rent regulations decrease the quality of regulated units by driving landlords to cut costs on maintenance. Evidence is mixed on how rent regulations affect maintenance and quality of regulated units. One study found this impact was largely dependent on the individual features of rent regulation programs.

Distribute benefits inequitably. Some stakeholders argue that the broad application of rent regulations leads to a greater benefit for wealthier households than lower-income households. Evidence is mixed on how the benefits of rent regulations are distributed. While some studies have found that higher-income tenants receive a greater benefit, others have found that lower-income and BIPOC tenants benefit overwhelmingly. Some propose that targeted rental subsidy programs can be a more effective tool of reaching tenants who are most in need of support, however, as noted by USC researchers, policies like these are often not politically feasible.

ANTICIPATED RESJ IMPACTS

To consider the anticipated impact of Bill 15-23 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 constituents who would be most impacted by rent regulations. Census data summarized in Table 1 suggests that BIPOC constituents could disproportionately benefit from the Bill. Black and Latinx households are overrepresented among renter households. Native American and Pacific Islander households are proportionately represented, while White and Asian households are underrepresented. Further, the median household income of renter households in the County was \$72,005 compared to \$117,345 for all households in the County, suggesting that lower-income residents could also primarily benefit from the Bill.³¹

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

Race and ethnicity ³²	All Households	Renter-Occupied Households
Asian	14.4	12.2
Black	18.0	30.0
Native American	0.3	0.3
Pacific Islander	0.1	0.1
White	55.0	40.5
Latinx	14.3	18.8

Source: Table S2502, 2021 American Community Survey 5-Year Estimates, Census Bureau.

For the second question, OLO considered how this Bill could address racial disparities in housing insecurity. As noted, Black and Latinx households in the County experience higher levels of housing insecurity, placing them at higher risk of displacement. The majority of Black and Latinx renter households in the County are cost-burdened, making them more sensitive to even modest increases in rent. Inflation has caused further financial strain on the budgets of BIPOC and low-income households.^{33,34}

Table 2 illustrates examples of potential increases in rent with the limitations established in Bill 15-23. The increases are calculated based on the minimum rent increase amount (8 percent) established in Bill 15-23. The actual increase amount would likely be larger given the addition of the CPI-U in the rent increase calculation.

Table 2: Potential Rent Change with Bill 15-23 Rent Regulations

If rent is...	Total rent with regulation (8 percent increase)
\$1,000	\$1,080 (+\$80)
\$1,250	\$1,350 (+\$100)
\$1,500	\$1,620 (+\$120)
\$1,750	\$1,890 (+\$140)
\$2,000	\$2,160 (+\$160)

As noted, there is strong evidence that rent regulations are effective in improving housing affordability and stability for BIPOC tenants. Disadvantages attributed to rent regulations that could contribute to racial inequities in housing are supported by more mixed research findings. Table A in the Appendix outlines potential negative consequences of rent regulations and provisions of Bill 15-23 that could mitigate them.

Taken together, OLO anticipates Bill 15-23 will have a positive impact on RESJ in the County. Local data suggests Black and Latinx tenants would disproportionately benefit from rent regulations. Further, there is strong evidence from research that rent regulations are effective in improving housing affordability and stability for BIPOC tenants. The benefit of housing stability to BIPOC tenants will likely encourage positive outcomes across multiple areas of well-being. As such, OLO assesses the benefits of rent regulations exceed the potential negative consequences relative to RESJ.

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If enacted, Bill 15-23 would establish a permanent rent regulation that allows for annual rent increases exceeding \$100 in most scenarios (refer to Table 2). These increases would likely be larger as the Bill includes the addition of the CPI-U in the rent increase calculation. A rent increase of this size would meaningfully constrain household budgets, leaving tenants with considerably less resources to afford housing and other necessities. Thus, the allowable rent increase could offset this Bill's benefits on housing affordability and stability for tenants, especially Black and Latinx tenants, given they are cost-burdened at higher rates. Further, the Bill contains no provisions to prevent tenant displacement. Nonetheless, the Bill could prevent more excessive rent increases that could worsen current racial inequities in housing insecurity. Considering these factors, OLO anticipates the positive RESJ impact 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.³⁵ OLO anticipates Bill 15-23 will have a positive impact on RESJ in the County. As such, OLO does not offer recommended amendments. However, should the Council seek to improve the RESJ impact of this Bill, the following items can be considered:

- **Amend Bill 15-23 to include vacancy controls and other provisions to prevent tenant displacement.** Studies have shown that jurisdictions where rent regulations remain in place after a unit is vacated (i.e., vacancy controls) increased their share of Black and Latinx renters and were generally more affordable to lower-income households.³⁶ Including vacancy controls and other provisions to prevent tenant displacement in Bill 15-23 could help improve its impact on housing stability for Black, Latinx, and lower-income renters in the County.
- **Establish systems for proactive administration and enforcement of Bill 15-23.** As explained by researchers at the Urban Institute, “[d]ecisions about who will govern, administer, and enforce rent control can mitigate or compound existing unequal tenant-landlord power dynamics.”³⁷ To improve equitable tenant outcomes, the rent regulation program could be structured to avoid putting the onus of enforcement on tenants through complaints, and instead establish a reporting and monitoring system that facilitates proactive enforcement. The rental property registry in San Jose, California that tracks controlled apartments, tenancy, and allowable increases through an online portal could be a model for the County to consider.³⁸

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

OLO staffer Janmarie Peña, Performance Management and Data Analyst, drafted this RESJ impact statement.

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APPENDIX

Table A: Bill 15-23 Provisions to Mitigate Negative Consequences

Potential Negative Consequence	Provisions that Could Mitigate
Undermine financial stability of smaller landlords	- Owner-occupied buildings with up to two dwelling units, accessory dwelling units, single-family homes, and condominiums owned by an individual exempt - Landlord allowed to apply for hardship exemption
Decrease in rental units	Newly constructed rental units exempt for 15 years
Displace tenants	No provisions
Decrease building maintenance and quality	Landlord allowed to apply for limited-term capital improvements surcharge to rent

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>

² Ibid

³ Edward G. Goetz, et. al., Minneapolis Rent Stabilization Study, University of Minnesota Center for Urban and Regional Affairs, 2021. <https://www.cura.umn.edu/sites/cura.umn.edu/files/2021-08/Minneapolis-Rent-Stabilization-Study-web.pdf>

⁴ Ibid

⁵ “Councilmembers Introduce Tenant Assistance and Protection Package to Address Growing Crisis in Housing Affordability,” Press Release, Montgomery County Council, March 7, 2023.

https://www2.montgomerycountymd.gov/mcgportalapps/Press_Detail.aspx?Item_ID=42982&Dept=1

⁶ Introduction Staff Report for Bill 15-23, Montgomery County Council, March 7, 2023.

https://www.montgomerycountymd.gov/council/Resources/Files/agenda/col/2023/20230307/20230307_1A.pdf

⁷ RESJIS for Bill 30-21, Office of Legislative Oversight, September 9, 2021.

<https://www.montgomerycountymd.gov/OLO/Resources/Files/resjis/2021/Bill30-21RESJ.pdf>

⁸ Demographic Profile of Council Districts, Research and Strategic Projects, Montgomery Planning, 2022.

<https://montgomeryplanning.org/wp-content/uploads/2022/05/Montgomery-County-Council-District-Profiles-2022-1.pdf>

⁹ Richard Rothstein, *The Color of Law: A Forgotten History of How Government Segregated America*, 2017

¹⁰ Ibid

¹¹ “Briefing on Mapping Segregation Project,” Montgomery County Department of Planning, November 23, 2022.

https://montgomeryplanningboard.org/wp-content/uploads/2022/11/Mapping-Segregation-Staff-Report_12-1-22.pdf

¹² Kilolo Kijakazi, et. al, “The Color of Wealth in the Nation’s Capital,” The Urban Institute, November 1, 2016.

<https://www.urban.org/research/publication/color-wealth-nations-capital>

¹³ “DAC Historical Research Notes & Timeline”, Montgomery Planning, Accessed July 21, 2022. <https://montgomeryplanning.org/wp-content/uploads/2020/02/Historical-Overview-and-Development-Patterns-Staff-Research-Paper.pdf>

¹⁴ Ibid

¹⁵ Kijakazi, et. al

¹⁶ Ibid

¹⁷ Keeanga-Yamahatta Taylor, *Race for Profit: How Banks and the Real Estate Industry Undermined Black Homeownership*, 2019

¹⁸ Collection of Fair Housing and Discrimination Studies, The Urban Institute. <https://www.urban.org/tags/fair-housing-and-housing-discrimination>

¹⁹ Dorothy Brown, *The Whiteness of Wealth: How the Tax System Impoverishes Black Americans and How We Can Fix it*, 2021

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²⁰ 2015 Analysis of Impediments to Fair Housing Choice, Department of Housing and Community Affairs.

https://www.montgomerycountymd.gov/DHCA/Resources/Files/community/fair_housing/2015_Analysis_of_Impediments_to_Fair_Housing_Choice.pdf

²¹ Table S0201, Selected Population Profile in the United States, 2021 American Community Survey 1-Year Estimates, Census Bureau.

²² DHHS Pulse Report: COVID-19 Impact and Recovery, Montgomery County Department of Health and Human Services, March 22, 2023. <https://www.montgomerycountymd.gov/covid19/Resources/Files/pulse/DHHS-Pulse-230322.pdf>

²³ "Point in Time Survey," Montgomery County Interagency Commission on Homelessness, Accessed December 5, 2022.

<https://www.montgomerycountymd.gov/homelessness/numbers.html>

²⁴ Ibid

²⁵ Table S0201

²⁶ Goetz, et. al.

²⁷ Manuel Pastor, et. al., "Rent Matters: What are the Impacts of Rent Stabilization Measures?" Program for Environmental and Regional Equity, University of Southern California Dornsife, October 2018.

https://dornsife.usc.edu/assets/sites/242/docs/Rent_Matters_PERE_Report_Final_02.pdf

²⁸ Rebecca Diamond, et. al., "The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco," American Economic Review, September 2019. <https://www.aeaweb.org/articles?id=10.1257/aer.20181289>

²⁹ Christina Plerhoples Stacy, et. al., "Rent Control: Key Policy Components and Their Equity Implications," Urban Institute. July 2021.

<https://www.urban.org/sites/default/files/publication/104630/rent-control-key-policy-components-and-their-equity-implications.pdf>

³⁰ HB 0684, Landlord and Tenant - Residential Leases and Holdover Tenancies - Local Just Cause Termination Provisions, Maryland General Assembly. <https://mgaleg.maryland.gov/mgawebsite/Legislation/Details/HB0684?ys=2023RS>

³¹ Table S2503, Financial Characteristics, 2021 American Community Survey 5-Year Estimates, Census Bureau.

³² Latinx is an ethnicity rather than a race. Therefore, Latinx people are included in multiple racial groups throughout this impact statement, unless where otherwise noted.

³³ Jonathan Fisher, "The Impact of Different Inflationary Pressures due to Income Inequality and Racial Disparities in the United States Today," Washington Center for Equitable Growth, May 26, 2022. <https://equitablegrowth.org/the-impact-of-different-inflationary-pressures-due-to-income-inequality-and-racial-disparities-in-the-united-states-today/>

³⁴ Monique Beals, "Nonwhite Voters More Likely to Say Inflation Hitting Them," The Hill, March 14, 2022.

<https://thehill.com/policy/finance/598145-nonwhite-voters-more-likely-to-be-affected-by-spiking-inflation-poll/>

³⁵ Bill 27-19, Administration – Human Rights – Office of Racial Equity and Social Justice – Racial Equity and Social Justice Advisory Committee – Established, Montgomery County Council

³⁶ Christina Plerhoples Stacy, et. al.

³⁷ Ibid

³⁸ Ibid

Economic Impact Statement

Montgomery County, Maryland

Bill 15-23 Landlord-Tenant Relations – Anti-Rent Gouging Protections

SUMMARY

The Office of Legislative Oversight (OLO) anticipates that enacting Bill 15-23 would have a small to moderate net negative impact on economic conditions in the County in terms of the Council’s priority indicators. The Bill would establish a rent stabilization policy that would prohibit annual rent increases more than the sum of local annual Consumer Price Index for All Urban Consumers (CPI-U) plus 8 percent for certain rental units. Based on a review of peer-reviewed economic studies on rent stabilization, OLO concludes the Bill likely would reduce rents for certain tenants of rent-regulated units. Certain property owners and managers likely would respond by decreasing operating expenses associated with ordinary maintenance and repair, or removing properties from the rental market (i.e., through condo conversion). 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 rental housing market relative to jurisdictions in Northern Virginia that lack rent stabilization policies.

BACKGROUND AND PURPOSE OF BILL 15-23

“Rent gouging” is a term that refers to the practice of landlords raising tenants’ existing rents to levels far above what is required to cover higher costs. Rent gouging is a form of “price gouging” in which a business increases the price for a good or service much higher than is considered fair or reasonable. Price gouging can occur when businesses take advantage of emergencies, demand or supply shocks, non-competitive markets, or other circumstances to boost profits.¹

The goal of Bill 15-23 is to prevent rent gouging in the rental housing market in the County. The Bill would aim to achieve this goal by establishing protections against certain rental increases. The “anti-rent gouging” policy would have the following core features:

Rent Increase Restrictions – Annual rent increases for certain rental units in the County would be prohibited from exceeding the “rent increase allowance,” defined as 8 percent of existing rent plus the CPI-U for the Washington-Arlington-Alexandria Area. The Director of the Department of Housing and Community Affairs (DHCA) would publish the annual rent increase allowance, which would remain in effect from July 1 of each year and end on June 30 of the following year.

Rental Unit Exemptions – As stated in the Bill, the following rental units and facilities would be exempt from the rent increase restrictions:

(1) a unit that has been offered for rent for less than 15 years;

(2) a unit in a licensed facility, the primary purpose of which is the diagnosis, cure, mitigation and treatment of illnesses;

- (3) a unit in a facility owned or leased by an organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code if the primary purpose of the organization is to provide temporary shelter for qualified clients;*
- (4) an owner-occupied group house;*
- (5) a religious facility, including a church, synagogue, parsonage, rectory, convent, and parish home;*
- (6) a transient lodging facility subject to Chapter 54;*
- (7) a school dormitory;*
- (8) a licensed assisted living facility or nursing home;*
- (9) a building originally designed and constructed to contain only 2 dwelling units, one of which the owner currently occupies as a principal residence;*
- (10) an accessory dwelling unit;*
- (11) a unit subject to a regulatory agreement with a governmental agency that restricts occupancy of the unit to low- and moderate-income tenants;*
- (12) a single-family home; and*
- (13) a condominium owned by an individual.*

Capital improvements Surcharge – For units subject to the annual rent increase allowance, landlords may apply for an exemption to allow to fund certain capital improvements. As stated in the Bill, if granted by the Director of DHCA, an exemption to allow a surcharge to fund capital improvements would be subject to following conditions:

- (1) the surcharge is limited to an amount necessary to cover the costs of capital improvements to the regulated unit, excluding the costs of ordinary repair and maintenance;*
- (2) the surcharge does not take effect until after the capital improvements are completed;*
- (3) if the capital improvements are building-wide, the surcharge is prorated over 24 months;*
- (4) if the capital improvements apply only to certain regulated rental units and are not building-wide, the surcharge is prorated over 12 months; and*
- (5) the surcharge ends once the costs of the capital improvements have been recovered by the landlord.*

Financial Hardship Exemption – Landlords subject to the annual rent increase allowance would also be allowed to exceed the allowance in cases of undue “financial hardship.” The Director of DHCA would determine whether a landlord adhering to the allowance “would cause undue financial hardship.” If granted, the exemption would expire after one year. The Director may renew an exemption annually.

Reporting Requirements – Landlords would be required to submit an annual report regarding “regulated rental units, rents, and notices of rent increases” to DHCA.

If the Bill is enacted, DHCA would be required to submit Method (2) regulations required under the Act by three months after its effective date. The Act would take effect six months after becoming law.²

INFORMATION SOURCES, METHODOLOGIES, AND ASSUMPTIONS

Per Section 2-81B of the Montgomery County Code, the purpose of this Economic Impact Statement is to assess, both, the impacts of Bill 15-23 on residents and private organizations in terms of the Council's priority economic indicators and whether the Bill would have a net positive or negative impact on overall economic conditions in the County.¹ To do so, OLO does the following in this analysis:

Reviews the econometric literature on rent regulations. To understand the economic impacts of rent regulations, this analysis presents findings from Gibb, et al (2022) and Paster, et al's (2018) literature reviews of peer-reviewed economic studies on the topic. These reviews were identified using the Google Scholar database.

This analysis also draws on OLO's findings in previous Economic Impact Statements, namely for Expedited Bill 22-22, Landlord-Tenant Relations – Limitations on Rent Increases, Expedited Bill 30-21, Landlord-Tenant Relations – Restrictions During Emergencies – Extended Limitations Against Rent Increases and Late Fees, and Bill 52-20, Landlord-Tenant Relations – Protection Against Rent Gouging Near Transit.

Draws on the above evidentiary sources to infer the likely impacts of the Bill on economic stakeholders and conditions. Among residents, the stakeholders include:

- Tenants of regulated units;
- Tenants of non-regulated units; and
- homeowners and buyers.

Among private organizations, the stakeholders include:

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

The primary assumption made in this analysis is that current and future market conditions would support annual rent increases more than the sum of local annual CPI-U plus 8 percent for certain rental units. Importantly, data limitations and uncertainties prevent OLO from estimating the percentage of total rental units that, both, would be regulated under the change in law and would experience rent increases above this threshold.

VARIABLES

Some of the variables that would affect the economic impacts of enacting Bill 15-23 are the following:

- total annual rent revenues;
- total household income;
- residential property values; and

¹ Montgomery County Code, [Sec. 2-81B](#).

- building services expenses.

IMPACTS

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

Economics of Rent Regulation

Importantly, empirical studies in the economics literature indicate that the economic impacts of rent regulations are partly contingent on the policy and regulatory details of specific rent regulations as well as local housing market conditions and trajectories. For this reason, Gibbs, et al (2022) caution policymakers against “drawing far-reaching conclusions from one case study, city, country or time period.” They recommend jurisdictions develop the data and operational monitoring capacity required to conduct ongoing empirical evaluations of how the local rental housing market is functioning after the implementation of specific rent regulations.

Notwithstanding the importance of policy/regulatory details and local market conditions, Gibb, et al (2022) and Paster, et al (2018)’s reviews of economic studies on the impact of rent regulations point to several observations:

- **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). However, as a universal program, rent regulations also reduce rents for middle- and upper-income tenants who can afford rent increases. Therefore, economists generally see them as 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, other studies find rent regulations may increase rents for tenants in decontrolled units.
- **Rent regulations may increase maintenance problems.** To compensate for lower rental income, rent regulations can reduce landlord incentives to maintain units. This negative side-effect of rent regulations likely is more common 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 discourage tenants from: (a) moving into units that are closer to work, better accommodate changes to family size, etc.;, (b) purchasing homes, or; (c) finding employment outside the local labor market.

- **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,² 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.

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 surrounding non-regulated residential properties, and **forces out certain lower-income tenants** who cannot afford higher rents.

Residents

Based on the econometric evidence reviewed above, OLO anticipates that Bill 15-23 likely would have an overall positive economic impact on residents in terms of the indicators prioritized by the Council.

Tenants of Regulated Units: The primary residents affected by the change in law would be tenants of rental units that would become regulated under policy change. By prohibiting annual rent increases more than the sum of local annual CPI-U plus 8 percent for certain rental units, the Bill would decrease rents for residents who otherwise would experience rent increases above this threshold in the absence of the change in law. Holding all else equal, lower rents would reduce nondiscretionary expenses, thereby increasing 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.³

It is worth noting that the economics literature indicates rent regulations reduce tenant mobility, which could offset a portion of rent savings for certain tenants who otherwise would decrease commuting expenses, attain higher pay employment in other labor markets, or build home equity by renting elsewhere or purchasing a home. Given the scope of rent increase allowance (sum of local annual CPI-U plus 8 percent) that would be permitted under the rent stabilization policy, OLO does not expect it to significantly discourage tenant mobility in ways that would offset rent savings over the long-term.

In addition, OLO expects the Bill to prevent certain existing tenants who otherwise would be unable to afford rent hikes above the sum of local annual CPI-U plus 8 percent 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.⁴ However, because the rent stabilization policy would lack vacancy controls, some landlords may remove certain tenants to bring in

² 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.

³ Montgomeryplanning.org, [Rental Housing Study](#).

⁴ Bryant, et al, “[Evictions in Montgomery County](#).” For more on the costs of eviction, see the [Eviction Lab](#).

new tenants subject to higher market rate rents. This said, OLO expects this effect to be minimal given the scope of rent increase allowance that would be permitted under the rent stabilization policy.

Tenants of Non-Regulated Units: As previously discussed, studies on rent regulations suggest Bill 15-23 may have mixed impacts on rents for tenants in units that would not be subject to the regulations. On the one hand, the policy may increase rents by exacerbating the lack of affordable rental housing in the County through condo conversion, etc. If so, lower rents would increase nondiscretionary expenses, thereby decreasing net household income for affected residents (holding all else equal).

On the other hand, the policy could decrease rents through building/unit quality decline, residential sorting, etc. Because the rent stabilization policy would permit a surcharge for capital improvements, the Bill may mitigate this effect. However, it should be noted that the exemption would not include “the costs of ordinary repair and maintenance.” Depending on how these concepts are defined in regulations and/or the quality of County code enforcement, rental unit quality may still decline in quality, which could put downward pressure on rents.

Homeowners/buyers: The Bill also may affect certain homeowners and homebuyers. Based on the studies reviewed above, the rent stabilization policy could moderate property values for certain regulated and surrounding non-regulated properties. On the one hand, this effect may negatively impact certain residents who would sell their homes. On the other hand, reduced property values may benefit certain homebuyers, particularly first-time homebuyers.

Other residents: OLO expects certain owners and managers of rent-regulated properties would protect profit margins from lower rent revenues by reducing operating costs associated with “ordinary repair and maintenance.” Net household income may decrease for any residents who experience employment loss or work hour reduction because of these business decisions.

Beyond these potential impacts, OLO does not expect Bill 15-23 to meaningfully affect residents in terms of the Council’s other priority indicators.

Businesses, Non-Profits, Other Private Organizations

OLO anticipates that enacting Bill 15-23 would have an overall negative economic impact on private organizations in the County in terms of the Council’s priority indicators.

Landlords: The primary businesses affected by the change in law would be landlords in the residential rental sub-sector. By prohibiting annual rent increases more than the sum of local annual CPI-U plus 8 percent for certain rental units, certain landlords would lose rental revenues above this threshold they otherwise would collect in the absence of the change in law. Forgone rental revenues would result in a net decrease in business income for affected landlords (holding all else equal).

To compensate for revenue loss and protect profit margins, certain landlords likely would reduce their operating costs associated with ordinary 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

As illustrated above, establishing the rent stabilization policy would have conflicting impacts on various residents and business stakeholders. Quantifying the net effect of these impacts is not possible due to data and time limitations. Nevertheless, OLO anticipates that enacting Bill 15-23 would have a small to moderate economic negative impact on overall economic conditions in the County in terms of the Council's priority indicators.

First, as discussed in detail in previous Economic Impact Statements on previous rent stabilization Bills introduced by the Council, 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 rental housing market relative to certain nearby jurisdictions, particularly those in Northern Virginia. There is no rent control in Virginia.⁵ While the economic literature generally finds a lack of evidence that rent stabilization measures significantly reduce new housing construction, OLO believes it is worth noting the following: The peer-reviewed economic studies on rent stabilization in the U.S. are at the state- or -major city levels. OLO is unaware of a peer-reviewed study that focuses on a jurisdiction comparable to the County,⁶ namely a jurisdiction outside a major metropolitan center in which neighboring jurisdictions have divergent rent and overall business regulatory environments. Moreover, it should be noted that establishing additional rent regulations may undermine the County's reputation for a "business friendly environment." Given the scale of capital improvement projects, the loss of just one major project would have meaningful economic implications.

DISCUSSION ITEMS

Given the variability in findings on the economic impacts of rent stabilization, Councilmembers may want to consider whether the County should develop the capacity to empirically monitor the program based on local market conditions.

⁵ [Tenant-Landlord Handbook 2022 – Fairfax County](#).

⁶ OLO does not include this [County-specific study](#) because it was not peer-reviewed.

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 - Bill 52-20, Landlord-Tenant Relations – Protection Against Rent Gouging Near Transit
- Pastor, Manuel, Vanessa Carter, and Maya Abood. “[Rent Matters: What are the Impacts of Rent Stabilization Measures?](#)” October 2018.
- [Tenant-Landlord Handbook 2022 – Fairfax County](#). Department of Cable and Consumer Services. March 2022.

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.

AUTHOR

Stephen Roblin (OLO) prepared this report.

Fiscal Impact Statement

Office of Management and Budget

Bill 15-23

Landlord-Tenant Relations - Anti-Rent Gouging Protections

Bill Summary

Bill 15-23 sets an annual rental increase cap of eight percent plus the Consumer Price Index (CPI-U) for the Washington-Arlington-Alexandria Area for regulated rental units. The Department of Housing and Community Affairs (DHCA) must annually calculate this a rental increase cap for regulated units, publish it, and it remains in effect for the 12-month period beginning each July 1. The bill provides for exemptions under certain circumstances and limited surcharges for capital improvements.

Fiscal Impact Summary

In FY24, expenditures increase by \$1.23 million, and revenues increase by \$23,500 for a net impact of \$1.20 million. First year costs represent personnel costs of \$672,000 and operating expenses of \$555,360. Beginning in FY25 and beyond, expenditures increase by approximately \$980,800 each year, and revenues increase by approximately \$26,900 in FY26 escalating annually until it reaches approximately \$33,000 by FY29. The bill would also require an additional 8.0 FTEs to implement beginning in FY24.

Fiscal Year	24	25	26	27	28	29	Total
Personnel Costs	\$672,034	\$940,847	\$987,890	\$1,037,284	\$1,089,148	\$1,143,606	\$5,870,809
Operating Expenses	\$555,360	\$87,313	\$89,932	\$92,630	\$95,409	\$98,272	\$1,018,916
Total Expenditures	\$1,227,394	\$1,028,160	\$1,077,822	\$1,129,914	\$1,184,557	\$1,241,878	\$6,889,725
Revenues	\$23,500	\$25,145	\$26,905	\$28,789	\$30,804	\$32,960	\$168,103
Total Impact	(\$1,203,894)	(\$1,003,015)	(\$1,050,917)	(\$1,101,125)	(\$1,153,753)	(\$1,208,918)	(\$6,721,622)
FTE	8.00	8.00	8.00	8.00	8.00	8.00	

To implement the bill, DHCA advises that it would need to create a new Anti-Rent Gouging Protections Office. Staff would be required to review and manage annual rent reports and compliance with the newly proposed rent increase guidelines; manage capital improvement and financial hardship petitions, tenant complaints and the appeal process; conduct community outreach; respond to service inquiries; and investigate and enforce remedies for noncompliance. Based on the assumed workload, this new Office would require 8.0 FTEs as shown in the chart below:

Fiscal Impact Analysis



Position	Grade	FTEs	Annualized Personnel Costs
Program Specialist II	G21	3.00	\$300,400
Administrative Specialist III	G23	1.00	\$107,700
Program Manager I	G23	1.00	\$107,700
Investigator III	G25	1.00	\$116,015
Sr. IT Specialist III	G28	1.00	\$129,900
Manager III	MIII	1.00	\$134,500
Total PC		8.00	\$896,045

The FY24 personnel costs for these positions are estimated at \$672,034, assuming a start date of October 2023.

FY24 operating expenses are estimated to total \$555,360, including one-time expenses of \$470,770 and annualized expenses of \$84,590 as follows.

The associated operating expenses to support the required personnel complement are approximately \$41,400, including one-time costs of \$36,420 in FY24 and \$5,200 annually. Additionally, DHCA would need to develop an anti-gauging protections website and case management system. Based on previous experience developing websites and case management systems, the total estimated costs in the first year could be \$172,850, which includes initial start-up costs of \$169,350 plus an ongoing annual cost of \$3,500 to provide technical support and required maintenance. DHCA would also need to develop an online portal for landlords to report the mandated rent increase data at a one-time cost of \$265,000. Annual operating expenses for the office are estimated to total \$76,070 for office operating expenses.

Annual revenues are expected to be \$23,500 in FY24 from the issuance and collection of Class A citations. Based on the 7% average annual growth rate of multifamily buildings in Montgomery County over the past five years, coupled with an estimated 7% steady rate of citations, a total of approximately \$168,102 will be collected over the next six fiscal year.

Staff Impact	Implementing the bill will require the creation of a new Anti-Rent Gouging Office as the existing personnel complement of the Department would not be able to absorb the workload. The Anti-Rent Gouging Protections Office will need at least eight new full-time employees among various job classifications for which the estimated annualized personnel costs total \$896,045.
Actuarial Analysis	The bill is not expected to impact retiree pension or group insurance costs.
Information Technology Impact	While the bill will require DHCA to establish a robust database and online platform and tracking system, it is not expected to impact the County's Information Technology (IT) or Enterprise Resource Planning (ERP) systems.
Other Information	
<i>Later actions that may impact revenue or expenditures if future spending is projected</i>	The bill does not authorize future spending.
Contributors	Scott Bruton, Mary Gentry, Nicolle Katrivanos, and Pofen Salem, Department of Housing and Community Affairs Anita Aryeetey, Office of Management and Budget



Climate Assessment

Office of Legislative Oversight

Bill 15-23: Landlord – Tenant Relations – Anti-Rent Gouging Protections

SUMMARY

The Office of Legislative Oversight (OLO) anticipates Bill 15-23 could have a positive impact on community resilience in the County, as housing stability is an important component of community resilience. However, as enhanced community resilience would be a co-benefit of increased housing stability, the significance of this impact is indeterminate.

BACKGROUND AND PURPOSE OF BILL 15-23

Rent regulation policies generally establish how much landlords can increase rents each year. Across the U.S., two states and nearly 200 municipalities regulate their rental market.¹ As explained in the “Minneapolis Rent Stabilization Study:”

“The details and implementation of rent regulations vary based on jurisdictional goals. Broadly, these goals include protecting tenants from excessive rent increases, alleviating the affordable housing crisis, preserving existing affordable housing, providing housing habitability and security of tenure for renters, maintaining economic and racial diversity, and preventing real estate speculation.”²

The intent of Bill 15-23, according to its sponsors, is to “eliminate excessive rent increases in a way that doesn’t threaten new housing construction” in the County.³ If enacted, Bill 15-23 would:⁴

- **Establish protections against rent increases above a threshold for certain rental units.** Annual rent increases for certain rental units in the County would be prohibited from exceeding the “rent increase allowance,” defined as 8 percent of existing rent plus the Consumer Price Index for All Urban Consumers (CPI-U) for the Washington-Arlington-Alexandria Area.
- **Provide exemptions from rental increase restrictions for certain units.** including newly constructed units for fifteen years, accessory dwelling units, certain owner-occupied properties, health facilities, religious and non-profit organizations, and licensed facilities.
- **Permit rental increases in cases of landlord financial hardship or to fund certain capital improvements.** Landlords subject to the annual rent increase allowance would be permitted to exceed the allowance in cases of undue financial hardship, as determined by the Department of Housing and Community Affairs (DHCA). If granted, the exemption would expire after one year, though it may be renewed annually. Landlords could also apply for an exemption to the annual rent increase allowance through a limited-term surcharge to fund certain capital improvements.

- **Require landlords to submit annual reports regarding rents.** Landlords would be required to submit an annual report regarding “regulated rental units, rents, and notices of rent increases” to DHCA.

Bill 15-23 contains several other provisions, including, among others, administrative requirements for DHCA and requirements for DHCA to submit Method (2) regulations for administering various portions of the Bill.

Bill 15-23, Landlord-Tenant Relations – Anti-Rent Gouging Protections, was introduced by the Council on March 7, 2023.

METHODOLOGIES, ASSUMPTIONS, AND UNCERTAINTIES

Methodology. OLO conducted a literature review of rent stabilization and its impacts on community stabilization and resilience, including its effects on housing stability and maintenance. OLO also spoke with County Staff with expertise on housing and rent stabilization policies.

Assumptions. The actions proposed by this Bill will increase housing stability for constituents, therefore positively impacting community resilience.

Uncertainties. There are a few uncertainties associated with the analysis of Bill 15-23: (1) Whether housing stability will be increased by the actions proposed by the Bill and; (2) if landlords will be incentivized to invest in capital improvements and maintenance for the physical resilience of buildings.

HOUSING STABILIZATION CAN ENHANCE COMMUNITY RESILIENCE

Rent stabilization policies establish a maximum yearly rent increase, which is usually a small percentage of the previous year’s rent. This allows for predictability and stability for renters, as they know what rent increases to expect from year to year.⁵ Rent stabilization can lead to increased housing stability for renters, which is an important component of community resilience.⁶ Housing stability is associated with physical, social, and psychological well-being for individuals, as well as enhanced social cohesion and community ties.⁷ Enhanced social cohesion and community ties enable residents to stay better connected, especially during extreme weather and other emergencies.⁸

While there are mixed findings in literature about rent stabilization’s impacts on the housing market and development of new housing units, there is widespread agreement that rent stabilization increases housing stability for tenants who live in regulated units.⁹ Additionally, little empirical evidence shows that rent regulation policies negatively impact new construction. Construction rates are highly dependent on localized economic cycles and credit markets. Further, most jurisdictions with rent stabilization specifically exclude new construction from controls for a set period of time to incentivize new development.¹⁰

Impact of Rent Stabilization on Maintenance and Capital Improvements. There is mixed evidence on the impacts of rent stabilization on maintenance and capital improvements.¹¹ However, one study notes that maintaining units is an issue in all long-term rental contracts where the owner is responsible for maintenance, regardless of whether the unit is subject to rent regulations.¹² However, maintenance issues in units can be abated by programs included in rent regulation policies, such as “fair returns” for landlords to increase rent to cover costs for maintenance and significant capital improvement projects. Upgrades to energy efficient appliances, weatherization (i.e., insulation, ventilation), and electrification of buildings are essential to enhance the physical resilience of buildings and help keep energy costs down for renters.¹³

Displacement during disasters. Another potential benefit of rent stabilization is aiding renters who are displaced after natural disasters or other extreme weather events. In general, adequate protections do not exist for renters who are displaced after their housing is destroyed by a natural disaster. Renters must seek new housing, which is often much more expensive on top of the out of pocket costs associated with recovery from a disaster. As extreme weather events are more likely to occur due to climate change, it is important to protect renters from increased rent prices after a disaster.¹⁴ Further, renters with lower rent burdens have more financial resources not devoted to housing costs and are therefore more resilient and better able to absorb costs related to extreme weather events.¹⁵

Montgomery County Renters. After the moratorium on rent increases during COVID-19 ended in May 2022, many constituents reported significant rent increases.¹⁶ In the County, 51.4% of all renter households are cost-burdened households¹⁷, which puts these households not only at risk of eviction but can force them to choose between necessities like food and utilities, in order to pay rent and remain housed.¹⁸ Cost-burdened households are the most common form of housing instability and these households generally do not have sufficient resources to dedicate to necessities besides housing, such as food, childcare, education, transportation and healthcare.¹⁹

ANTICIPATED IMPACTS

Overall, housing stabilization legislation can lead to an increase in housing stability, which could positively impact community resilience. There are varied approaches to rent stabilization legislature, with some components contributing to more housing stability than others. Actions proposed by Bill 15-23 are listed below, with an explanation on how it could impact housing stability, based on a literature review on rent stabilization policies.

- **Rent Cap of 8% + CPI** – In general, literature suggests the lower the cap, the more affordable a unit is for tenants. Affordable housing increases housing stability for renters, especially low-income renters.²⁰ Bill 15-23 proposes a rent cap of 8% plus the CPI-U for the Washington – Arlington – Alexandria Area. An 8% rent cap is considered a higher cap, and with the addition of the CPI-U percentage, it could

exceed affordability for many tenants. For example, the median gross rent in Montgomery County is \$1,821 and an 8% increase of this would result in a \$146 increase, for a total of \$1,967.²¹

- **Permit rental increases in cases of landlord financial hardship or to fund certain capital improvements.** Allowing for rental increases in order to fund capital improvements can incentivize landlords to upgrade the physical resilience of buildings. Upgrades to energy efficient appliances, weatherization (i.e., insulation, ventilation), and electrification of buildings are essential to enhance the physical resilience of buildings and help keep energy costs down for renters.²² Bill 15-23 proposes allowing landlords to apply for a rent surcharge that is limited to the amount necessary to cover the costs of capital improvements to the regulated unit, which does not take effect until the improvements are completed.²³
- **Exemptions on New Buildings.** It is common in rent regulation policies to exempt new buildings for a certain period time. The purpose is to minimize the impact of regulations on new construction and balance the encouragement of new development while preventing excessive rent hikes. Bill 15-23 proposes a 15-year exemption for new construction.

However, there is no mention of reducing condominium conversions, which takes housing units out of the rental stock. There is precedent for a significant number of rental units to be turned into condominiums, when rent stabilization legislation passes without regulations on these conversions.²⁴ Some examples of disincentivizing this action include: (1) Requiring a certain number of years advance notice for tenants that their unit will be converted; (2) Requiring the owner to help tenants find new housing; and (3) Paying a severance fee.²⁵

Further, there is no proposed limit on rent increases for vacant units. When there is no regulation on increasing rent for vacant units, this creates an incentive for landlords to displace current tenants, raise the rent to market rate, and select new tenants that are willing to pay that rate.²⁶ This can lead to a decrease in housing stability.

Overall, OLO anticipates Bill 15-23 could have a positive impact on community resilience in the County, as housing stability is an important component of community resilience. However, as enhanced community resilience would likely be a co-benefit of increased housing stability, the significance of this impact is indeterminate.

RECOMMENDED AMENDMENTS

The Climate Assessment Act requires OLO to offer recommendations, such as amendments or other measures to mitigate any anticipated negative climate impacts.²⁷ OLO does not offer recommendations or amendments as Bill 15-23 could have a positive impact on the County's community resilience.

CAVEATS

OLO notes two caveats to this climate assessment. First, predicting the impacts of legislation upon climate change is a challenging analytical endeavor due to data limitations, uncertainty, and the broad, global nature of climate change. 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.

PURPOSE OF CLIMATE ASSESSMENTS

The purpose of the Climate Assessments is to evaluate the anticipated impact of legislation on the County's contribution to addressing climate change. These climate assessments will provide Council with a more thorough understanding of the potential climate impacts and implications of proposed legislation, at the County level. The scope of the Climate Assessments is limited to the County's contribution to addressing climate change, specifically upon the County's contribution to greenhouse gas emissions and how actions suggested by legislation could help improve the County's adaptive capacity to climate change, and therefore, increase community resilience.

While co-benefits such as health and cost savings may be discussed, the focus is on how proposed County bills may impact GHG emissions and community resilience.

CONTRIBUTIONS

OLO staffer Kaitlyn Simmons drafted this assessment.

¹ ["Minneapolis Rent Stabilization Study", Edward G. Goetz, et. al., University of Minnesota Center for Urban and Regional Affairs, February 2021.](#)

² Ibid

³ ["Councilmembers Introduce Tenant Assistance and Protection Package to Address Growing Crisis in Housing Affordability", Press Release, Montgomery County Council, March 7, 2023.](#)

⁴ ["Introduction Staff Report for Bill 15-23", Montgomery County Council, March 7, 2023.](#)

⁵ ["Options and Tradeoffs: Rent Stabilization Policies", U.S. Department of Housing and Urban Development, Office of Policy Development and Research, June, 28, 2022..](#)

⁶ ["Community Resilience Benchmarks: Housing", Alliance for National and Community Resilience, August 2021.](#)

⁷ ["Rent Matters: What are the Impacts of Rent Stabilization Measures", Pastor, M., et. al., University of South California Dornsife, Program for Environmental and Regional Equity, October 2018.](#)

⁸ ["Resilient Affordable Housing, Anti-Displacement, and Gentrification", Equitable Adaptation Legal and Policy Toolkit, Georgetown Law Climate Center, 2020.](#)

⁹ (Ambrosius et al., 2015; Diamond et al., 2019; Glaeser and Luttmer, 2003; Gyourko and Linneman, 1989; Heskin et al., 2000; Sims, 2007; Levine et al., 1990), as cited in ["Minneapolis Rent Stabilization Study", Edward G. Goetz, et. al., University of Minnesota Center for Urban and Regional Affairs, February 2021.](#)

¹⁰ ["Minneapolis Rent Stabilization Study", Edward G. Goetz, et. al., University of Minnesota Center for Urban and Regional Affairs, February 2021.](#)

¹¹ ["Rent Matters: What are the Impacts of Rent Stabilization Measures", Pastor, M., et. al., University of South California Dornsife, Program for Environmental and Regional Equity, October 2018.](#)

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- ¹² ["Tenancy Rent Control and Credible Commitment in Maintenance", Arnott, R. and Shevyakhova, E., September 4, 2013.](#)
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- ¹⁵ ["Post Katrina Housing Affordability Challenges Continue in 2008, Worsening Among Orleans Parish Very Low Income Renters", Plyer, A., et. al., Greater New Orleans Community Data Center, October 13, 2009.](#)
- ¹⁶ ["Resilient Affordable Housing, Anti-Displacement, and Gentrification", Equitable Adaptation Legal and Policy Toolkit, Georgetown Law Climate Center, 2020.](#)
- ¹⁷ ["Community Resilience Indicator Analysis: Commonly Used Indicators from Peer-Reviewed Research", Federal Emergency Management Agency, September 2022.](#)
- ¹⁸ ["Memorandum on Expedited Bill 22-22, Landlord - Tenant Relations - Limitations on Rent Increases", From Christine Wellons, Senior Legislative Attorney to Planning, Housing, and Economic Development Committee, October 19, 2022.](#)
- ¹⁹ Cost burdened households are defined as households that spend 30% or more of their income on housing. Definition from: [United States Census Bureau](#)
- ²⁰ 2021 1 – year ACS estimates, United States Census Bureau
- ²¹ ["Housing as a Safety Net: Ensuring Housing Security for the Most Vulnerable", Galvez, M., et. al., Urban Institute, September 30, 2017.](#)
- ²² ["Minneapolis Rent Stabilization Study", Edward G. Goetz, et. al., University of Minnesota Center for Urban and Regional Affairs, February 2021.](#)
- ²³ [Montgomery County, Maryland Profile, United States Census Bureau, Accessed 3/24/23.](#)
- ²⁴ ["Weatherization and Energy Efficiency", Baltimore City Department of Housing and Community Development, Accessed 3/24/23.](#)
- ²⁵ ["Introduction Staff Report for Bill 15-23", Montgomery County Council, March 7, 2023.](#)
- ²⁶ ["Minneapolis Rent Stabilization Study", Edward G. Goetz, et. al., University of Minnesota Center for Urban and Regional Affairs, February 2021.](#)
- ²⁷ ["Out of Control: What Can We Learn from the End of Massachusetts Rent Control?", Sims, D., August 22, 2006.](#)
- ²⁸ ["Rent Control: Key Policy Components and Their Equity Implications", Stacy, C., et. al., Urban Institute, July 2021.](#)
- ²⁹ Bill 3-22, Legislative Branch – Climate Assessments – Required, Montgomery County Council, Effective date October 24, 2022

March 27, 2023

To: The Honorable Evan Glass
President, Montgomery County Council
Stella B. Werner Council Office Building
100 Maryland Avenue, Room 501
Rockville, Maryland 20850

From: Montgomery County Planning Board

Subject: Bill 15-23 – Landlord-Tenant Relations - Anti-Rent Gouging Protections
Bill 16-23 – Landlord-Tenant Relations – Rent Stabilization (The H.O.M.E. Act)

BOARD RECOMMENDATION

The Montgomery County Planning Board of the Maryland-National Capital Park and Planning Commission met on March 23, 2023 and reviewed both Bill 15-23 – Landlord-Tenant Relations - Anti-Rent Gouging Protections and Bill 16-23 – Landlord-Tenant Relations – Rent Stabilization (The H.O.M.E. Act).

The Planning Board offers the following direct comments for the County Council to consider as it deliberates on Bill 15-23 and Bill 16-23.

In 2020, the Office of Legislative Oversight (OLO) compiled research and completed analysis for an economic impact statement on Bill 52-20 – Landlord-Tenant Relations – Protection Against Rent Gouging Near Transit,¹ which would establish a rent stabilization regime to regulate rents in almost all rental units within one mile of rail transit stations, and withing ½ mile of bus rapid transit stations in Montgomery County. OLO expected Bill 52-20 to have negative economic impact overall. The analysis noted the following findings from economics literature:

- Rent stabilization laws lead to supply-side pressures, both in terms of quantity and quality of supply. Such laws increase the number of condominium conversions, may reduce the number of new units constructed, and can lead to disinvestment by landlords.
- Economists generally conclude that rent control and stabilization laws generally do a poor job of targeting those with the greatest need and often the benefits are inefficiently or inequitably targeted.

¹ Sesker, Jacob. “Bill 52-20 Landlord-Tenant Relations – Protection Against Rent Gouging Near Transit Economic Impact Statement.” Office of Legislative Oversight.

<https://www.montgomerycountymd.gov/OLO/Resources/Files/eis/2020/EIS-Bill52-20.pdf>

- Many economists conclude that rent control and stabilization laws provide the largest benefits to those who do not move and may encourage individuals to remain in units that no longer suit their needs.

The Planning Board shares concerns about enacting a strict rent stabilization ordinance as noted in the economic literature, especially given the potential impact on housing production. In November 2021, St. Paul, Minnesota passed a rent stabilization ordinance that limited rent increases to 3 percent, with no exemption for new development and no vacancy decontrol. After taking effect, building permits were down 82 percent in St. Paul but were up by 68 percent in the neighboring city of Minneapolis.² Projects in St. Paul struggled to get financing because the institutions financing the project view the inflexibility of the strict rent stabilization ordinance as increasing risk. Financing institutions are inherently conservative about how they evaluate risk, and the rent stabilization ordinance created an environment of hesitancy to invest in the city. The Planning Board also notes that Thrive Montgomery 2050 encourages the production of more housing in the county to better match supply with demand and has concerns about the impact a rent stabilization program would have on future housing production and supply.

The Planning Board also has direct comments related to substance of the two bills and offers the following recommendations related to the elements in the two bills:

- **Rent cap:** The Planning Board suggests setting the base cap in the 5-7 percent range, plus the Consumer Price Index for All Urban Consumers (CPI-U) for the Washington-Arlington-Alexandria Area. In Oregon, landlords cannot raise the rent more than 7 percent plus inflation, and in California rents are not allowed to be raised more than 5 percent plus inflation (but never allowed to go above ten percent). Oregon and California could be potential models for the county's anti-rent gouging law. The Planning Board believes this rent cap balances both the need to ensure housing production is not hindered, and the need to stop the few bad actors that are gouging tenants' rents to inappropriate levels.
- **Limit on increase for vacant units:** The Planning Board recommends there should be no cap on rent increases for vacant rental units. This allows for property owners to recoup lost revenue and bring the unit up to existing market conditions after vacancy.
- **New rental unit exemption:** The Planning Board supports a 15-year exemption for new development. It is important to have an adequate new construction exemption policy to ensure that new construction can recoup costs in the first 15 years.
- **Small multifamily building exemptions:** The Planning Board believes that there should be a different treatment for small multifamily buildings, which often have higher capital maintenance costs due to the lack of economies of scale. While the two bills allow landlords to apply for an exemption or a fair return, the Planning Board feels it may be appropriate to allow a broader exemption for smaller buildings with less than 10 units.
- **Exemptions for capital improvements/hardship:** Both bills offer either the ability to petition for a fair return or apply for a hardship exemption in cases of undue financial hardship or to fund certain capital

² Lindeke, Bill. "In first months since passage of St. Paul's rent control ordinance, housing construction is way down." Minnesota Post. March 10, 2022. <https://www.minnpost.com/cityscape/2022/03/in-first-months-since-passage-of-st-pauls-rent-control-ordinance-housing-construction-is-way-down/>

improvements. In these instances, the landlord would be permitted to exceed the allowance. The Planning Board supports these exemptions.

- **Vacancy Excise Tax:** The Planning Board does not support a vacancy excise tax. While a vacancy tax may be helpful to increase the housing supply and funding on the margins, it is not a substitute for building new housing. In 2022, the county's vacancy rate was around 5 percent, which signals that the county has more of a housing supply problem than a "too many vacant units" problem.
- **Single-family homes owned by corporations:** The Board wants to note for the Council the issue of single-family homes owned by corporations. It may be in the interest of the Council to discuss whether those types of units should be included in the ordinance.

The Planning Board also has one proposed technical edit to the exemptions listed in Bill 16-23. On lines 56-60, the exemption related to Moderately Priced Dwelling Units should be broader to include DHCA equivalent affordable units and Workforce Housing units. Please see page 11 of Planning's Staff Report in the Planning Staff Report Package Attachment for recommended language.

When an affordable unit produced under another federal, state or local affordable housing program is designated as an MPDU, the income limits and other requirements of that particular housing program apply during the compliance period for that program rather than the requirements set for the MPDU program. Adding the words "DHCA equivalent affordable unit" ensures that this DHCA equivalent affordable unit under another program is allowed to take advantage of the provision. Also, MPDUs usually set a maximum rental price of 70 percent of AMI, whereas Workforce Housing Units (WFHU) allow a maximum of 120 percent of AMI. Given the affordability maximum of the WFHU program is 120 percent of AMI, the Planning Board believes it appropriate to call out the Workforce Housing Unit program in the text of Bill 16-23 and not just MPDUs.

The Planning Board appreciates the opportunity to review Bills 15-23 and 16-23. The Board hopes the Council takes into consideration the enclosed recommendations on the various elements in both bills. The Council is encouraged to work collaboratively with the Planning Board to continue to address the affordable housing crisis through various strategies and tools.

CERTIFICATION

This is to certify that the attached report is a true and correct copy of the technical staff report, and the foregoing is the recommendation adopted by the Montgomery County Planning Board of The Maryland-National Capital Park and Planning Commission, at its regular meeting held in Wheaton, Maryland on Thursday, March 23, 2023.



Jeff Zyontz

Chair



**Written Testimony Supporting Bill
15-23, Landlord-Tenant Relations -
Anti Rent Gouging Protections**

March 20, 2023

Position: **SUPPORT**

Bill 15-23, Landlord-Tenant Relations - Anti Rent Gouging Protections

My name is Carlos Orbe. I am the Public Affairs Specialist for Maryland Latinos Unidos (MLU), an association housed at MD Nonprofits of over 300 Latino community leaders, business owners, and Latino-led nonprofits. MLU's mission is to unify efforts across the state to advocate and organize for the benefit of Maryland's Latino community. Our vision is that the Latino community in Maryland thrives, achieves excellence, innovates, and continually makes progress economically, socially, and environmentally. We utilize data-driven and evidence-based approaches to build coalitions to advocate and create a space for every Latino to have a voice. In doing so, we look to create or advocate for a network of resources to support Latino-initiatives that positively impact the community overall. For these reasons, I am writing to express my support for the anti-rent gouging protection bill 15-23, led by Councilmembers Natali Fani-González, Andrew Friedson, Gabe Albornoz, Dawn Luedke, Marilyn Balcome and Sidney Katz.

Established in 2020, MLU has become one of the most involved non-profit organizations within Maryland's Latino community. From its inception and as a civil right, MLU's members have embraced the benefits of Anti-Rent Gouging and have advocated for its implementation across the State for the prosperity of at-risk and minority populations. Innovations through this bill add different tenant protection packages. Apart from a short period of time during the pandemic, historically the County has had no rent caps and most landlords currently have no restrictions regarding rent increases. This bill will add protections against abusive landlords and provides some stability and predictability against large and unexpected rent increases. Additionally, it seeks to provide understanding that Montgomery County must build more housing for people of every income level, this package is designed to avoid the negative effects on housing markets that strict rent control regimes have. This bill establishes a long-term permanent policy that is flexible enough to accommodate a wide variety of economic conditions, both up and down.

Maryland Latinos Unidos stands with Councilmembers Natali Fani-González, Andrew Friedson, Gabe Albornoz, Dawn Luedke, Marilyn Balcome and Sidney Katz. We believe affordable housing and anti-rent gauging practices should be among the top priorities in the State of MD. We request a favorable vote and the committee to consider expanding upon these necessary undertakings.

Respectfully,
Carlos Orbe, Jr.
Public Affairs Specialist
Maryland Latinos Unidos

Carlos Orbe Jr.

STATEMENT in OPPOSITION of ANTI-RENT GOUGING – BILL 15-23

Dear Council President Glass, Vice President Friedson, and members of the County Council,

Our Revolution Montgomery County, an affiliate chapter of Our Revolution Maryland, is submitting this testimonial statement in opposition to the “Anti-Rent Gouging Bill 15-23.” Instead, we strongly support passage of the Housing Opportunity, Mobility, and Equity Act, known by its acronym as the HOME Act. We have submitted testimony in favor of Bill 16-23, but we want to explain separately our reasons for opposing Bill 15-23.

As noted in our statement in favor of Bill 16-23, our organization was conceived as a national effort, directed largely by local members, most of us coming together as supporters of Bernie Sanders’ first Presidential campaign. We have focused on local political campaigns, supporting candidates committed to promoting the progressive agenda. That includes addressing the climate crisis, and a range of ideas like universal health care, all aimed towards creating a more egalitarian society. Locally, we have sought to persuade, endorse and help elect progressives who were open to pursuing police and criminal justice reforms, more progressive taxation, and, perhaps the Holy Grail, real progress on addressing the housing affordability crisis including support for enacting some form of rent stabilization. Finally, we stand on the precipice of realizing this goal.

We see Bill 16-23 as the embodiment of our efforts over the years. Unfortunately, we see Bill 15-23 as severely undercutting those efforts to realize meaningful rent stabilization for renters across the County. Without addressing the motivations of sponsors of Bill 15-23, which was, by no means coincidentally introduced the same day as 16-23, we can clearly state the relative merits of the two bills. Bill 16-23, aligns the County with similar legislation in neighboring jurisdictions, namely the District of Columbia and now also Prince George’s County. This is an important symmetry because it means our residents won’t be put to the choice of having to leave Montgomery County to get real security in terms of rental pricing.

For our County’s rental inhabitants, the provisions of 16-23 offer real relief from the spate of double-digit rental increases occurring during the housing pricing crisis that was driven by high demand, in a time of pandemic movement towards suburbs, which not coincidentally came as inflation was spiking across the country. However, notably, those rent price increases far exceeded the rate of inflation, which peaked at just over 8%. Given that, it seems the increases were driven by extremes of price-gouging, rather than rising costs.

Rent Stabilization Bill 16-23 addresses rental price-gouging by capping rent increases at the lesser of 3% or CPI. The 3% number is actually higher than County suggested guideline. If inflation levels return to a lower level, the legislation would align maximum allowable increases with the inflation rate. Landlords who face greater increased costs could file a “fair return petition” to get an exception from the cap.

By contrast, the so-called “Anti-Rent Gouging” Bill 15-23, creates a maximum rental increase of 8% above CPI. That number is wholly divorced from costs and does next to nothing to protect renters from excessive price gouging in rents. It prevents only the most extreme price-gouging and seems calculated to get the least possible resistance from property owning landlords. In other words, it mainly secures the landlords’ ability to price gouge, far in excess of the County’s guidelines, far in excess of inflation, and even far in excess of a combination of the two.

Bill 15-23 does not address the problem of rent gouging by offering some security and price stability for renters. Instead, the bill seems aimed at the problem of renters demanding legislation to help them. It would send a signal to landlords that the Council is satisfied with allowing them to hike rents, with increases potentially multiple times above the inflation level. It signals to renters that they will get this much and no more. Most significantly, it would signal that a majority of the Council is openly hostile to the interests of renters and the idea of enacting truly meaningful rent stabilization legislation.

The two bills are also different in other ways, perhaps most significantly in the length of exemptions offered from stabilization allowances for newer construction. Though there is no evidence that rent stabilization limits investment in new construction, Bill 16-23 nods to concerns about such investment by providing a 10-year exemption, a period twice as long as the exemption in the new legislation enacted in Prince George’s County. That would seem to be enough to incline developers to invest in Montgomery County rather than our neighbor county to the east. Bill 15-23 goes well beyond that, allowing for unrestricted rent gouging for 15 years after new buildings are opened to renters.

Perhaps there are additional compromises possible to modify Rent Stabilization Bill 16-23 to gain a consensus among the Councilmembers, but that bill must be the starting point for consideration. Bill 15-23 is an insult to renters appealing for help from the County government and could set back the effort for a generation. Rental prices are becoming unaffordable for so many County residents. If they’re allowed to continue to increase largely unconstrained by law, the opportunity will be forever lost to preserve affordable rental housing in this County.

One-third of units in Montgomery County are renter-occupied. If Bill 15-23 is passed, those who manage to remain in the County will surely remember it during subsequent elections. Even new tenants, facing astronomically high prices and lacking real protections, will want better from their representatives. Passage of Bill 15-23, rather than Bill 16-23. would be a mistake of historic proportions, in terms of policy and politics..

One could hope that 15-23 is just a first stab at rent control, but the timing seems calculated to be the final word. The County Executive has promised a veto because he understands that passage of the bill may be worse than the status quo, as it will effectively block any more effective rent stabilization measure. We concur, and urge the Councilmembers to **reject Bill 15-23**.

*Kat Uy and Ed Fischman (Chairs of **Our Revolution Montgomery County**)*

March 28th, 2023

Hon. Evan Glass
President, Montgomery County Council
100 Maryland Avenue
Rockville, MD 20850

Re: Testimony - Bill 15-23 Landlord-Tenant Relations – Anti Rent Gouging Protections

Dear President Glass and Councilmembers:

The Maryland Building Industry Association (“MBIA”) representing over 1,000 member companies across the state of Maryland is submitting testimony in opposition of Bill 15-23, which would prevent rent-gouging in the County. In general, annual rent increases in excess of the sum of local annual CPI-U plus 8 percent would be prohibited. MBIA appreciates the intent of the sponsors with Bill 15-23 to help combat high rental increases with legislation targeting these increases, as opposed to a blanket rent cap. However, MBIA does oppose rent control in all forms.

The industry supports efforts to address rising housing costs that outpace income growth, but solutions should be aimed at increasing housing supply rather than controlling rent prices. Rent increases are stabilizing, Maryland is one of five states that showed year over year decreases as of December 2022.¹ Many housing providers report market rate rent increases under 4 percent. When utilities are included in the rent, these increases may vary by utility fluctuations, usage, and other factors. It is also important to note that rent increases vary per unit in a property based on individual factors; as such, there is no one-size fits all rent increase across a property, portfolio, or company. When determining rent gouging, it is important to look at a unit's history of rent increases. If the rent increase was 3% in 2020, 2.5% in 2021, and 4% in 2022, that averages approximately 3.2% increase over three years. As market rates are predicated on vacancy rates and various other economic factors, looking at the growth over time is helpful when determining an appropriate yearly rent increase.

Montgomery County needs to build more housing as a whole, both market rate and less expensive housing, especially in high-opportunity communities. To accomplish that, must reduce regulatory barriers that limit the market's ability to build small, lower-cost homes on expensive land. When the rental housing market and economy are robust, county residents have several options on where to live, and the market will not bear excessive rent increases. During periods of financial hardship, housing providers understand that residents are struggling to meet current rents, and nothing is gained by creating further challenges for residents unable to pay rent.

¹ Rent Prices Decreasing. “<https://www.usatoday.com/story/money/personalfinance/real-estate/2022/12/16/rent-prices-up-some-states-and-down-others-find-out-where/10894986002/>”

The legislation calls for a capped increase at CPI plus 8 percent and exempting units that has been offered for rent for less than 15 years. We would ask that the legislation be amended to have flats figure of rental increases to not exceed 15 percent and exempting units that has been offered for rent for 20 years.

Please reach out to Griffin Benton, gbenton@marylandbuilders.org with any questions or comments.

Saul Centers, Inc.

7501 Wisconsin Avenue, Suite 1500E
Bethesda, Maryland 20814-6522
(301) 986-6200

March 28, 2023

Montgomery County Council
100 Maryland Avenue, 5th Floor
Rockville, Maryland 20850

Re: Expedited Bill 15-23, Landlord-Tenant Relations – Anti-Gouging Protections

Dear Council President Glass and Members of the County Council:

As a local owner and developer of commercial real estate, we recognize the challenges facing Montgomery County relative to the availability of affordable housing. Today, inflation is causing significant cost escalations and rising interest rates resulting in challenging times to deliver affordable housing.

With the economic challenges we currently face, we do not believe creating additional legislative burdens will help the situation and in fact may have the opposite effect by reducing investment capital and future housing supply. We believe sound strategies to deliver affordable housing include expanding governmental programs such as rental assistance to those in need and capital contributions to facilitate low-income ownership as well as public funds to acquire or construct new housing stock. Increasing housing supply with various kinds of governmental assistance is key to increasing the supply of houses and encourage a stable affordable market.

In addition, we do not believe in taking advantage of vulnerable members of our community and support anti-gouging guidelines that protect residents from those who exploit them. But any legislation must be well thought-out so it does not have a detrimental impact on the development of new projects. Any artificially low cap on rent escalations will dampen investments and reduce housing supply.

Developers spend countless years acquiring property, designing buildings, obtaining governmental approvals, and constructing the new building, taking upwards of 8 to 10-year periods from beginning to end. At this time we are constructing 812 residential units of which 123 units are affordable units. In addition, as part of the approval process, we commit to delivering major public improvements and community benefits. These major expenditures are borne by the developer and take many years to recoup the investment. No one knows the events of the future and new projects coming on-line must have time to adjust to any unforeseen economic event without being restricted from recovering losses incurred in the early years.

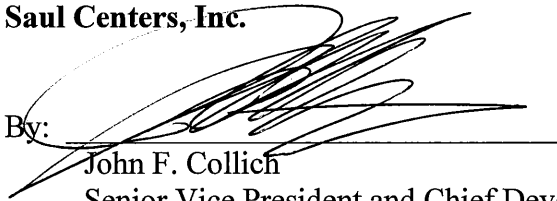
Saul Centers, Inc.

7501 Wisconsin Avenue, Suite 1500E
Bethesda, Maryland 20814-6522
(301) 986-6200

The expansion of all housing is critical to the Montgomery County's long term growth and success. We believe expanding the governmental programs to purchase existing residential apartments and building new housing stock will have a positive long last impact on the housing supply and improve affordable housing in the County.

We look forward to working with the County to face this challenge going forward.

Saul Centers, Inc.

By: 

John F. Collich

Senior Vice President and Chief Development Officer

Good evening County Councilmembers, Council President Glass, and community members in attendance today. My name is Lee Benswanger, and I am an AP government teacher at Seneca Valley High school. I have been a teacher for MCPS for six years. Before this, I worked in sales and finance after a stint in the US army. I am also a product of MCPS and a lifelong resident of Montgomery County.

I am here to speak on behalf of MCEA members to oppose this bill. A rental increase of greater than 8% annually is not sustainable for our diverse community, and the exclusions proposed including but not limited to: units under 15 years old, single-family homes, and individually owned condominiums, would exclude a large percentage of properties, allowing landlords to increase rent by as much as they believe they can get for their property.

Teachers in Montgomery County earn 20% less than similarly credentialed and educated professionals. It is often referred to as the “teaching penalty.” But that does not tell the whole story of how underpaid teachers are in Montgomery County.

In December, educators received the largest pay raise in 10 years. This says more about the inadequacy of the previous raises than about how magnanimous this latest one was. Not only did it not keep up with the cost of living, but it was also significantly below what neighboring counties offer. Since the 2019-2020 school year, all neighboring counties have raised their lowest salaries by at least almost 10%. By comparison, MCPS has only raised the same salaries by less than 3.5%. It is unfathomable that elected officials, in one of the richest counties in the state, have lacked the courage and the spine to take care of the backbone of our education system. And on top of all that, you want landlords to have the ability and legal coverage to raise our rent over 8% every year?

If by 2026, all counties must have the same minimum starting salary, it would be more financially attractive to live and work in a county with a lower cost of living such as Carroll or Frederick Counties (where many MCPS teachers already live). MCPS is fourth in the state for base starting salary despite having the highest cost of living. Allowing for rents across the county to increase by greater than 8% will cause even more strain on our workforce to stay and make it harder to recruit.

Over 6000+ MCEA members live in other counties. Recent studies place Montgomery County as having a cost-of-living index 45% higher than the national average (this is a county-wide average; it may be higher or lower depending on the part of the county where you live.) Living outside of MoCo increases expenses in other areas as it takes longer to get to work (depriving teachers of time with their families), wear and tear on vehicles, and more significant expenses when gas prices increase.

Allow me to put a personal perspective on what this proposal will do. Using my current rent of \$2255 (which is below the county average; some may be higher, some lower) for a 2-bedroom apartment in Germantown and using the industry standard of 3.5 times monthly income for qualification purposes, a resident would need to make \$7,893 a month to qualify. If you're trying to do the math, they need to make \$94,710 per year. My rent this year went up 11% for a two-year renewal. That increased my monthly rent by \$231. I only qualify to live in my current home because I receive a 90% disability payment from the Veteran's Administration. If the current proposal of an 8% increase plus CPI is adopted rent could have gone up by 14.5%. (CPI for 2022 was 6.5%) Therefore, using the proposal before you, if we calculate my rent going up by only 10% annually (the minimum of the 8% and a CPI of only 2%), by 2025 I would need to earn \$127,205 a year. As a teacher with a master's degree and years of experience (and BTW only 28% of county residents have a graduate degree according to recent census data), there is still no placement on the current salary scale or proposed salary scale that would allow a teacher to qualify to live in my apartment without another income from a spouse or a second job. Of course, the current provision in the bill that excludes dwellings less than fifteen years old would allow my property management company to raise my rent as much as they would like. Many of my peers are in similar situations and have had to take on roommates or move out of the county in order to afford to live.

According to the Montgomery County website, more than 30% of MoCo residents spend more than $\frac{1}{3}$ of their monthly income on housing (based on gross, not net income). In 2015 almost 50% of renters were "housing burdened." Since the pandemic and the end of rental restrictions, this number has certainly gone up. This proposal will price fellow professionals out of the rental housing market; imagine what it will do to those low-income families who are trying to survive on minimum wage and have more than one job. MCEA teachers are strongly against this proposal for the good of not only our members but the Montgomery County community as a whole.

Teachers care about their students. We chose this career not because of the pay but because of job satisfaction. I have had many jobs/careers in my life, and this is by far the most satisfying. Nothing can match that moment when the lightbulb goes off when a student shows they understand a concept being taught. But it is hard to provide rigorous and substantial instruction when a teacher must worry about their rent payments, where their food is coming from, or if they must work a second (or third) job. This type of stress on teachers is unsustainable and must be addressed with this our new contract. You have the power to fund it. To wait would send a message that the mighty dollar is more important than education. Just putting up signs or sending emails showing how much we value our teachers or throwing pizza parties will not pay our bills, much less our rents. I ask you, "Who has the political will to do what is truly necessary for our communities?" We are united for our kids and our future. Are any of you?

March 25, 2023

Merlin Rodriguez
[REDACTED]
[REDACTED]

Montgomery County Council
100 Maryland Ave,
Rockville, MD 20850

Dear Montgomery County Council

I have been a resident of Silver Spring for over 20 years and am concerned about maintaining affordable rents in Montgomery County. As such, I am writing to ask for your support in securing bill 15-23, the "anti-gouging" bill being proposed by councilmember Natali Fani-González, which caps new increases at 8% plus inflation, modeled after Oregon's law in 2019.

Recently, rents in Montgomery County have far exceeded the rate of inflation and many residents are feeling the pressure, so we need an action plan from the county to protect renters from extremely high rent increases and help on the challenge of new housing in the future.

As the current trend is unsustainable for many renters in Montgomery County, it is important to seek some sort of rent increase limit for all residents, not just those covered under the previous and current affordable housing agreements.

The proposed bill 15-23 from Councilmember Fani-González is balanced and responsible because it takes into account the need to increase new housing going forward and, at the same time, it prevents merciless landlords from dramatic rent increases.

I support the law also because it provides \$30M in direct aid to renters in low-income areas of the county, \$4.5M in aid to low-income first time buyers and home-owners facing risks of losing their houses and strengthens the fund the county uses to buy more affordable housing.

As a resident and professional in the real estate market for over 25 years, I think this law will have a positive effect on renters, developers and the local economy in the long-run, therefore I kindly ask the council to vote and approve bill 15-23 from Councilmember Fani-González.

Sincerely,



Merlin Rodriguez

The rent stabilization bill, officially known as Senate Bill 608, was signed into law by Governor Kate Brown in February 2019. The bill provides a statewide cap on rent increases and limits the reasons for which landlords can evict their tenants.

Under the new law, landlords are not allowed to increase rent by more than 7% plus the change in the consumer price index (CPI) per year. They also must give tenants a 90-day notice before raising rent. In addition, landlords must give tenants a reason for any eviction notices, and tenants have the right to appeal an eviction.

The bill has received support from advocates for affordable housing, as well as some landlords and property owners who see it as a way to provide stability for their tenants and avoid the negative impacts of rapidly increasing rent prices.

Overall, supporters of the rent stabilization bill argue that it is a necessary step in protecting renters from arbitrary rent increases and unjust evictions, and in ensuring that all Oregonians have access to safe, stable, and affordable housing.

I hope that helps provide some context and information regarding the rent stabilization bill in Oregon!

Halpine Park LLC

March 27, 2023

Via Email

Mr. Evan Glass, Council President
And Members of the County Council
Council Office Building
100 Maryland Avenue, 4th Floor
Rockville, MD 20850

Re: March 28, 2023 County Council Public Hearing (Council Bill Nos. 15-23 and 16-23); Halpine Park LLC's Written Testimony

Dear Council President Glass and Councilmembers:

On behalf of Halpine Park LLC ("Halpine"), we offer the following comments to Council Bill No. 15-23 (the "Anti Rent Gouging Protections Act") and Council Bill No. 16-23 (the "HOME Act") (collectively, the "Proposed Council Bills") that propose to substantially modify well-established, longstanding rental housing policies in Montgomery County. Since the Proposed Council Bills are concurrently scheduled for public hearings (and will presumably be reviewed at work sessions in tandem), we are submitting comments to the Proposed Council Bills in one letter.

By way of background, Halpine is the owner of the apartment community known as Halpine View that is located at 12813 Twinbrook Parkway, 13001 Twinbrook Parkway, and 5508 Dowgate Court in Rockville (the "Property"). Halpine, through several local families including the Gudelsky family, has continuously owned and operated 564 garden style apartments at the Property since they were constructed in the mid-1960's. Snell Properties recently purchased a roughly one-third interest in the Property from several local families and now controls the Property with the Gudelsky family.

While the Property has been successful as a rental community for many years, the age and condition of these apartments require significant upgrades to meet market demands and compete with the amenities offered by other nearby apartment properties. As a result, Halpine recently obtained a substantial loan and set aside \$19 million for significant capital expenditures into the apartments and amenities at the Property, including the addition of a clubroom, gym, patios, renovated pool house, enhanced landscaping, children's indoor play area, and dog recreational facilities. These proposed capital improvements will benefit the residents and County's commercial tax base. However, as explained in greater detail below, these capital expenditures will be infeasible if either of the Proposed Council Bills are adopted without amendments that fully consider economic fundamentals necessary to improve multi-family buildings.

I. Written Testimony to the HOME Act

Halpine strongly opposes the HOME Act because it would restrict allowable rent increases to a level that is insufficient to support most, if not all, capital expenditures necessary to ensure that multi-family communities are maintained to a condition that enhances resident's quality of life and public welfare for the long term. Halpine's goal is to continue to provide its residents with quality housing and amenities as has occurred for over 60 years at the Property. The Home Act would severely limit any further investment in Montgomery County and be a disservice to the residents at the Property.

A rent cap of 3% or the rental component of the annual CPI will have the effect of discouraging

c/o Snell Properties
4600 N. Fairfax Drive, Suite 1000 Arlington, VA 22203

reinvestment in existing housing. While the HOME Act includes provisions that would allow a property owner to petition for a fair rent return where certain capital expenditures are made, such discretionary process does not provide the certainty that is necessary for a property owner to undertake risk and incur financial obligations that allow for improvements. We respectfully request that the Council vote the Home Act down and not pursue this proposal any further.

II. Written Testimony to the Anti Rent Gouging Protections Act

In addition to the two previous paragraphs, Halpine is generally opposed to any form of regulated rent restrictions for market rate units and believes that it is in the public interest to allow market conditions to control rental rates.

Notwithstanding Halpine's opposition, the Anti Rent Gouging Protections Act presents a more workable framework than the Home Act. More specifically, the Anti Rent Gouging Act's proposal to limit annual rent increase to 8% plus the Consumer Price Index for All Urban Consumers (CPI-U) in the Washington area is likely to be consistent with what the market will support as a ceiling for rent increases at many apartment communities in the County. However, the proposed rent increase allowance still does not adequately account for situations where a property owner makes capital improvements to the benefit of residents and the County's tax base. In these instances, such investment is only feasible where the property owner can recoup its investment and achieve a rate of return commensurate with the risk of making such investment.

While proposed Section 29-58 of the Anti-Rent Gouging Act would create a limited and temporary surcharge for capital improvements, the mechanics and framework for the surcharge will not functionally allow for property owners to make such an investment because it lacks the certainty required to obtain financing. First, requiring a property owner to pursue a discretionary process to obtain approval for such a surcharge creates additional administrative costs and process that will frustrate and limit reinvestment in apartment communities that would otherwise enhance both the County's commercial tax base and residents' quality of life. In this respect, the County simply is not structured to efficiently and properly review capital improvement plans such that it can administer allowable surcharges as set out in the Bill currently. In addition, capital improvements should rightfully be determined by the owners of the property and not by a government. Second, the allowable timeframes for a property owner to recover the cost of capital improvements do not allow for the rate of return that is necessary to underwrite such improvements through financing. While the Anti-Rent Gouging Act permits recovery of capital costs over a 12-to-24-month period (depending on the nature of the improvements), these types of capital improvement projects can only be financed and implemented where a property owner has the opportunity to achieve a commensurate rate of return for a period commensurate with the useful life of such improvements. In most cases where significant improvements are made, recovery or return on investment over 12-24 months would be impossible. In our case, Halpine with gross annual rents of less than \$10M would need to increase those rents by \$19M over a one or two year period, which is not feasible.

In summary, a property owner bears all the risk (including lender commitments) in making such improvements to the benefit of their residents and the County's tax base, and the Anti Rent Gouging Act impairs a property owner's ability to achieve a rate of return that makes these capital improvements financeable.

Absent significant changes to the surcharge exemption in the Anti Rent Gouging Act, Halpine will be unable to reinvest the \$19 million dollars set aside into the Property and unable to achieve the required rate of return on its underlying loan as anticipated and promised. Instead, proceeds would be used for other

investments outside of Halpine or distributed to its members for investment or use. Based upon the foregoing, we respectfully request that the surcharge language be modified to specifically exempt projects from the proposed rent increase allowance where they obtain financing to make capital improvements that exceeds some objective percentage of the overall assessed value of improvements for a property. **Halpine recommends that the Council amend the Anti Rent Gouging Act exemptions to include any project that takes out financing (or has already taken out such financing) to complete major capital improvements, with the financing exceeding 10% of the property's assessed value, for a period of 15 years following closing on such financing.** Such a policy will encourage reinvestment in apartment communities and ensure that property owners are incentivized to maintain their communities to the highest standards to the benefit of residents and the County's commercial tax base.

We thank you for your time and consideration reviewing these written comments to the Proposed Council Bills and hope that the Council will work with apartment owners to establish policies that continue to promote reinvestment and maintenance of multi-family housing to the benefit of County residents.

HALPINE PARK LLC,
a Maryland limited liability company

By: SNELL HALPINE, LLC,
a Delaware limited liability company, as
Administrative Manager

By: Snell Construction Corporation,
a Virginia corporation, its Manager

By: 
Christopher R. Hanessian
President

cc: George Covucci, Halpine Park LLC
Marc Rubin, Halpine Park LLC
Matthew Gordon, Esq. & Robert Dalrymple, Esq.,
Selzer Gurvitch Rabin Wertheimer & Polott, P.C.

Oakwood Properties, Inc.
P.O. Box 5600
Rockville, Maryland 20855

May 26, 2023

Via Email

Mr. Evan Glass, Council President
And Members of the County Council
Council Office Building
100 Maryland Avenue, 4th Floor
Rockville, MD 20850

Re: March 28, 2023 County Council Public Hearing (Council Bill Nos. 15-23 and 16-23); Oakwood Properties Written Comments

Dear Council President Glass and Councilmembers,

On behalf of Oakwood Properties, Inc. ("Oakwood"), I am submitting these comments to Council Bill No. 15-23 (the "Anti Rent Gouging Protections Act") and Council Bill No. 16-23 (the "HOME Act"). Oakwood is the owner and developer of the Churchill Senior Living project, which is comprised of three (3) parcels of land totaling approximately 5.49 acres addressed as 20990, 21000, and 21010 Father Hurley Boulevard in Germantown (the "Property" or "Churchill Senior Living").

In general, Oakwood's position is that any form of rent control is not the solution to creating more affordable housing, and that both of the proposed bills are problematic. As evidenced by economic analyses of other jurisdictions that adopted rent control measures, these jurisdictions have experienced negative impacts in the form of decreased reinvestment in properties and a declining quality of housing stock. As a result, the HOME Act will discourage reinvestment in existing housing and production of new housing and should not move forward. Further, the Anti Rent Gouging Protections Act should be modified to exempt market-rate units, that are thirty years old or less, in development projects with a minimum of 30% of dwelling units subject to a regulatory agreement with a governmental agency that restricts occupancy of the unit to low- and moderate-income tenants.

The Property is currently improved with Phases I and II of the Churchill Senior Living project, which includes 255 independent dwelling units for seniors (62 years and up). Approximately 243 of these senior dwelling units were constructed under the County's Moderately Priced Dwelling Unit (MPDU) program or under a separate binding agreement that limits for at least 15 years the price or rent charged for the unit in order to make the unit affordable to households earning less than 60% of the area median income (sometimes referred to as low- to moderate-income tax credit units). As a result, **approximately 95% of the existing dwelling units at Churchill Senior Living constitute affordable units.** Oakwood obtained a Sketch Plan approval in November of 2022 that allows for Phase III of Churchill Senior Living, which would include up to 280 independent dwelling units for seniors (including additional regulated affordable housing units).

Bill No. 16-23 (HOME Act)

The HOME Act represents a fundamentally flawed policy because it does not account for underlying economic realities and capital markets that are necessary for property owners: (a) to reinvest in multi-family communities through capital improvements; and (b) to produce new housing through redevelopment. The creation of a 3% cap on annual rent increases for occupied units will severely limit the supply of housing stock in the County as property owners will be unable to achieve a rate of return that makes reinvestment and redevelopment economically viable. Notwithstanding the fact there are presently heightened construction costs and limited opportunities for construction financing on projects in the County, the HOME Act would render many projects infeasible where market conditions are strong. Limiting the rent growth on many multi-family dwelling units that have been occupied for more than 10 years will also compromise financing that did not assume such rent limits, which will in turn discourage reinvestment in existing communities. The HOME Act also fails to exempt dwelling units subject to a regulatory agreement with a governmental agency that restricts occupancy of the unit to low- and moderate-income tenants. All MPDUs (regardless of when they were constructed) and low- to moderate-income tax credit units need to be exempt from the rent controls proposed to avoid creating inconsistencies with the underlying regulatory agreements that apply to projects.

In summary, Oakwood submits that adoption of the HOME Act will significantly discourage property owners from improving existing apartment communities and producing new apartment communities that are necessary for the County to keep pace with the expected demand for housing. If adopted, the HOME Act will reduce property tax revenues and encourage investment in housing projects in neighboring jurisdictions over Montgomery County.

Bill No. 15-23 (Anti Rent Gouging Protections Act)

Oakwood is concerned with any rent control measures being adopted as such a policy will constrain its ability to obtain financing necessary to support the creation of regulated affordable senior housing as part of future phases at the Property. While the Anti Rent Gouging Protections Act establishes a more market-responsive annual rent increase allowance, this policy does not fully take into account projects that have committed to a higher proportion of regulated affordable units. An annual rent increase allowance of 8% plus the CPI-U index may be sufficient to finance and operate a project with 12.5-15% regulated affordable units, but it can disrupt and frustrate the financial viability of projects like Churchill Senior Living that include a substantial number of affordable units above and beyond the minimum required by Chapter 25A of the County Code. In these instances, a property owner is only able to underwrite increased, substantial affordable housing where they retain the control to establish market rents for a longer period of time than 15 years from occupancy. In order to ensure that the Anti Rent Gouging Protections Act does not preclude future phases of regulated affordable housing at Churchill Senior Living (and other projects that provide significant affordable housing), Oakwood respectfully requests that **Section 29-59 of the Anti Rent Protections Gouging Act be modified to exempt any market rate unit that has been offered for rent for less than 30 years where the project includes a minimum of 30% of the dwelling units subject to a regulatory agreement with a governmental agency that restricts occupancy of the unit to low- and moderate-income tenants.**

Thank you for the opportunity to submit these comments to the HOME Act and Anti Rent Gouging Act. Oakwood looks forward to the opportunity to continue to work with the Council and its staff to ensure that the prevailing County housing policies support and promote the creation of affordable senior housing.

Very truly yours,



Joseph F. Parreco
Oakwood Properties, Inc.
President

cc: Matthew Parreco, Churchill Senior Housing

Public Hearing on
Bill 15-23, Landlord-Tenant Relations – Anti Rent Gouging Protections
and
Bill 16-23, Landlord Tenant Relations – Rent Stabilization (The Home Act)

before the

The Honorable Evan Glass
Council President
Montgomery County Council

March 28, 2023

Testimony of Aaron Droller
Silver Spring, Maryland

Good evening, Council President Glass and members of the Montgomery County Council. My name is Aaron Droller and I am a resident of Silver Spring. Thank you for the opportunity to submit testimony on Bills 15-23 and 16-23 (collectively referred to hereafter as the Bills). I testify today in opposition to both Bills insofar as they propose any form of price controls on the Montgomery County housing market.

I want to state at the outset that I am not a landlord, renter, or home builder, so I have no immediate financial stake in this legislation. We all share the goal to deliver affordable housing in this county to a diverse range of socio-economic backgrounds, and I know every person on this Council is operating in good faith to meet that goal. However, the Bills as written will have the precise opposite of the intended effect, and ultimately will result in increased housing prices, lower housing supply, a deterioration of existing housing stock, and accelerated displacement of middle and working class residents.

At their core, these Bills impose government-mandated price ceilings. The history of price ceilings is highly fraught¹, and this Council should be deeply skeptical going down this road. Rent control is a blunt, ineffective instrument at solving the affordable housing crisis.² To be sure, a discrete group of renters who manage to get in on the ground floor will temporarily benefit from rent control. The costs of that benefit, however, will be borne by all Montgomery residents and future residents. Economists across the political spectrum agree that rent control, nearly universally, results in higher housing prices, lower housing stock, and, eventually, increased displacement.³ Study after study have shown these results.⁴ Real world examples, such

¹ See, e.g.

<https://www.stlouisfed.org/publications/regional-economist/2022/mar/why-price-controls-should-stay-history-books>.

² The Economics of Rent Control, available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3272490.

³ See <https://www.igmchicago.org/surveys/rent-control/>.

⁴ <https://econjwatch.org/articles/rent-control-do-economists-agree>.

as New York⁵, San Francisco⁶, Boston⁷, and Takoma Park⁸ have shown how rent control exacerbates the fundamental imbalance between housing supply and demand by disincentivizing construction. St. Paul, Minnesota, recently attempted a 3% cap similar to the one being contemplated, and were quickly forced to backtrack when confronted with reality.⁹

The laws of economics apply in Montgomery County and no amount of tinkering will somehow evade those unintended consequences. I would also be remiss if I did not add that it is incongruent that the County Executive has proposed a drastic property tax increase that will significantly increase housing costs while at the same time supporting rent control. We live in a highly competitive, geographically integrated region. Home builders will simply take their business to Northern Virginia, or Frederick and Howard counties. Middle- and working-class Montgomery County residents will follow them there. Please reject these Bills. Thank you for your time and for your service to our county.

⁵ Rent Control, Rental Housing Supply, and the Distribution of Tenant Benefits, available at <https://www.sciencedirect.com/science/article/abs/pii/S0094119099921630?via%3Dihub>.

⁶ THE EFFECTS OF RENT CONTROL EXPANSION ON TENANTS, LANDLORDS, AND INEQUALITY: EVIDENCE FROM SAN FRANCISCO, available at https://www.nber.org/system/files/working_papers/w24181/w24181.pdf.

⁷ Out of control: What can we learn from the end of Massachusetts rent control?, available at <https://www.sciencedirect.com/science/article/abs/pii/S0094119006000635#!>.

⁸ City of Takoma Park Housing and Economic Data Analysis available at https://documents-takomapark.s3.amazonaws.com/housing-and-community-development/Strategic%20Plan/FINAL_Takoma_Park_Housing_Economic_Data_Analysis_Oct2017.pdf.

⁹ See <https://minnesotareformer.com/2022/09/21/st-paul-city-council-passes-sweeping-overhaul-of-rent-control-ordinance/>.

Adam Diamond_Bill 16-23_Support
Takoma Park

**TESTIMONY IN SUPPORT OF THE HOME ACT, BILL 16-23;
AND IN OPPOSITION TO THE 'ANTI-RENT GOUGING' BILL 15-23**

I have lived in Takoma Park for over 15 years and greatly appreciate the value that affordable rental housing has for a community's stability and well-being. I am very concerned that housing is becoming increasingly unaffordable in Montgomery County, which is why I strongly urge the County Council to pass the HOME Act, Bill 16-23. Passing this bill into law will go a long way toward stabilizing housing for the 1/3 of Montgomery County residents that rent. It will provide significant protections against high rent increases that can effectively serve as eviction notices.

At the same time, I strongly oppose Bill 15-23, which is essentially legally approving of sky high rent increases. If passed, there would be no recourse for hundreds of thousands of renters when faced with landlords that want to raise their rent 15% or more a year. It would basically do nothing to stop rent gouging.

The Council needs to pass the HOME Act as soon as possible, with a cap on increases of no more than 3% annually. This will help provide the stability renters need, and help maintain quality of life for many Montgomery County residents. We are living through difficult times and it is the job of government to do all it can do to protect the most vulnerable among us. Renters must be protected from excessive rent increases.

Sincerely,

Adam Diamond

[REDACTED]
[REDACTED]
[REDACTED]

**TESTIMONY IN SUPPORT OF THE HOME ACT, BILL 16-23;
AND IN OPPOSITION TO THE 'ANTI-RENT GOUGING' BILL 15-23**

My name is Alexandra Ralph and I live in Montgomery County District 4 in Wheaton-Glenmont. I'm 33 years old. I grew up in the same zip code where I currently live and currently work as an environmental educator.

I'm testifying because I support the HOME Act, Bill 16-23 and I strongly oppose Bill 15-23. I am demanding that the Council pass rent stabilization with a cap no higher than 3% and consider additional measures to protect tenants from unreasonable and unethical practices by landlords.

As a recent graduate from University of Maryland, I leased a studio apartment in downtown Silver Spring in 2017 for approximately \$1500 a month. I was eager to have a space of my own and feel independent. I paid approximately 40% of my monthly income in rent to afford this independence while I tried to save for a house. After my first year, the landlord increased the rent by 3%. I asked why and the property manager said the new rent was in line with the going rate in the area. For reference, I lived in the building that went up in flames recently due to delays installing sprinkler systems. The building was very old and in need of improvements, but those improvements weren't implemented with the additional money they charged. The increase in rent was purely based on the landlord taking advantage of economic trends to profit.

I believe that people born in Montgomery County, graduates from the MCPS school system, should be able to return to the area and afford to live here, near their families, like me. Protecting the stability of family networks is crucial to a healthy society. Legislation to stabilize rents directly supports this stability by preventing families from moving due to unpredictable and exorbitant rent increases.

Landowners of rental properties provide a service to the county and should be regulated as service-providers. By creating housing, they provide structure to the community even as they generate their own wealth. Rent paid by tenants contributes to landlords' equity in the property. The eventual sale of these properties produces millions in dividends. It's for this reason that I have no doubt that landlords will continue to do business in Montgomery County even with rent constraints. Property ownership is rarely a losing game.

Rent stabilization will make a small dent in the wealth of landowners in the long run, but it will make a huge difference for tenants who make up 33% of all county residents. Wages simply are not keeping up with the pace of inflation. Should we punish tenants for the volatility of the economy by tying rent increases to CPI? Absolutely not. I think the County Council should treat tenants as valued customers and constituents who deserve to be able to predict their expenses and stay in their homes and in their neighborhoods. Further, please keep in mind County's policy on racial equity. Minorities and the poor are over-represented in the tenant demographic. Failure to protect them with the HOME Act is racist – it disproportionately harms people of color. The 8% + CPI proposal of Bill 15-23 is a charade of a bill that pays lip service to landlords while guaranteeing excessive rent increases that will further disrupt our communities, particularly those who are poor and people of color.

Again, I urge you to pass the HOME Act and codify a cap on rent increases of 3%.

Thank you,
Alexandra Ralph



Alex Fitts

Montgomery County Council
100 Maryland Ave
Rockville, MD 20850
24 March 2023

Re: Testimony in support of the HOME Act, Bill 16-23; and in opposition to the 'Anti-Rent Gouging' Bill 15-23
Honorable Members of the County Council,

Hello, my name is Alex Fitts and I am a resident of Silver Spring, and specifically a constituent of Natali Fani-González. I'm here to speak on behalf of over 500 members of the Montgomery County branch of Democratic Socialists of America or MOCO DSA. I would like to express our strong support for the HOME Act, Bill 16-23, while also urging you to reject the "Anti-Rent Gouging" Bill 15-23.

Our members are all too familiar with the exorbitant rate increases that would still be allowed by the so-called Anti-Rent Gouging Bill. Like Alex Banks who saw a 15% hike in his rent just this past year. Other members' continued residency in Montgomery County hinges on the exact cap that goes into law. One member, Tim, has already been displaced from Bethesda to PG county due to a 10% rent increase. Yet another member was recently forced to move to Takoma Park due to rent increases but now feels more secure in their living situation as a result of Takoma Park's rent stabilization.

Just hearing our member's individual situations gives a sense of the precarity so many folks are experiencing right now: A member on a fixed income who worries about their ability to rent in MoCo despite having roots in the area. A young person who can barely afford to rent a small apartment near their work in downtown Bethesda despite her and her partner having jobs related to their degrees. They did everything right, but still they are struggling. And finally, a parent who rents due to necessity and has only been able to stay in MoCo due to the luck and grace of a landlord who has not increased rent significantly. Being able to stay in MoCo should not come down to a single landlord's disposition.

These horrible experiences extend far beyond our own organization. MOCO DSA has spent the past 3 months knocking over 3200 doors at The Blairs, Gateway, Cinnamon Run and Yorkshire apartment complexes. Everywhere we went, we heard firsthand the devastating impact of rising rents on our communities. Folks have recalled losing countless neighbors whose rents were falsely raised, who did not speak English as their native tongue, who were ill equipped to deal with the games that were being played by the management companies and ultimately, were forced to just leave. They had no other recourse.

The HOME Act is a crucial step towards addressing this crisis. By capping annual rent increases at 3%, it will provide much-needed stability and predictability for our most vulnerable neighbors. This will help families stay in their homes, avoid eviction, and build a life where all can thrive. Building more housing and keeping current residents housed is not an either-or proposition - we need to do both. The HOME Act addresses the issue of displacement, and its various provisions will accord with policies to increase supply.



In contrast, the "Anti-Rent Gouging" Bill, is a dangerous and misguided proposal that would only make things worse for renters in Montgomery County. Looking at the data for the past three years, we can say without a doubt that Bill 15-23 would codify rent gouging by allowing annual rent increases of up to roughly 15%.

It is bewildering that one of the cosponsors of Bill 15-23 and my representative, Natali Fani-González, even agrees that this would be too high a cap as she said in a recent March 2nd Washington Post article and I quote,

"Yes, there have been extreme cases of people getting 15 to 20 percent rent increases, and those are crazy," Fani-González said. "I want to focus on that and helping people in need."

How is this helping folks in need when it is just codifying those extreme cases of rent gouging?

Rent stabilization is a matter of racial and economic justice. As a community, we cannot allow landlords to take advantage of vulnerable tenants and force them out of their homes with rent increases above 3% simply because they can't afford the rent. The HOME Act will help us build a more equitable and inclusive Montgomery County, where everyone can find a safe and stable home, regardless of race, class, and income.

Sincerely,

Alex Fitts

Alexis Kurtz
Silver Spring, MD

**TESTIMONY IN SUPPORT OF THE HOME ACT, BILL 16-23;
AND IN OPPOSITION TO THE 'ANTI-RENT GOUGING' BILL 15-23**

Hi, my name is Alexis Kurtz and I am from Silver Spring, in District 4. I am testifying in support of the HOME act, Bill 16-23, and in opposition of Bill 15-23.

As a child, my family was extremely poor. My mother was in and out of hospitals my entire childhood, so we could not afford a home. We moved from rental to rental for over a decade, to the point where I lived in over 20 houses before I turned 16. This caused an extreme amount of stress and anxiety in my life. I am thankful enough, lucky enough, to have been able to afford a home of my own for the last three years.

Unfortunately, it looks like I will not be able to for much longer.

I am a middle school teacher, which has been difficult lately. I cannot afford new shoes, decent clothes, or even three full meals most days. When gas prices rose, I was lucky enough to spend a few nights with family who lives closer to my work. I'm lucky enough to work in a school that gives out free breakfast, which I can eat for lunch.

Being a teacher is the only job I have ever wanted to do, but it just is not a sustainable career in Montgomery County. I got a 3% cost of living adjustment this year, but my rent is increasing 7%.

I can't afford the rent increase, but I can't afford to move either. Rent everywhere in the county is still rising, and there doesn't seem to be an end. If my rent increases again, I'll be forced to either move out of MoCo or leave the field of education altogether.

The county cannot concurrently allow housing prices to increase while not also providing adequate salaries to the teachers, nurses, and essential workers who work for the betterment of our community. I worry how the anti-rent gouging bill (15-23), which is certainly misnamed, will impact our children's education.

Montgomery County Public Schools do not have enough educators. The entire country is in a teacher shortage, and right now over 50% of MoCo teachers live outside of the county.

Montgomery County has already lost too many teachers because of the pandemic. How many teachers can Montgomery County afford to lose before our education system completely falls apart?

Teachers cannot continue to live their lives off of luck and the kindness of others. We need your help. Please support and pass the HOME Act, so that educators like me can receive the dignity and stability we are in desperate need of.

AGAINST BILL 15-23, FOR BILL 16-23 (HOME ACT)

Dear Montgomery County Council,

My name is Ana Laura Garcia, and I have been a Germantown resident for 20+ years. I am writing to express my disappointment with the proposed anti-rent gouging bill allowing landlords to increase rent of up to 8% + consumer price index.

It is disheartening to see that the interests of landlords are being put ahead of those of hardworking tenants who contribute to the fabric of our community.

As someone who has struggled to make ends meet in this community, I know firsthand the challenges many immigrant families face when finding affordable housing. Unfortunately, the high cost of rent in Montgomery County has already made it difficult for many of us to afford the necessities of life, such as food, clothing, and healthcare.

The lack of community input for this anti-rent gouging bill is even more disheartening. It is unacceptable and embarrassing that a bill that will significantly impact our lives is being pushed through without prior input and considering the community's needs.

Not only is the HOME ACT a detailed and meaningful proposal, but it also went through a meaningful process of gathering community input. As a result, it has countless support from community members, organizations, unions, essential workers, and so much more.

I urge the council to move forward with the HOME ACT and table the Anti-Rent Gouging Bill.

Sincerely,

Ana Laura Garcia.

**EN CONTRA DEL PROYECTO DE LEY 15-23, A FAVOR DEL PROYECTO DE LEY 16-23
(LEY DE VIVIENDA)**

Estimado Consejo del Condado de Montgomery,

Mi nombre es Ana Laura García y he sido residente de Germantown durante más de 20 años. Le escribo para expresar mi decepción con el proyecto de ley contra el aumento de la renta que permite a los propietarios aumentar la renta hasta en un 8% + el índice de precios al consumidor.

Es desalentador ver que los intereses de los propietarios se anteponen a los de los trabajadores inquilinos que contribuyen a la estructura de nuestra comunidad.

Como alguien que ha luchado para llegar a fin de mes en esta comunidad, sé de primera mano los desafíos que enfrentan muchas familias inmigrantes al encontrar viviendas asequibles. Desafortunadamente, el alto costo de la renta en el condado de Montgomery ya nos ha dificultado a muchos de nosotros pagar las necesidades de la vida, como alimentos, ropa y atención médica.

La falta de aportes de la comunidad para este proyecto de ley contra el aumento de la renta es aún más desalentador. Es inaceptable y vergonzoso que un proyecto de ley que tendrá un impacto significativo en nuestras vidas se apruebe sin aportes previos y considerando las necesidades de la comunidad.

HOME ACT no solo es una propuesta detallada y significativa, sino que también pasó por un proceso significativo de recopilación de aportes de la comunidad. Como resultado, cuenta con innumerables apoyos de miembros de la comunidad, organizaciones, sindicatos, trabajadores esenciales y mucho más.

Insto al concejo a que avance con la LEY DE HOME ACT y presente el proyecto de ley contra la especulación de rentas.

Atentamente,

Ana Laura García.

March 28, 2023

**Anna T. Levy
Rockville, MD 20852**

**TESTIMONY IN SUPPORT OF THE HOME ACT, BILL 16-23;
AND IN OPPOSITION TO THE 'ANTI-RENT GOUGING' BILL 15-23**

My name is Anna T. Levy, a resident of Rockville, Montgomery County Council District 4. I am submitting this testimony **in support of Bill 16-23, HOME Act and in opposition to Bill 15-23, 'Anti-Rent Gouging' Bill.**

Safe and stable housing has far reaching economic, health, and social benefits to individuals, families, and communities, and is key to reducing racial inequities. Renters routinely have little agency when faced with threats to maintaining stable housing. We have an obligation to ensure fairness in tenant/landlord law, to ensure safe living conditions, and to prevent homelessness.

I am fortunate to be able to afford housing in a safe and stable neighborhood. But many of my neighbors, more than a third of whom, 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. Conversely, features which attract people to our community, such as excellent schools, are negatively affected when even our educators can't afford to live here. 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. The HOME Act (Bill 16-23) does not freeze rent increases but helps to provide predictability and affordability to all Montgomery County renters. Renters and landlords can plan for reasonable increases in costs of living and doing business over time. Bill 15-23, which will effectively codify unaffordable, double-digit rent increases, will not only cause displacement of already at-risk families, significant yearly increases in rents also discourage those who are more able to afford them and making our communities less welcoming.

Montgomery County needs more affordable housing. Stabilizing rents is just one part of the solution to addressing that need.

I thank Councilmembers Jawando and Mink for introducing this important bill and urge the members of the Montgomery County Council to approve the HOME Act, Bill 16-23 to help to keep people in their homes and strengthen our communities.

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

Dear County Council Members:

I am urging the council to create a new, unified bill combining elements from both 15-23 and 16-23.

As I wrote to the Council last year, in support of [Expedited Bill 22-22](#), I support rent stabilization. During the time I was facing a rent increase from my landlord ranging from 10% - 20% depending on the terms. While I am fortunate enough to be able to weather the increase I face, many in the county were and are not able to weather such increases.

I believe a compromise bill should cap rents at CPI plus about 3%-6%. I believe this would offer renters stability while ensuring that housing production does not cease and freeze the county's housing production.

The Council should explore additional, innovative solutions such as **renter tax credits**. Presently, the county provides tax credits to homeowners that limit property tax increases, if the value of their property increases greatly (Homestead Tax Credits). While this tax credit has encouraged a housing shortage by subsidizing investments in property while incentivizing limiting more housing, I believe **a tax credit for rent increases** would promote equity, help provide some **stability** for renters, while ensuring landlords and apartment staff can continue to operate.

Rent stabilization legislation **must include zoning reform**. Increasing the amount of housing and legalizing more affordable types of housing (plexes, apartments, condos, townhouses, and so on) can also help stabilize rents. Likewise removing regulations such as parking minimums helps promote the creation. The reality is real rent stabilization requires large scale housing reforms in the county.

The County should be cautious about displacement, but the County also needs to address the larger problem of poverty concentration in the County. As reported by the County's Planning Department, [concentrated poverty](#) is becoming an increasing problem in the county. To address concentrated poverty, the County needs to address a history of segregation and exclusionary housing policy that requires greater reforms.

While I hope the Council is able to come together on rent stabilization, I hope the Council is able to take the reforms beyond just capping rent increases and address the larger systemic problems in the County's housing policies.

Thank you,

Benjamin Bradley

Downtown Silver Spring

Brooke Miller
[REDACTED]
[REDACTED]

**TESTIMONY IN SUPPORT OF THE HOME ACT, BILL 16-23 AND IN OPPOSITION TO BILL
15-23**

My name is Brooke Miller and I am a resident in District 4 of Montgomery County. I am testifying because I support the HOME Act, Bill 16-23 and oppose Bill 15-23. I ask that the Council support the HOME Act to provide stable rents in Montgomery County and ensure that all residents are provided affordable housing.

I moved into Montgomery County about a year ago. Even with a stable income, it was difficult to find affordable housing that connected me to necessary community structures (such as grocery stores and transportation). My rent will increase by 3% at the end of my year-long lease. Even this modest increase threatens my ability to remain in my home. After only one year of living in the county, I am nearly being priced out of my apartment. I would not be able to survive the 15% rental increases that could come with the passage of Councilmember Fani-Gonzalez' Bill 15-23. Bill 15-23 caters to the desires of small groups of people with outsized influence, such as building developers, and their interests. It does not speak to the concerns of the residents. This community will pay the consequences for actions that are not ours, that we never invited, and that we do not support. To threaten stable housing through codified 15% increases threatens the very fabric of a community.

I support the HOME Act as it seeks to protect renters, like myself and my neighbors, from rent gouges. I hope the Council shows its support for the residents of this community and passes the HOME Act Bill 16-23.

March 28, 2023

Montgomery County Council
Council Office Building
100 Maryland Ave, 6th Floor
Rockville, MD 20850

Bill 15-23, Landlord-Tenant Relations - Anti Rent Gouging Protections
Bill 16-23, Landlord-Tenant Relations – Rent Stabilization (The HOME Act)

Dear President Glass and Members of the County Council:

Please accept the following testimony on behalf of the Coalition for Smarter Growth.

Coalition for Smarter Growth: Background

The [Coalition for Smarter Growth](https://www.smartergrowth.net) is the leading organization in the Washington DC region dedicated to making the case for smart growth. Our mission is to advocate for walkable, bikeable, and transit-oriented communities as the most sustainable and equitable way for our region to grow and provide opportunities for all.

Addressing Montgomery County’s housing shortage is a key part of our work in Montgomery County. CSG has been active in many campaigns to improve equitable access to housing opportunities and increase the variety of housing types in Montgomery County, including ending the growth moratorium and reducing regulatory restrictions on transit-oriented development; advocacy for Thrive 2050 and “missing-middle” or attainable housing; and reduced restrictions on constructing accessory dwelling units (ADUs).

CSG Recommendations on Rent Stabilization

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 affordable housing supply, we propose the following:

1. Set the rate of allowed increase to 3 to 5 percent plus CPI. 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 all renters are protected and transit-oriented development is not disincentivized.
3. Exempt new buildings for 15 years following issuance of a certificate of occupancy. Properties need to produce the highest rate of return for the first 10-17 years in order to secure favorable loan terms and pay off construction loans. Without an adequate exemption period, construction of new housing units becomes more expensive and more difficult, potentially limiting needed supply.

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.¹
5. Exempt units already subject to county, state, or federal agreements limiting rents charged 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 loss of lower-priced units.

Addressing Long-Term Affordability by Increasing Housing Supply

Rising rents are due in part to our limited housing supply, which limits alternatives for tenants. Rent stabilization is best understood as a *stability* policy, not an *affordability* policy: it can successfully reduce tenant displacement in the short-term, but complementary policies are needed to address the underlying, long-term structural issues making housing unaffordable.

To address long-term housing affordability, rent stabilization should not discourage new housing development and should be paired with policies that encourage new housing development—in particular, development of affordable housing and a variety of housing types that can be more affordable than existing options.

The following are examples of policies that can support additional housing supply and address some of the drivers of rising housing costs:

- Adopting the recommendations of the [Attainable Housing Strategies Initiative](#), which recommends allowing more varieties of multi-family housing in more parts of the county
- Encouraging ADU development through incentives, “green taping” and regulatory reform, and additional guidance for homeowners considering ADU development
- Permit fee waivers
- Eliminating parking requirements for new development near transit, potentially reducing the cost of new units in transit-accessible locations
- Ensuring that we account for the combined costs of housing + transportation so that new supply is located in areas in close proximity to jobs and transit (the frequently used metric is that combined H+T costs should be no more than 45% of a household budget; see Center for Neighborhood Technology’s H+T index).

Additional Comments: Financing, Enforcement, and Additional Rent Assistance

We would recommend that any rent stabilization policy take the following factors into consideration to facilitate an effective rent stabilization program while continuing to build the units we need to address our housing shortage:

- Sources of financing for new development, and feasibility under the rent stabilization policy of meeting requirements to secure financing (interviews should be conducted with for-profit and non-profit developers).
- Competition for investment with other jurisdictions, and risk of reduced investment in Montgomery County in favor of jurisdictions with fewer restrictions
- Risk of loss of rental stock through condo conversion

¹ See note below on [Urban Institute study](#) and example regulatory approaches distinguishing between truly small landlords and larger investors.

- Resources needed for effective administration, enforcement, and collection of data

We also support companion policies to increase tenant stability and prevent landlord retaliation against tenants in rent-stabilized units, including just-cause eviction and tenant right to counsel.

Under any rent stabilization policy, there will still be tenants who require additional support to pay rent and remain in stable housing. Additional funding for rental assistance—and supportive resources to assist tenants with accessing such assistance—is essential to fill in these gaps to provide stability for as many tenants as possible without disincentivizing needed new development.

Additional Resources and Example Policies

Articles and Reports

- **Jerusalem Demsas, Vox:** [I changed my mind on rent control](#)
- **Urban Institute: Rent Control:** [Key Policy Components and Their Equity Implications](#)
- **Enterprise Community Partners** report for City of Hyattsville: [City of Hyattsville Housing Action Agenda](#) (rent stabilization section begins on page 18)

Example Policies

Exceptions for Small Landlords:

From [Urban Institute report](#):

Most rent control regulations limit coverage by the number of units within a building and generally exclude small buildings and single-family homes. This limit is intended to exclude small landlords, who are more likely to own these properties and to sell or convert their properties into condominiums.

This exclusion raises equity concerns; single-family homes have become an increasingly larger share of the rental housing stock, particularly in racially diverse neighborhoods, and their tenants are more likely to have children living in poverty (Pfeiffer, Schafran, and Wegmann 2020). And some large landlords own many small units, allowing them to evade rent control regulations. **Washington, DC, uses an alternative approach that bases coverage on the size of the owner's portfolio,** rather than on the number of units within a building, in an attempt to exclude small landlords from regulation. Similarly, **California's 2019 Tenant Protection Act** differentiates between small landlords and investors by ensuring that real estate investment trusts and corporate owners of single-family rentals are included in the coverage.

Enforcement, Education, and Data Collection

From [Urban Institute report](#):

1. Recent rent control policies often have additional features to address negative outcomes from previous policy iterations. While closing loopholes creates targeted policies, it can also make them more complicated. Dense regulations are hard for both landlords and tenants to understand, which can leave landlords to accidentally fall into noncompliance or tenants unable to assert their rights.

“There are just all these little loopholes everywhere,” a landlord explained. “It’s always going to be incremental, and pretty soon, you have people on the side, people that actually provide houses, saying, ‘This isn’t worth it.’” **Oakland, California**, counters these concerns by proactively offering **rent stabilization workshops for small property owners**, along with **workshops geared toward teaching tenants their rights** under the law.

2. Tenants and landlords find their administrative burdens eased when localities track data about landlords, rents, and buildings subject to rent control. In **San Jose, California**, when tenants believed their landlord raised their rent to illegal levels, they had to initiate a petition to the city themselves. This changed in 2015 when the mayor and city council requested the rent stabilization program division to begin **a rental property registry that tracked controlled apartments, tenancy, and allowable increases through an online portal**. These data were also paired with property-level eviction data. [...] The registry not only **shifted the compliance responsibility from the tenant to the city** but also **gave the city valuable data to track and monitor the program**.

Carrie Kisicki



Montgomery County Advocacy Manager
Coalition for Smarter Growth



SEIU Local 500

901 Russell Avenue, Suite 300, Gaithersburg, MD 20879

March 29TH, 2023

RE: “Anti-Rent Gouging” Bill 15-23 in Opposition / “HOME Act” Bill 16-23 in Support

President Glass and the Montgomery County Council Members,

SEIU Local 500 would like to thank The Montgomery County Council for working to pass rent stabilization. We know this is an important and complicated issue for all of us. With historical data showing that average rent increases are less than 3 percent, we support capping annual rent increases at this rate. Hundreds of people are being displaced each month by rent increases of 5% or more. Our union members who work to keep our public schools running safely and efficiently should be able to continue to live and work in this county.

SEIU Local 500’s goal is to ensure the people who care for and educate our children have peace of mind and stability. However, according to our sister union MCEA, over 60% of educators cannot afford a life in Montgomery County. We believe housing to be a basic human right no different than healthcare or an education.

When families that are already struggling to pay for housing face potential increases in rent, they have to decide between food, clothes, healthcare, or keeping a roof over their heads. Meaningful rent stabilization must be a key part of the long term solution to responsible growth and development in our beloved county.

Of the two solutions put forward by this council we believe the Home Act provides the predictability that allows both tenants and landlords to plan for a stable future. Adopting the HOME Act would provide an immediate tool to curb the County’s current crisis of evictions, displacement, and homelessness. Furthermore, the HOME Act would create a new source of income for Montgomery County to create the affordable housing we all know we need, by establishing a vacancy tax to disincentivize landlords from keeping units empty while also funding more housing. Families with children face housing insecurity are affected in their growth and learning. Put the future of our children over the profits of a select few.

Thank you for your kind consideration and we ask that you support bill 16-23.

Christopher C. Cano, MPA

Coordinator for Member Political Engagement

SEIU Local 500

Halpine Park LLC

March 27, 2023

Via Email

Mr. Evan Glass, Council President
And Members of the County Council
Council Office Building
100 Maryland Avenue, 4th Floor
Rockville, MD 20850

Re: March 28, 2023 County Council Public Hearing (Council Bill Nos. 15-23 and 16-23); Halpine Park LLC's Written Testimony

Dear Council President Glass and Councilmembers:

On behalf of Halpine Park LLC ("Halpine"), we offer the following comments to Council Bill No. 15-23 (the "Anti Rent Gouging Protections Act") and Council Bill No. 16-23 (the "HOME Act") (collectively, the "Proposed Council Bills") that propose to substantially modify well-established, longstanding rental housing policies in Montgomery County. Since the Proposed Council Bills are concurrently scheduled for public hearings (and will presumably be reviewed at work sessions in tandem), we are submitting comments to the Proposed Council Bills in one letter.

By way of background, Halpine is the owner of the apartment community known as Halpine View that is located at 12813 Twinbrook Parkway, 13001 Twinbrook Parkway, and 5508 Dowgate Court in Rockville (the "Property"). Halpine, through several local families including the Gudelsky family, has continuously owned and operated 564 garden style apartments at the Property since they were constructed in the mid-1960's. Snell Properties recently purchased a roughly one-third interest in the Property from several local families and now controls the Property with the Gudelsky family.

While the Property has been successful as a rental community for many years, the age and condition of these apartments require significant upgrades to meet market demands and compete with the amenities offered by other nearby apartment properties. As a result, Halpine recently obtained a substantial loan and set aside \$19 million for significant capital expenditures into the apartments and amenities at the Property, including the addition of a clubroom, gym, patios, renovated pool house, enhanced landscaping, children's indoor play area, and dog recreational facilities. These proposed capital improvements will benefit the residents and County's commercial tax base. However, as explained in greater detail below, these capital expenditures will be infeasible if either of the Proposed Council Bills are adopted without amendments that fully consider economic fundamentals necessary to improve multi-family buildings.

I. Written Testimony to the HOME Act

Halpine strongly opposes the HOME Act because it would restrict allowable rent increases to a level that is insufficient to support most, if not all, capital expenditures necessary to ensure that multi-family communities are maintained to a condition that enhances resident's quality of life and public welfare for the long term. Halpine's goal is to continue to provide its residents with quality housing and amenities as has occurred for over 60 years at the Property. The Home Act would severely limit any further investment in Montgomery County and be a disservice to the residents at the Property.

A rent cap of 3% or the rental component of the annual CPI will have the effect of discouraging

c/o Snell Properties
4600 N. Fairfax Drive, Suite 1000 Arlington, VA 22203

reinvestment in existing housing. While the HOME Act includes provisions that would allow a property owner to petition for a fair rent return where certain capital expenditures are made, such discretionary process does not provide the certainty that is necessary for a property owner to undertake risk and incur financial obligations that allow for improvements. We respectfully request that the Council vote the Home Act down and not pursue this proposal any further.

II. Written Testimony to the Anti Rent Gouging Protections Act

In addition to the two previous paragraphs, Halpine is generally opposed to any form of regulated rent restrictions for market rate units and believes that it is in the public interest to allow market conditions to control rental rates.

Notwithstanding Halpine's opposition, the Anti Rent Gouging Protections Act presents a more workable framework than the Home Act. More specifically, the Anti Rent Gouging Act's proposal to limit annual rent increase to 8% plus the Consumer Price Index for All Urban Consumers (CPI-U) in the Washington area is likely to be consistent with what the market will support as a ceiling for rent increases at many apartment communities in the County. However, the proposed rent increase allowance still does not adequately account for situations where a property owner makes capital improvements to the benefit of residents and the County's tax base. In these instances, such investment is only feasible where the property owner can recoup its investment and achieve a rate of return commensurate with the risk of making such investment.

While proposed Section 29-58 of the Anti-Rent Gouging Act would create a limited and temporary surcharge for capital improvements, the mechanics and framework for the surcharge will not functionally allow for property owners to make such an investment because it lacks the certainty required to obtain financing. First, requiring a property owner to pursue a discretionary process to obtain approval for such a surcharge creates additional administrative costs and process that will frustrate and limit reinvestment in apartment communities that would otherwise enhance both the County's commercial tax base and residents' quality of life. In this respect, the County simply is not structured to efficiently and properly review capital improvement plans such that it can administer allowable surcharges as set out in the Bill currently. In addition, capital improvements should rightfully be determined by the owners of the property and not by a government. Second, the allowable timeframes for a property owner to recover the cost of capital improvements do not allow for the rate of return that is necessary to underwrite such improvements through financing. While the Anti-Rent Gouging Act permits recovery of capital costs over a 12-to-24-month period (depending on the nature of the improvements), these types of capital improvement projects can only be financed and implemented where a property owner has the opportunity to achieve a commensurate rate of return for a period commensurate with the useful life of such improvements. In most cases where significant improvements are made, recovery or return on investment over 12-24 months would be impossible. In our case, Halpine with gross annual rents of less than \$10M would need to increase those rents by \$19M over a one or two year period, which is not feasible.

In summary, a property owner bears all the risk (including lender commitments) in making such improvements to the benefit of their residents and the County's tax base, and the Anti Rent Gouging Act impairs a property owner's ability to achieve a rate of return that makes these capital improvements financeable.

Absent significant changes to the surcharge exemption in the Anti Rent Gouging Act, Halpine will be unable to reinvest the \$19 million dollars set aside into the Property and unable to achieve the required rate of return on its underlying loan as anticipated and promised. Instead, proceeds would be used for other

investments outside of Halpine or distributed to its members for investment or use. Based upon the foregoing, we respectfully request that the surcharge language be modified to specifically exempt projects from the proposed rent increase allowance where they obtain financing to make capital improvements that exceeds some objective percentage of the overall assessed value of improvements for a property. **Halpine recommends that the Council amend the Anti Rent Gouging Act exemptions to include any project that takes out financing (or has already taken out such financing) to complete major capital improvements, with the financing exceeding 10% of the property's assessed value, for a period of 15 years following closing on such financing.** Such a policy will encourage reinvestment in apartment communities and ensure that property owners are incentivized to maintain their communities to the highest standards to the benefit of residents and the County's commercial tax base.

We thank you for your time and consideration reviewing these written comments to the Proposed Council Bills and hope that the Council will work with apartment owners to establish policies that continue to promote reinvestment and maintenance of multi-family housing to the benefit of County residents.

HALPINE PARK LLC,
a Maryland limited liability company

By: SNELL HALPINE, LLC,
a Delaware limited liability company, as
Administrative Manager

By: Snell Construction Corporation,
a Virginia corporation, its Manager

By: 
Christopher R. Hanessian
President

cc: George Covucci, Halpine Park LLC
Marc Rubin, Halpine Park LLC
Matthew Gordon, Esq. & Robert Dalrymple, Esq.,
Selzer Gurvitch Rabin Wertheimer & Polott, P.C.

For Racial Equity & Social Justice, Pass HOME Act -- Don't Pass Pro-Rent Gouging Bill 15-23

Testimony from Community Vision for Takoma

Community Vision for Takoma, a grassroots informal network reaching more than 1,000 residents and neighbors of Takoma Park, supports the HOME Act (Bill 16-23) and opposes Bill 15-23, which could backfire and weaken, not strengthen, Montgomery County's commitment to racial equity and housing justice. As residents of Takoma Park, we know whereof we speak.

In Takoma Park, rent stabilization over the last few decades has contributed significantly to the stability and resilient health of our City, as well as to our ongoing efforts to become a more equitable community. Rent stabilization has played a major role in our success in celebrating and preserving our racial diversity. It has enabled Takoma Park to be a welcoming place where hard-working immigrants from many lands can plant new roots to raise their children in a community with strong schools and good local services. And it has helped diverse residents come together to build a strong civic culture that values the continued presence and contributions of all.

In fact, rent stabilization has not just provided increased housing security for Takoma Park residents who rent, of whom a high proportion are residents of color, but has also promoted a broad sense of stability that contributes to the health of our small city community-wide.

As you deliberate, please recognize how the HOME Act can encourage the same kind of community-wide security across Montgomery County. We also suggest you consult with Councilmember Kate Stewart, our former Mayor, who can attest to how pivotal rent stabilization has been in stabilizing our community.

Similar to the provision in the HOME Act, landlords in Takoma Park are able [to petition](#) for special increases beyond a particular year's limit if they find themselves in circumstances that require such an increase to maintain the safe, quality housing that residents deserve, while making a fair return for their own businesses. Takoma Park's suite of housing policies to prioritize fair housing also includes grant assistance with downpayments for first-time home buyers who are income eligible, and the Tenant Opportunity to Purchase Law, which since 1986 has given tenants a right of first refusal when a landlord decides to sell.

Together, these policies have supported numerous residents, on their own or organizing with other tenants, to transition from renting to home ownership without moving. That means beginning to build the kind of generational financial stability that has historically been disproportionately available to white families. On paper, that success story may look like a "loss" of rental housing units, but in actuality, it's been a gain for the individuals involved and for our community as a whole.

And, no, Bill 15-23 is not a promising alternative. How could it be, when the proposed bill effectively provides the County's stamp of approval for increases of at least 8 per cent every year, as well as double-digit increases when inflation equals or exceeds 2 per cent? Only in an Orwellian farce would that be dubbed "Anti-Rent Gouging." If adopted, Bill 15-23 is likely to backfire, and actually push up the level of average rent increases.

And, in response to some skeptics' argument that rent stabilization has discouraged housing construction, we note that The Cloudburst Group, in its 2017 *Housing and Economic Development Analysis* for the City of Takoma Park, identified a very different reason for the relative low rate of new construction. In fact, one of its key findings was this: "Because Takoma Park is mostly built out, there is

little new residential construction.” Census data showing relatively high population density in Takoma Park supports this conclusion.

Please prioritize swift passage of the HOME Act as the fastest, most effective step the Council can take to increase stability of our community countywide and protect the constituents you represent who rent their homes from being forced by big rent increases to disrupt their families’ lives, their children’s schooling and social networks, and the shared fabric of community life by having to suddenly rush to find shelter elsewhere.

We have attached the Coalition for Nonprofit Housing and Economic Development’s very useful document, *Rent Control Myths*, which we urge you to study. The Coalition, citing research, persuasively shows why negative claims about rent-stabilization policies are just that – myths – that stand in the way of achieving true racial equity and social justice. Its report demonstrates, for example, that such policies “have no discernible impact” on the pace of housing construction and are not associated with poor housing quality; and that, in fact, rent regulation may offer renters the protection they need to insist upon repairs.

We also note this critical point in that document: “By maintaining affordability across tenants, rent control helps stretch limited funds for subsidized programs—that only reach a fraction of those who need it—much further.” So please don’t delay or reject the HOME Act on the flawed rationalization that perhaps the County can – or will – totally subsidize its way to racial equity and social justice in housing. Rent stabilization is the fastest, most effective step the Council can take to advance housing justice now.

The current national and local housing crisis is a social emergency. It’s time for the County government to act swiftly and decisively. That means passing the HOME Act and rejecting Bill 15-23.

Don’t let Montgomery County’s long struggle to inch toward racial equity and social justice retreat, on your watch. Don’t put the County’s official stamp of approval on rent increases of 8 percent plus inflation, placing us at risk for that high level eventually becoming the new normal.

Housing is shelter – a basic human need. In fact, as long ago as 1948, [the right to adequate housing](#) was recognized as a fundamental human right in the United Nations’ *Universal Declaration of Human Rights*. Being in the business of providing safe, quality shelter to others is, therefore, an honorable way to make a living. The HOME Act gives ample room for honorable landlords and responsible developers to make a good living. But it does so while protecting the basic right to adequate shelter for so many of your constituents who rent their homes -- by preventing displacements from Montgomery County caused by unreasonable and unpredictable increases in rent.

In closing, please take to heart the summary statements of your own Office of Legislative Oversight (OLO) as to the likelihood that only one of the two rent-related bills before you – the HOME Act -- could have a “moderate to large” positive impact on advancing our County’s most pressing social goals: Racial equity and social justice. In contrast, OLO’s meager expectation that the alternative, Bill 15-23, would have only a “small” positive impact, but will not protect the most vulnerable residents of color from being forced out of the County should be sufficient reason to drop the latter bill like a hot potato. In this time of racial and social reckoning, selecting “small” over “moderate to large” benefits, is not an option.

Please take a serious, fair, practical step toward real social progress: Adopt the HOME Act (Bill 16-23). All of the constituents you represent – whether we rent or own our homes – will benefit from that kind of strong leadership from you, because it will protect and expand the resilience and wellbeing of our entire community. Thank you for your consideration.



CNHED

Coalition for Nonprofit Housing and Economic Development

Rent Control Myths

Economists who oppose rent control tend to prioritize theoretical supply-and-demand models over the complexity of housing markets, the nuances of different rent regulations, and the important role that housing plays in people's lives.¹ Further, many of the purported negative effects of rent control have been mitigated by tenant protections put into District laws during the decade 1975-1985, such as limitations on condominium conversions, the Tenant Opportunity to Purchase Act, and just cause eviction requirements, which make it harder for landlords to reduce supply. CNHED's research found the following regarding some of the most pervasive myths propounded by rent control's opponents:

- Rent control has no impact on housing construction. Conversions from rental housing to condominiums and other owner-occupied housing do occur but can be mitigated by closing regulatory loopholes and strengthening ordinances regulating conversions.
- Rent control does not lead to poor housing quality.
- Rent control provides a large stock of rental housing that is affordable for low- and moderate-income tenants and other communities vulnerable to displacement.
- The "trickle-down" or "filtering" theory that building more market-rate housing as the primary mechanism for providing affordable housing will neither ease the rent-burden of low- and moderate-income tenants, nor will it relieve the displacement pressures and housing instability that rent control is designed to alleviate.

Perhaps the biggest myth of all is that the current housing crisis has a singular solution. To solve the housing crisis, we must deploy every possible tool to ensure that housing is affordable. Rent control is unrivaled in its speed of implementation, scale, and cost-effectiveness.² Rent control regulations can take effect almost immediately, and because they apply to private rental housing, they operate at scale. In New York City, for example, twice as many low-income tenants live in rent-regulated units than in public and subsidized housing combined (365,000 vs. 182,000). In San Francisco, it is triple the amount (173,000 vs. 51,700).³ Further, rent control does not add direct costs to city, state, or federal budgets. By maintaining affordability across tenants, rent control helps stretch limited funds for subsidized programs—that only reach a fraction of those who need it—much further.⁴

¹ [Prasanna Rajasekaran, Mark Treskon, and Solomon Greene, "Rent Control: What Does the Research Tell Us about the Effectiveness of Local Action?" Urban Institute, Washington, DC, January 2019, 2.](#)

² [Amee Chew and Sarah Truehaft, "Our Homes, Our Future: How Rent Control Can Build Stable, Healthy Communities." PolicyLink, Center for Popular Democracy, Right to the City Alliance, February 2019, 5-6.](#)

³ Chew and Truehaft, "Our Homes, Our Future," 19.

⁴ [Amee Chew and Katie Goldstein, "Universal Rent Control Now," Jacobin](#); Chew and Truehaft, "Our Homes, Our Future," 20-21.

Myth 1: Rent control decreases housing supply.

The theory that rent regulation impedes housing supply rests primarily on two premises.⁵ First, it assumes rent control will discourage developers from building new housing. Second, it assumes rent control will restrict the stock of available rental housing by incentivizing landlords to move away from rental housing to ownership housing models (e.g., conversions to condominiums).

Reality: Rent control has no discernible impact on new housing construction. Conversions from rental housing to condominiums and other owner-occupied housing are a threat to rent control, but this impact can be mitigated by closing regulatory loopholes and strengthening ordinances regulating such conversions.

New Construction

Despite virtually all rent control regulations exempting new construction,⁶ some theorize that rent control will discourage housing construction anyway. As of 2019, five states (New York, New Jersey, California, Maryland and Oregon) and Washington, DC have cities or jurisdictions with some form of rent regulation. Three cities in Massachusetts also had rent regulations up until repeal in 1995. Over the last few decades, there have been several empirical studies examining the effect of rent control on housing supply—specifically new construction. While we did not conduct a formal literature review, we compiled key findings from studies conducted in specific states or localities where the impact of rent regulation on housing production was assessed.⁷

Massachusetts: In an analysis of housing supply after the repeal of rent control in three Massachusetts cities—Boston, Cambridge, and Brookline—a 2007 study found that the end of rent control had a negligible effect on the construction of new housing.⁸ In fact, this study found that multifamily building construction permits in these three cities reached their height in the mid to late 1980s—a time when rent stabilization policies were in full effect.

New Jersey: Multiple longitudinal studies comparing New Jersey municipalities with and without moderate rent control found no significant relationship between rent control and new housing construction.⁹ The most recent study covered four decades of rent control and over 10,000 tenants.

Washington, DC: The only study of rent control in the District of Columbia was published in 1990, and found no significant relationship between rent control and new housing construction.¹⁰ This study noted

⁵ [Prasanna Rajasekaran, “Will New Statewide Rent Control Laws Decrease Housing Supply?” Urban Institute blog, October 2, 2019.](#)

⁶ In the District, only buildings built before 1976 are covered under rent control so “new” effectively refers to the last 44 years.

⁷ Oregon’s rent control law was passed in February 2019, so no studies yet exist of its impact on housing supply. To our knowledge, no studies exist of New York’s impact on housing supply, either.

⁸ David Sims, “Out of Control: What Can We Learn from the End of Massachusetts Rent Control?” *Journal of Urban Economics* 61, 1 (2007): 141–142.

⁹ John I. Gilderbloom and Ye Lin, “Thirty Years of Rent Control: A Survey of New Jersey Cities,” *Journal of Urban Affairs* 29, 2 (2007): 213–214; Joshua Ambrosius, John Gilderbloom, William Steele, Wesley Meares, and Dennis Keating, “Forty Years of Rent Control: Reexamining New Jersey’s Moderate Local Policies after the Great Recession,” *Cities* 49 (2015): 128.

¹⁰ Margery Turner, “Housing Market Impacts of Rent Control: The Washington, D.C. Experience,” Washington, DC: Urban Institute, 1990, 84–94.

that new rental units were built in the District and other uncontrolled cities during the 1970s and 1980s, even when the rental stock nationwide was shrinking.¹¹

California: The Urban Displacement Project assessed housing production from 2007 to 2013, and found that the six cities with rent control in the Bay Area produced more housing units per capita than cities without rent control.¹² A comprehensive report by Berkeley's Planning and Development Department considers the effect of rent control from 1978 to 1994 and concludes that "the best available evidence shows that rent control had little or no effect on the construction of new housing."¹³

On balance, there is little evidence to support the theory that rent control decreases housing production. In fact, the evidence shows that overall market conditions and zoning have much more influence over new housing supply than rent control regulations.¹⁴ As such, cities and states should pair rent regulations and tenant protections with policies that facilitate new housing construction.¹⁵

Conversions from Rental Housing to Ownership Housing

There is some evidence to support the theory that rent control decreases the overall supply of rental housing by incentivizing landlords to convert rental units to condominiums and other forms of ownership housing. However, cities that saw an increase in condo conversions because of rent regulations did not have strong ordinances in place to limit these conversions, even though strong ordinances are commonly passed in conjunction with rent control regulations.¹⁶ The District passed the Condominium Act of 1976 and the Rental Housing Conversion and Sales Act of 1980 within the first several years of home rule. Rent control to regulate condominiums, require majority support from the property's tenants for conversion, and prevent displacement of elderly tenants and tenants with a disability by allowing them to remain as renters after conversion. Before rent control was repealed in Massachusetts, cities included ordinances that made condo conversions cumbersome, including requiring that a rent control board approve conversions, giving tenants three years advance notice before conversion, and providing relocation assistance.¹⁷ In California, most local jurisdictions with rent stabilization regulate condo conversions for buildings of a certain size, capping the percentage of rental units that can be converted, requiring that tenants have the right of first refusal, or requiring significant

¹¹ Turner, "Housing Market Impacts," 84-93.

¹² [Miriam Zuk, "Rent Control: The Key To Neighborhood Stabilization?" Urban Displacement Project, September 9, 2015.](#)

¹³ Planning & Development Department, "Rent Control in the City of Berkeley, 1978 to 1994: A Background Report," City of Berkeley, May 27, 1998, 76.

¹⁴ Chew and Truehaft, "Our Homes," 23; Manuel Pastor, Vanessa Carter, and Maya Abood, "Rent Matters: What are the Impacts of Rent Stabilization Measures?" USC Dornsife Program for Environmental and Regional Equity, Los Angeles, October 2018, 14; Nicole Montojo, Stephen Barton, and Eli Moore, "Opening the Door for Rent Control: Toward a Comprehensive Approach to Protecting California's Renters," Haas Institute for a Fair and Inclusive Society, Berkeley, CA, 2018; Leslie Gordon, "Strengthening Communities through Rent Control and Just-Cause Evictions: Case Studies from Berkeley, Santa Monica and Richmond," Urban Habitat, Oakland, CA, January 2018, 8-9.

¹⁵ [Jenny Schuetz, "Is rent control making a comeback?" Brookings Institution, July 17, 2019.](#)

¹⁶ Montojo, Barton, Moore, "Opening the Door", 28; Chew and Truehaft, "Our Homes", 37; Rajasekaran, "Will New Statewide"; Karolina Gorska and Mitchell Crispell, "Condominium Conversion Policy Brief," Urban Displacement Project, Berkeley, CA, February 2016, supra.

¹⁷ Sims, "Out of Control," 131.

relocation assistance.¹⁸ New York's recent rent reform allows conversion, but requires 51 percent of all current tenants to sign on to enable a non-evict conversion (as opposed to 15 percent previously).

A study of the 1994 expansion of rent control to small buildings in San Francisco found that landlords converted 15 percent of available rental housing to condominiums, cooperatives, and other types of nonrental property.¹⁹ However, the authors of this paper attribute all conversions to the expansion of rent control, but do not consider the loopholes in California's rent control law that allowed conversions to happen in the first place—namely unsuccessful efforts to regulate “tenancies-in-common”—condo-like entities that skirt limits on conversions.²⁰

Studies conducted in Massachusetts show that rent control has the potential to prevent condo conversions under the proper regulatory framework. One study on Boston, Cambridge, and Brookline, Massachusetts compared the rental and ownership patterns before and after the statewide repeal of rent control in 1995. It found that while rent control had no effect on the quantity of housing units supplied, housing units in previously-controlled areas were more likely to become rental units after the repeal of rent control than units in areas that never had rent control.²¹ Another study focused just on Cambridge, Massachusetts found that the stock of condominiums increased 32 percent in the ten years following the repeal of rent control in Massachusetts at a time when the stock of residential houses decreased by 6 percent.²² Cambridge repealed a 1979 ordinance preventing the conversion of rental units to condominiums at the same time as it repealed rent control.²³ This suggests that the rate of conversion of rental housing to ownership housing in markets could be mitigated by strengthening ordinances preventing or regulating conversions.

Some economic theory contends that rent regulations may boost housing supply.

In opposition to conventional economic theory, some theorize that rent regulations can boost housing construction in “tight” rental markets (i.e., markets with low vacancy rates and rising rents where developers and landlords have market power).²⁴ If developers cannot generate extra profits through rent increases due to rent regulations, they may be incentivized to build more units. Some evidence from California shows this to be true. Analyzing new construction across the decades, a 1998 report on the effect of rent control in Berkeley, California shows that building permits hit their highest levels since 1971 in 1989—nine years after the passage of rent control.²⁵ Further, the three largest Bay Area cities with rent control (San Francisco, San Jose, and Oakland) and Los Angeles built far more multifamily rental units since 2000 than cities without rent regulations.²⁶ A former Berkeley Housing Director described another way in which this theory could pan out: in hot rental markets, if rent control and

¹⁸ Pastor, Abood, and Carter, “Rent Matters?” 15.

¹⁹ Diamond, McQuade, and Qian, “The Effects of Rent Control,” 3.

²⁰ [Dean Preston and Shanti Singh, “Dear Business School Professors: You’re Wrong, Rent Control Works,” Shelterforce, March 28, 2018.](#)

²¹ Sims, “Out of Control,” 142-143.

²² David Autor, Christopher Palmer, and Parag Pathak, “Housing Market Spillovers: Evidence from the End of Rent Control in Cambridge, MA,” *Journal of Political Economy* 122, 3 (2014): 671.

²³ Autor, Palmer and Pathak, “Housing Market Spillovers,” 668-670; Rajasekeran, Treskon, and Greene, “Rent Control,” 5-6

²⁴ [Gary Painter, “Op-Ed: No, rent control doesn’t always reduce the supply of housing,” Los Angeles Times, October 31, 2018.](#)

²⁵ Gordon, “Strengthening Communities,” 8-9; Planning & Development Department, “Rent Control in the City,” 74.

²⁶ Montojo, Barton, Moore, “Opening the Door,” 28.

other tenant protections allow tenants to stay in their homes, tenants that can afford market rate housing will both drive demand for new construction and perhaps even be able to afford rents high enough to make new construction pencil out.²⁷ This theory is largely untested, but presented here to challenge conventional wisdom that all markets react the same to regulation.

Myth 2: Rent control results in lower maintenance and poor housing conditions.

Basic economic theory predicts that landlords will defer maintenance on their properties, because they are receiving a lower return on investment under rent control.

Reality: There is no association between poor housing quality and rent control units.

Poor building quality and deferred maintenance does not result from rent control. It is true that much of the rental housing stock that is affordable for low- and moderate-income tenants suffers from deferred maintenance issues of varying degrees of severity. But this problem exists across the continuum of public and private rental housing, not just in units covered by rent control.

A comprehensive 1990 study of the rental housing market in the District found a positive relationship between rent control and building maintenance. The study found that the share of physically deficient units declined from 26 percent to 20 percent after the passage of rent control.²⁸ Moreover, units exempt from rent control had higher rates of deficiencies than those under rent control (25 percent versus 20 percent). In a survey of 3,600 unassisted renter households in the District, 80 percent said that building maintenance was as good or better than it had been in the absence of rent stabilization. In fact, low-income renters, especially, said rent regulation made them more willing to insist on repairs.²⁹

When assessing the impacts of rent control on building quality, it is important to distinguish between cosmetic improvements in a building's appearance and functional maintenance issues that decrease quality of life (e.g., plumbing, electrical failures, wiring shorts, etc.).³⁰ A study covering 1978-1987 in New York City found that landlords in rent-controlled buildings conducted maintenance, whereas other economic factors such as buyouts and vacancy decontrol induced landlords to renovate.³¹ A study of the abrupt repeal of rent control laws in Boston, Brookline, and Cambridge, Massachusetts shows that rent control had no significant effect on functional maintenance issues, but that units were less likely after repeal to experience "chronic aesthetic" problems (e.g., broken paint or plaster, holes in walls, and loose railings).³² Multiple studies indicate that landlords will defer maintenance on issues for which there are not significant consequences, suggesting that many quality issues could be mitigated by stricter enforcement of housing code violations, rewarding landlords who invest in and use a

²⁷ Pastor, Carter, and Abood, "Rent Matters?" 14.

²⁸ Turner, "Housing Market Impacts," 84-88.

²⁹ Turner, "Housing Market Impacts," 86; Chew and Truehaft, "Our Homes," 6, 23.

³⁰ Chew and Goldstein, "Universal Rent Control Now."

³¹ Choon-Geol Moon and Janet G. Stotsky. "The Effect of Rent Control on Housing Quality Change: A Longitudinal Analysis," *The Journal of Political Economy* 101, 6 (1993), 1114-1148. An earlier study using 1968 data in New York City found a negative relationship between rent control and building quality, however the buildings in the study were already in a state of disrepair when rent control was adopted, making it difficult to isolate the effects of rent control. Joseph Gyourko and Peter Linneman, "Rent Controls and Rental Housing Quality: A Note on the Effects of New York City's Old Controls," *Journal of Urban Economics* 27, 3 (1990), 398-409. See also Lisa Sturtevant, "The Impacts of Rent Control: A Research Review and Synthesis," National Multifamily Housing Council, Washington, DC, May 2018, 13-14.

³² Sims, "Out of Control," 143-146.

replacement reserve, or making rent increases contingent on maintaining units up to housing code standards.³³

Another means to assess whether rent control causes landlords to disinvest in property maintenance is to look at housing provider petitions, which landlords can file with the District government to request extraordinary rent increases on tenants beyond the allowable annual increase. There are four types of housing provider petitions in the District—hardship petitions, substantial rehabilitation petitions, capital improvement petitions, and services and facilities petitions. If rent control were the sole reason rents in distressed properties were constrained, there should be high usage of these petitions. However, the use of these petitions in the District has historically been low, suggesting that rent control is not the primary reason landlords defer maintenance.³⁴ For example, there have been only 105 hardship petitions filed in the District during fiscal years 2007-2019, an average of eight per year.³⁵

Myth 3: Rent control does not work well as an affordable housing program because it does not efficiently target low- and moderate-income tenants.

Some opponents claim that rent control is not an efficient mechanism for low-income tenants to access affordable housing.³⁶ They claim rent control hurts the poor, the elderly, and people of color, who are most in need of affordable rental housing, but are “locked out” of the rental market by tenants who occupy rent controlled units but are less in need of housing that is below market-rate.³⁷ They argue that housing vouchers, government subsidies, and Low Income Housing Tax Credits (LIHTC) are better mechanisms for creating more affordable housing options.³⁸

Reality: Rent control does result in a large stock of rental housing that is affordable for low- and moderate-income tenants and other communities vulnerable to displacement.

The private rental market has never produced enough housing to meet the needs of low-income tenants, and government subsidies have always been insufficient to fill the gap. Over the past several decades, government support for housing assistance has steadily decreased. Further, rents have continued to rise as wages have stagnated, resulting in the severe housing affordability crisis we face today.³⁹ Extremely-low-income renter households (those with incomes from 0-30 percent of Area Median Income) fare the worst; nationally, there are only 37 affordable rental units for every 100 extremely-low-income renters.⁴⁰ In the District, there is a shortage of over 30,000 rental homes for

³³ Rajasekeran, Treskon, and Greene, “Rent Control,” 5; Gilderbloom and Lin, “Thirty Years of Rent Control,” 209, 216; Sims, “Out of Control,” 144; Pastor, Carter, and Abood, “Rent Matters,” 11; Sturtevant, “The Impacts of Rent Control,” 12-14. Nandinee K. Kutty, “The Impact of Rent Control on Housing Maintenance: A Dynamic Analysis Incorporating European and North American Rent Regulations,” *Housing Studies* 11, 1 (1996), 69–88.

³⁴ Data collected by the Legal Aid Society of the District of Columbia and shared with CNHED. Turner, “Housing Market Impacts,” 93, also found low usage of housing provider petitions during the 1980s.

³⁵ Data compiled by the Legal Aid Society of the District of Columbia.

³⁶ Sturtevant, “The Impacts of Rent Control: A Research Review and Synthesis,” 8-10.

³⁷ Peter Dreier, “Rent Deregulation in California and Massachusetts: Politics, Policy, and Impacts,” Occidental College, Los Angeles, May 1997, 43-44.

³⁸ Sturtevant, “The Impacts of Rent Control,” 8; Diamond, McQuade, and Qian, “The Effects of Rent Control,” 30-31.

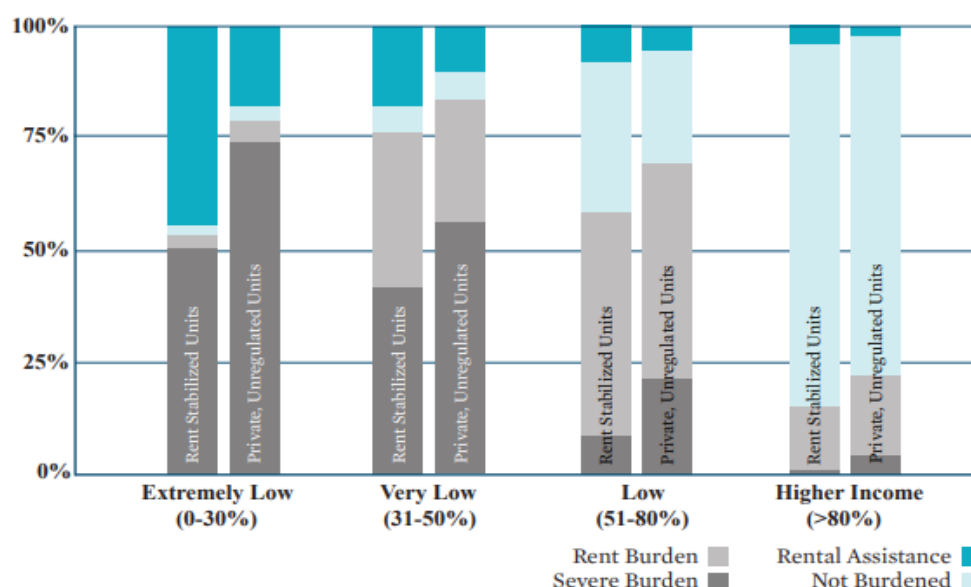
³⁹ Chew and Truehaft, “Our Homes,” 11.

⁴⁰ Andrew Aurand, Dan Emmanuel, and Diane Yentel, “The Gap: A Shortage of Affordable Homes,” National Low Income Housing Coalition, Washington, DC, March 2019, 3.

extremely-low-income renters.⁴¹ While rent control stabilizes housing costs for tenants, it does not use local and federal government assistance as subsidized affordable housing programs do.

Rent control's direct, first-order effect is to lower rents overall. Research unequivocally shows that rent regulations decrease rent burdens for tenants.⁴² This reduced rent burden is especially true for low-income tenants. In New York City, low-income, rent-stabilized households are much less rent burdened than their market rate counterparts, especially among extremely-low-income households (Figure 1).⁴³ Extremely-low-income households are more likely to receive rental assistance, suggesting that rent stabilization complements rental assistance programs better than the private market does.⁴⁴

Figure 1: Rent Burden and Rental Assistance by HUD income Limits in New York City



Source: Waickman, Jerome, and Place, "Affordability of Rent Stabilized Units," 4.

Several empirical studies have found that rent controlled units are disproportionately occupied by those with lower incomes than units that are not covered by rent control.⁴⁵ Several sources show that higher proportions of rent stabilized households in New York City are low income, elderly, and receive public assistance than unregulated households.⁴⁶ One estimate shows that if current rent control campaigns in six states (California, Colorado, Illinois, New York, Oregon, and Washington) and two cities (Philadelphia and Providence) succeed, 12.7 million tenant households will be stabilized, 75 percent of which are low- and moderate-income and most of which are housing cost-burdened (52 percent), meaning they pay

⁴¹ [National Low Income Housing Coalition, "2019 District of Columbia Housing Profile," February 2019.](#)

⁴² Rajasekaran, Treskon, and Greene, "Rent Control," 2; Pastor, Carter, and Abood, "Rent Matters?" 10-11; Oksana Mironova, "A Guide to Rent Regulation in New York City: How It Works, What Went Wrong, and How to Fix It," Community Service Society, New York, January 2019, 18, 22.

⁴³ [C. R. Waickman, J. B. R. Jerome, R. Place, "Affordability of Rent Stabilized Units," New York City Department of Housing Preservation and Development, 2018.](#)

⁴⁴ Waickman, Jerome, and Place, "Affordability of Rent Stabilized Units."

⁴⁵ Pastor, Carter, and Abood, "Rent Matters?" 8-10.

⁴⁶ [Waickman, Jerome, and Place, "Affordability of Rent Stabilized Units," 1; NYU Furman Center, "Profile of Rent-Stabilized Units and Tenants in New York City," June 2014, 7 \(Table H and Table I\).](#)

more than 30 percent of their income on rent.⁴⁷ Anecdotes of extremely wealthy tenants benefitting from rent control are just that—anecdotes. Upper income tenants living in rent-controlled units are exceptions, not the rule.

Rent regulation also helps other vulnerable communities. New Jersey, California, New York City, and Cambridge, MA (before the repeal of rent control) all have had higher proportions of racial/ethnic minorities in rent stabilized units.⁴⁸ Further, rent control reaches immigrants who are otherwise not eligible for federal housing assistance.⁴⁹ It also disproportionately benefits households headed by women, who are more likely to be rent-burdened.⁵⁰

Subsidized housing programs can target low-income individuals with more precision, because housing vouchers and LIHTC are only available to tenants below certain income thresholds, and thus are more efficient at targeting low-income tenants. However, these programs are not meaningful alternatives to rent control, because the public and their elected representative have been unwilling to adequately fund them. Today, only one in five of the 22.3 million tenants in need of federal assistance receive it, a share that is slowly declining.⁵¹ In 2017 in the City of Los Angeles, for example, nearly 190,000 people applied for 20,000 available spots on the Section 8 waiting list—a list that had previously been closed for thirteen years.⁵²

Nationally, proposals to impose means testing requirements for rent control likely would lead to discrimination against low-income tenants and further erosion of rent control over time.⁵³ Income discrimination is already pervasive in many rental markets, as landlords are allowed to screen out tenants based on receiving housing assistance.⁵⁴ If means testing rent control resulted in a system that removed rent control from units with high-income households, then landlords would be incentivized to screen out low-income tenants. New York provides a case study of what can occur if units that exceed certain thresholds are deregulated. In New York’s most recent wave of reforms, the city banned high-rent, high-income deregulation, which allowed rent-controlled units exceeding monthly rent of \$2,774.76 (as of January 1, 2019) to be removed from rent control if a tenant earned more than \$200,000 a year for two years in a row.⁵⁵ Similarly, under high-rent vacancy deregulation, landlords were allowed to deregulate vacant units when rents exceeded this threshold. Since 1994, when deregulation was first implemented, a total of 166,747 units have been lost (6,455 through high incomes and 160,292 through vacancy decontrol).⁵⁶

⁴⁷ Chew and Truehaft, “Our Homes,” 19.

⁴⁸ Pastor, Carter, and Abood, “Rent Matters?” 19-21; Waickman, Jerome, and Place, “Affordability of Rent Stabilized Units,” 1; Chew and Truehaft, “Our Homes,” 12.

⁴⁹ Chew and Truehaft, “Our Homes,” 21.

⁵⁰ Ibid.

⁵¹ Ibid, 14-15.

⁵² Pastor, Carter, and Abood, “Rent Matters?” 20.

⁵³ Montojo, Barton, Moore, “Opening the Door,” 28.

⁵⁴ [Kriston Capps, “Why is it legal for landlords to refuse Section 8 renters?” CityLab, December 13, 2018.](#) While the District bans discrimination based on source of income, its Office of Human Rights is not adequately resourced to enforce this protection.

⁵⁵ [Sharon Otterman and Matthew Haag, “Rent Regulations in New York: How They’ll Affect Tenants and Landlords,” New York Times, June 12, 2019;](#) [New York City Rent Guidelines Board, “Changes to the Rent Stabilized Housing Stock in NYC in 2018,” May 16, 2019, 6-7.](#)

⁵⁶ New York City Rent Guidelines Board, “Changes to the Rent Stabilized Housing Stock in NYC in 2018,” 6-7.

Myth 4: Expanding the supply of market rate housing will cause a “filtering” or “trickle down” effect that will result in an increase in units accessible to low- and moderate- income tenants.

Some rent control opponents believe that instead of rent control, we should expand the supply of market rate housing so that rents for older units eventually will decrease. This process is known as “filtering”—when market rate housing “trickles down” and becomes more affordable over time as new units are added to the market.⁵⁷ This theory works as follows: building luxury apartments allows the wealthiest to move into the newest housing, and when supply eventually outstrips demand, this high-end housing will “filter” or “trickle down” to lower-income tenants.⁵⁸ The theory posits that rent control impedes the natural filtering that occurs in a market, because tenants in rent-controlled units may be disinclined to upgrade their units, even as their incomes increase.⁵⁹

Reality: Building more market rate housing as the sole mechanism for providing affordable housing will not alleviate the rent-burden of low- and moderate-income tenants, nor will it relieve the displacement pressures and housing instability that rent control is designed to alleviate.

While most cities and states need to produce new housing—especially affordable housing—rent control and access to affordable housing through filtering do not fill the same needs. For one, building more market-rate housing neither provides residential stability nor alleviates displacement for current tenants. A study on the relationship between housing production, filtering, and displacement shows that the production of market-rate and affordable housing both reduce displacement pressures at the regional level, though affordable housing (i.e. units built with LIHTC and other federal and state subsidies) has twice the impact of market-rate housing.⁶⁰ This means that for every subsidized unit built, we would need to produce two or more market-rate units to have the same reduction in displacement pressure.⁶¹ However, across the country, new housing construction is much more likely to be concentrated at the upper end despite increased need for affordable units.⁶² In 2016, only 19 percent of new rental units rented for less than \$850 per month (down from 42 percent in 2001), while 40 percent of newly built units rented for \$1,500 or more.⁶³

Further investigation done at the neighborhood level in San Francisco found that neither type of new housing construction—market-rate or affordable—relieved displacement pressures.⁶⁴ The finding that new housing construction may help relieve displacement at the regional level, but has little to no impact

⁵⁷ Miriam Zuk and Karen Chapple, “Housing Production, Filtering and Displacement: Untangling the Relationships,” Institute of Governmental Studies, UC Berkeley, May 2016, 3.

⁵⁸ [Miriam Axel-Lute, “Trickle Up Housing: Filtering Does Go Both Ways,” Shelterforce, November 2, 2017.](#)

⁵⁹ [Brian McCabe, “Rent control, explained,” Greater Greater Washington, September 13, 2016.](#)

⁶⁰ One reason affordable housing construction may relieve displacement pressures more than market-rate housing could be due to a sort of reverse filtering. When developers build affordable housing in a tight, high-cost market, it trickles up, not down. For example, extremely-low- and very-low-income tenant households (0-30 and 31-50 percent of AMI, respectively) who are paying more than 50 percent on their income or more on housing, meaning they are currently occupying housing that is affordable to tenants at 50 to 80 percent of AMI. When housing is built to be affordable for those below 50 percent of AMI, housing formerly occupied by tenants that were living above their means will become available for those between 50 to 80 percent AMI. Zuk and Chapple, “Housing Production”; Axel-Lute, “Trickle Up Housing”; [Dan Emmanuel, “The Upshot of Focusing on Extremely Low Income Renters: Expanded Housing Availability for All Renters,” National Low Income Housing Coalition, May 18, 2016.](#)

⁶¹ Zuk and Chapple, “Housing Production,” 4.

⁶² Chew and Truehaft, “Our Homes,” 14.

⁶³ Ibid, 14.

⁶⁴ Zuk and Chapple, “Housing Production.”

at the neighborhood level, suggests that in San Francisco and similar housing markets the need for housing is so severe that production alone cannot mitigate displacement.⁶⁵ New construction—especially if it is affordable—may impact housing prices over time, but does little to combat the negative effects of housing instability that results from displacement from one’s neighborhood.⁶⁶

The theory of filtering rests on creating enough supply that those with the highest incomes will move and pass on older housing stock to those at the next income level (and so on and so on). However, the housing shortage we face today is decades in the making. Restrictions on new housing construction since the 1970s have prevented the kind of filtering that has historically produced much of the country’s affordable housing stock.⁶⁷ As such, there is not a readily available supply of aging housing at lower price points in cities that need it the most.⁶⁸ Even if new construction were to begin today, it would take generations for the filtering process to produce housing that is affordable.⁶⁹ According to the American Economic Association, the rent of a typical unit declines an average of 0.31 percent per year—meaning rent will fall only 9 percent after 30 years.⁷⁰ Research shows that filtering rates have an inverse relationship with housing inflation, so cities that are experiencing a rapid rise in rents have slower filtering rates.⁷¹ Filtering also rests on the assumption that renters always will opt for new, luxury housing. However, in some markets where rents are quickly rising, renters are showing preference for older, architecturally significant properties, which disrupts the so-called filtering process.⁷² In fact, one study found that once a rental unit hits 50 years or older, it begins to “filter up” and starts being coveted by higher income tenants again.⁷³

The theory of filtering is not borne out by data. A recent study shows that the United State lost nearly 4 million low-cost rental units (defined as under \$600/month) from 1990 to 2017.⁷⁴ This loss is despite a *net gain of 10.9 million rental units* during this time. Ninety-five percent of this net increase stems from units renting for over \$1,000/month. If the filtering theory panned out, then this increase in high-rent units should have led to an overall decrease in rents—or at least a slower increase. But this has not been the case. In 1990, 46 percent of rental units nationwide went for under \$600/month (inflation-adjusted). In 2017, that number decreased to just 16 percent.

⁶⁵ Ibid, 7.

⁶⁶ [Jeff Fong, “Trickle-Down Housing Economics? Laying Reagan’s Ghost to Rest,” Market Urbanism, August 25, 2015.](#)

⁶⁷ [Daniel Hertz, “What filtering can and can’t do,” City Commentary, October 11, 2015.](#)

⁶⁸ Fong, “Trickle-Down Housing.”

⁶⁹ Zuk and Chapple, “Housing Production,” 3.

⁷⁰ [Emily Badger, “How to make expensive cities affordable for everyone again,” Washington Post, February 19, 2016.](#)

⁷¹ Zuk and Chapple, “Housing Production,” 3.

⁷² Ibid, 3.

⁷³ Hertz, “What filtering can and can’t do.”

⁷⁴ Elizabeth La Jeunesse, Alexander Hermann, Daniel McCue, and Jonathan Spader, “Documenting the Long-Run Decline in Low-Cost Rental Units in the US by State,” Joint Center for Housing Studies of Harvard University, September 2019, 4.

Please Don't Pass Pro-Rent Gouging Bill 15-23 – For Racial Equity & Social Justice, Pass HOME Act

As a resident of Takoma Park, I'm acutely aware of how much rent stabilization has strengthened and supported the stability and resilient health of our City over the last few decades. It has played a major role in our success in celebrating and preserving our racial diversity, offering a welcoming place with strong schools and good local services for hard-working immigrants from many lands to set down new roots to raise their children, and building together across our community a strong civic culture that values the continued presence and contributions of all residents. Rent stabilization has provided not just increased housing security for Takoma Park residents who rent, of whom a disproportionate share are residents of color, but also a kind of community-wide security that enriches all of our lives.

And no, the sky has not fallen.

In fact, similar to the provision in the HOME Act (16-23), landlords in Takoma Park are able [to petition](#) for special increases, if they find themselves in any particular year in circumstances that require that to maintain the safe, quality housing that residents deserve, while making a fair return for their own businesses. Takoma Park's suite of housing policies also includes other initiatives to prioritize fair housing, including grant assistance with downpayments for first-time home buyers who are income eligible and the Tenant Opportunity to Purchase Law, which since 1986 has given tenants a right of first refusal when a landlord decides to sell. Together, these policies have supported numerous residents, on their own or organizing with other tenants, to transition from renting to home ownership without moving, and so to begin to build the kind of generational wealth and stability that has historically been disproportionately available to white families. (A success story that, on paper, may look like a "loss" of rental housing units, but in actuality is a gain for the individuals involved and our community.)

But rent stabilization in particular has been key to our community's stability and the prevention of our neighbors – your constituents! -- being forced by big rent increases to disrupt their lives, their children's lives, and the fabric of our community by having to suddenly rush to find shelter elsewhere. Now it's time for Montgomery County to apply similar wisdom countywide.

Our County, like our nation, is in the midst of a housing crisis, a social emergency. It's time for the County government to act swiftly and decisively – as governments have a responsibility to do when residents' security is at issue. I urge the Montgomery County Council to resist the lure of a faux response – which is what the misnamed "Anti-Rent Gouging" bill would be. Instead, please prioritize coming together to unanimously pass the Housing Opportunity, Mobility, and Equity (HOME) Act.

Don't let Montgomery County's long struggle to inch toward social justice and racial equity roll backwards, on your watch. The County's official stamp of approval on increases of 8 percent plus inflation? Anyone familiar with human psychology would predict that arguably obscene increase would eventually devolve into the new normal.

Housing is shelter. And shelter, like food and water, is a basic human need. It is, in fact, so essential to human wellbeing that long ago, in 1948, [the right to adequate housing](#) was recognized as a fundamental right by the United Nations in the *Universal Declaration of Human Rights*. Being in the business of providing safe, quality shelter to others is, therefore, an honorable way to make a living -- but it's not an honorable way to try to make a killing. The HOME Act gives ample room for honorable landlords and responsible developers to make a good living. But it does so while protecting the basic right to adequate

shelter for so many of your constituents who are renting their homes -- by protecting them from being displaced from our County by unreasonable and unpredictable increases in rent.

In closing, please take to heart the summary statements of your own Office of Legislative Oversight, as to the profound impact that one of the two rent-related bills before you could have in advancing our County's most pressing social goals, compared to the smallness of the other bill's potential, at a moment when smallness in acting to achieve equity should not be an option (highlighting added):

The misnamed "Anti-Rent Gouging" bill:

<https://www.montgomerycountymd.gov/OLO/Resources/Files/resjis/2023/Bill15-23.pdf>

"Summary: The Office of Legislative Oversight (OLO) anticipates Bill 15-23 will have **a small positive impact** on racial equity and social justice (RESJ) in the County. While the proposed rent regulations would disproportionately benefit Black and Latinx tenants, the magnitude of the allowable rent increases could still displace cost-burdened Black and Latinx households. Further, the Bill **contains no provisions to prevent tenant displacement**. Nonetheless, the Bill could prevent more excessive rent increases that could worsen current racial inequities in housing insecurity.

The HOME Act:

<https://www.montgomerycountymd.gov/OLO/Resources/Files/resjis/2023/Bill16-23.pdf>

"Summary: The Office of Legislative Oversight (OLO) anticipates Bill 16-23 will have **a moderate to large positive impact** on racial equity and social justice (RESJ) in the County. The proposed rent regulations would disproportionately benefit Black and Latinx tenants with improved housing affordability and stability. Further, the Bill systemically reinforces these benefits through establishing a permanent rent regulation program; creating new funding for affordable housing and the administration of the rent regulation program; and **including provisions aimed at preventing tenant displacement**.

Those summaries clarify the situation for you: Please resist the embarrassingly transparent pretense of taking action – Bill 15-23 – which is likely to backfire and actually push up the level of average rent increases. Instead, adopt the HOME Act (16-23), and take a serious, fair, practical step toward real social progress. All of us – the third of your constituents who rent their homes and the two-thirds of your constituents who own their homes – are counting on that kind of strong leadership from you to protect and expand the resilience and wellbeing of our entire community.

Colleen Cordes
Takoma Park Resident

Danielle Herrmann
Takoma Park, MD

Testimony in Support of the HOME Act (Bill 16-23), and In Opposition to the “Anti-Rent Gouging” Bill (Bill 15-23)

My name is Danielle Herrmann, and I am a resident of District 4, in Takoma Park. As a medical clinical social worker, I have witnessed the adverse effects of unstable housing and substandard housing conditions, disproportionately borne by our community’s most vulnerable individuals and families. The injurious impact has staggering consequences, especially for children, BIPOC, and members of low-income communities, as well as elders and those with disabilities. The National Association of Social Workers recognizes that adequate shelter – which, importantly, means stable shelter – is essential to a stable life, mental well-being, and health and safety.

As an immunocompromised senior citizen, this universal need hits close to home; my now-safe, stable housing is my lifeline. But I lived in dangerous conditions despite being a tenant in good standing, paying over \$25,000 in rent per year for a unit in a multi-family dwelling. All tenants were subjected to uncontrolled roaches, which, according to Pest Control, were the result of chronic basement flooding and structural leaks creating wall moisture and mold in units. During the winter we often had insufficient or no heat for days or even weeks. Some tenants used electric heaters 24/7, which put all tenants at risk of unintended injury and death. I tried for months to leave unsafe situation. But 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 also come to you as a social worker for whom navigating housing resources should be easy - at least, easier. Yet the search was 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. The HOME Act, by stabilizing rents at a maximum of 3%, changing reporting requirements for landlords, creating funding for affordable housing through its vacancy tax, and requiring transparency around landlord maintenance, would stabilize a housing market too precocious for even the most experienced to navigate. On the other hand, Bill 15-23 would codify and *incentivize* the very same instability that threatens the health of our county’s renters – almost half of our County!

I urge the Council to pass the HOME Act swiftly, and to full oppose Bill 15-23. Thank you.

April 18, 2023

Via Email

Mr. Evan Glass, Council President
And Members of the County Council
Council Office Building
100 Maryland Avenue, 4th Floor
Rockville, MD 20850

Re: March 28, 2023 County Council Public Hearing (Council Bill Nos. 15-23 and 16-23); Rose Valley Management DBA Hampshire Properties LLC's Written Testimony

Dear Council President Glass and Councilmembers:

On behalf of Rose Valley Management, we offer the following comments to Council Bill No. 15-23 (the "Anti Rent Gouging Protections Act") and Council Bill No. 16-23 (the "HOME Act") (collectively, the "Proposed Council Bills") that propose to substantially modify well-established, longstanding rental housing policies in Montgomery County. Since the Proposed Council Bills are concurrently scheduled for public hearings (and will presumably be reviewed at work sessions in tandem), we are submitting comments to the Proposed Council Bills in one letter.

Rose Valley Management is the management company for The Enclave at Silver Spring Apartments (1,119 apartment homes and Milestone Apartments (576 apartment homes) in Germantown. The age and condition of these apartments require significant upgrades to meet market demands and compete with the amenities offered by other nearby apartment properties. Rose Valley Management has spent millions of dollars on capital expenditures into the apartments and amenities, including riser replacements, Amazon Lockers, complete parking and garage repairs, full renovations of apartment homes, enhanced landscaping, and dog recreational facilities, not to mention the day to day upkeep of the property and apartment homes. These proposed capital improvements will benefit the residents and County's commercial tax base. However, as explained in greater detail below, these capital expenditures will be infeasible if either of the Proposed Council Bills are adopted without amendments that fully consider economic fundamentals necessary to improve multi-family buildings. All parties recognized the risk in spending that amount of capital but were convinced in part due to the quality of the location and its durability as a long term community and investment for the families. Being required to conform to a newly enacted, unanticipated rent control ordinance will damage our business. In fact, adoption of the Home Act in any form may preclude any reinvestment in the Property.

I. Written Testimony to the HOME Act

Rose Valley Management strongly opposes the HOME Act because it would restrict allowable rent increases to a level that is insufficient to support most, if not all, capital expenditures and operations necessary to ensure that multi-family communities are maintained to a condition that enhances resident's quality of life and public welfare for the long term. Rose Valley Management's goal is to continue to provide its residents with quality housing and amenities. The Home Act would severely limit any further investment in Montgomery County and be a disservice to the residents at the Property.

A rent cap of 3% or the rental component of the annual CPI will have the effect of discouraging reinvestment in existing housing. While the HOME Act includes provisions that would allow a property owner to petition for a fair rent return where certain capital expenditures are made, such discretionary process does not provide the certainty that is necessary for a property owner to undertake risk and incur

financial obligations that allow for improvements. We respectfully request that the Council vote the Home Act down and not pursue this proposal any further.

II. Written Testimony to the Anti Rent Gouging Protections Act

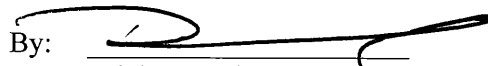
In addition, Rose Valley Management is generally opposed to any form of regulated rent restrictions for market rate units and believes that it is in the public interest to allow market conditions to control rental rates.

Notwithstanding Rose Valley Management's opposition, the Anti Rent Gouging Protections Act presents a more workable framework than the Home Act. More specifically, the Anti Rent Gouging Act's proposal to limit annual rent increase to 8% plus the Consumer Price Index for All Urban Consumers (CPI-U) in the Washington area is likely to be consistent with what the market will support as a ceiling for rent increases at many apartment communities in the County. However, the proposed rent increase allowance still does not adequately account for situations where a property owner makes capital improvements to the benefit of residents and the County's tax base. In these instances, such investment is only feasible where the property owner can recoup its investment and achieve a rate of return commensurate with the risk of making such investment.

While proposed Section 29-58 of the Anti-Rent Gouging Act would create a limited and temporary surcharge for capital improvements, the mechanics and framework for the surcharge will not functionally allow for property owners to make such an investment because it lacks the certainty required to obtain financing. First, requiring a property owner to pursue a discretionary process to obtain approval for such a surcharge creates additional administrative costs and process that will frustrate and limit reinvestment in apartment communities that would otherwise enhance both the County's commercial tax base and residents' quality of life. In this respect, the County simply is not structured to efficiently and properly review capital improvement plans such that it can administer allowable surcharges as set out in the Bill currently. In addition, capital improvements should rightfully be determined by the owners of the property and not by a government. Second, the allowable timeframes for a property owner to recover the cost of capital improvements do not allow for the rate of return that is necessary to underwrite such improvements through financing. While the Anti-Rent Gouging Act permits recovery of capital costs over a 12-to-24-month period (depending on the nature of the improvements), these types of capital improvement projects can only be financed and implemented where a property owner has the opportunity to achieve a commensurate rate of return into the future. In some cases, depending on tenancy and economic conditions, recovery or return on investment over 12-24 months could be unachievable. Again, the market determines rental rates and therefore return on investment. In summary, a property owner bears all the risk (including lender commitments) in making such improvements to the benefit of their residents and the County's tax base, and the Anti Rent Gouging Act impairs a property owner's ability to achieve a rate of return that makes these capital improvements financeable.

We thank you for your time and consideration reviewing these written comments to the Proposed Council Bills and hope that the Council will work with apartment owners to establish policies that continue to promote reinvestment and maintenance of multi-family housing to the benefit of County residents.

**Rose Valley Management DBA Hampshire
Properties LLC,**
a Delaware limited liability company

By: 
Daniel Rosenthal
CEO



Montgomery County Council
Council Office Building
100 Maryland Avenue
Rockville, MD 20850

March 28, 2023

Dear Council President Glass and members of the Montgomery County Council:

My name is Dan Reed and I serve as the Regional Policy Director for [Greater Greater Washington](#), a nonprofit that works to advance racial, economic, and environmental justice in land use, transportation, and housing throughout Greater Washington. We believe that rent stabilization is an important, near-term solution to prevent displacement, but not an affordable housing solution on its own.

While both proposed rent stabilization bills in front of the council have merits, I am testifying today in support of Bill 15-23, Anti-Gouging Protections with amendments. Given its six co-sponsors to Bill 16-23's two co-sponsors, the council's choice is not between the two bills as much as it is between *a* rent stabilization policy in Montgomery County, and *no* rent stabilization policy in Montgomery County. We anticipate that this bill will be amended with a lower rent cap, which we fully support. It's worth noting that DC's rent cap is currently 2% plus CPI or 10%, whichever is higher.

The Urban Institute [identifies rent stabilization and/or control](#), among other tenant protections, as an effective anti-displacement measure. [Thirty-five percent of Montgomery County households rent their homes](#), and [51% of renters are already cost-burdened](#) (paying more than 30% of their monthly income on rent). [Rents in the DC area grew nearly 16 percent](#) between the first quarter of 2021 and the first quarter of 2022. Such large, dramatic rent increases can push residents out of their homes, out of their neighborhoods, and out of the county.

If rent stabilization gives tenants the choice to stay in their homes, increased housing production gives tenants the choice to find a new home if their needs or preferences change without having to leave the people and places that matter to them. In the long term, the county needs more income-restricted, subsidized homes, and market-rate homes: Per its own needs assessment, Montgomery County [has to provide at least 3,200 new homes each year](#) over the next 20 years to accommodate its growing population—nearly twice the 1,800 homes we approved in 2021. [Another](#)

The Washington, DC region is great ➤ and it can be greater.



[Urban Institute study](#) notes that allowing more homes on any given piece of land can prevent rent increases while creating new housing options, particularly for middle-income residents. Like rent stabilization, housing production alone is not an affordable housing solution.

Therefore, I urge the County Council to, upon approval of an amended bill, use its powers to:

- Increase rental assistance for tenants who have difficulty covering housing costs, regardless of rent increases.
- Expand the Opportunity Housing Development Fund, which provides revolving loans for mixed-income social housing developments in the county, the proceeds from which are then used to produce more housing.
- Increase support for first-time homebuyers such as down payment and closing-cost grants, similar to DC's Open Doors program, which provides up to \$202,000 in down payment assistance for qualified homebuyers.
- Remove parking requirements for new homes near Metro and Purple Line stations. Structured parking costs tens of thousands to build per space, increasing the cost of housing in areas that are already expensive and where people are less likely to drive. House Bill 819, which unanimously passed the Maryland House of Delegates this month, would eliminate parking requirements for new homes within a quarter-mile of Red and Purple Line stations.
- Upzone based on the Attainable Housing Strategies report, which is waiting for Planning Board approval. The report's draft recommendations are to allow up to three homes by-right on lots currently zoned for one house (R-40, R-60, R-90, and R-200); four homes on lots closer to transit; and a new optional method of development to encourage construction of duplexes, cottage courts, townhomes, and small apartment buildings near transit, along the Growth Corridors identified in Thrive 2050, and near activity centers.

This issue is personal for me. Like many people the County Council has heard from on this issue, I have been a tenant. In 2019, a 30% rent increase for my apartment in Rockville left me with no choice but to move. As an organization, GGWash wants to ensure that double digit rent increases are a thing of the past. However, neither Bill 15-23 or Bill 16-23 will relieve the burden of housing costs for all county residents. To do so, we look forward to working with the council to craft and implement the above policies. Thank you for your time and consideration.

Sincerely,

Dan Reed
Regional Policy Director
Greater Greater Washington

David M. Friedman



**TESTIMONY IN SUPPORT OF THE HOME ACT, BILL 16-23;
AND IN OPPOSITION TO THE 'ANTI-RENT GOUGING' BILL 15-23**

My name is David Friedman and I am a resident of District 5, in the Colesville area of Silver Spring. I am testifying because I strongly support the HOME Act, Bill 16-23 as I believe it is consistent with my Jewish heritage and values - our sacred texts recognize that having safe, stable housing is key to a healthy society. Thus, I'm demanding the Council pass rent stabilization with a cap no higher than 3% while guaranteeing fair return for developers and landlords and exempting deeply affordable housing, places of worship, and new construction for 10 years, all elements of the HOME Act.

More than a third of Montgomery County residents are renters so all of us are impacted by the instability caused by skyrocketing rents, especially the 50% of renters who are cost-burdened, i.e. spending a third or more of their income on rent. While I personally am privileged to be a homeowner in Montgomery County, I feel even more strongly that we can only thrive when all of us are able to live within our means and not worry about unmanageable increases in rent. For example, studies have shown that 60% of teachers in Montgomery County schools can't afford to live here and put down roots in our communities. When students face housing insecurity, we see the effect in their growth and learning. Families already struggling to pay for housing should not have to face increases in rent that are tantamount to eviction such as the double-digit annual rent increases that would effectively be codified if Bill 15-23 became law instead of the HOME Act in Montgomery County.

Rent stabilization is a key part of the solution to affordable housing as it provides predictability about rent increases that allows both tenants and landlords to plan. The HOME Act's focus on limiting annual increases to the County's Voluntary Rent Guidelines or 3%, whichever is lower, is consistent with the average increase over the last 20 years and the long-standing Guidelines are based on inflation. Rent stabilization is already practiced in more than 180 jurisdictions

nationwide (including Mt. Rainier in PG County as of February 2023) and is an important tool to help curb Montgomery County's current crisis of evictions, displacement, and homelessness. In addition, the HOME Act would create a new source for the creation of affordable housing by establishing a vacancy tax to disincentivize landlords from keeping units empty while also funding more housing.

Thus, I urge passage of the HOME Act because it centers the experiences of our most vulnerable neighbors and gives them an opportunity to build a life where all can thrive, not one that essentially will allow predatory landlords to drastically raise rents without consideration for their tenants. When it becomes law in Montgomery County, the HOME Act would bring desperately needed stability and predictability for our most vulnerable neighbors while still guaranteeing a fair return for developers and landlords.



My name is David Mott. I live at [REDACTED] [REDACTED] Lane in [REDACTED]. I am submitting this testimony on behalf of the Maryland Poor People's Campaign.

The Maryland Poor People's Campaign is dedicated to organizing working people across all lines of division in Maryland and Montgomery County, especially poor and low-income people, to confront the evils of systematic racism, exploitation and poverty, the war economy, ecological devastation. In so doing we work to raise the voices of those most impacted by injustice to demand an end to poverty in Maryland and Montgomery County.

We believe safe, decent and affordable housing is a human right.

That is why ***we enthusiastically support passage*** of "Home Act," County Council Bill 16-23 introduced by Council Members Will Jawando and Kristin Mink.

And, ***we strongly oppose*** the so-called "Anti-RentGouging," bill 15-23 introduced by Council Members Natalie Fani-Gonzales and Andrew Friedson.

The Home Act is a measured and responsible approach to holding down the cost of rental housing to affordable levels for working people in Montgomery County, where nearly half of all renter households are "cost burdened."

The constant grinding challenge faced by working people, especially those who rent, is that the cost of housing has outstripped workers' wage increases. The equation is simple as it is brutal and economically ruinous – Pay is too Low and Rents are too damn High.

The Home Act is a balanced approach to begin to solve that equation, at least the cost of housing side.

Allowing for 3 % rent increases per year, the Home Act provides for modest and manageable rent increases that provide both renters and landlords with predictability and stability. It allows landlords to address their costs, and -- along with exceptions for well documented need for capital improvements or major repairs -- flexibility.

Even capping rent increases to 3 % per year will cause hardship to many renters. Rents are now too high. At the County's minimum wage of \$15 working people are not able to find and afford quality housing for individuals, much less families.

The dedication of taxpayer money towards rent subsidies for poor and low income renters can be used more responsibly and effectively under the rent stabilization plan proposed by Council Members Jawando and Mink, Bill 16-23. Under this legislation, taxpayer money spent on rent subsidies can be better targeted to the truly needy, reach more people across the county and do the most good.

That is not the case with the so-called "Anti-Rent Gouging," bill. By proposing a scheme of allowing 8 % rent plus the rate of inflation as calculated by the CPI-U, the Home Act would allow today rent increases of 14-15 %. This is not a renter protection bill. This is not an anti-rent gouging bill. This is a bill that *permits rent gouging under cover of law!* Renters in Montgomery County are not able to pay annual rent increases of 8 %, much less the added CPI-U rate of inflation piled on top of that. This bill does nothing to help struggling workers and renters in Montgomery County.

To be clear: 15-23 is a prescription for eviction. It is a rent gouging scheme that allows landlords to maximize their profit at the expense of already "cost burdened" renters. If passed, this bill and its regime will serve to drive up market rents to extreme levels.

To add insult to injury, the proponents of 15-23 propose spending \$30 million on rent subsidies. This scheme is an irresponsible abuse of taxpayers' money. Under a regime that allows 14-15 % rent hikes each year, the number of renters unable to pay the exorbitant increases will skyrocket. As a result, they will either be evicted or seek help through rent subsidies. Taxpayer dollars will be used to make up the difference between what renters can pay and a rent gouging scheme written into law.

In short, Bill 15-23 seeks to codify in law rent increases no reasonable person would find necessary, reasonable or fair and that renters will be unable to pay -- and then have taxpayers insure that landlords get every penny of their legally-mandated windfall profits through publically funded "rent subsidies," which under this bill are in reality publically subsidized landlord profits.

Bill 16-23 is a responsible and serious approach to addressing the affordable housing crisis in Montgomery County. It seeks to strike a balance between the needs of renters and landlords. It provides both with predictability and stability. And, it allows for a responsible use of taxpayer's funds to address renters' needs in order to keep people in their homes to avoid individual, family and social disruption.

Bill 15-23 is no answer at all to the affordable housing crisis in Montgomery County. In fact, passage of this bill will put the crisis into overdrive. By allowing minimum 8% rent increases it is already putting rents out of reach of thousands of county residents. By tacking on the rate of inflation calculated by the CPI-U it permits crushing rent increases no reasonable person could think are justified and appropriate. To soften the assault of their bill, Councilmembers Friedson and Fani-Gonzales proposed spending \$30 million in taxpayer money for rent subsidies that in reality go to fund the difference between what renters can pay and the rent gouging they have legalized, thus insuring windfall profits to the county's landlords.

The Maryland Poor People's Campaign Supports Bill 16-23 and opposes Bill 15-23.



Deedee Jacobsohn
Rockville (North Bethesda)

**TESTIMONY IN SUPPORT OF THE H.O.M.E ACT, BILL 16-23
AND IN OPPOSITION TO THE “ANTI-RENT-GOUGING” ACT, BILL 15-23**

My name is Deedee Jacobsohn and I live in North Bethesda, in County District 4. I am writing to urge the Council to **support Bill 16-23, the HOME Act**, and not to pass Bill 15-23, the “Anti-Rent-Gouging” act.

We already live in a county with a serious housing problem. When my children were in public school, their favorite teachers could not afford to live in the county and faced long commutes. Last spring, my synagogue hired a new rabbi and she struggled to find a place to rent when she moved here with her family. Even friends who are not cost-burdened are having to make adjustments because of significant rent increases (that fall below the cap proposed by the Anti-Rent-Gouging bill).

Over the past two years, I have spent a lot of time listening to people impacted by our housing crisis at all levels: I have canvassed renters, followed stories from housing-related press conferences, and attended county hearings (some live, some on zoom). One high school student said her part-time salary was needed to help cover the rent. A mother had to move her family into a one-bedroom because they couldn’t afford the rent on their two-bedroom, but at least her family was still able to stay in the same building. A grandmother with strong ties to church and community worries her fixed income will not cover another big rent increase.

I have heard that eviction cases are up; that there is not enough affordable housing; that people who get behind in rent end up leaving the county (with the help of DHHS). I have heard how precarious many of our families are, and how students without stable housing face cascading challenges and struggle in school.

Montgomery County must be better than this. Everyone deserves a safe, stable home.

Last month, I attended the council session to listen to the affordable housing panel convened by Council Vice President Andrew Friedson. There was lots of agreement about the need for affordable housing. Yet even some of the management companies’ own data didn’t seem to uphold their narrative about the evils of rent stabilization efforts.

Slides from the Southern Management Companies included an appendix with charts showing rent increases in 10 of their “Workforce Housing Communities.” The charts do not have uniform measurements which makes comparisons challenging, but in 2018 only two communities had increases >3% and <6%. In 2019, most communities had an increase of more than 3%; in four

communities the increase was <4%, in three the increases were >4% and <6%, and one had an increase of 10%. None of the data indicated an increase of more than 3% from 2020-2022.

Clearly, **a 3% cap in rent increases is not going to be an onerous burden on landlords or management companies.** Especially with the exemptions and exceptions provided by the HOME Act. Just look at the Voluntary Rent Guidelines: the average of all the recommended increases since 1993 is just 3.02%.

And what of the “Anti-Rent-Gouging” Act? Sure, it would curb the most extreme rent increases. But in the past thirty years the highest Voluntary Rent Guideline was 5.8% (where it is now, and where it was once before, in 2007). In previous hearings and testimonies, landlords claimed they typically abide by the voluntary guidelines. By legislating a cap at 8% **plus** CPI, this bill gives landlords legal permission to institute oppressive increases just up to the cap—higher than any recommended in the *voluntary* guidelines. Bill 15-23, in essence, legalizes rent gouging.

There are many measures needed to preserve and produce more affordable housing in our county. However, most of the measures will take time to have a noticeable impact. A lot of time. Rent stabilization is an important tool that will keep tenants housed immediately, especially our most vulnerable residents, and will provide much-needed stability moving forward. **I urge you to pass the HOME Act.**

Dr. Jeffrey S. Rubin
Potomac

**TESTIMONY IN SUPPORT OF THE HOME ACT, BILL 16-23;
AND IN OPPOSITION TO THE 'ANTI-RENT GOUGING' BILL 15-23**

My name is Jeffrey Rubin. I've been a resident of Montgomery County since 1986, now living in Potomac (District 1). I'm testifying in support of the HOME Act, Bill 16-23 because I recognize the importance of rent stabilization for the well-being of people living in our County.

Over one third of our population are renters, and 50% of them spend at least one third of their income on rent. This puts a major burden on their ability to address other necessities of life, such as food, health care, and utilities, let alone purchases that would benefit the broader economy. Many people, especially those who come from communities with limited opportunity to accumulate and pass on intergenerational wealth, have little capacity to absorb the sizable increases in rent that have become commonplace in our County. This has been forcing people to move out of the County (with a decline in our tax base), resulting in longer commutes if they continue to work here (compounding environmental consequences of pollution and diminishing the quality of life for everyone on the roads). The consequences are even worse for residents who get priced out of housing altogether and face eviction: loss of housing has a negative impact on the education of youth, mental health, and the viability of neighborhoods.

The HOME Act would reduce the likelihood of these negative consequences by limiting rent increases in a meaningful way. Restricting annual increases to the Voluntary Rent Guidelines or 3% (whichever is less) would provide some stability to the lives of hundreds of thousands of Montgomery County residents. This is in sharp contrast to Bill 15-23, which in effect would permit annual double-digit % increases in rents on a routine basis. Such policy would make an existing crisis even worse, establishing a mechanism for ongoing inflationary pressure that would destabilize the lives of an ever-wider swath of County residents.

The HOME Act incorporates practices that would respect the needs of landlords and developers. Specifically, it allows landlords to apply for rent increases above the annual limit by filing a Fair Return Petition, if the property meets County housing code standards. It also allows landlords to apply for increases to support capital improvements. Furthermore, it exempts new construction for ten years, a length of time that is compatible with a satisfactory return on investment.

In summary, housing in Montgomery County has become increasingly expensive, with low to middle income residents being especially impacted. The HOME Act would provide a degree of stability to the lives of hundreds of thousands of its residents. In striking contrast, Bill 15-23 would worsen the pressures on an increasing number of renters, likely fueling an exodus from our County. Please do the right thing and pass the HOME Act.

Eli Wykell
Takoma Park

**TESTIMONY IN SUPPORT OF THE HOME ACT, BILL 16-23;
AND IN OPPOSITION TO THE 'ANTI-RENT GOUGING' BILL 15-23**

I am Eli Wykell, a 5 year resident of Montgomery County, Takoma Park, District 4. Out of deep concern for my fellow citizens as well as the social and economic well-being of Montgomery County, I'm testifying in support of the HOME Act, Bill 16-23.

Rent stabilization in name only is morally and economically wrong. With reasonable exceptions only, the rent stabilization cap should not exceed 3%.

Real rent control, with reasonable rent increases have been a success across the Country. Just across the border in D.C. development after development goes up. With reasonable exceptions, instead of an ill-fitting rule that benefits nearly zero renters, growth and affordability can be addressed with thoughtful legislation.

In contrast, an 8% rent cap is no rent cap at all. It would benefit a microscopic number of renters in a county where most people are rent burdened. Such a cynical giveaway to developers is beneath this Council. Real people, families, children, the workers who are the backbone to our thriving economy are suffering. Please be the thoughtful compassionate leaders we elected you to be. Please enact meaningful limits on rent increases. Please stabilize rent at 3%.

Hosain Alam

[REDACTED]

[REDACTED]

[REDACTED]

**TESTIMONY IN SUPPORT OF THE HOME ACT, BILL 16-23;
AND IN OPPOSITION TO THE 'ANTI-RENT GOUGING' BILL 15-23**

Dear members of the County Council,

My name is Hosain Alam and I am a District 5 resident and a small landlord. I am demanding that the Council pass the HOME Act (Bill 16-23), which would cap rent increases at a reasonable 3%, and reject Bill 15-23, which would raise rent by 8% plus inflation.

I have lived in Silver Spring for more than 22 years, and my wife and I also own a single-family home in Prince George's County which we currently rent to several tenants. Most of our tenants have been living in the house for 8 years. Most of them work for Walgreens and KFC, and one of them is a retiree. They almost always pay rent on time, except if there is an unavoidable emergency, and in this case we waive the 5% late fee as an act of compassion.

We have not raised the rent for the past 5 years. And during the past 8 years, we have raised the rent only once, after we renovated the kitchen and the bathrooms. Over the years we have managed to have a fair and reasonable relationship with our tenants. We have convinced them to help us maintain the property by reporting potential repairs in a timely manner. We also allow them to make small repairs, and reimburse them for the expenses that this incurs. This relationship, built on mutual trust and cooperation, has evolved into a human relationship, to the extent that some tenants have designated us as their emergency contacts. There were times when we received calls from medical practitioners, updating us on a tenants' well-being, which is very important to us. We understand that tenants need a place to live, work and have a good night's sleep. And we know that when tenants have stability in their lives, we as landlords also secure a reliable source of income to pay the mortgage, which is exactly what our experience has been.

I am providing this testimony to share my experience about what the landlord-tenant relationship should be. We do not need the rent increases that Bill 15-23 would allow. The 3% cap in the HOME Act is more than reasonable, as it allows for reasonable exceptions for capital improvement, which means that landlords who have been acting as I have the past 8 years should have no problems under it. I believe the act will lead to a win-win situation for both tenants and landlords and I demand that the County Council pass the HOME Act immediately and reject Bill 15-23.

Sincerely,
Hosain Alam

Testimony in Support of 16-23 and in Opposition to 15-23

Ingrid Fichtenberg

North Bethesda, 20852

I am a district 4 resident testifying in support of Bill 16-23 and in opposition to Bill 15-23. The County desperately needs to put an enforceable cap on rent increases to provide more stability for its large and diverse renter population. Bill 16-23's hard cap at 3% is reasonable (though I personally think it should be lower) while Bill 15-23 allows for outrageously high increases. It is important to remember that these are 1) increases on a *monthly* expense; and 2) *compounded* with every lease renewal, leading to high growth over time. In my opinion, any increase over 3% is gouging, and by allowing increases well in excess of 8%, it is clear that **Bill 15-23 condones gouging**.

I have advanced degrees, am approaching 40, and am mid-career in a research profession. Yet, I do not have fully stable housing. I cannot afford to buy a home in this County, and currently rent (with a roommate) from a small landlord without a lease in order to avoid the rent increases that previously forced me to move frequently. While I have not had a single rent increase in this situation, the tradeoff has been a constant underlying fear that I could be asked to move out of my apartment at any time. Sadly, I have recently been considering leaving this County and buying a home in a more affordable area to have more stability. I really love living here, and especially enjoy the diversity, progressive atmosphere, natural beauty, and many important friendships I have made here. I would not have been able to live in this area for 12 years if my rent had continued to increase – at most I might have been able to absorb 3%, but up against my margin and in a much worse position to buy anything. It is disappointing that a liberal, resource-rich County would not offer enough housing stability for someone like me to be able to stay as long as she wants. This is why the HOME Act is so important: it's a crucial step toward creating more stability.

While I mentioned progressive politics as a selling point of this County, Bill 15-23 does not accord with the County's liberal reputation. It gives license to corporate landlords to extract unethically high profits from the most diverse and vulnerable segment of the County's population. This bill was presented by its supporters as the responsible option, but there is good indication that corporate landlords are already making abundant profits – even during the COVID-19 pandemic when more restrictions were in place – while the risk of mass displacement is clear and pressing. I do not see the loss of our most marginalized communities – and hence the erosion of this County's diversity – in favor of soaring corporate profits as the responsible solution at all. One must be very credulous to take seriously the threats of industry lobbyists when their claims are substantially the same as those made against any other regulation or consumer/worker protection ever proposed. Time and again these threats have proved to be mere bluster. Furthermore, it strikes me as elitist and undemocratic to dismiss the concerns and desires of many residents, particularly the most vulnerable, on the grounds that they do not have the capacity to understand what is best for themselves nor comprehend the bigger picture.

As a social science researcher, I decided to review the research on this topic. I am not convinced that such an inhumane bill as 15-23 is necessary to increase the housing supply. To the contrary, I believe the HOME Act, in conjunction with other policies, will allow the County to increase housing supply and address the affordable housing crisis **without displacing many people of color and of lesser means** who currently live here.

James Walter Driscoll
[REDACTED]
[REDACTED]

**TESTIMONY IN SUPPORT OF THE HOME ACT, BILL 16-23;
AND IN OPPOSITION TO THE ‘ANTI-RENT GOUGING’ BILL 15-23**

I led the successful effort to persuade the County to declare a climate emergency in 2017. To follow up on that Resolution, I helped launch the MOCO Green New Deal to build a broad base of support for climate justice. Based on consultation with BIPOC, labor and youth organizations in the County, we have made climate-friendly, social housing and rent stabilization our top priority. I am the Coordinator of the BIPOC MOCO Green New Deal Internship and Treasurer of the National Institute for Peer Support.

The BIPOC MOCO Green New Deal (GND) Internship strongly supports the passage of the Housing Opportunity, Mobility, and Equity Act, 16-23. We oppose the landlords’ bill to undermine rent stabilization, 15-23

The internship is a project of the National Institute for Peer Support, a small nonprofit based in North Bethesda. The Institute educates and advocates locally and nationally on behalf of social, environmental and climate justice. This spring, there are 25 BIPOC MOCO high school youth in the Internship paid to learn about climate science, the movement ecology of climate and social justice organizations in the County and the skills of social change. They volunteer with over a dozen local social justice organizations and take part in nonviolent direct action. Since the summer of 2020, the Internship has trained over 100 MOCO BIPOC high schoolers. The Internship is part of the MOCO Green New Deal founded by 350.org and Extinction Rebellion in 2019 in response to the County’s failure to take meaningful action on climate change after declaring the first “climate emergency” in the United States in 2017. Here are some of the media reports about the Internship: <https://bit.ly/MOCObIPOCInternMedia>.

The Interns and the dozens of MOCO nonprofit organizations who help train them are concerned about the interconnected crises of housing and climate justice in MOCO—and their disproportionate impact on their own BIPOC communities. From their lived experience, from presentations by local social justice organizations and from volunteering with those organizations,, they have learned a lot about that interconnection. Rents in MOCO, indeed, are too damn high—and the landlords keep raising the rent, often outrageously. They know that high rents force students to study in small apartments. They know that unpredictable and large rent increases create an atmosphere of uncertainty that affects students’ work in school. They know some students are forced into homelessness. They know that unhoused people suffer the most from climate-driven heat waves and storms. They know that other students have been forced to move out of the County. They know the impact of the resulting long commutes on greenhouse gas emissions. They know some students have to go without air conditioning in heat waves due to high and increasing rents. They know the world does not care about BIPOC people who look like them. They know that their County is doing very little to protect people like them from the rampaging climate catastrophe. They know that if civilized life is to persist in the County, its residents must work together. They know that forced displacement and uncertainty about rent increases undermines the ability of families to cooperate and indeed the ability of the County to deliver effective services during this Emergency.

The HOME Act for Rent Stabilization provides some protection against homelessness, displacement, and uncertainty. Besides dealing with the housing crisis, this Act will facilitate the response of County residents and the County itself to the climate crisis. The least the Council can do is to pass the HOME Act. Now that these BIPOC young people know about the importance of strong rent stabilization, this is a chance for the Council to show them it cares about them and understands the connection between stable rents and dealing with the climate emergency.

We urge the County Council to support the HOME Act.

Sincerely,
Jim Driscoll, MBA, PhD
Coordinator, BIPOC MOCO Green New Deal Internship
Treasurer, National Institute for Peer Support

Testimony on the County Budget, Bill 15-23 - Landlord-Tenant Relations -Anti Rent Gouging Protections
and Bill 16-23 - Landlord-Tenant Relations – Rent Stabilization (The HOME Act)

Dear Members of the County Council,

As a Montgomery County homeowner and Vice Chair of the RESJAC I write today to urge you to limit any property tax increase to the same percentage increase you limit rent increases.

Inflation is hitting all of us. As a federal employee my last COLA was less than half the rate of inflation. At the same time I received my annual property tax assessment which increased my property assessment by \$27,000. Meanwhile my home's value has fallen nearly \$70,000 since last summer.

As a long-time former renter in the County I certainly appreciate the intent behind rent control legislation. I experienced myself the rising costs of renting when The Blairs raised my rent well over the county guidelines in 2010.

But treating homeowners in the county less favorably than renters is fundamentally unfair. Homeowners have invested in the County and are the larger part of the tax base. Any limitations on increasing rent need to be tied to limitations on property tax increases.

The county should be cutting budgets and tightening belts as inflation rises, not socking it to a middle class that is getting hit by higher prices on their water and electric bills, gasoline, eggs...

Any rent caps must be implemented with comparable property tax caps. Treat citizens equally. That is the essence of social justice.

Jared Hautamaki

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██

Jason Starbird-Tierney
[REDACTED]
[REDACTED]

**TESTIMONY IN SUPPORT OF THE HOME ACT, BILL 16-23;
AND IN OPPOSITION TO THE 'ANTI-RENT GOUGING' BILL 15-23**

I'm writing to express my support for the HOME act. The opposing measure with increases of 8% + CPI proposed by some members of the council is way too high and shows a blatant disregard for the real issues renters face in this county. Housing costs are out of control and nearly half of renters in this county are rent burdened, with many more severely so and that's simply an unacceptable level of suffering. Renters deserve better. With so many renters barely able to afford an apartment as is, those rent hikes will come either by displacement or by driving people further into poverty, often sacrificing basic needs such as skipped meals and missed medical appointments. Allowing landlords 8%+ rent hikes while tenants are struggling will not stop these negative outcomes nor provide substantial relief for tenants and we need to do much better than that.

For me personally, as a renter in a rent stabilized Takoma Park apartment, rent stabilization means being able to survive day to day expenses in the face of serious illness and long term disability in my family. It has often not been easy to make ends meet as is and I don't know what we would've done or how we would've managed if I had seen a rent hike through many of the toughest periods, but having a consistent rent payment means that I have basic stability in my home. Takoma Park is a bastion of affordable housing in the county, and has an engaged community of long term renters who are able to stay in their homes despite the rapidly increasing property values of their neighbors. One neighbor's wealth shouldn't mean another's poverty but without meaningful rent stabilization that is far too often the case. I believe the residents in the rest of the county deserve that same stability and human decency.

Homeowners already have fixed mortgage rates and a yearly cap on property tax increases that in real terms results in lower cost increases for even upper class homeowners than the rent hikes in the HOME act, much less the anti gouging measure, would allow for low income tenants. That yearly costs have already been capped for homeowners with no protection for renters is a deeply unjust discrepancy and renters are rightfully seeking the stability that homeowners in this county already have.

I have looked through the available evidence on rent control policies in other places, studies such as David Sims study on Cambridge MA, the Stanford study about San Francisco and Gilderbloom and Ye's study of dozens of municipalities in NJ and many more. They all showed rent control as a success - renters, especially low income individuals, maintained stability and stayed in their homes, rent stayed low in controlled and uncontrolled units and notably these policies were shown to have no effect on the rate of new construction. The actual economic evidence simply doesn't match the rhetoric that is used to oppose rent stabilization measures.

When it comes to rent stabilization we don't have to choose between sound economics and doing the right thing for tenants, meaningful rent stabilization works for both.

Passing meaningful rent stabilization such as the HOME act is the right thing to do.

Thank you,
Jason Starbird-Tierney
Takoma Park



MONTGOMERY COUNTY, MARYLAND WOMEN'S DEMOCRATIC CLUB

P.O. Box 34047, Bethesda, MD 20827

www.womensdemocraticclub.org

**Montgomery County Council Public Hearing
Landlord-Tenant Relations, Bills 15-23 and 16-23
Testimony in Support of Affordable Rental Housing in Montgomery County
March 28, 2023
Submitted by: Montgomery County Women's Democratic Club**

Re-imagining how to achieve a commonsense affordable housing policy should prioritize the human dignity of the residents of Montgomery County.

The Montgomery County Women's Democratic Club (WDC) applauds the County Council for addressing the issue of affordable rental housing in Montgomery County. The pandemic put an incredible strain on an already unfair and disorganized tenant-landlord relationship in the county. Therefore, we believe that a commonsense rent regulation program is one that will help tenants stay in their homes and allow landlords to conduct long-term planning. Many cities across the country are moving in the direction of rent cap ordinances, rent control, or rent stabilization regulations and policies to address the dual crisis of rent instability *and* a housing shortage.

The county also has a serious supply and demand problem. We need more rental units, specifically affordable rentals units. The policy under consideration should not incentivize more upper-end rental units. Therefore, we need both fair rental policies and appropriate housing development incentives. WDC believes that a comprehensive and justice-oriented housing policy should consider quantity, quality, and cost of available housing. The [Metropolitan Washington Council of Governments](#) estimates that Montgomery County needs to add 41,000 housing units in the next ten years to meet housing demand and at least 75 percent of this housing will need to be affordable to low- and middle-income households.

However, we need to first stop the bleeding while we work to enable supply to catch up with demand. Furthermore, it will take time for new affordable housing stock to promote housing stability. It will take time to achieve the well-recognized non-monetary benefits that come from individuals and families being in a neighborhood for a long time, where they can afford to live close enough to walk their kids to school or have a reasonable and reliable commute to work and form the bonds that support healthy community. "Economists tend to slight the importance tenants attach to security of tenure ... A housing unit is a tenant's home. Coming to know her neighbors and the local shops, she will develop at least some sense of community." ¹ This means we not only need new housing stock, but we must also maintain the affordability of current housing units.

What is the maximum rent increase that will both stimulate the maintenance and growth of affordable units, while also maximizing low- to middle- income families' ability to remain in their homes while they work to achieve economic stability? This is the core aspect of any rent stabilization policy that WDC wants to highlight in this testimony. Regardless of the rent caps being proposed, we urge each member of our council to consider how critical it is to be able to afford housing for your family, without indefinitely relying on assistance: it is a foundational building block for achieving a sense of self-worth and pride – it's about preserving the human dignity of each of us, and generating stable, thriving communities.

¹ Merrefield, Clark (2021, Dec. 8). Rent control and stabilization policies: 4 studies to know/ Research focuses on dollars and cents (para. iv). <https://journalistsresource.org/economics/rent-control-regulation-studies-to-know/>

Global LifeSci Development Corporation

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March 28, 2023

VIA Email Only

Council President Evan Glass
Council Vice President Andrew Friedson
Councilmembers of Montgomery County Council
Montgomery County Council
100 Maryland Avenue
Rockville, MD 20850

Re: **Bills 15-23 & 16-23 - March 28, 2023 Public Hearing - Items Nos. 19, 20, 26 & 27
(Anti-Rent Gouging Protections and HOME Act Proposals)**

Dear Council President Glass, Council Vice President Friedson, and Members of the County Council:

BOTTOM LINE EXECUTIVE SUMMARY FIRST

With respect to the two alternative bills relating to anti-rent gouging and rent stabilization (Bills 15-23 and 16-23), and on behalf of Global LifeSci Development Corporation (“GLDC”), the undersigned ***strongly urges the County Council to:***

- (1) ***promptly establish a 2-Year Blue-Ribbon Commission***¹ to: (a) study best practices, (b) study well-intended, but flawed or otherwise failing programs, (c) explore perhaps never-before-imagined innovative affordable living solutions (preferably to include opportunities for generational wealth-building by residents of low or moderate means), and (c) present a report to the County Council and the County Executive (within 30 months after the Commission’s formation) outlining the Commission’s recommendations to achieve the most strategic, effective, efficient, socially-responsible and sustainable public policies to advance affordable living opportunities in Montgomery County; **and**
- (2) ***promptly enact a 3-Year Temporary (sunsetting) Legislation*** --- pending the issuance and consideration of the proposed 2-Year Blue-Ribbon Commission’s report --- to prevent unreasonable rent gouging, while encouraging greater production of affordable living residences in Montgomery County (offering the at-risk, private sector suppliers of rental properties a reasonable rate of return on those at-risk investments).

¹ GLDC respectfully suggests that such a Blue Ribbon Commission should be fully represented by key stakeholders of fair and affordable living conditions, including (but not necessarily limited to): (a) seniors, families, and young renters of low and moderate means; (b) advocates for affordable living conditions to serve residents of low and moderate means; (c) developers, builders, and property managers of rental properties; (d) banks, lenders, and other capital sources to finance rental properties; (e) foundations, non-profits, and charitable organizations, whose mission is focused on increasing affordable living options; and (e) governmental and quasi-governmental agencies (perhaps best populated by retired governmental officials with special expertise) dedicated to providing affordable living options for residents of low and moderate means.

Obviously, there is no one empirically correct “recipe” (or set of ingredients) for such a proposed 3-year temporary (sunsetting) legislation. Nevertheless, for at least a dozen or more reasons --- which such a Blue-Ribbon Commission would certainly be able to describe in greater detail --- a fair and reasonable temporary (3-year sunsetting) legislation might provide, subject to exceptions (substantially similar to the exceptions provided in Bills 15-23 and 16-23):

... the annual rent increase over the next 3 years shall not exceed (on a rolling average basis over the 3 years) the **lower of:**

(a) **7.25% plus** the annual Consumer Price Index – Urban Centers (“**CPI-U**”),

Or

(b) **9.75%.**

By the time this 3-year temporary legislation would sunset, the proposed Blue-Ribbon Commission should be able to issue a report of recommendations for the County Council and County Executive to consider, then propose appropriate legislation, conduct necessary public outreach and hearings, and then enact longer-lasting and much more strategic, effective, efficient, socially-responsible, and sustainable affordable living solutions (preferably to include innovative opportunities for generational wealth-building by residents of low or moderate means).

JUSTIFICATION / FURTHER DISCUSSION OF SUGGESTIONS

First, GLDC respectfully suggests that our collective starting point should be where there is likely nearly unanimous agreement; namely, that Montgomery County has had, for decades, an affordable living option crisis due to its insufficient inventory of affordable residential options for a very meaningful percentage of the County’s hard-working, responsible, and well-deserving residents of low and moderate means. Moreover, the unprecedented covid-19 pandemic exacerbated this crisis far beyond the unacceptable challenges the County experienced over the past decades.

We thus likely have near unanimity that we collectively need to find real, lasting solutions.

Second, after reading Councilmember Jawando’s extraordinarily moving and inspiring book, *My Seven Black Fathers*, I have a deeper admiration, respect, and greater appreciation for Councilmember Jawando’s passion to find real and lasting affordable living solutions. I am a product of my parents, who never --- never --- owned a home in all their lives. They were renters all their life, during which time I was born and raised in Montgomery County (and a very proud product of Montgomery County’s public school system, K-12!). When my father passed away over 25 years ago, my parents had no home equity no any other assets whatsoever to provide for my surviving mother. I have had to (and continue to) fully support financially my mother for these past 25+ years. This experience is among the reasons I too am passionate about exploring and trying to discover innovative, lasting, and potentially generational wealth-building affordable opportunities for present renters of low or modest means.

Third, while the proposed HOME Act legislation is extremely well-intentioned, as I am certain my proposed Blue-Ribbon Commission would prove conclusively, the unintended (or at least underappreciated) adverse consequences of **the HOME Act is most likely going to HURT THE MOST THE VERY POPULATION that Act is intended to serve.**

The reason for the potential harm to the most vulnerable population can be summed up in one word: **MATH**².

There are a dozen or more reasons why the HOME Act is not the prudent way to achieve the near unanimously agreed upon goal of mitigating the County crisis of affordable living options; and, indeed, the HOME Act would likely be completely counter to those objectives.

As this time is merely the Council's introduction of the relevant Bills (15-23 and 16-23), and deeper analyses and discussion will be considered in June --- I will simply note a few of the most fundamentally flawed "math" problems contained in the proposed HOME Act:

1. A thorough study of the "math" will likely show that high-income rental properties (e.g., where rent might be \$4,000/month or more) can better absorb a rent restriction --- and still maintain those properties for the tenants --- than can a moderate or lower income rental property (e.g., where rent might be \$1,200/month or less). Please keep in mind that a \$4,000/mo. rental cap of 3% = \$120/month. BUT notice that the \$1,200/mo. rental cap of 3% = \$36/month. While that \$36/month increase (compared to the \$120/month increase in the high-income area) might be the desired popular result for those who want to keep rental rates down, notice the perpetuation (and exacerbation) of the wealth disparities -- the higher-income property has THREE TIMES the amount of added revenue to better maintain the property (and for the owner to profit more) than the lower-income property. It does not take any imagination to see who will suffer the most --- the residents in the lower-income rental communities --- because (1) about the only costs a landlord can control are maintenance and repairs (certainly cannot control 30%+ increases in insurance premiums, spikes in utility payments, real estate taxes, etc.); and (2) lenders, capital investors, and landlords have little to no incentive to take the risks to invest in lower income areas of the County, when they can invest much more elsewhere, including well outside the County).
2. It was remarkably surprising that Professor Michael Bodaken (during his advocacy for the HOME Act at the March 13, 2023 public meeting) would argue that any mortgages on rental properties were irrelevant --- and thus the HOME Act would only consider NOI (net operating income) --- because, Professor Bodaken suggested, mortgages can be fixed for the long-term, such as 30 years. Among the numerous and fatal flaws in that assertion, Professor Bodaken completely fails to distinguish between the *microeconomic* circumstance of a single hypothetical mortgagee who just took out a 30-year mortgage this year versus the real life macroeconomic circumstances of *all* mortgagees of *all* rental properties throughout the County (which are the truly affected parties of County legislation). How many hundreds of mortgages (among all the mortgages of all the rental properties in the County) are going to experience a balloon payment this year --- perhaps having the 30-year amortizing, 10-year balloon loan originated 9 years ago --- and thus need to be refinanced this year? How many hundreds will balloon and need to be refinanced next year? The year after that, and so on, EVERY year? What happens when all those mortgages then have a one-year jump of 30% or 40% or more on account of a major increase in interest rates? Professor Bodaken's math is fundamentally flawed and would likely jeopardize a landlord's ability to secure financing for either capital improvements or needed refinancing. Perhaps refinancing could be done in the wealthiest part of the County; but not so much in the lower and moderate income areas of the County. The

² After reading Councilmember Jawando's book, I also learned that math is Councilmember's Jawando's favorite subject! I thus remain optimistic that, with the expert analysis and advice of a proposed Blue-Ribbon Commission, the "math" will be the honest guide to building the broadest of consensus for real and lasting affordable living solutions.

very foreseeable consequences would be more investment in the wealthiest areas of the County and more disinvestment in the lower income areas of the County. It would result in further differentiation between what is already considered “two” very different Montgomery Counties (and growing more to maybe even “three” different Montgomery Counties). Certainly one of those Montgomery Counties would suffer more with Professor Bodaken’s theory; and that would be the very population these policies are intended to help.

3. Perhaps the worst idea of all is the enormously cumbersome, administratively wasteful, and completely uncertain (and thus unfinanceable) process for a landlord to make an appeal for relief from the rent restrictions for extraordinary expenses, such as (for example) replacing hot water/heating systems that break down. What? When an entire building’s hot water and heat systems break down, does the County want a process where the landlord tells the tenants that they may need to wait a few months to go through an appeal process before the hot water and heat systems can be repaired? Or would the County prefer the landlord try to restore hot water and heat to the tenants as swiftly as possible? And how much economic waste (and time) will be spent on salaries and administration of such an appeal process, when those dollars (and time) could immediately address the conditions?

These are just three examples of a dozen or more reasons why some more time --- and some real expert “Blue-Ribbon Commission” analyses --- are necessary to think through all the foreseeable consequences (and the potentially unintended consequences) before these potential policies get implemented. Please know that during this time of further analysis by a suggested Blue-Ribbon Commission, the genuine issue and problem of absentee landlords and/or neglectful landlords, who let their rental properties fall into inexcusable disrepair, must also be addressed, disincentivized, and penalized as part of a comprehensive plan to improve living conditions and increase the inventory of affordable and healthy living conditions.

For at least these and many other reasons (which I would be happy to explain in greater detail), I respectfully urge the County Council to:

- (1) **promptly establish and appoint a 2-Year Blue-Ribbon Commission** to study and recommend real, lasting affordable living solutions;
- (2) **enact temporary (3-year sunset) legislation** that includes (subject to exceptions as described above) that the amount of annual rent increase over the next 3 years shall not exceed (on a rolling average basis over the next 3 years) the **lower of: (a) 7.25% plus the CPI-U, or (b) 9.75%.**

Respectfully Submitted,

Jonathan M. Genn

Jonathan M. Genn, Esquire
Executive Vice President and General Counsel

I submit this comment as a compromise to Bill 16-23 and Bill 15-23 on rent control in Montgomery County, especially considering recent laws in Prince George's County.

I am a renter in downtown Silver Spring.

I would encourage you to implement, as soon as possible, permanent rent stabilization in Montgomery County for properties at least 10 years old such that the annual rent increase for one-year leases does not exceed the greater of

- (a) twice the average voluntary rent guideline over the past 10 years (for 2023, this would be 4.5%), or
- (b) the voluntary rent guideline for the year (for 2023, this would be 5.8%).

This would limit the rent increase for leases signed in 2023 to 5.8%.

For tenants seeking a two-year lease, the rent increase for the second year should be capped at twice the 10-year average voluntary rent guideline (again, for 2023, this would be 4.5%).

In addition, tenants should be provided with at least 120 days of notice for rent increases above the 10-year average voluntary rent guideline.

These actions would collectively be much more manageable for tenants like me and would still enable landlords to raise rent keep pace with inflation. In fact, over 10 years, landlords would likely be able to increase rent around or over 50%.

I would also encourage you to permanently allow tenants to end leases with proper notice and cancellation penalty of no more than 50%, or no penalty at all if the rent increase exceeds the 10-year average voluntary rent guideline (in a year where the voluntary rent guideline exceeds the 10-year average).

This would give me and other tenants peace of mind if I am unable to afford rent. Thank you for your consideration.

28 March 2023

Oakwood Properties, Inc.
P.O. Box 5600
Rockville, Maryland 20855

May 26, 2023

Via Email

Mr. Evan Glass, Council President
And Members of the County Council
Council Office Building
100 Maryland Avenue, 4th Floor
Rockville, MD 20850

Re: March 28, 2023 County Council Public Hearing (Council Bill Nos. 15-23 and 16-23); Oakwood Properties Written Comments

Dear Council President Glass and Councilmembers,

On behalf of Oakwood Properties, Inc. ("Oakwood"), I am submitting these comments to Council Bill No. 15-23 (the "Anti Rent Gouging Protections Act") and Council Bill No. 16-23 (the "HOME Act"). Oakwood is the owner and developer of the Churchill Senior Living project, which is comprised of three (3) parcels of land totaling approximately 5.49 acres addressed as 20990, 21000, and 21010 Father Hurley Boulevard in Germantown (the "Property" or "Churchill Senior Living").

In general, Oakwood's position is that any form of rent control is not the solution to creating more affordable housing, and that both of the proposed bills are problematic. As evidenced by economic analyses of other jurisdictions that adopted rent control measures, these jurisdictions have experienced negative impacts in the form of decreased reinvestment in properties and a declining quality of housing stock. As a result, the HOME Act will discourage reinvestment in existing housing and production of new housing and should not move forward. Further, the Anti Rent Gouging Protections Act should be modified to exempt market-rate units, that are thirty years old or less, in development projects with a minimum of 30% of dwelling units subject to a regulatory agreement with a governmental agency that restricts occupancy of the unit to low- and moderate-income tenants.

The Property is currently improved with Phases I and II of the Churchill Senior Living project, which includes 255 independent dwelling units for seniors (62 years and up). Approximately 243 of these senior dwelling units were constructed under the County's Moderately Priced Dwelling Unit (MPDU) program or under a separate binding agreement that limits for at least 15 years the price or rent charged for the unit in order to make the unit affordable to households earning less than 60% of the area median income (sometimes referred to as low- to moderate-income tax credit units). As a result, **approximately 95% of the existing dwelling units at Churchill Senior Living constitute affordable units.** Oakwood obtained a Sketch Plan approval in November of 2022 that allows for Phase III of Churchill Senior Living, which would include up to 280 independent dwelling units for seniors (including additional regulated affordable housing units).

Bill No. 16-23 (HOME Act)

The HOME Act represents a fundamentally flawed policy because it does not account for underlying economic realities and capital markets that are necessary for property owners: (a) to reinvest in multi-family communities through capital improvements; and (b) to produce new housing through redevelopment. The creation of a 3% cap on annual rent increases for occupied units will severely limit the supply of housing stock in the County as property owners will be unable to achieve a rate of return that makes reinvestment and redevelopment economically viable. Notwithstanding the fact there are presently heightened construction costs and limited opportunities for construction financing on projects in the County, the HOME Act would render many projects infeasible where market conditions are strong. Limiting the rent growth on many multi-family dwelling units that have been occupied for more than 10 years will also compromise financing that did not assume such rent limits, which will in turn discourage reinvestment in existing communities. The HOME Act also fails to exempt dwelling units subject to a regulatory agreement with a governmental agency that restricts occupancy of the unit to low- and moderate-income tenants. All MPDUs (regardless of when they were constructed) and low- to moderate-income tax credit units need to be exempt from the rent controls proposed to avoid creating inconsistencies with the underlying regulatory agreements that apply to projects.

In summary, Oakwood submits that adoption of the HOME Act will significantly discourage property owners from improving existing apartment communities and producing new apartment communities that are necessary for the County to keep pace with the expected demand for housing. If adopted, the HOME Act will reduce property tax revenues and encourage investment in housing projects in neighboring jurisdictions over Montgomery County.

Bill No. 15-23 (Anti Rent Gouging Protections Act)

Oakwood is concerned with any rent control measures being adopted as such a policy will constrain its ability to obtain financing necessary to support the creation of regulated affordable senior housing as part of future phases at the Property. While the Anti Rent Gouging Protections Act establishes a more market-responsive annual rent increase allowance, this policy does not fully take into account projects that have committed to a higher proportion of regulated affordable units. An annual rent increase allowance of 8% plus the CPI-U index may be sufficient to finance and operate a project with 12.5-15% regulated affordable units, but it can disrupt and frustrate the financial viability of projects like Churchill Senior Living that include a substantial number of affordable units above and beyond the minimum required by Chapter 25A of the County Code. In these instances, a property owner is only able to underwrite increased, substantial affordable housing where they retain the control to establish market rents for a longer period of time than 15 years from occupancy. In order to ensure that the Anti Rent Gouging Protections Act does not preclude future phases of regulated affordable housing at Churchill Senior Living (and other projects that provide significant affordable housing), Oakwood respectfully requests that **Section 29-59 of the Anti Rent Protections Gouging Act be modified to exempt any market rate unit that has been offered for rent for less than 30 years where the project includes a minimum of 30% of the dwelling units subject to a regulatory agreement with a governmental agency that restricts occupancy of the unit to low- and moderate-income tenants.**

Thank you for the opportunity to submit these comments to the HOME Act and Anti Rent Gouging Act. Oakwood looks forward to the opportunity to continue to work with the Council and its staff to ensure that the prevailing County housing policies support and promote the creation of affordable senior housing.

Very truly yours,



Joseph F. Parreco
Oakwood Properties, Inc.
President

cc: Matthew Parreco, Churchill Senior Housing

Katherine Head
[REDACTED]
[REDACTED]

**TESTIMONY IN SUPPORT OF THE HOME ACT, BILL 16-23;
AND IN OPPOSITION TO THE 'ANTI-RENT GOUGING' BILL 15-23**

My name is Katherine Head and I am from Brookeville, MD (District 7). I am testifying because I support the HOME Act, Bill 16-23. I am 25 years old and I am on disability due to my chronic illnesses. Due to my fixed income, I made the choice to live with my family because of the skyrocketing cost of rent. Someday I would like to move out on my own, but my choices are limited. The average cost of rent in Montgomery County is hundreds of dollars more than my monthly income. I could never afford to move out of my family home in this county. If I wanted to stay in this county and live independently, I would need external support. I wouldn't be truly independent. And that is distressing. I should be able to afford to live in this county. I'm testifying because, as a Montgomery County resident of 19 years, I want to stay in this county that I love. I don't want to have to move away to live independently. There is no feasible way for me to live in Montgomery County on my own with these rent prices. The cost of rent is too high. This affects everyone, not just me. Far too many people have the problem of not being able to afford rent, whether they are on a fixed income or not. I'm asking the Council to support the HOME Act because it is important to our community. There are people that are being left behind with these rising rent prices. We should be supporting everyone in their right to a safe and stable home in Montgomery County. I demand that the Council pass rent stabilization with a cap no higher than 3% to protect all renters in this county that we call home.

Kereknaan Fiannan



**TESTIMONY IN SUPPORT OF THE HOME ACT, BILL 16-23;
AND IN OPPOSITION TO THE 'ANTI-RENT GOUGING' BILL 15-23**

My name is Kereknaan Fiannan, and I live and work from Wheaton, MD, a place I've come to love since I moved here last year.

I am testifying in support of Bill 16-23 - The HOME Act because everyone deserves to have a safe and stable home, without fear of displacement.

The HOME Act will ensure that rent increases will be capped at a reasonable amount of no more than 3%. The bill also guarantees fair return for developers and exempts deeply affordable housing, places of worship, and new construction for 10 years. If we believe that the people of Montgomery County really deserve safe and stable housing, then we must support this Bill, not Bill 15-23, which will essentially codify double-digit rent increases and lead to increases in displacement and homelessness.

I just moved to Montgomery County last year because of a significant rent increase that made it impossible for me to afford my former apartment. I was forced to seek more affordable housing and don't want to live in fear of experiencing the same again, especially as I'm building a community here. I know my story is true for many other individuals and families all over the U.S. many of whom are in an even more vulnerable position than I am. We have an opportunity to change that here in Montgomery County.

Support the HOME Act, support Housing safety and stability!
Support the HOME Act, support our communities!

Kush Kharod
Germantown, MD

Hello,

My name is Kush Kharod and I oppose Bill 15-23 and support the HOME Act, Bill 16-23, because I want to see families thrive and find a safe and stable home in Montgomery County.

My parents moved here from the 80s from India to raise me and my sister in a better world. I grew up in Montgomery Village and went to Stedwick, Neelsville, and Watkins Mill High School. I went to college in College Park and made it a priority to come home as often as I can. This is the county I love yet I find it challenging that one day I will be able to find my own home here. Rents are rising at a ridiculous amount which make it difficult, if not impossible, for families to build a home here.

I support the HOME Act because it caps the rent at a manageable amount. Yes, a manageable amount. 3% is not radical. When I talk with my neighbors and fellow Montgomery County residents, they are asking for a rent cap much stronger than that not because they want to, but because they NEED it. Folks have to worry about groceries, schools, healthcare, childcare, books, utilities, mental health, and everything else in between. Under Bill 15-23, rents will double every 9 years. Will incomes double every 9 years for people? This bill codifies displacement and will most impact the Black and brown residents, like my family, that came to Montgomery County for another life.

I also ask the Councilmembers to think of the intersection of housing and various issues. If we do not have a 3% cap, renters will not be able to afford their rent. If they cannot afford their rent, they have to take that money from somewhere else. If they are a teacher, they will have to move out of the community they are building. If they are a student, they will have to sometimes skip classes for a second job or regain their sleep during the day. If they are a parent, they will have to work 3 jobs at a time, removing them from their children's lives. If they are most vulnerable and cannot find a job or avenue to pay for rent, they will resort to crime. All of these issues connect and often, they are rooted in the same injustice of housing insecurity. This rent cap is not just for the crises for the now, it is the future we want to create together.

When I close my eyes and think about the world I want to see in 50 years, I think of a world where people can go to school and learn without the stress of payment. I think of a world where no one has to work more than one job to have a steady income for their family. I think of a world where everyone's basic needs are met and they can focus their

valuable time on what matters most: the people they love. Rent stabilization is the building block for the world we want to see together. It is the foundation for what can be possible. The HOME Act will bring security and comfort for thousands of families and invite new development as well. Bill 15-23, with a whopping 8% + CPI, will lead to mass displacement and a Montgomery County I don't know if I can call home.

Thank you and as you make your decision, think of the world you want to see in 50 years.

Laura Yeomans

2023-03-19

Montgomery County Council
Council Office Building
100 Maryland Avenue
Rockville, MD 20850

RE: HOME Act, Bill 16-23, and Bill 15-23

Dear Council Members:

I am Laura Yeomans, a resident of District 5. For many years I worked as a program manager for Catholic Charities serving hundreds of families in Montgomery County suffering economic, health, employment challenges that caused families to suffer the threat of eviction. Many county residents barely have the income resources to cover monthly rents and other essentials. Allowing significant rent increases will increase the hardships faced by many working families.

It is important to me that our County's policies provide effective protections against the devastating effects of eviction, relocation and homelessness. Clearly, the Housing Opportunity, Mobility, & Equity (HOME) Act (Bill 16-23) is more effective at preserving a community that is racially and economically diverse.

I ask the Montgomery County Council to pass the HOME Act and reject the alternative (15-23) that would permit double-digit rent increases.

Thank you.

Sincerely,

Laura Yeomans

Laura Yeomans

Opposition Statement

Bill 16-23, Landlord-Tenant Relations - Rent Stabilization (The Home Act)

Bill 15-23, Landlord-Tenant Relations – Anti-Rent Gouging Protections

Thank you for giving me the opportunity to submit this written testimony in opposition to both proposed rent regulation bills, Bill 16-23 and Bill 15-23. My name is Laurie Boner. I not only work but live in Montgomery County and have worked in the multi-family management and development industry for almost 30 years. As a part of my portfolio, I have over 400 apartments located in Montgomery County. Our business model is to provide renters with quality affordable housing. We strive to do this with balance and care. A huge part of achieving that balance comes with developing a fair and equitable rent structure where the market rent attracts new residents and annual renewal increase rates, keep existing residents in place.

In the past few years, the multi-family industry has had to deal with numerous long-term, hard-hitting changes. The effects of COVID-19 have seen delinquencies reach epic proportions, with my property coming in at a two-year average of over 40%. This coupled with the measures during the pandemic to prevent or severely limit renewal increases has put our property's financial health in jeopardy. Add this to the council's latest proposed property tax increases and we are dealing with a perfect storm that will most likely end with the opposite result than what was intended. Within my network, many property owners including mine, managers, and developers are rethinking their desire to do business in our county.

I continue to try to understand why you, our elected representatives, wish to undermine an industry that has served the county and its residents well for decades in response to a few "bad actors". Our industry has proven that it is best able to provide high-quality living at reasonable prices when there is robust competition. Increasing supply is the critical piece for a long-term solution to our affordable housing crisis. We need to encourage businesses to invest their capital in Montgomery County. Owners, managers, and developers that want to put their money in the DMV have choices. We need to work together to make our county the most attractive of those choices. Rent control legislation of any kind does the exact opposite. Businesses, whether they develop or buy existing properties, do not want to enter a market where their potential is limited and controlled by non-market-related factors. I strongly encourage you to vote NO to both pieces of proposed legislation and instead, work together with members of our industry to create a plan that will benefit our citizens and our businesses to ensure the future success of our county.

Luqman Safai
Silver Spring, MD 20901

My name is Luqman and I'm testifying because I want rent stabilization for me and my family through the HOME Act.

I live at the Enclave and have negotiated rent increases for myself and my neighbors. I work with about 150 families who are refugees. They have just recently come to America and are living off of bare necessities. They get government benefits which are not flashy, but help us to survive. Rent stabilization is needed for us to live.

Many of these families got a big rent hike out of nowhere and they came to me to negotiate with the leasing office. We talk with the office for hours to help the family stay by finding an agreement. Usually, the rent increase starts at 7% to 8%, but the highest is upwards of 25%. This is too much for the families to handle. They have to take money from other needs, such as food, to pay for rent. How do we expect them to deal with these rent hikes?

Personally, I have a big family and it is challenging to hold everything together. I have four children who go to school and this has a huge impact on them not only because of the possibility of an eviction, but I also cannot give them enough food for their health. I was considering sending them to Afghanistan, but we cannot with the current situation there. Thankfully, I have a job but it is difficult to be stable. I am expecting a 7% - 25% increase this year and when that happens, I will not be able to live in this apartment anymore and don't know where we will go next. My apartment was originally \$1700 but similar ones are being sold for \$2000 and \$3000.

I am trying to plan ahead of this rent increase by working 60 hours a week and looking for a night job where I can make the cash that is needed. But, who knows if that is enough.

Emotionally, it is very difficult to handle. I do not know what the solution is.

Bill 15-23 would be completely useless. 3% in the HOME Act is fine. Not ideal and will survive, but we should go farther if we really cared about renters.

At the end of the day, we are refugees. We have a lot of problems and I do not understand why this is something else that is put on our plate. We need the government to help us. We need the HOME Act to bring rent stabilization to Montgomery County.

Thank you.

Magnus Fortune-Sutton
Gaithersburg MD

My name is Magnus and I'm testifying because I oppose Bill 15-23 and want rent stabilization for me and my family through the HOME Act. Right now, I live with my sister and I am currently unemployed. I get jobs here and there but am unable to contribute to my rent. Since I do not have a green card, I cannot get all the jobs that are offered. But once I get it, I can contribute. But even with the current rent, it's not like I can make a dent. My sister got into an accident and has had two surgeries, so she also does not work full time. It is very difficult to keep the apartment due to both of our struggles. Things have gotten so much worse after COVID. Everyone is struggling.

I started living in this apartment in 2020 and the rent was 1500 dollars. Now it is 1900 dollars. The latest increase was 7.8%, which means I would not be covered by Bill 15-23. How am I supposed to build a life here if I am living day to day, not knowing if I will have a home the next day.

I am in the library every day because I cannot afford my cable bill and internet. No matter what library I go to, Bethesda, Gaithersburg, or anywhere else, I see people doing the same thing. People come in with a suitcase and toothbrush because they do not know where they will sleep at night. It is clear we are all struggling. How is this acceptable? We need rent stabilization to survive. I need rent stabilization to survive. Or else, we will have more homeless people or will have to go to other cities or states.

We are planning to relocate because we can't afford to stay here. If we get evicted, we do not know where we will go.

It is a lot to handle. It is the grace of God that I am alright today and am fortunate that we have the library that we can go to today.

This process feels like a cycle. Tenants come to a building to build a life in Montgomery County, landlord increases the price out of nowhere. We have to leave and go to another building. The rents go up there. We leave. And, it keeps going and going and going.

Under the HOME Act, I would be able to stay in one place and thrive. It would be life changing. Under Bill 15-23, I would be in the same horrible situation now.

I ask for the council to support and pass the HOME Act as soon as possible to give me and people like me the opportunity to succeed.

Dear Montgomery County Council,

My name is Maria Santos. I am a Montgomery County resident and a mother of three. I reside at the Rock Creek Woods Apartments, where my family and neighbors are dealt with deplorable living conditions, lease terminations, and unjust evictions.

My family has resided at Rock Creek for about 7 years. Our rent has always been paid. Every year our rents go up substantially while conditions and repairs grow worse and worse. These conditions include mold, cracks on walls and ceilings, mice infestation, poor management, rent increase of at least 4-6%, and much more. In the attempt to speak with management to have our issues fixed, we have been told to leave the property or face eviction. When we tried to ask why they were kicking us out, they aggressively said, "Because we can."

I am imploring you to NOT support Bill 15-23: The Anti-Rent Gouging Bill introduced by Councilmember Natali Fani-González. My fellow neighbors and I were appalled to hear that the very same council member who came and saw firsthand the conditions that we lived in would be comfortable with letting a slumlord like ours have the capability of raising our rent to 8%+. Not only is it not justifiable considering the conditions and abuse that we suffer on a daily basis, but it is inequitable.

The living conditions and excessive rent increase have caused my family anguish and distress. It has been extremely difficult to find a new home at an affordable price. We are forced to search outside Montgomery County, affecting our children's education and jobs.

As a resident of the County, I believe that it is critical that we put people first. I am you to STRONGLY VOTE NO on the Anti-Rent Gouging Bill 15:23.

Sincerely,

Maria Santos

[REDACTED]

[REDACTED]

[REDACTED]

Mary Fernandes, Ph.D.

**TESTIMONY IN SUPPORT OF THE HOME ACT, BILL 16-23;
AND IN OPPOSITION TO THE ‘ANTI-RENT GOUGING’ BILL 15-23**

To the members of the Montgomery County Council:

My name is Mary Fernandes, and I’m a resident of District 6. My partner and I rent a small, 2-bedroom home in Glenmont. We previously rented a single-family home in Wheaton, but because of terrible housing conditions (mice, frequent basement floods, mold) and unresponsiveness from our landlord/property manager, we were forced to relocate. My partner and I are both young professionals. I work as a postdoctoral psychologist at the Washington D.C. Veterans Affairs Medical Center. I make \$52,000 a year, and my partner makes just over \$45,000 a year, both before taxes. We currently pay \$2,250 in rent each month. We weren’t able to consider smaller apartments or homes, as I spend 2 days a week working from home, and the nature of my job forces me to have a private space where I can see patients virtually without accidentally violating their right to confidentiality. As you can tell from our income and monthly rent, that leaves us with, at most, a combined \$5,000 per month to cover costs of food, utilities, healthcare, car expenses, insurance, school loan payments, and more. I care for dozens of Veterans with mental illnesses each week, and the stress of making ends meet while carrying the vicarious pain and trauma of my patients is sometimes paralyzing. I can’t imagine how my partner and I will continue to afford basic needs, let alone save for the future, if our rent increases. Housing costs are our largest expense, and we live very frugally, so rent stabilization would go a long way in our lives, and by extension, in allowing me to focus more of my mental energy on the communities and Veterans who I serve.

The Montgomery County Council has an opportunity to improve the lives, futures, and mental health of countless residents by passing the HOME Act (bill 16-23). I am one of many who are pleading with you to do what we know, through fact and testimony, is the best thing for our entire community. As is the case with me, imagine the ripple effect that rent stabilization will have on all of the other communities that we each serve. If we put a cap on rent increases, imagine the teachers who can better focus on their students rather than having to look for new jobs or new homes. Imagine the single parents who can be spared the heart-wrenching conversation with their children about why they have to relocate *again* in order to afford their housing. Imagine the children who are impacted by housing insecurity but who might finally get to focus on the only thing that they should be – learning and growing. That’s what the HOME Act is about – it is about protecting our most vulnerable from exploitation and ensuring that our communities can collectively thrive. And *you* have the power to do that.

Thank you for considering my testimony,
Mary



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

**Testimony on Bill 15-23, Landlord-Tenant Relations – Anti Rent Gouging Protections and
Bill 16-23, Landlord-Tenant Relations – Rent Stabilization (The HOME Act)**
Montgomery Housing Alliance

March 28, 2023

Good evening Council President Glass and members of the Council. My name is Mary Kolar, and I am testifying on behalf of Montgomery Housing Alliance (MHA), a county-wide coalition of affordable housing providers and advocates across the housing spectrum.

As you consider Bill 15-23 and Bill 16-23, we urge that any action you take to protect tenants, address cost burden, and prevent potential displacement include several first principles to ensure effectiveness and sustainability. These include:

- Preventing sudden and severe rent increases;
- Providing significant funds for targeted rental assistance;
- Avoiding potential loopholes and unintended effects;
- Ensuring necessary administration, oversight, and enforcement; and adequate resources for administration;
- Recognizing the impact on small landlords; and
- Clarifying language surrounding exemptions of affordable housing.

As we stated in testimony last year, MHA supports efforts to prevent sudden extreme rent increases that amount to rent gouging. These kinds of increases are destabilizing for many renter households who cannot absorb double-digit rent increases and should not have to face potential displacement or other dire choices simply for the excess profit of bad actors. In many cases, however, rather than being exploitative, modest increases are an important tool for landlords to meet increasing costs and adequately maintain a property.

That being said, there are some households who cannot sustain even the modest increases that are a necessary aspect of operating a rental property. Currently, 20,000 households in Montgomery County are severely cost burdened, spending over half their incomes on housing costs. These families already must make impossible choices between paying for housing and paying for other critical priorities like education, health care, and reliable transportation, and even necessary rent increases are untenable for them. It is therefore imperative that any measure to prevent severe rent increases includes targeted rental subsidies to support low-



*The Montgomery Housing Alliance is a coalition of
the Community Development Network of Maryland*



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income households, and that the scope of funding is adequate to meet the need, and is not a one-time investment, but a sustained program.

It is fundamental that before passing any legislation on rents, the Council carefully considers, and works to minimize, potential loopholes and unintended consequences, for example a cooling effect on long-term investment in the county or incentives for vacancy decontrol. As you know, the county must add over 40,000 new homes, including a significant amount of affordable rental housing, over the next decade. Tenant protection against exploitative increases must be enacted in a way that does not drive development that would otherwise occur in Montgomery County to neighboring jurisdictions. It is also critical to ensure that landlords are not motivated to keep units vacant in order to claim hardship and receive waivers, or to vacate occupied units through non-renewal of leases, deferred maintenance, or even harassment in order to benefit from vacancy decontrol.

Any action the Council takes must also consider the appropriate model for program oversight and enforcement, and include significant resources for administration, including program infrastructure, staffing, and tenant and landlord education.

Additionally, we urge you to clarify language around included exemptions, particularly an exemption for properties participating in affordable housing assistance programs which have pre-existing rent regulations, such as the Low Income Housing Tax Credit program. Language focused only on non-profits may unintentionally exclude otherwise eligible properties that, for financing or other reasons, have alternative ownership structures.

Lastly, we urge you to partner any action to restrict untenable rent increases with robust investment in the Housing Initiative Fund. Tenant protections and funding for affordable housing development are both necessary tools to address the harmful effects of cost burden and the potential displacement of members of our community. As we increase the rate of available affordable homes, we will reduce the number of families who are vulnerable to the destabilization caused by unsustainable rent increases.

Thank you for the opportunity to provide input as you consider this matter. We look forward to providing more feedback and working with the Council as you determine the best course of action.



The Montgomery Housing Alliance is a coalition of the Community Development Network of Maryland

Michelle Ripari
[REDACTED]
[REDACTED]

District 4

**TESTIMONY IN SUPPORT OF THE HOME ACT, BILL 16-23;
AND IN OPPOSITION TO THE 'ANTI-RENT GOUGING' BILL 15-23**

I am a renter in Montgomery County and currently live in District 4. I'm testifying in support of the HOME Act (Bill 16-23) and against the 'Anti-Rent Gouging' Bill (Bill 15-23). I am urging the council to pass the HOME Act and cap rent increases at no more than 3% per year, rather than codifying 10+% yearly increases under Bill 15-23.

As a renter who has lived in both Wheaton and Silver Spring over the past few years, I support the HOME Act for a number of reasons. We are currently in a cost-of-living crisis, and rent stabilization is necessary to prevent further displacement. Already, evictions are sky-rocketing since the temporary COVID stabilization ended, and our most vulnerable communities are being ripped apart by unfair and untenable rent increases. Rent control is proven to prevent evictions and displacement, while good housing policy is also needed to solve the underlying issues and create affordable housing for all in the long-term. The HOME Act is a step in this direction, it disincentivizes vacancies through a vacancy tax and funds more affordable housing.

The HOME Act will also bring stability and predictability back to tenants in Montgomery County. I was incredibly lucky to be able to resign my lease during the temporary COVID stabilization, knowing that I would be able to continue living in my current apartment. This has allowed me to financially plan for my future and put down roots in my community. Without those protections in place, I and many others would not have been able to do that.

I am also urging the council to not pass the 'anti-rent gouging' Bill 15-23, which would codify rent increases of 8%+CPI per year. Passed now, this bill would permit rent increases of over 12%! This is completely unaffordable! Furthermore, there is no guarantee that renters facing these increases will be able to access necessary rental assistance. This bill would accelerate displacement and evictions in our most marginalized communities.

I urge the council to support the HOME Act and protect renters in the city. We deserve to have stable and affordable housing. This bill is a step in the right direction towards achieving that goal. Thank you for your time and consideration.

Dear Members of the County Council

Hello, and thank you for taking the time to read my testimony on the important, and far from straightforward issue of rent stabilization in Montgomery County.

I urge you to find a compromise between the two bills on offer, and to keep in mind that any exact proposals laid out, whether by me, you, or someone else, is ultimately something of a guess. This is not an exact science, and there are too many factors for anyone to be **sure** they have a perfect answer, myself very much included, but we still need to try our best to get this right.

I am testifying favorable, with amendments, to both bill 15-23 (anti rent gouging protections) and bill 16-23 (the HOME Act), for the simple reason that I think that the best answer lies somewhere in the middle.

The long and short of it is that I feel a bill with a cap of CPI +4% with a 15 year exemption for new construction is the best path forward. I believe that we can and should provide more substantial protections than the CPI +8% outlined in the anti gouging bill, but think that the HOME act, with no indexing to inflation above a 3% cap, is not flexible enough to mitigate the real impacts rent stabilization policy has on housing supply. The outlined process for exceptions to this cap is potentially helpful, but still casts a good deal of uncertainty for development that requires banks to have enough confidence in a project to give the loans to make the building happen.

While I come down between the two bills that have been proposed by various councilmembers, and do not support the HOME Act as it is written, the figures and arguments presented by the bill sponsors and supporters are centered on what at risk tenants feel would be most helpful in keeping them stably housed. That's important to keep in mind as we work on a path forward.

I truly think the policy that Montgomery County adopts has to be more moderate in order to properly balance protections for current renters against making sure we have enough housing to affordably meet the needs of renters, current and new, that will need new accommodations in the future. However, no matter how hard I try, I cannot fully appreciate the urgency that more vulnerable residents feel. Please also listen to what they have to say to help make sure the final bill addresses their concerns as much as is feasible.

Similarly, the authors and proponents of the anti gouging law are working in good faith to provide protections while also guarding against the risks presented by strict rent limitations, and those risks are real and cannot be dismissed either.

Future adjustment may be technically possible, but it won't be easy, so it's important to get this right the first time around.

It's also important to remember that if a rent cap is too strict, landlords will find a way around it, taking on new amenity, parking, or other fees. By all means, think about limiting those too, but the best way to avoid such gaming that could result in still leaving renters with harsh increases is to set a number that protects against large increases while still providing flexibility for landlords and developers to make a predictable return on development and maintenance of housing.

On the other hand If the cap is too loose, it risks allowing the displacement of renters that otherwise could have been protected while still leaving meaningful room and flexibility for the rental, development, and maintenance of new housing. A cap on the high end is still better than the status quo, but we should aim to do as much good as possible here, and while I salute the efforts of the authors of both bills, I think bill 15-23 can lower it's cap just as bill 16-23 can be more flexible the other way.

Still, the headline maximum rent increase and new building grace period aren't the only opportunities for compromise. I urge you to be creative. Maybe a rate on the low side with a long exemption for new buildings is the path forward. Maybe a CPI+6% number can work with a hard cap at... say 10% no matter how high inflation is. Maybe the opposite can help, a floor, a minimum level to which rents can be raised even when the would be cap is low. Talk to the stakeholders, find a path forward that balances the need for flexibility with the need for stability.

I know that there is some concern that a bill that caps rents at a level above the voluntary rent guidelines will cause landlords to, en masse, raise rents by that permitted cap, and not the voluntary rent guidelines. I can't sit here and say the risk of that happening is zero, and I'm sure it will happen in some cases, but over the long term, absent price coordination between different landlords that simply does not exist, competition should prevent this from happening on a large level. It's also worth noting that unlimited increases are currently allowed, and yet increases vary considerably because of competition, and often still follow the voluntary guidelines. Keeping the voluntary guidelines and communicating them in the same document to both landlord and renter when a lease is up could go a long way to mitigate any remaining risk here.

As a final note, it is a testament to this council and to many advocates in the county that we are having this conversation at all. Like many, years ago I was fundamentally skeptical of rent stabilization, but as I have testified to this council about previously, and written about publicly, I have come to appreciate that in a world where there are many impacts on supply, zoning, building material costs, setbacks, lending practices, parking minimums, and until recently, school capacity imposed bans on new housing, there will always be constraints on supply with or without rent stabilization, and that there is a sweet spot we can hit.

We can't go too far and use this as an excuse to completely dismiss the barriers that stabilization can present to new home construction. It is also true that rent stabilization favors renters by incumbency more directly than it does by "need", so it is no panacea, but nothing is. Those supply impacts are real, and any policy we put forward must balance them against the need to protect incumbent renters, but there will *always* be constraints on supply. If we lived in a world where we would have all the housing we need but for the supply impact of rent stabilization, I would oppose it in all its forms, but that is not the world that we live in.

It just isn't.

Getting the policy details right and making sure that all the economic factors are well balanced is critical, but we also cannot ignore the moral imperative here. We can't make things so strict that people are locked in place forever even if they want to move, but at the same time, a home is the most important place in someone's life, and it can uproot your entire life if you are pushed out of it due to a dramatic rent increase. Data, economics, logic, and cold hard supply impacts all have their place in this debate, but so does our obligation to help those hoping for a stable place to rest their head at night, and some form of rent stabilization will help that happen.

I urge you to find the balance, and work out a compromise. We need to get this right.

Thank you
Mike English



**Testimony in Support of the HOME Act, Bill 16-23
And in Opposition to the “Anti-Rent Gouging” Bill 15-23**

Mike Heywood



March 24, 2023

To the members of the Montgomery County Council,

My name is Mike Heywood, and I’m a resident of Silver Spring, specifically in District 4, represented by Kate Stewart. I’m testifying **in favor** of the HOME Act, Bill 16-23, which would guarantee real rent stability by limiting increases to 3%; and **against** Bill 15-23, which would subsidize rent gouging by allowing for increases up to 8% plus CPI.

I have lived in Montgomery County all my life. I was lucky in that my parents were homeowners with stable jobs, so we didn’t have to somewhere else every few years as I was growing up. I never had to worry about changing schools, leaving friends behind and starting over with new ones. I never had to make the changes to my daily routine that a move would require. I never had to worry that there wouldn’t be a new place to move to when we moved out of the one we had.

I was lucky that I had stability in my living situation growing up. That kind of stability should not be a matter of luck.

But as long as housing is treated as a commodity, to be bought and sold and passed around at the whim of the market, that stability is a luxury afforded only to the affluent. As long as landlords are free to hike the rents whenever they see fit, to drive their residents out in favor of a “better class” of tenants, that stability is out of reach for the vast majority of people.

This is why, **at a minimum**, we need to pass real rent stabilization, to limit the amount the rent can go up each year.

During the worst days of the COVID-19 pandemic, this council understood that stable housing was matter of basic survival, and that in that time of emergency, eviction meant death. So it enacted emergency rent stabilization and an eviction moratorium, to prevent mass displacement in the middle of a pandemic. As Council Member Will Jawando has said a couple of times, “the sky did not fall.” Landlords still made profits off of their control of the means of subsistence. But for the capitalist landlords, this was not enough. A steady rate of profit was not enough. No, they had to keep the line going up into infinity.

Since the end of the emergency stabilization, that is exactly what they’ve been doing. Having been denied their right to gouge for a while, they’ve been making up for lost time. Organizing with Montgomery County DSA and the MORE Coalition in support of the HOME Act, I’ve seen this process firsthand:

- At the Cinnamon Run Apartments in Glenmont, I saw eviction notices at practically every other door.
- At the District Court, where landlord-tenant cases were being heard, there were nearly 300 cases brought forward in a single day! This, I am told, was a slow day.

We started organizing for rent stabilization to put an end to this gouging, and **the HOME Act, Bill 16-23**, is the legislative expression of that effort. It would limit annual rent increases to a **maximum** of 3% annually (\$60, assuming a rent of \$2000). This would allow people to budget out their rent well in advance, without worrying about sudden increases. It would allow people to plan ahead.

Compare this to the other bill brought forward, **Bill 15-23**, which would allow increases of **at least** 8%, and that amount only if inflation literally stands still. In any likely real scenario, the increase would be far higher than that. This bill, under the name of rent stabilization, in practice **does nothing but legalize rent gouging**.

I urge you to **pass the HOME Act, Bill 16-23**, and **reject Bill 15-23**, to enact real rent stabilization in Montgomery County.

Best regards,
Mike Heywood

Mimi Pham
Takoma Park, MD

**TESTIMONY IN SUPPORT OF THE HOME ACT, BILL 16-23;
AND IN OPPOSITION TO THE 'ANTI-RENT GOUGING' BILL 15-23**

Dear Council Members,

My name is Mimi Pham, and I live in District 4 of Montgomery County. I am testifying because I support the **HOME Act, Bill 16-23**. I believe everyone deserves a safe and stable home, and that means living without the fear of eviction due to high rent increases.

I am asking the Council to support the **HOME Act, Bill 16-23** and pass rent stabilization with a cap no higher than 3%.

As a renter for all of my adult life, I have had to continuously move out of my community due to annual rent increases. I recently moved to Takoma Park three months ago from a high rent district, and am lucky enough to currently live in a rent-stabilized area closer to my job. That said, I believe everyone deserves the right to live and settle in communities that they've built, and rent stabilization will give them the security to do so. I know of friends and family members who have been affected physically and emotionally from moving due to rent non-stabilization policies. Rent stabilization helps marginalized racial groups who are constantly impacted by unfair housing policies, such as Bill 15-23.

Passing the **HOME Act, Bill 16-23** is not about taking sides, but about empowering voices that are largely marginalized. I am demanding that the Council to vote yes on the **HOME Act, Bill 16-23** and pass rent stabilization with a cap no higher than 3%.

Sincerely,
Mimi Pham

Myla Leung



**TESTIMONY IN SUPPORT OF THE HOME ACT, BILL 16-23;
AND IN OPPOSITION TO THE ‘ANTI-RENT GOUGING’ BILL 15-23**

Dear Montgomery County Council Members,

My name is Myla, and I am a high school student from District 1 of Montgomery County. I am testifying because I support the HOME Act, Bill 16-23. In order to ensure everyone has access to safe and stable housing, we must pass rent stabilization with a cap no higher than 3%.

I am incredibly fortunate to live in a home and area of privilege; however, I have seen my friends and teachers from surrounding communities face the impact of skyrocketing rents. If 60% of public school teachers in Montgomery County can not afford to live in Montgomery County, how can we expect them to commute to a community they can not call their own? Moreover, several of my friends and students across the country experience housing insecurity. Their families struggle to pay for food, clothes, and healthcare costs, and students are preoccupied with extracurricular activities and schoolwork. Housing is a human right and should not be a burden for families, students, and teachers.

Furthermore, rent stabilization provides predictability about rental increases. It is an essential tool for decreasing the County’s current crisis of evictions, displacement, and homelessness and for establishing a new source of income for Montgomery County.

Council members, I urge you to consider my testimony and support the Home Act Bill. Regardless of race, income, or ethnicity, *everyone* deserves to live without the fear of losing our homes. With the Home Act Bill, we can empower voices that have been largely marginalized.

Sincerely,
Myla Leung

Naeem Alam


**TESTIMONY IN SUPPORT OF THE HOME ACT, BILL 16-23;
AND IN OPPOSITION TO BILL 15-23**

Dear members of the County Council,

My name is Naeem Alam, and I am a resident of District 5 in Silver Spring. I'm testifying to ask that the Council support the HOME Act, Bill 16-23, which would protect my community by limiting rent increases to 3%; and to ask that the Council oppose Bill 15-23, which would tear my community apart by permitting absurd 8% rent increases.

I was born and raised in Silver Spring. I was fortunate that my parents both had college degrees, so they could afford the mortgage on our home. But my aunts, uncles, and grandparents were not so lucky. Their wages were not enough to pay the sky-high rents in Montgomery County, so they had no choice but to live with us. There were always between 8 and 11 of us in our four-bedroom home at any given time, and this resulted in constant conflict over bills, utilities, food and more. I remember the endless yelling matches and chaos as my family tried to figure out who would pay for what. The fights were so frequent that the rare days when no one was fighting felt like holidays. The emotional scars from this type of environment stay with you forever.

However, as I grew older, I realized just how lucky I was. Many of my friends came from households where no one in the family could afford a home, so everyone had to rent. And as their landlords raised the rent mercilessly, they lived in silent fear of eviction. I learned that Councilmember Mink and Councilmember Jawando were bravely fighting these increases, but that 7 of their colleagues, who were influenced by dark money from for-profit developers, were getting in the way. This compelled me to break my silence.

If we had 3% rent stabilization, like in the HOME Act, then my friends would never have lived in fear. My family would never have doubled up. All of us would have been spared physical, mental and financial trauma. But 7 of our Councilmembers are choosing not to let us have that, because of dark money from "Progressives for Progress" developers.

We need all Councilmembers to stand with us by passing the HOME Act and rejecting Bill 15-23. We cannot afford the 8% rent increases of Bill 15-23. We cannot afford to have 7 Councilmembers be influenced by dark money from "Progressives for Progress" developers. I urge each of you to stand with us, or else we will have no choice but to vote you out. Please do the right thing: support the HOME Act and reject Bill 15-23, so that we can all have the peace and stability that we deserve. Thank you.

-Naeem Alam

Nicole Zimmerman



Testimony in Support of the HOME Act (Bill 16-23)

I live in Silver Spring (District 4) and am a renter and I urge you to pass the HOME Act (Bill 16-23) to provide real rent stabilization to renters and communities in Montgomery County. I oppose the “Anti-gouging bill” (15-23).

I am an organizer with the Montgomery County Democratic Socialists of America and I’ve helped organize six renter canvasses, along with partners in the Montgomery County Racial Equity Network. Those experiences talking with tenants, as well as my own experiences as a renter inform my support for the HOME Act.

When I started to think about why I support rent stabilization and the HOME Act, I came up with a few reasons:

1) I’ve benefitted from stable rents and that has allowed me to put down roots here in Silver Spring.

I grew up in Howard County, went to college in southern Maryland and almost immediately moved to Silver Spring after graduating from college. For two years, I rented a group house in downtown Silver Spring. Our landlord, who owned maybe one or two other properties, would either increase our rent by the voluntary rent guideline or would not bother to increase rent at all. I am not sure how exactly she determined the original rent when she bought the house in the mid-2000s. But the result was that the rent was below market rate by the time I moved in in 2014. People who lived in the house would often stay as they could before they moved out to live with the partner that they ended up marrying because it was a good deal and they had no other reason to leave. As a result, people who lived in this house developed close bonds from living together for years and still continue to see each other to this day. This community was part of the reason I wanted to stay in Silver Spring, even as I was still figuring out my career and I could’ve just as easily moved to Baltimore, where many of my friends from college live. I have a lot of friends who have lived in group situations over the years, but I do not know of many others who have a community like this and I think the stable rent contributed to this. I eventually convinced my sister, and in turn, my brother-in-law to move to Silver Spring and I now live with them and pay rent so that they (both public school educators) can afford their mortgage.

2) Rents shouldn’t vary significantly by month or the time of the year.

Now, my partner and I are considering renting together in Silver Spring. I receive updates from Zillow and real estate companies and I’ve noticed that rental prices for certain apartment buildings in the area can vary by hundreds of dollars a month, depending on the day, month or time of year, forcing prospective tenants to game the system to get the best deal and advantaging tenants with the most time to search for apartments or flexibility in moving. I

suspect that these seemingly random changes in rent are set by an algorithm designed to maximize the rents that tenants will pay (see ProPublica article from October 2022)¹.

The end result is that tenants could end up paying significantly less or more than their neighbors for similar units. The HOME Act would provide price fairness for rentals by limiting how much landlords can vary rents over the year.

3) The justification for the anti-gouging bill is based on false premises.

One of the reasons the sponsors have given for putting forward the anti-gouging bill is that this bill will be paired with increased rental assistance so that rental assistance will cover the cost of rent increases of 10 or 15%. Yet, as the 2023 session of the Maryland General Assembly winds down, it seems increasingly likely that the state will not fund emergency rental assistance. In this scenario, it seems more fiscally prudent for the county to instead use its authorities to limit rent increases substantially, preempting the need for state funds to cover significant rent increases.

Thank you for reviewing my testimony. I've lived in Montgomery County for close to ten years now as a renter and I plan to stay here for the foreseeable future. I see passing the HOME Act as one, but an important part, of making Montgomery County a more affordable and equitable place to live and I hope you'll act quickly to pass this bill.

¹ <https://www.propublica.org/article/yardstar-rent-increase-realtor-rent>

Olivia Delaplaine



Council District 4

**TESTIMONY IN SUPPORT OF THE HOME ACT, BILL 16-23;
AND IN OPPOSITION TO THE 'ANTI-RENT GOUGING' BILL 15-23**

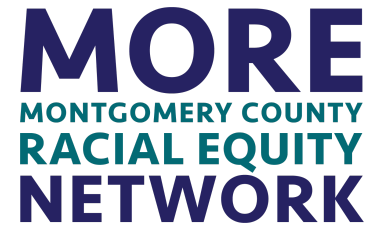
My name is Olivia Delaplaine, I live in Long Branch, and I am submitting testimony in support of the HOME Act, Bill 16-23 and against Bill 15-23. I live in District 4 and am a constituent of Councilmember Kate Stewart. I'm asking the Council to support the HOME Act because as a renter who grew up in Montgomery County, I know that unchecked rent increases over 8% will prevent me and so many of my friends, family, and neighbors from staying in the county and building our futures here.

I live in Long Branch now, a beautiful neighborhood with a Takoma Park mailing address that unfortunately falls outside of the official Takoma Park city limits. That means we fall outside of the rent stabilization protections that the city of Takoma Park offers. In the three years I've lived here and more than 7 years I've worked here, I've heard countless stories of people who have been forced to look for housing in Prince George's, Frederick, or in an entirely different state because an investor bought their building, refused to fix any of the maintenance issues in their building, and raised their rent up by 10 or more percent to the point where they could no longer afford to stay. I have felt really sad seeing so many people move away, especially neighbors with young children, seniors, or other young people my own age. My own rent only went up exactly 3% when I renewed my lease last year, which has enabled me to stay in the neighborhood. My fiancé and I share the unit-- he is a public school teacher and I work at a nonprofit--but already $\frac{1}{3}$ of our income is going toward our rent, and our wages don't increase in a way that would enable us to afford an increase of more than 2-3%. We dream of eventually buying a home and starting a family in the county, staying close to our family, friends, and jobs that are here, but unless we pass rent stabilization with a 3% cap, we wouldn't be able to.

This issue is also important to me because my elderly father has been in the process of downsizing from a home in Bethesda that he is unable to maintain due to his increasingly limited physical mobility. He found an apartment that is only just barely within his budget, partially due to the fact that though he is 78 years old, he is still working and earning a salary. If his rent goes up more than 2 or 3% in the next few years, he won't be able to afford it, much less retire. I hope the council passes the HOME Act so that seniors who are living on a fixed income or who are hoping to retire soon can either downsize to new rental units in their same neighborhood or stay in their existing rental units. I don't want to have to worry about whether my dad can stay housed and stay close by, and I don't want anyone else to have to worry about that for their own parents, either.

I urge the council to support the HOME Act and cap rent increases at 3% to allow lifelong county residents like me and my father to stay in the county, to allow families the stability they need to stay close together, and to give those of us hoping to start new families the opportunity to put down roots here and grow. Thank you and please pass the HOME Act (16-23) and reject 15-23.

Omodamola E Williams
Gaithersburg, MD, 20878
Montgomery County Racial Equity (MORE) Network



**TESTIMONY IN SUPPORT OF THE HOME ACT BILL 16-23 AND
AGAINST THE “ANTI-RENT GOUGING” BILL 15-23**

Dear Montgomery County Council Members,

My name is Omodamola Williams, a resident of Gaithersburg, District 3, and devoted single father of two little girls in MCPS. I am the community coordinator of the Montgomery County Racial Equity Network, whose housing coalition has helped lead tenant protection work for the last few years in our County. The MORE Network urges you to pass meaningful rent stabilization: support the HOME Act, Bill 16-23, and please strongly oppose bill 15-23.

Being a full time single parent, my job and children are my top priority. I have many expenses to manage. I lived paycheck to paycheck, even though I worked a full time job, before losing my job due to COVID and having to move to a family shelter with my young daughters. Then, my increase was lower than what it would be with the lack of protections from Bill 15-23. And now, my landlord already is abusing their authority, refusing to do basic maintenance for my unit. Even worse, they have increased my rent so high that I cannot afford it. Now, fear I will end up losing my home and checking into a shelter with my two young daughters, *again*. I don't want to go through that again.

But this isn't just my story. It's the story of thousands of renters who are on the brink of, or are already experiencing homelessness. It's the story of disproportionately Black and Latinx renters, who have been set up to fail by generations of racist housing policies across the country and right here in Montgomery County.

[According to the Racial Equity and Social Justice Impact Statement for the previous temporary rent stabilization Bill, 30-21](#), “Low-wealth and low-income households have been negatively impacted by the financial burdens associated with the pandemic. These households lacking access to affordable and safe housing, also known as secure housing, are also at greater risk of experiencing evictions and homelessness. Many of these households who are disproportionately Black and Latinx in Montgomery County were at

risk for evictions and homelessness prior to the pandemic.”

The fact that Black and Latinx renters experience acute housing insecurity is backed by the data:

- Among renter households in 2019, rent-burden (expending 30 percent or more of income on rent) was experienced among 66 percent of Latinx renters and 60 percent of Black renters compared to 40 percent of White renters and 33 percent of Asian renters.
- [Among Round 4 COVID Relief Rental Program clients](#) (approved as of March 15, 2023), 45 percent were Black and 23 percent were Latinx while 8 percent were White and 2 percent were Asian or Pacific Islander.
- ***Among families experiencing homelessness in 2020, 78 percent were Black.***

You, leaders of the Montgomery County Council, have an opportunity to choose between a bill that will stabilize rent at 3% max, preventing our County’s rapidly-increasing eviction rates to climb, or a bill that will make it **legal** for landlords to make tenants homeless, with the claim that money we don’t have will pay the difference.

The choice that supports racial equity is clear. Pass the HOME Act, and take action to make sure tenants like me won’t be retraumatized, again, and again, and again, by our failed housing system.

Thank you for your time.

Omodamola E Williams.

**Peter Altman
Rockville, MD
March 21, 2023**

**PETER ALTMAN TESTIMONY IN SUPPORT OF THE HOME ACT, BILL 16-23;
AND IN OPPOSITION TO THE 'ANTI-RENT GOUGING' BILL 15-23**

My name is Peter Altman, and I have lived in District 3 in Montgomery County for twenty years. I own my home, but I consider affordable housing to be essential to a fair, racially just and harmonious society. The runaway rents we are seeing across the county affect all of us, whether renters or owners:

- 50% of renters are cost-burdened, meaning they spend a third or more of their income on rent, making it more difficult to meet other obligations of raising a healthy family.
- When 60% of MCEA members can't afford to put down roots in our communities, our schools and students bear the cost.
- People who face eviction in Rent Court are overwhelmingly Black women, households with minor children, and people who do not receive a housing subsidy.
- Housing insecurity also disproportionately impacts immigrants and trans and disabled people, as well as renters who live at or below the poverty line, earn a fixed or limited income, or did not qualify for rental assistance because they could not prove pandemic-related loss of income.

That's why I SUPPORT permanent rent stabilization legislation as laid out in Bill 16-23, known as the HOME Act.

The bill caps annual rent increases to match the Voluntary Rent Guidelines or 3%, whichever is lower. It also guarantees fair return for developers and exempts deeply affordable housing, places of worship, and new construction for 10 years.

Councilmembers, especially Sidney Katz (my rep) and other at-large members, please SUPPORT the HOME Act fully.

The competing legislation (Bill 15-23) fails to adequately protect renters. It would effectively codify double-digit rent annual increases, does not meet the needs of renters and will result in significant displacement of families.

Councilmembers, especially Sidney Katz (my rep) and other at-large members, please OPPOSE Bill 15-23.

Thank you for your time and consideration,

Sincerely,

Peter Altman

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████████████████

AGAINST BILL 15-23, FOR BILL 16-23

Dear Council Members,

My name is Rafael Lacayo. I am a Montgomery County resident of 20 years. I am a Rockville resident. I am undocumented. I am an essential Worker.

And I'm writing this letter to voice my opposition against the Developer Dream Bill (Bill 15-23) and support the HOME Act that would bring meaningful change to communities.

Thanks to the Rent Stabilization, I have found stability in this county for the past two and a half years. However, I fear I will be forced to move elsewhere without the protection. My landlord has already warned me of a potential increase of more than 10%!

I am asking for your opposition to Bill 15-23 because legally allowing slumlords to raise rents that high is absurd. One of your biggest fears is that a meaningful rent stabilization bill would stump development. I'd hate to break it to you, but our immigrant and low-income communities are not benefiting from any new development. We don't even benefit from a program such as the MPDU.

If you don't believe me, all you must do is go into these neighborhoods and knock on a few doors. The notion that we must choose between new development and protecting vulnerable communities is disheartening. Yet, in one of the wealthiest counties in the world, we should be able to do both.

I urge you to reconsider this bill and consider its impact on Montgomery County tenants. Instead of prioritizing the interests of landlords, we need to focus on finding real solutions to make housing more affordable and accessible to all. I implore the six bill sponsors to step back and engage in a more inclusive and transparent process that will benefit all community members. I instead invite all of you to engage in the discussion and meaningful process that the HOME ACT has already laid out.

Sincerely,

Rafael Lacayo.

EN CONTRA DEL PROYECTO 15-23, A FAVOR DEL PROYECTO 16-23

Estimados miembros del consejo,

Mi nombre es Rafael Lacayo. Soy residente del condado de Montgomery desde hace 20 años. Soy residente de Rockville. soy indocumentado Soy un trabajador esencial.

Y escribo esta carta para expresar mi oposición al proyecto de ley Developer Dream Bill (proyecto de ley 15-23) y apoyo a la ley HOME que traería un cambio significativo a las comunidades.

Gracias a la Estabilización de Alquileres, he encontrado estabilidad en este condado durante los últimos dos años y medio. Sin embargo, me temo que me veré obligado a mudarme a otro lugar sin la protección. ¡Mi arrendador ya me ha advertido de un aumento potencial de más del 10%!

Le pido su oposición al Proyecto de Ley 15-23 porque es absurdo permitir legalmente que los dueños de barrios marginales aumenten los alquileres tanto. Uno de sus mayores temores es que un proyecto de ley significativo de estabilización de alquileres detenga el desarrollo. Odiaría decírtelo, pero nuestras comunidades de inmigrantes y de bajos ingresos no se están beneficiando de ningún nuevo desarrollo. Ni siquiera nos beneficiamos de un programa como el MPDU.

Si no me crees, todo lo que debes hacer es ir a estos barrios y tocar algunas puertas. La idea de que debemos elegir entre nuevos desarrollos y proteger a las comunidades vulnerables es desalentadora. Sin embargo, en uno de los condados más ricos del mundo, deberíamos poder hacer ambas cosas.

Lo insto a que reconsidere este proyecto de ley y considere su impacto en los inquilinos del condado de Montgomery. En lugar de priorizar los intereses de los propietarios, debemos centrarnos en encontrar soluciones reales para que la vivienda sea más asequible y accesible para todos. Imploro a los patrocinadores de los seis proyectos de ley que den un paso atrás y participen en un proceso más inclusivo y transparente que beneficiará a todos los miembros de la comunidad. En cambio, los invito a todos a participar en la discusión y el proceso significativo que la LEY DEL HOGAR ya ha establecido.

Atentamente,

Rafael Lacayo.

**TESTIMONY IN SUPPORT OF THE HOME ACT, BILL 16-23;
AND IN OPPOSITION TO THE 'ANTI-RENT GOUGING' BILL 15-23**

My name is Rafi Glazer. I am a resident of Aspen Hill in District 6. On behalf of Jews United for Justice (JUFJ), I am submitting this testimony in support of the HOME Act, Bill 16-23, and in opposition to the 'Anti-Rent Gouging Bill,' Bill 15-23. JUFJ organizes over 2,000 Jews and allies from across Montgomery County, who act on our shared values to advance social and economic justice and racial equity in our local community. I'm testifying because I believe that all of our neighbors, across race, class, and zip code, deserve the chance to put down roots in our communities. I'm asking the County Council to pass rent stabilization with a cap no higher than 3% to ensure just that.

Fast approaching is the Jewish holiday of Passover, which celebrates the Israelites' escape from slavery. Our sacred texts insist that we turn this experience into compassion for the most vulnerable in our communities today; in fact, one of the most repeated commandments in all of Torah is to protect the widow, orphan, and stranger because we were once strangers. As a registered resource parent, or foster parent, I have opened my home to many of those most vulnerable, and it breaks my heart that some children would be with their biological families if unsustainably high annual rent increases had not placed their families into unstable housing.

In the three years that I have been a foster parent, I have had the privilege of caring for 10 children, from 3 days old to 16 years old. Many of them do not share their whole life stories, but when we drive around the county and a child points their finger at multiple houses and says, "I used to live there," it tells me that their families have not had stable housing. Another foster parent told me about a biological father who had to take a job in Pennsylvania because he could not afford rent in our county. As a result, he had to drive two hours each way just to see his children, which made it hard for him to make home visits. This in turn made reunification, a key goal of foster care, take much longer than it should have. He was kept away from his children because, for him and many others, rent is too high to live in this county.

Whereas the HOME Act would curb the county's housing crisis, the 'Anti-Rent Gouging Bill' would result in the displacement of our most vulnerable families. We need to do everything we can to make living in this wonderful county an option for everyone. I am doing my part as a foster parent to care for the children impacted by so many failures in our systems, including the crisis of housing instability. It is time for the Council to do your part to ensure no child is separated from their parents because of our county's inadequate protections for renters. **I urge the Council to support Bill 16-23 and oppose Bill 15-23.**

Richard Renner

2023-03-19

Montgomery County Council
Council Office Building
100 Maryland Avenue
Rockville, MD 20850

RE: HOME Act, Bill 16-23, and Bill 15-23

Dear Council Members:

I am Richard Renner, a resident of District 5. My wife and I chose to live in the Wheaton area because we want to be part of a diverse community. For us, abating the effects of poverty is a community responsibility. It is important to me that our County's policies provide effective protections against the devastating effects of eviction, relocation and homelessness. Clearly, the **Housing Opportunity, Mobility, & Equity (HOME) Act (Bill 16-23)** is more effective at preserving a community that is racially and economically diverse.

As a volunteer in our local Pro Bono legal program, I too often see local residents who are faced with impossible economic choices that threaten their ability to afford housing in this community.

I ask the Montgomery County Council to pass the HOME Act and reject the alternative (15-23) that would permit double-digit rent increases.

Thank you.

Sincerely,



Richard Renner

..

Dear Councilmembers,

My name is Rosa Marleny Santos. I am a 33-year-old mother of 3 children. I am an immigrant from Honduras and have been a resident of Montgomery County for 9 years. I am writing this letter to you in support of the HOME ACT.

Up until two years ago, I worked as a building cleaner throughout the county. Due to my pregnancy and other health conditions, I stopped working and became a full-time mother. My husband is the current breadwinner of our household. He works at a nearby restaurant. Unfortunately, his hours have reduced over time. A few months ago, we received a 7% rent increase, putting us under a challenging financial strain. Aside from the overwhelming medical costs that pile up monthly, we had to cut back on many basic necessities to make ends meet.

We often find ourselves asking if the 7% was worth the increase. If you look at our unit and buildings, you probably won't spend the night! But this is our reality. Communities like mine often have to stay and confront undignified conditions because we have no place elsewhere.

With rents skyrocketing, the cost of living increasing, and our salaries remaining the same, how can one thrive in this county? I am writing because I need you all to support bill 16-23, which is manageable and sustainable for working-class and low-income families like mine. But, unfortunately, bill 15-23 does not even come close to protecting our most vulnerable communities. It's disappointing to see any support for this legislation, especially amongst some of our council members of color.

Vote for the HOME ACT!

Thank You!

Rosa Santos

Estimados Concejales,

Mi nombre es Rosa Marleny Santos. Soy una madre de 3 hijos de 33 años. Soy inmigrante de Honduras y he sido residente del condado de Montgomery durante 9 años. Le escribo esta carta en apoyo de HOME ACT.

Hasta hace dos años, trabajé limpiando edificios en todo el condado. Debido a mi embarazo y otras condiciones de salud, dejé de trabajar y me convertí en madre a tiempo completo. Mi esposo es el sostén actual de nuestro hogar. Trabaja en un restaurante cercano. Desafortunadamente, sus horas se han reducido con el tiempo. Hace pocos meses. Recibimos un aumento de alquiler del 7%, lo que nos puso bajo una presión financiera desafiante. Además de los abrumadores costos médicos que se acumulan mensualmente, tuvimos que reducir muchas necesidades básicas para llegar a fin de mes.

A menudo nos preguntamos si el 7% valió la pena el aumento. Si miras nuestra unidad y edificios, ¡probablemente no pasarás la noche! Pero esta es nuestra realidad. Comunidades como la mía muchas veces tienen que quedarse y enfrentar condiciones indignas porque no tenemos lugar en otro lugar.

Con los alquileres disparados, el costo de vida aumentando y nuestros salarios sin cambios, ¿cómo se puede prosperar en este condado? Les escribo porque necesito que todos apoyen el proyecto de ley 16-23, que es manejable y sostenible para familias de clase trabajadora y de bajos ingresos como la mía. Desafortunadamente, el proyecto de ley 15-23 ni siquiera se acerca a la protección de nuestras comunidades más vulnerables. Es decepcionante ver algún apoyo a esta legislación, especialmente entre algunos de los miembros de color de nuestro consejo.

¡Vote por la LEY DE CASA!

¡Gracias!

Rosa Santos

Sarah Brand-Wiita

Montgomery County Council
100 Maryland Ave
Rockville, MD 20850

24 March 2023

Re: Testimony in support of the HOME Act, Bill 16-23; and in opposition to the 'Anti-Rent Gouging' Bill 15-23

Honorable Members of the County Council,

Thank you very much for holding these upcoming hearings, and thank you for giving us the opportunity to testify.

My name is Sarah Brand-Wiita. I am a Member of the Montgomery County Democratic Central Committee (At-Large), but I must specify that I am writing as a private individual, not for the Committee. I have a Bachelor's in Economics from Vanderbilt University and a Master's in Inequalities and Social Science from the London School of Economics.

I write to urge you in the strongest possible terms to support the HOME Act.

I am privileged to live in Montgomery County with secure housing. But people I love are, or have been, housing insecure. My husband, Zach Brand-Wiita, first moved to Montgomery County almost thirteen years ago. He spent nine years renting a room in a group home because he had to financially support his mother after she became disabled following a stroke. The group house in which he lived was infested at various times with cockroaches, mice, and rats; he couldn't even cook using an oven because theirs was broken. After we fell in love, he moved in with me and was able to find better work, and we married. But, well – I can't marry everyone in Montgomery County!

Nor was my husband's experience uncommon. I have two elderly friends whom I met through my church. Both are themselves disabled and living on fixed incomes, and they too must rent rooms in group houses. They too face potential health risks from poor maintenance by negligent landlords. And they do not have families to provide them with financial support.

I think of these stories when I hear about Bills 16-23 and 15-23. I worry about my friends, and I worry about all the other people living in precarious housing in our County.

Bill 15-23, as you know, would allow rent increases of 8% plus CPI. Last year, that was 6.5% – we're talking a 14.5% rent increase! And all I can think when I hear that is – what are families who can barely get by supposed to do if they get a 14.5% rent increase? Move into a group house? What are my friends living on a fixed income supposed to do – get a roommate for the tiny bedroom they can barely afford? What are they supposed to do?

What are they supposed to do?

The HOME Act is the best possible alternative. A maximum annual rent increase of 3% will keep renters in their homes while preserving the ability of landlords to support themselves, and it's consistent with modern economic research showing that rent stabilization is an effective way to prevent displacement.

I urge you: Pass the HOME Act and keep our neighbors housed.

Sincerely,



Sarah Brand-Wiita

**Testimony on Behalf of County Executive Marc Elrich on
Bill 15-23, Landlord-Tenant Relations - Anti Rent Gouging Protections
and
Bill 16-23, Landlord-Tenant Relations – Rent Stabilization (The HOME Act)**

March 28, 2023

1:30 p.m.

Good afternoon, Council President Glass and Councilmembers, my name is Scott Bruton, Acting Director of the Department of Housing and Community Affairs (DHCA). I am testifying on behalf of the County Executive in support of Bill 16-23, Landlord-Tenant Relations – Rent Stabilization (The HOME Act) with comments on Bill 15-23, Landlord-Tenant Relations - Anti Rent Gouging Protections.

Given the affordable housing crisis in Montgomery County, our region, and the nation, it is heartening that the County Executive and a significant majority of the Council agree that limits need to be placed on rent increases.

The regulation of rent increases is not only a matter of stabilizing housing affordability, but also a matter of racial equity and social justice. Approximately 35% of County residents are renters: almost exactly half (49%) are housing cost burdened (paying more than 30% or more of their income for housing) and 23% are severely housing cost burdened (paying 50% or more of their income for housing). For renters making less than \$75,000 annually, 84% are housing cost burdened. And non-White racial and ethnic groups are far more likely to be renters in the County (percent of total population/percent of renters): White (43%/22%), Black (18%/58%), Asian (15%/29%), Hispanic or Latinx (20%/45%), Other (5%/53%).¹

Our analysis of more than 100,000 units in 23 communities across the County found that only Takoma Park, which has had rent stabilization since 1980, has rental housing affordable to the average household for all racial and ethnic groups. In every other community, the median rent leaves the average Black or Hispanic renter cost burdened (see Appendix 1).

Bills 15-23 and the HOME Act both contain the standard elements of rent stabilization legislation but differ in their implementation of each.

Maximum annual rent increases: Both bills set annual maximum rent increases for regulated units. Bill 15-23 would set the maximum at the Consumer Price Index (CPI) + 8%. The HOME Act would set the maximum at 3% or the increase in the rental component of the CPI, whichever is lower.²

The lower maximum rent increases allowed by the HOME Act would significantly assist low- and moderate-income Black and Hispanic or Latinx households who are disproportionately renters in the County. The HOME Act would also have a stabilizing effect on approximately 37% of rent increases that fall outside the historical averages for both the rent component of the CPI and the actual average rent

¹ Montgomery CountyStat analysis of 2021 American Community Survey (ACS) and ACS 5-year estimates 2016-2020.

² For years when the rental component of CPI is greater than 3%, Bill 16-23 allows landlords to recover the foregone portion of the rent increase in future years when the rental component of CPI is below 3%. A landlord may not bank foregone rent increases for more than 5 years and may not exceed a 3% increase when using banked increases.

increases in Montgomery County, while Bill 15-23 would only limit the approximately 7% of rent increases that are roughly 10% or higher.

For context, the average rent component of the CPI over the past 41 years (1983-2023) was 3.1%. Based on annual DHCA Rental Rate Survey data 2016-2022, the median rent changed 1.1% year over year for all multifamily units in the sample regardless of whether the rent increased/decreased/or stayed the same. For units that reported an increase in rent year over year, the median increase was 2.98%. More than half (55.2%) of the units in the sample experienced at least one rent increase. Between 2016-2022, 36.8 % of units reported rent increases above the historical rental component of the CPI or the 3% maximum contained in the HOME Act. During the same period, 19.9% of units reported 3-10% increases, 5.5% of units reported 10-25% increases, and 1.3% of units reported increases above 25%.³

DHCA's Office of Landlord Tenant Affairs (OLTA) received 112 rent increase notifications between May 16, 2022, to January 9, 2023. Of those, roughly 90% reported increases over 5%, while 75% were over a 10% increase. There were a few reports of 100% increases for tenants going to month-to-month, but the highest increase for an annual lease renewal was 53%.

Exemptions: Both bills contain an exemption for new construction: an important provision that is standard in rent stabilization programs across the country. The new construction exemption provides adequate time for lenders and investors to receive their return and set the rents to encourage continued investment in rental housing production. The new construction exemption for Bill 15-23 is 15 years and for the HOME Act it is 10 years.

The bills also contain a range of exemptions for a range of special purpose housing, Accessory Dwelling Units, and properties that have government restrictions on affordability to serve low- and moderate-income households. Bill 15-23 also exempts single-family homes and condominiums owned by an individual.

Tables 1 and 2 contain data on the numbers of rental units in the County by property type and the number and types of units that would be exempt under the new construction exemptions of the two bills.⁴

Table 1: Number of rental units in Montgomery County based on DHCA licensing records

Property Type	Number of Units
Multifamily	73,668 (616 properties)
Single Family	16,020
Condominium	8,516
Accessory Dwelling Unit (Class 1 & 3)	436

Table 2: Estimate of current Montgomery County properties that would be impacted by a 10- or 15-year new construction exemption based on DHCA licensing records

Structure Type	10 Years	15 Years
Multifamily Properties	58	76

³ Montgomery County CountyStat analysis of DHCA Rental Rate Survey data 2016-2022.

⁴ The 2021 American Community Survey (ACS) estimates a total of 405,755 housing units and 388,396 occupied housing units, with 255,211 owner occupied and 133,185 renter occupied. The difference between ACS and DHCA licensing data for rental units

Multifamily Units	13,612	17,747
Single Family Properties	435	750
Condominium Units	74	147

Fair return / hardship petitions: The HOME Act ensures that landlords can make a fair return on their investments. The HOME Act allows landlords to petition for a fair return on investment and provides detailed criteria for determining the base Net Operating Income of the property and calculating rent increases beyond the maximum annual to maintain it. Net operating income is a standard industry measure that calculates includes revenue and expenses from property operations. Revenue includes rental income, rental losses and other income. Expenses include all property operating expenses generally covered by the following categories: payroll, administrative, marketing, operating and maintenance, utilities, taxes, and insurance. A fair return increase may not exceed 15% in any 12-month period, and if greater than 10% may be imposed incrementally over subsequent years to limit displacement pressures on tenants. Also, as a means of tenant protection, the HOME Act does not allow the landlord of a property that is out of compliance with County laws and regulations, including those designated as “troubled” or “at risk” under housing code provisions in Section 29-22(b), to file a fair return petition.

While Bill 15-23 allows landlords to petition DHCA for a one-year exemption from the maximum annual increase if compliance would cause an undue hardship, the criteria for approving such an exemption is undefined and puts no limit on the rent increases a landlord could charge during the exemption. Bill 15-23 also does not make significant compliance with the housing code a factor in seeking an exemption from the maximum annual rent increase.

Capital improvement petitions: Both bills allow landlords to petition to increase rents for capital improvements, which encourages improvements to the building; however, their methods for paying for capital improvements result in different short- and long-term impacts on affordability. The HOME Act allows landlords to include capital improvements in a fair return petition for the entire property. Bill 15-23 allows landlords to petition DHCA after capital improvements are completed for a 12-month surcharge on unit-specific capital improvements or a 24-month surcharge for property-wide capital improvements: both surcharges are prorated and only cover the cost of the capital improvements. Depending on the cost of capital improvements, a 12- or 24-month surcharge could be very costly for tenants and could result in displacement; for example, Washington, DC amortizes approved capital improvement surcharges over 8 years to lessen the impact on tenants and exempts elderly and disabled tenants from the surcharge.

Vacancy tax: The HOME Act also includes the ability for DHCA to impose a tax on vacant units to discourage withholding units from the market during the ongoing housing availability crisis. The proceeds of the vacancy tax would be deposited in the County’s Housing Initiative Fund solely for the acquisition of affordable housing and administration of the rent stabilization program.

Annual reporting requirements: Both bills require the submission to DHCA of an annual rent report on September 30 covering the preceding July 1 to June 30. The Council should evaluate the purpose of this requirement and consider merging it with the similar mandate in County Code Section 29-51 for DHCA to conduct its annual rent survey.

Thank you for the opportunity to testify.

Rental Affordability: Contracted Rent



Percent of 50th percentile estimated **contracted rent** as a percent of county-wide median monthly income by Race and Ethnicity

What does this table tell us? This table displays the estimated rental burden of county-wide renters across demographic categories and within geographic rental markets. The rents in this table are not changing but the income disparities across demographic categories have an impact on the percentage of income that renters pay for rent across geographic rental markets and can ultimately afford.

Tabulation Area	Number of Rental Occupied Households	Estimated Median Contracted Rent	Percent of estimated median rent within a tabulation area as a percent of 50th percentile White Alone monthly income	Percent of estimated median rent within a tabulation area as a percent of 50th percentile Asian Alone monthly income	Percent of estimated median rent within a tabulation area as a percent of 50th percentile Black or African American Alone monthly income	Percent of estimated median rent within a tabulation area as a percent of 50th percentile Hispanic monthly income
Downtown Silver Spring	15,298	\$1,660	23%	27%	40%	41%
Gaithersburg	14,866	\$1,643	23%	26%	40%	41%
Rockville	11,739	\$1,866	26%	30%	45%	46%
North Bethesda	11,319	\$1,886	27%	30%	46%	47%
Germantown	10,506	\$1,584	22%	25%	38%	39%
Bethesda	8,304	\$2,124	30%	34%	52%	53%
Aspen Hill	6,457	\$1,412	20%	23%	34%	35%
Wheaton	6,324	\$1,636	23%	26%	40%	41%
Montgomery Village	5,263	\$1,522	21%	24%	37%	38%
Long Branch	4,956	\$1,403	20%	22%	34%	35%
Fairland	4,358	\$1,510	21%	24%	37%	38%
White Oak & Hillandale	4,303	\$1,590	22%	25%	39%	40%
Chevy Chase	3,343	\$2,210	31%	35%	54%	55%
Takoma Park	3,214	\$1,133	16%	18%	28%	28%
Potomac	2,011	\$1,607	23%	26%	39%	40%
North Potomac & Travilah	1,527	\$1,967	28%	32%	48%	49%
Kensington	1,455	\$1,936	27%	31%	47%	48%
Olney	1,298	\$1,395	20%	22%	34%	35%
Leisure World	1,249	\$1,647	23%	26%	40%	41%
Forest Glen	1,212	\$1,554	22%	25%	38%	39%
Glenmont	1,191	\$1,573	22%	25%	38%	39%
Colesville	1,181	\$1,343	19%	22%	33%	33%
Burtonsville & Ashton-Sandy Spring	1,087	\$1,634	23%	26%	40%	41%

Filtered: MCTAs with 1,000 or more Renter-Occupied Units

March 28, 2023

I am Dr. Shenetta Malkia-Sapp and I am testifying today on behalf of The PMs of The City, a property management firm that represents real estate professionals, and small landlords in Montgomery County, owning or managing one to fifty units, to express our concerns regarding the rental regulations put forward in Bill 15-23 and Bill 16-23. Rental regulations like these are artificial efforts to overregulate a rental marketplace in Montgomery County that is already setting a good pace for itself aligned with natural market practices.

The false narrative that more than very few landlords may be rent gouging is a false one. In managing properties for the last 20 plus years, the average increase even for the larger management firms has been 3% to 5%. For our clients that own 1 to 5 units, the increase in rent helps with essential property needs. The new bills would increase the hardship on small housing providers, access to affordable housing, and the economic stability and equality you are looking to create and sustain in the county.

A majority of the naturally occurring affordable housing in the County is provided by small landlords. The Montgomery County Planning Department estimates that 25% of the rental housing in the County is provided by people that rent out single family homes, townhouses, and condominiums. About half of the apartment buildings in the County are 20 units or less. These properties are owned by individuals and small businesses; however, this legislation would treat them the same as large corporate providers.

The adoption of these bills and or the legislation as proposed, will result in a decrease in the availability of this affordable housing. Thousands of property owners will choose to sell rather than deal with the hardships and burdens of rental control or other laws that don't include the providers of the housing.

With this in mind, we understand that the Council will look to pass one of the two bills on the agenda in the near future. Of the two bills before us today, Bill 15-23 will ensure bad actors in the industry will be regulated and allow Montgomery County to remain as a place attractive and competitive for long-term property management investments.

I would also be remiss if I did not offer our expertise as property managers and real estate professionals and to remind our elected officials that we are always available to speak with you and show you what is happening on the ground in Montgomery County so that transparent and practical legislation can be adopted to improve the quality of life for all Montgomery County residents.

Thank you for the opportunity to testify and we look forward to having a seat at the table when proposals such as these are discussed at the Council.

Kind Regards

Dr. Shenetta Malkia-Sapp AHWD, MRP, HOC, CIPS
CEO. Broker. Property Manager
REALTOR® & REALTIST- MD, DC, VA, GA
The PMs Of the City LLC & The PMs Of the City Realty



OUR MISSION:

Working to enhance the economic prosperity of greater Silver Spring through robust promotion of our member businesses and unrelenting advocacy on their behalf.

April 10, 2023

The Honorable Evan Glass
and Members of the Montgomery County Council
100 Maryland Avenue, Sixth Floor
Rockville, Maryland 20850

Dear Council President Glass and Members of the Council:

On behalf of the Greater Silver Spring Chamber of Commerce, representing more than 300 employers, mostly small businesses, and several non-profit organizations in greater Silver Spring and surrounding areas in Montgomery County, we are submitting these comments for your review and consideration as you deliberate action on the County Executive's proposed FY24 Operating Budget and Public Services Program.

As you are well aware, there are dueling rent control bills being considered. One bill, [Bill 16-23, Landlord-Tenant Relations – Rent Stabilization \(The HOME Act\)](#), sponsored by Councilmembers Jawando and Mink, proposes a 3% rent cap. The other bill, [Bill 15-23, Landlord-Tenant Relations-Anti Rent Gouging Protections](#), sponsored by Councilmember Fani- González and five other Councilmembers, proposes an 8% rent cap plus CPI.

As per economic data and numerous studies quoted in previous hearings, implementing rent control will create even more housing shortages, drive up costs of rental housing, and decrease the quality of existing housing stock. We are aware that property owners who rent gouge exist. However, as noted multiple times, the average rent increase over the last 10 years in Montgomery County has been 2.1%.

We already have a housing supply problem in Montgomery County – both for owner-occupied and rental options. We need to work on building more attainable housing before we drive businesses interested in building a workforce here, and developers interested in providing housing, away from the County. Both of these bills threaten housing affordability and deeply impair Montgomery County's role as an economic engine in the region.

Before passing either piece of legislation, the Greater Silver Spring Chamber of Commerce urges the Council to consider the message that legislation like this sends about how much Montgomery County is "open for business." Particularly in conjunction with the massive property tax increase and recordation tax increase, the exact opposite message is being sent to those who might be interested in investing in locating or growing their businesses here.

All that said, if you feel you must choose between these two pieces of legislation to regulate the rental market, Bill 15-23 would better address the bad actors in the industry and maintain Montgomery County as a place for long-term property management investments. The Greater Silver Spring Chamber of Commerce would further urge that monies collected from this bill passage be applied to any number of the issues in Silver Spring that were cited in the previously submitted "GSSCC Testimony – Operating Budget FY24."

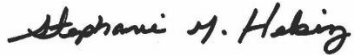
Lastly, when combined, the massive property tax increase suggested by County Executive Elrich in the FY2024 Operating Budget and rent control legislation, signifies that Montgomery County does not invite investment or economic development, and you are making it impossible for the next generation of business leaders to afford to make roots in Montgomery County.

The Greater Silver Spring Chamber of Commerce would like to urge the Council to consider the message that legislation like this sends about affordability here. You not inviting those who might be interested in investing in locating or growing their businesses here.

In conclusion, both the County and many private entities have made enormous investments in Silver Spring. We believe that the requests we offer in this letter in lieu of testimony will serve to protect those investments and help to assure a safe, secure, and vibrant future for Silver Spring.

Should you have questions, don't hesitate to contact us.

Sincerely,

A handwritten signature in black ink that reads "Stephanie M. Helsing". The signature is written in a cursive, flowing style.

Stephanie Helsing
President & CEO

Tafa Nutakor



TESTIMONY IN SUPPORT OF THE HOME ACT, BILL 16-23;
AND IN OPPOSITION TO THE 'ANTI-RENT GOUGING' BILL 15-23

I am a high school student in District 1 of Montgomery County. Although I personally do not live in a rental property, I know people who do. I believe that affordable housing is a right, and that it is the county's responsibility to secure this right for all. I'm asking that the Council pass rent stabilization with a cap no higher than 3% because nobody deserves to struggle with housing instability.

Dear Montgomery County Council,

My name is Veronica Martinez de Miranda. I am a resident of Montgomery County and a mom of three. I live at Rock Creek Apartments in Rockville, MD. Here I worked cleaning vacant apartments. When my family and I began to talk about the injustices and bad conditions of the property, the manager did not allow me to continue working as a cleaner.

I am writing to ask for your support for the Income Stabilization Bill 16-23; Montgomery County Housing, Mobility, and Equity Opportunity Act. Tenants should know that if your rent is increased, it will be for a reasonable amount of money, no more than 3% of your current rent for the next 12 months.

Every day we have to live with mold, roach and mouse infestation, multiple floods, and plumbing problems. These are only a small part of the problems that we face in our day to day. Conditions that not only affect our home but also our health. Aside from being unfairly fired from my job, my family and I are forced to put up with deplorable housing conditions for rent increases of an average of 4-7%. It is not fair to have to pay more than \$2,000 in a place where they care more about raising the cost of rent than fixing the inhuman conditions of the houses.

I write to say that immigrants like me deserve better!

Our families should not be subjected to deplorable conditions!

They must not put up with injustices!

As a county resident, I believe it is critical that we put people first. I am asking for a YES vote on the HOME Act, House Bill 16-23, and a NO vote on House Bill 15-23 which does not meet the needs of tenants and will cause significant displacement of families.

Sincerely,

Veronica Martinez de Miranda

[REDACTED]

[REDACTED]

Estimado Consejo del Condado de Montgomery,

Mi nombre es Veronica Martinez de Miranda. Soy residente del condado de Montgomery y una mama de tres. Vivo en los apartamentos de Rock Creek en Rockville MD. Aqui trabajaba hacienda la limpieza de los apartamentos vacantes. Cuando mi familia y yo empezamos a hablar sobre las injusticias y malas condiciones de la propiedad, el manager no piritio que yo siguiera trabajando haciendo limpieza.

Le escribo para pedir su apoyo al Proyecto de Ley de Estabilizacion de Renta 16-23; Ley de Oportunidades de Vivienda, Movilidad y Equidad en el Condado de Montgomery. Los inquilinos deben saber que si su alquiler aumenta, será por una cantidad razonable de dinero, no más del 3% de su alquiler actual durante los próximos 12 meses.

Todos los dias tenemos que vivir con mojo, infestacion de cucarachas y ratones, multiple inundaciones y problemas de plomeria. Estos son solo una parte pequena de los problemas que nos enfrentamos en nuestro dia a dia. Condiciones que no solo afectan nuestra vivienda pero tambien nuestra salud. Aparte de que me corrieran injustamente de mi trabajo, mi familia y yo nos vemos obligados a soportar las condiciones de vivienda deplorables por el aumento de renta de un promedio de 4-7%. No es justo tener que pagar mas de \$2,000 en un lugar donde les importa mas subir el costo de la renta que arreglar las condiciones inhumanas de las viviendas.

Escribo para decir que imigrantes como yo merecemos mejor!

Nuestras familias no deben ser sujetos a condiciones deplorables!

No deben de aguantar injusticias!

Como residente del condado, creo que es fundamental que pongamos a las personas en primer lugar. Estoy pidiendo un voto SÍ a la Ley HOME, Proyecto de Ley 16-23 y un voto NO al proyecto de ley 15-23 que no satisface las necesidades de los inquilinos y provocará un desplazamiento significativo de familias.

Atentamente,

Veronica Martinez de Miranda
13206 Twinbrook Pkwy Rockville MD 20851
240.893.4191

TESTIMONY OF THE GREATER CAPITAL AREA ASSOCIATION OF REALTORS® BEFORE THE MONTGOMERY COUNTY COUNCIL

Regarding Bill 15-23, Landlord-Tenant Relations - Anti Rent Gouging Protections and Bill 16-23, Landlord-Tenant Relations - Rent Stabilization

March 28, 2023

My name is Villy Iranpur, and I am testifying today on behalf of the Greater Capital Area Association of REALTORS® (GCAAR), --12,000 REALTORS®, property managers, title attorneys, and other real estate professionals, to express our concerns regarding the rental regulations put forward in Bill 15-23 and Bill 16-23.

GCAAR, like many of those testifying today, cannot sign on to these bills as wholesale supporters. Decades of economic data show that rent control creates housing shortages, drives up cost of rental housing, and decreases the quality of existing housing stock. Rental regulations like these are artificial efforts to regulate a rental marketplace in Montgomery County that is already setting a good pace for itself. As noted multiple times, the average rent increase over the last 10 years is 2.1%.

Proponents of Bill 16-23 point to a handful of examples of bad actors in the property management space – many of which take place in municipalities that would still be exempt from such action. Let us be clear: there are property owners that rent gouge, far and few in between which is both bad for business, bad for the industry, and bad for the community.

But overregulation based on anecdotal evidence is simply bad governance. While the Council wisely requested a report from the Office of Legislative Oversight regarding the rental market in our county, we are faced with not one but two bills further regulating the marketplace before it is even complete.

The biggest problem facing the housing market – both owner occupied and rental units – is supply. The County set the pace nationwide in 1974 with inclusionary zoning but has fallen way behind in the last few decades. While many factors are causing our shortage of units and rising rents, there needs to be a collaborative approach taken with housing providers and developers. Let's work on how to build more affordable and attainable housing, instead of driving business out of the county.

While some legislation has been passed or introduced to provide additional tools, there is much more to be done. The Council needs to set its focus on meeting the housing goals set forth in the Council of Governments report. We are thousands of units away from our goal and only falling further behind. Instead we are here discussing regulations that could further threaten housing affordability and our role as an economic engine in the state and region.

With all of this in mind, it is clear the Council is set on passing *something* to further regulate the rental marketplace. Of the two pieces of legislation before us today, Bill 15-23 will weed out bad actors in the industry and maintain Montgomery County as a place for long-term property management investments.

In conjunction with the massive tax burdens under deliberation in the coming weeks, we urge the Council to think deeply about the message legislation like this sends about how much Montgomery County, as MCEDC says, "Means Business."

Thank you again for your work to keep Montgomery County a welcoming place for all. Please do not hesitate to reach out if myself or our association can be helpful in any way.

TESTIMONY IN SUPPORT OF THE HOME ACT, BILL 16-23; AND IN OPPOSITION TO THE 'ANTI-RENT GOUGING' BILL 15-23

I'm testifying because I support the Home Act, Bill 16-23. I support this act because I know everyone deserves to have a stable and healthy home, and that means opposing the Anti-Rent Gouging bill, 15-23. As a high school student at Montgomery Blair, I am asking the Council to support the Home act and pass rent stabilizations with a cap no higher than 3%. I know this is a large ask but I also know that it is important and needs to be done. I have seen it firsthand where students get affected due to housing problems. I have had friends who have had their school life and extra curricular life directly affected by these problems. Some of them have had to watch their siblings in order to help their parents, had to work jobs to support their family, and had to move numerous times into potentially unsafe environments. While all of this struggle will not disappear, a large ammount of it can be prevented. It can be prevented through the Home Act, Bill 16-23 and preventing the Anti-Rent Gouging Bill from doing real damage.

Thank you very much,
Zeyad Jazouli

Zoe Duni



TESTIMONY IN SUPPORT OF THE HOME ACT, BILL 16-23;
AND IN OPPOSITION TO THE 'ANTI-RENT GOUGING' BILL 15-23

My name is Zoe Duni. I live on 5600 Luxemburg Street in Rockville in District 4 and I am testifying because I am asking the County Council to support bill 16-23 and reject bill 15-23. I am a student at Walter Johnson High School and I am a constituent of Councilmember Kate Stewart.

There have been many times in my life where I have been forced to move- I have lived in many different parts of the county. Because of this, I know firsthand how challenging it is to have to reinvent your life due to a new home. For anyone, it is an unfamiliar community- a new, often unsteady adjustment.

For students in particular though, it changes everything. You have new teachers, new friends, new classmates, new administrators, new neighbors. It creates a whole new routine. It's not only a change in setting- it's a change in the whole context of our lives. And this instability makes it harder for students to maintain their normal routine - to get work done for school, to have fun with their friends, to find their place. It can be isolating to be in a new place with new people, to have your childhood scattered across different areas.

Housing instability is a huge cause of this. If you can't afford your own home, then you are inevitably being pushed out of your community. Moving is no longer a choice- it becomes a necessity in order to afford a place to stay. It's a chaotic situation and one that students shouldn't have to be in.

As I have mentioned, I know the feeling of moving often. I know how hard it is to have to adjust again and again to a new environment- it's an additional toll on students' already stressful lives. And if people are being displaced due to incredibly high rent increases, then students will be forced to bear this weight.

I don't want students to feel the same way that I have. I don't want them to endure an extra burden- the burden of remodeling their lives over something that could easily be fixed by a policy being introduced in their local government. They have a right to stable homes just as much as any resident in Montgomery County.

The more I talk to tenants through canvassing, the more I talk to students working in local organizations, the more I talk to the people around me living in Montgomery County, the more I am convinced that this is what they need. I have heard countless stories (many of which are in the HOME Act bill) of rent increases pushing people out, creating stress in students' lives, forcing tenants to live in unacceptable conditions to afford rent.

This is why I am asking the County Council to support this policy. I am asking them to act like the adults in the room and take care of our students and our community. I am asking them to enact this simple policy that already reflects the average rent in the county. I am asking them to hear our community members rather than focus on a mathematical formula for their lives.

I am asking them for stability- for students and for all tenants in the community.

Pass the HOME Act and reject Bill 15-23.



**MONTGOMERY COUNTY COUNCIL
ROCKVILLE, MARYLAND**

KATE STEWART
COUNCILMEMBER
DISTRICT 4

June 12, 2023

To: Councilmembers, Council Chiefs of Staff,
Montgomery County Council

From: Kate Stewart, Councilmember
Montgomery County Council District 4

Subject: Key points to consider in our upcoming discussions regarding rent regulations

As the Planning Housing and Parks Committee begins formal discussions related to renter regulations—Bill 15-23, the anti-rent gouging bill and Bill 16-23, the rent stabilization bill—I wanted to share my position related to any policy moving forward. First and foremost, any rent regulation policy must benefit our residents and should not impede the building of new housing, which is something that is vitally needed. I will note that as Councilmember representing District 4, which has the most renters in the county, the outcomes of this work will have a significant impact on residents that I represent.

We are facing an unprecedented housing crisis related to the availability of homes and affordability. As we look to address the crisis, the goals of ensuring stable, safe, affordable homes must be front and center. While not the only policy to solve our affordable housing crisis, rent stabilization is a proven tool to address and advance these goals for renters. A well-crafted policy will protect people from excessive rent increases by creating a schedule for reasonable and gradual increases, while ensuring that landlords receive a fair return on their investment. We know rent stabilization is a proven policy that can rapidly stabilize prices, halt rent gouging, and reduce the risk of displacement and homelessness, while increasing housing security and affordability over the long term.

The benefits of putting in place a rent stabilization policy include creating stable communities. Increased housing stability and affordability will have an exponential effect across the county. Renters would be more economically secure, with more resources to spend on other household needs and boost local economies. They would be healthier, since stability and affordability would contribute to improving their mental and physical health. Children would do better in school, since frequent moves hamper education. And our democracy would grow stronger, as stability increases civic and political participation.

However, the eventual policy adopted here in Montgomery County must also provide for landlords and builders, a fair return for their investment. We need to make sure they are able to keep up on the maintenance of their properties. We also need to ensure any policy does not discourage new housing to be built.

The issues we are tackling as we discuss rent regulations are more than just the allowable rates of increase. There are many factors we need to include in these efforts to ensure a successful program that benefits the whole community. As the Committee begins its work, I would like to highlight my current thinking:

- After careful review, I believe that it is important for us to include a measure of inflation in the rate and a cap. This allows for the grounding of rent increases in the fluidity of the economy in rents. Providing a hard cap as a backstop ensures that the rate does not get too high and the predictability to protect tenants from being put out of their homes. As highlighted in the recent OLO report on Rent Regulations and the Montgomery County Rental Housing Market, a number of jurisdictions have caps ranging from 3 to 10 percent. It is important to note that any rent increase over 10 percent is known as a constructive eviction. Constructive eviction is a landlord's effort to remove a tenant through means other than a formal eviction. However, the end result is the same. We must make sure we cap whatever allowable increase we have well below that threshold, especially without just cause eviction in the county.
- Rate banking is another essential aspect that must be included in a rent stabilization bill. This will afford landlords predictable income over time to manage their properties.
- Because Maryland currently does not allow for just cause eviction, we need to pay close attention to the allowable increase when an apartment becomes vacant. This conversation should include a discussion of who we believe should benefit from a rent regulation policy. We should be looking for a policy that does not just stabilize rents for current tenants but for our entire community. This will get at the

heart of maintaining affordability in our county. The bottomline is a vacancy should not automatically mean an increase in rent for that unit.

- Creating a process to ensure a fair return for landlords on their investment will be key to any successful policy. This is a vital component concerning regulation with rent increases being tied to inflation, as it allows landlords to adequately maintain their properties in accordance with the volatility of the economy. DHCA staff should use their expertise to develop a formula and process in regulations to address fair return.
- New development is another aspect that we must take into account during these discussions. I appreciate that both bills exempt new buildings for a period of time and I would emphasize the need in our county for more affordable housing, including new construction. While ensuring rents are predictable and stable, any policy we put in place must also make sure that we continue to encourage and facilitate the building of new homes. An exemption on new buildings for 15 years after the first rented property provides this security.

I look forward to greater discussion on these topics and stress the need to remember our shared goals of predictability, affordability, stability, and safe housing for all. As the two bills work their way through the Planning Housing and Parks Committee I am hopeful that amendments will be introduced to include the above concepts to any legislation that comes to the full council. In closing, I appreciate the thoughtful work of all of my colleagues as you consider both pieces of legislation and the protections needed for renters and for landlords.

REDLINE RECEIVED BY DHCA

Bill No. 15-23
Concerning: Landlord-Tenant Relations –
Anti-Rent Gouging Protections
Revised: 03/02/2023 Draft No. 4
Introduced: March 7, 2023
Expires: December 7, 2026
Enacted: _____
Executive: _____
Effective: See Sec. 2
Sunset Date: None
Ch. _____, Laws of Mont. Co. _____

COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

Lead Sponsors: Councilmember Fani-González, Council Vice-President Friedson, and
Councilmembers Alborno, Balcombe, Katz, and Luedtke

AN ACT to:

- (1) establish protections against rent increases above a threshold for certain rental dwelling units;
- (2) set the base rental amount for certain rental dwelling units;
- (3) provide exemptions from rental increase restrictions for certain units;
- (4) permit certain rental increases to fund capital improvements;
- (5) require landlords to submit annual reports regarding rents; and
- (6) generally amend County law concerning rents and landlord-tenant relations.

By adding

Montgomery County Code
Chapter 29, Landlord-Tenant Relations
Sections 29-56, 29-57, 29-58, 29-59, and 29-60

Boldface	<u>Heading</u> or defined term.
<u>Underlining</u>	Added to existing law by original bill.
[Single boldface brackets]	Deleted from existing law by original bill.
<u>Double underlining</u>	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:

(1)

Sec. 1. Article VI is renamed and Sections 29-56, 29-57, 29-58, 29-59, and 29-60 are added as follows:

Article VI. Central Data Collection, [and] Rent Guidelines, and Anti-Rent Gouging Protections.

* * *

29-56. [Reserved.] Anti-rent gouging – definitions.

Definitions. In Sections 29-56 through 29-64~~0~~, the following terms have the meanings indicated:

Base rent means rent charged for a regulated rental ~~dwelling~~ unit under a lease, ~~exclusive~~

of any rental discounts, incentives, concessions, or credits that are:

- (1) offered by the landlord;
- (2) accepted by the tenant; and
- (3) itemized in the lease separate from the rent.

CPI-U means the Consumer Price Index for All Urban Consumers for the Washington-Arlington-Alexandria Area ~~Core Based Statistical Area~~, published by the U.S. Bureau of Labor Statistics, ~~or any successor designation of that index.~~

Fair return means the base year net operating income adjusted by the percentage increase in the Consumer Price Index since the base year.

Newly constructed rental dwelling unit means a rental dwelling unit that, when constructed, results in a net gain, or an additional number of new rental dwelling units more than the number of rental dwelling units that previously existed, provided that the size of an existing rental dwelling unit or any indoor common area of the rental housing is not reduced. The reconfiguration, renovation, change in description, or change in identification of a rental dwelling unit does not cause the unit to be a newly constructed rental dwelling unit.

Regulated rental dwelling unit or regulated unit means a rental ~~dwelling unit~~ that is not exempted under Section 29-61~~59~~ or Section 29-62.

Commented [B51]: Altered to align with definitions in Section 29-1.

Operating expense means all reasonable operating and maintenance expenses.

29-57. [Reserved.] Scope.

- (a) Except as provided in Sections 29-60 and 29-61, this Article applies to all rental dwelling units.

29-58. [Reserved.] Annual rent increase allowance.

- (a) Annual rent increase allowance. The Director annually must calculate a rent increase allowance for regulated rental dwelling units equal to the CPI-U with a cap of 5 percent.~~plus 8 percent.~~

- (1) In general. Upon a lease renewal, a landlord must not increase the rent of a regulated rental dwelling unit to an amount greater than:

(A) the base rent; plus

(B) the rent increase allowance under subsection (a).

- (b2) Publication. The Director must publish the annual rent increase allowance in the County Register and on the County website.

- (e3) Duration. A rent increase allowance under subsection (a) remains in effect for a 12-month period, beginning July 1st of each year and ending on June 30th of the following year.

- (4) Rent increases for regulated rental dwelling units may be increased by an amount not to exceed the annual rent increase allowance in effect at the time of the rent increase.

- (5) Rent increases may be banked in accordance with Section 29-59.

- (6) Rent increase following vacancies.

(A) Rent increase following a tenant vacancy - prohibited. A landlord, who terminates a tenancy for a reason not provided for in the lease or during the first year of a tenancy, may not reset

the rent for the next tenant in an amount higher than the base rent paid by the prior tenant. Any subsequent rent increase must be in accordance with this Section.

(b) *Frequency of rent increases.* Except as provided in subsection (b)(1), a landlord must not increase the base rent for any rental housing unit more often than allowed under Section 29-54.

(1) A base rent may be increased in accordance with the terms and the conditions of a capital improvement increase petition approved by the Director under Section 29-59 or of a fair return increase petition approved by the Director under Section 29-60.

29-59. Banking of authorized annual rent increases.

(a) *Authorized banking based on foregone rent increases at vacancy.* A landlord may increase the rent for a vacant rental dwelling unit by the actual dollar amount of any annual rent increase allowances that were not charged to the tenant vacating the rental dwelling unit. This rent increase may be in addition to any rent stabilization allowance increase that the landlord may impose on or after 12 months from the date of the last rent increase allowance under this Section.

(b) *Authorized banking based on CPI metric.* A landlord may bank foregone revenue when the CPI metric is above 5% and may determine to recover the dollar amount of the foregone rent increase in subsequent years when the CPI metric is below 5%.

(c) *Subject to fair return petition.* Under this Section, a landlord must not exceed the 5% rent increase cap unless an application for a fair return petition is granted.

29-6058. [Reserved.] Rent increases — ~~in general;~~ limited surcharges pursuant to ~~for~~for a capital improvements petition.

Commented [B52]: The following Section on capital improvement petitions is drawn and adapted from the DC law on capital improvement petitions. The purpose of separating out capital improvement petitions from fair return petitions is to limit the former to a time and amount limited surcharge instead of having it be a permanent part of a rent increase.

~~(a) *In general. Upon a lease renewal, a landlord must not increase the rent of a regulated rental unit to an amount greater than:*~~

~~(1) *the base rent; plus*~~

~~(2) *the rent increase allowance under Section 29-57.*~~

~~(ab) *Limited surcharge for capital improvements.*~~

~~(1) *On petition by a landlord, the Director must approve a surcharge to cover the cost of capital improvements to a rental dwelling unit or housing accommodation. The Director must grant a landlord's application to add a surcharge to the amount permitted undersubsection (a) if, in accordance with Method (2) regulations, the Director determines:*~~

~~(a) *The improvement would protect or enhance the health, safety, and security of the tenants or the habitability of the rental housing;*~~

~~(b) *The improvement will affect a net saving in the use of energy by the rental housing or is intended to comply with applicable environmental protection regulations, if any savings in energy costs are passed on to the tenants.*~~

~~(c) *The improvement only includes items that would be considered depreciable under the Internal Revenue Code (26 U.S.C.);*~~

~~(d) *The landlord has verified to the Director the amount and cost of the improvement including interest and service charges;*~~

~~(e) *The landlord has verified to the Director that the required governmental permits and approvals have been secured.*~~

~~(f) *the surcharge is limited to an amount necessary to cover the costs of capital improvements to the regulated unit, excluding*~~

Commented [B53]: Could also consider including the ability for potential purchasers of a property that is up for sale to apply for conditional approval for a capital improvement petition to give clarity about whether they could be approved.

the costs of ordinary repair and maintenance;

~~(g2)~~ the surcharge does not take effect until after the capital improvements are completed;

~~(h2)~~ if the capital improvements are for all rental dwelling units within the rental housing building-wide, the surcharge will be equally divided among all rental dwelling units within the rental housing and is equally apportioned for each rental dwelling unit prorated over a period of 96~~24~~ months, but no increase may exceed 20 percent above the current rent charged;

~~(i4)~~ if the capital improvements apply only to certain regulated rental dwelling units and are not for all rental dwelling units within the rental housing building-wide, the surcharge will be equally divided among all rental dwelling units receiving the improvement and equally apportioned for each rental dwelling unit over a period of is prorated over 60~~12~~ months, but no increase may exceed 15 percent above the rent charged;

~~(j)~~ if the surcharge in subsection (h) would exceed 20 percent above the current rent charged or if the surcharge in subsection (i) would exceed 15 percent above the rent charged, then the landlord may extend the period of the surcharge beyond 96 and 60 months, respectively, until full recovery of the capital improvement are recovered; and

~~(k5)~~ the surcharge ends once the costs of the capital improvements have been recovered by the landlord. The surcharge is temporary and is abated as to each tenant upon recovery of all costs of the capital improvement, including interest and service charges. The surcharge shall not be calculated as part

of either the base rent or rent charged of a tenant when determining the amount of rent charged. When the landlord has recovered all costs, including interest and service charges, the landlord shall recompute and adjust the rent charged to reflect the abatement of the capital improvement rent increase.

- (2) Plans, contracts, specifications, and permits relating to capital improvements shall be retained for 1 year by the landlord or its designated agent for inspection by affected tenants as the tenants may request at the landlord's place of business in the County during working hours. If the housing provider does not have a place of business in the County, the plans, contracts, specifications, and permits relating to the capital improvements shall be made available upon request by the affected tenants by the Director.
- (3) A decision by the Director on a rent adjustment under this section shall be rendered within 60 days after receipt of a complete petition for capital improvement. Failure of the Director to render a decision pursuant to this section within the 60-day period shall operate to allow the petitioner to proceed with a capital improvement; however, the amount of any allowable surcharge will still be determined by the Director pursuant to this Section.
- (4) Any tenant displaced from a rental dwelling unit by the capital improvement of the unit or the rental housing under this section shall have a right to return to the rental dwelling unit immediately upon the completion of the work.
- (5) The landlord may make capital improvements to the property before the approval of the rent adjustment by the Director for the capital improvements where the capital improvements are immediately necessary to maintain the health or safety of the tenants.

- (6) The landlord may petition the Director for approval of the rent adjustment for any capital improvements made under subsection (5) of this section if the petition is filed with the Director within 30 calendar days from the installation of the capital improvements.

29-61. [Reserved.] Rent increases pursuant to a fair return increase petition.

- (a) Fair return rent increase. Except as provided in subsection (b), a landlord has a right to petition for a rent increase to obtain a fair return.

- (b) Standards for rent increases pursuant to a fair return petition.

- (1) Base year. The base year for submission of a fair return petition shall be landlord's choice among the five years prior to the submission of the fair return petition.
- (2) Current year. The current year must be the 12-month period preceding the date that the petition is filed.
- (3) Current year CPI. The current year CPI must be the annual CPI for the 12-month period preceding the date that the petition is filed.
- (4) Net operating income. Net operating income equals gross income minus operating expenses.
- (5) Base year net operating income. The base year net operating income may be calculated, at the option of the landlord, to equal 40% of the gross income of the rental housing in the prior preceding year.
- (6) Gross income. Gross income is the annual scheduled rental income for the property based on the rents and fees (other than fees that are reimbursed by the tenants) the landlord included as part of the rental agreement or lease.
- (7) Operating expenses. Operating expenses may include the following:

- (A) utilities paid by the landlord, unless the costs are specified in the lease and passed through to the tenants;
 - (B) administrative expenses, such as advertising, legal fees, and accounting fees;
 - (C) management fees, whether performed by the landlord or a property management firm. It is assumed that management fees increased by the percentage increase in the CPI between the base year and the current year, unless the level of management services either increased or decreased during this period. Management fees must not exceed 6% of gross income unless the landlord demonstrates by a preponderance of the evidence that a higher percentage is reasonable;
 - (D) payroll;
 - (E) maintenance-related material and labor costs, including self-labor costs computed in accordance with any regulations adopted pursuant to this Section;
 - (F) property taxes;
 - (G) licenses, government fees, and other assessments; and
 - (H) insurance costs.
- (8) Reasonable operating and maintenance expenses do not include:
- (A) expenses for which the landlord has been or will be reimbursed by any security deposit, insurance settlement, judgment for damages, agreed-upon payments, or any other method;
 - (B) payments made for mortgage expenses, either principal or interest;

- (C) judicial and administrative fines and penalties;
 - (D) damages paid to tenants as ordered by COLTA or the courts;
 - (E) depreciation;
 - (F) late fees or service penalties imposed by utility companies, lenders, or other entities providing goods or services to the landlord or the rental housing;
 - (G) membership fees in organizations established to influence legislation and regulations;
 - (H) contributions to lobbying efforts;
 - (I) contributions for legal fees in the prosecution of class-action cases;
 - (J) political contributions for candidates for office;
 - (K) any expense for which the tenant has lawfully paid directly or indirectly;
 - (L) attorney's fees charged for services connected with counseling or litigation related to actions brought by the County, unless the landlord has prevailed in such an action;
 - (M) additional, expenses incurred as a result of unreasonably deferred maintenance; and
 - (N) any expense incurred in conjunction with the purchase, sale, or financing of the rental housing, including, loan fees, payments to real estate agents or brokers, appraisals, legal fees, or accounting fees.
- (9) When an expense amount for a particular year is not a reasonable projection of ongoing or future expenditures for that item, said

expense must be averaged with other expense levels for other years or amortized or adjusted by the CPI or may otherwise be adjusted, to establish an expense amount for that item which most reasonably serves the objectives of obtaining a reasonable comparison of base year and current year expenses.

(c) Rent increase petition based on fair return standard.

(1) Form of petition. Whenever a landlord proposes a rent increase of more than the amount permitted by Section 29-58 and based on a fair return standard, the landlord must file a petition with the Director on a form provided by the Director.

(2) Income and expenses. A landlord must submit net operating income and expense information. The landlord must submit income and expense information for the two years prior to the current year with the petition.

(3) Petition restrictions. A petition filed pursuant to this Section must address an entire rental housing. The landlord filing a petition must own the rental housing for the entire current year.

(4) Adjustments to petition – base year net operating income.

(A) Adjustment of base year net operating income by Director. If the Director determines that the base year net operating income yielded other than a fair return, the base year net operating income may be adjusted. To adjust the base year net operating income, the Director must make at least one of the following findings:

i. base year net operating income was abnormally low due to one of the following factors:

Commented [BS4]: Other rent stabilization programs include this kind of provision as a caution to a potential buyer not to overpay for a property and then immediately seek to significantly increase the tenants' rents.

- (a) substantial repairs were made due to exceptional circumstances; or
 - (b) other expenses were unreasonably high, notwithstanding prudent business practice.
 - ii. base year rents did not reflect market transactions, due to one or more of the following types of circumstances:
 - (a) there was a special relationship between the landlord and tenant resulting in abnormally low rent charges (such as a family relationship);
 - (b) the rents had not been increased for five years preceding the base year;
 - (c) the tenant lawfully assumed maintenance responsibilities in exchange for low rent increases or no rent increases; or
 - (d) other special circumstances which establish that the rent was not set as the result of an arms-length transaction.
 - (B) Establishment of a new base year net operating income – prior year petitions. The net operating income, income, and expenses, determined to be fair and reasonable pursuant to a prior petition for a fair return rent increase, constitute the base year income, expenses, and net operating income in the new petition.
- (d) Consideration of fair return petition by the Director.
 - (1) Issuance of a decision by the Director. The Director must endeavor to issue its preliminary decision ruling on the petition within 90

days of the review or hearing on the petition.

(A) In the case of any petition filed under this Section as to which a final decision has not been rendered by the Director at the end of 90 days from the date of filing of the petition and as to which the landlord is not in default in complying with any information request made under this Section, the fair return rent increase requested in the petition may be conditionally implemented by the housing provider at the end of the 90-day period, provided, that the conditional fair return rent increase for an affected unit shall not exceed 5% of the rent charged.

(i) A conditional fair return rent increase shall be subject to subsequent modification by the final decision of the Director on the petition.

(ii) If the Director denies the requested fair return rent increase or approves a fair return rent increase that is less than the amount of the conditional fair return rent increase charged by the landlord, the landlord shall refund to the tenant within 21 days of the Director's order any rent paid in excess of the amount approved by the Director, except that the tenant may elect within 14 days of the Director's decision to apply any amount of the refund as a credit against future rental payments.

(2) Rejection of petition.

(A) The Director must not consider the fair return petition submitted by the landlord:

Commented [B55]: DC has long allowed provisional increases for hardship petitions because the government rarely acts on time and landlords complain. The conditional increase used to be the full amount requested, but that led to many tenants being constructively evicted by huge rent increases when the government failed to act in a timely fashion on bad petitions that were eventually significantly reduced when adjudicated. This problem led to an amendment to limit the conditional increase to 5%. Here is a link to the part of the DC code that I used.
<https://code.dccouncil.gov/us/dc/council/code/sections/42-3502.12>

- (i) until the properly completed petition form, including required supporting documentation, has been submitted to the Director;
- (ii) when the landlord has not properly registered the rental property with the County or when the landlord has outstanding fees or fines with the Director;
- (iii) when the landlord has not filed required rent reports for the 3 years prior to the filing date of the petition, provided that the Director may, at the Director's discretion, waive the above requirement for good cause shown; or
- (iv) when the landlord has failed to comply with a final order of the Director concerning any rental dwelling unit owned by the landlord in the County. However, the failure to comply with an order of the Director must not constitute a basis to decline to consider the landlord's request if the order has been appealed to a court and no decision has been rendered on appeal.

(B) If the Director declines to consider the landlord's request the Director must provide a written explanation for the Director's action.

(f) Ceiling on fair return adjustments.

- (1) Fair return rent increases on occupied rental dwelling units. Fair return rent increases must not exceed 15% in any 12-month period. If the Director awards a fair return rent increase greater than 10%, then the landlord may impose the remainder of the increase in subsequent years in increments not to exceed 10% each year.

(2) Fair return rent increase following a vacancy. If the Director determines that a rental dwelling unit requiring an increase of more than 10% is vacant, the Director must allow the increase for that unit to be taken in one year, provided the unit became vacant as a result of:

(A) a voluntary termination by the tenant; or

(B) termination of the tenancy by the landlord for breach of the lease.

(g) Notification requirements.

(1) Notice of petition for a rent increase. The landlord must provide written notification to each tenant affected by a proposed rent increase within one week after the filing date of the petition. Such notification must include a copy of the petition form and a listing of all requested rent increases.

(2) Notice of a rent increase granted pursuant to a rent increase petition. The landlord must provide written notice to each affected tenant of the rent increase that has been authorized by the Director no less than 90 days prior to the date the proposed increase is to take effect.

(h) Rollbacks - bad faith fair return petitions.

(1) Authority to require rollback. At the consideration of a fair return petition, if the Director finds that the adjusted base year net operating income included in the petition is less than the actual petition year net operating income of the landlord and the fair return petition was filed in bad faith, the Director may require the landlord to rollback the rents charged on the rental dwelling units covered by the petition to result in a net operating income equal to

the adjusted base year net operating income.

(2) Purpose of rollbacks. The purpose of the rollback provision in this subsection is to ensure that fair return petitions are filed in good faith, that the landlord reviews the records of the rental property for which rent increases are sought to ensure that a rent increase is justified under this Section, and to balance both the tenant and the landlord interests in each petition to increase rents above the rent stabilization allowance.

(3) Determination of bad faith by the Director.

(A) The Director may determine whether bad faith existed when a landlord:

- (i) listed expenses for repairs or services never performed;
- (ii) materially misrepresented expenses claimed;
- (iii) knowingly filed a false rent report, in whole or in part;
- or
- (iv) acted in some manner that is a clear abuse of the petition process.

(B) The Director must not constitute the following as bad faith under this Section:

- (i) miscalculations and simple mathematical errors; or
- (ii) claims for expenses or other items which are not specifically addressed in this Section and which the Director disallowed, but which could plausibly have fallen within this Section.

(C) The Director must verify the information upon which it makes

its findings of bad faith and must issue a decision clearly stating the basis for its finding. The landlord must notify all tenants affected by the rent rollback, and, if the landlord was permitted to increase rents by the rent increases allowance pending a decision on the fair return petition, all rent increases so collected must be refunded to the affected tenants within 30 days. If the landlord fails to roll back the rent or fails to refund the rent increases collected, the affected tenants may begin paying the rolled-back rent or may deduct any rent refunds or rollbacks owed to the tenants in accordance with paragraph a of this Section.

- (i) *Director authority in setting rents.* Notwithstanding any other provision or regulations instituted pursuant to Section 29-58, the Director must consider any factors required by law and grant whatever rent increase is constitutionally required in order to yield a fair return.
- (j) *Burden of Proof.* The landlord must have the burden of proof in demonstrating that a rent increase should be authorized pursuant to this Section.
- (k) *Appeal.* A landlord that disputes the Director's calculation of income and expenses may appeal that determination under Section 29-14 to the Commission on Landlord-Tenant Affairs which may decide whether the calculation is correct.

29-6259. [Reserved.] ~~Exempt Rental~~ dwelling units not requiring an application for grant of exemption.

- (a) *Exemptions.* The requirements of Section 29-598 do not apply to:
 - (1) ~~a unit that has been offered for rent for less than 15 years;~~
 - (12) a unit in a licensed facility, the primary purpose of which is the diagnosis, cure, mitigation and treatment of illnesses;

Commented [B56]: See 29-63

- ~~(23)~~ a unit in a facility owned or leased by an organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code if the primary purpose of the organization is to provide temporary shelter for qualified clients;
- ~~(34)~~ an owner-occupied group house;
- ~~(45)~~ a religious facility, including a church, synagogue, parsonage, rectory, convent, and parish home;
- ~~(56)~~ a transient lodging facility subject to Chapter 54;
- ~~(67)~~ ~~a school dormitory~~ group living facilities as defined in Section 59-3.3.2 of the Zoning Ordinance;
- ~~(8)~~ a licensed assisted living facility or nursing home;
- ~~(79)~~ a building originally designed and constructed to contain only 2 dwelling units, one of which the owner currently occupies as a principal residence;
- ~~(840)~~ an accessory dwelling unit;
- ~~(12)~~ a unit subject to a regulatory agreement with a governmental agency that restricts occupancy of the unit to low and moderate income tenants;
- ~~(13)~~ a single family home; and
- ~~(14)~~ a condominium owned by an individual.
- ~~(b)~~ ~~Exemptions for hardship. The Director must grant to a landlord an exemption from the requirements of Section 29-58 for a unit if, in accordance with Method (2) regulations, the Director determines that the requirements would cause undue financial hardship to the landlord.~~
- ~~(c)~~ ~~Expiration of exemption.~~
- ~~(1)~~ ~~An exemption under subsection (a) expires when the conditions entitling the unit or facility to an exemption cease to exist.~~
- ~~(2)~~ ~~An exemption for hardship under subsection (b) expires 1 year after the exemption is granted.~~

Commented [B57]: 59.3.3.2 covers school dormitories, assisted living facilities, and nursing homes.

Commented [B58]: Moved exemptions that require an application to their own separate Section 29-63 to provide greater clarity about the difference between the two.

~~(d) *Renewability of hardship exemption.* The Director must renew annually an exemption granted under subsection (b) if, in accordance with Method (2) regulations, the Director determines that the requirements of Section 29-58 would continue to cause an undue financial hardship to the landlord.~~

29-63. Rental dwelling units requiring an application for grant of exemption.

(a) *Grant of exemption.* After submission of an application by an owner, the Director must grant an application for an exemption from Section 29-58 for the following:

- (1) rental housing that is subject to a regulatory agreement with a governmental agency that controls the rent levels of one or more rental dwelling units so that they are available only to low- and moderate-income tenants;
- (2) a dwelling unit, single family owned by a real person so long as that real person owns no other rental dwelling units in the County; or
- (3) a newly constructed rental dwelling unit for a period of 15 years after it is first offered for rent.

(b) *Termination of exemption.*

- (1) An exemption granted under subsection (a)(1) of this Section must expire upon the termination of the agreement with the governmental agency entitling the rental housing to the exemption.
- (2) Exemptions granted pursuant to subsection (a)(2) of this Section must expire when the owner of the rental property sells the property or when the owner begins to own one or more other rental dwelling units in the County.
- (3) Exemptions granted pursuant to subsection of (a)(3) of this Section must expire on the 15-year anniversary date of the issuance of the rental housing license, regardless of when the application for an

Commented [BS9]: Created separate Section 29-61 for this purpose and changed name from hardship to fair return. Also changed from allowing unlimited rent increase to a rent increase based on a verifiable and demonstrated fair rate of return for the landlord and included process for determining such.

Commented [BS10]: If the Council does not want to subject all single-family homes to rent regulation, then this option to exempt only single-family units owned by real persons could be included. "Dwelling unit, single family" is the term to cover single-family homes, townhomes, condo units, and co-op units in the definitions in Section 29-1.

Commented [BS11]: Goes with (a)(2) above, if included.

exemption was made by the owner.

(c) *Rents after termination of exemption.*

- (1) For rental dwelling units receiving an exemption under subsection (a)(1) of this Section, after the termination of the exemption, the base rent for the unit and the reference point from which the rent must be increased in accordance with Section 29-58 must be the allowable rent as reported in the annual rent report, under Section 29-64(a), for each unit at the time the exemption commenced plus the annual rent increase allowance for each year that the unit was exempt.
- (2) For rental dwelling units receiving an exemption under subsection (a)(2) of this Section, after the termination of the exemption, the base rent for the unit and the reference point from which the rent must be increased in accordance with Section 29-58 must be the allowable rent as reported in the annual rent report, under Section 29-64(a), for each unit at the time the exemption commenced plus the annual rent increase allowance for each year that the unit was exempt.
- (3) For rental dwelling units receiving an exemption under subsection (a)(3) of this Section, after the termination of the exemption, the base rent for the units and the reference point from which the rent must be increased in accordance with this Article must be the rent for each unit set forth in the most recent annual rent report, under Section 29-64(a), preceding the expiration of the exemption. For any units not rented when the exemption period terminates, the base rent must be the rent charged when the unit is first rented to a tenant. If the actual rent paid by a tenant differs from the rent stated in the report or the lease, then the lesser of the two must be the base

rent.

29-64. [Reserved.] Base rent for certain units—established.

- (a) Reset of base rent for owner-occupied condominiums. When the owner, or successive owners, of a condominium unit, occupies the unit for at least 24 consecutive months as a principal residence, the owner may charge market rent for the unit when the owner rents the unit to a tenant. The rent the owner charges the tenant must establish the base rent for the unit until the owner again occupies the unit for at least 24 consecutive months. If the actual rent paid by the tenant differs from the rent stated in the lease, then the lesser of the two must be the base rent.
- (b) Rents following the sale of a dwelling unit, single family. The owner of a dwelling unit, single family that purchases dwelling unit, single family in a bona fide arms-length transaction may charge market rent for the unit when the owner first rents the unit to a tenant after purchasing the unit. The rent the owner charges the tenant must establish the base rent for the unit until the owner occupies the unit for at least 24 consecutive months. If the actual rent paid by the tenant differs from the rent stated in the lease, then the lesser of the two must be the base rent.
- (c) Base rent for certain rental dwelling units not subject to rent increase. For rental dwelling units that are subject to rent regulation, the base rent must be the rent charged for the unit when the unit is first rented to a tenant after the effective date of this Act. If the actual rent paid by the tenant differs from the rent stated in the lease, then the lesser of the two must be the base rent.

29-60. [Reserved.] Annual reporting requirements.

- (a) In addition to any reports required by Article VI of Chapter 29, On or before September 30th of each year, a landlord must submit to the Director a report for the preceding 12 month, beginning July 1st and ending on June 30th, regarding regulated rental units, rents, and notices of rent increases.

~~(b) The landlord must submit the report in the form and manner prescribed by the Director under Method (2) regulations.~~

[29-56] ~~29-61~~ 29-65. Reserved.

Sec. 2. Effective Date. This Act must take effect 6 months after it becomes law.

Sec. 3. Regulations. No later than 3 months after the effective date of this Act, the Director must submit to the County Register proposed Method (2) regulations required under the Act.

Commented [B512]: Deleted because this section is redundant to Section 29-51. If DHCA determines that the language in 29-51 is inadequate to allow the implementation of a rolling rent increase reporting requirement, then it will propose amendments to Section 29-51.

At the worksession on June 15, the PHP Committee requested an in-depth, side-by-side comparison of Bills 15-23 and 16-23. Staff has prepared the following chart to compare the bills. Areas of difference are highlighted.

<u>BILL PROVISIONS</u>	<u>BILL 15-23</u>	<u>BILL 16-23</u>
BASE RENT “Defined”	<i>Base rent</i> means rent charged for a regulated rental unit under a lease, exclusive of any rental discounts, incentives, concessions, or credits that are: (1) offered by the landlord; (2) accepted by the tenant; and (3) itemized in the lease separate from the rent.	<i>Base rent</i> means a fixed periodic sum charged for the use and occupancy of a unit or property, as agreed to, by the tenant and stated in the lease. Base rent does not include other charges or payments to cover operating or maintenance expenses, even if the lease characterizes the charges as “rent” or “additional rent.”
AMOUNT OF RENT CAP	8% plus CPI-U	Caps rent at 3% per year or the current rental component of the CPI-U metric, whichever is lower.
NOTICES OF RENT INCREASE	90-day advance notice on rent increases as required by existing law.	90-day advance notice on rent increases as required by existing law.
FREQUENCY OF RENT INCREASES	Once per year, as per current law.	Allowed once per year unless a fair rate return petition is approved by DHCA.
BANKING COMPONENT	No banking.	Banking is allowed for rent increases above the 3% CPI metric and landlords may recover and use the bank in future years when the CPI metric is below 3%. There is a 5-year limit on banking increases.
AUTOMATIC EXEMPTIONS	- Automatically exempt: - a unit in a licensed facility, the primary purpose of which is the diagnosis, cure, mitigation and treatment of illnesses; - a unit in a facility owned or leased by an organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code if the primary purpose of the	- Licensed facility used for care, diagnosis, cure, mitigation, and treatment of illnesses - owner-occupied group home - religious facilities (i.e., church) - group living facilities - MPDUs - transient lodge facilities (i.e. motels, tourist homes, etc.) - school dormitory - assisted living or

	organization is to provide temporary shelter for qualified clients; - an owner-occupied group house; - a religious facility, including a church, synagogue, parsonage, rectory, convent, and parish home; - a transient lodging facility subject to Chapter 54; - a school dormitory; - a licensed assisted living facility or nursing home; - a building originally designed and constructed to contain only 2 dwelling units, one of which the owner currently occupies as a principal residence; - an accessory dwelling unit; - a unit subject to a regulatory agreement with a governmental agency that restricts occupancy of the unit to low and moderate income tenants; - a single-family home; and - a condominium owned by an individual.	• units used for temporary sanctuary or shelter • <u>a dwelling unit governed by a State or County agreement that limits the rent charged and the agreement remains in effect</u>	nursing home • ADUs • A building with two dwelling units and one unit is owner-occupied.
EXEMPTIONS - NEW CONSTRUCTION	15-year exemption (no application)	10-year exemption (owner must apply for exemption)	
FAIR RETURN - PETITION AND RIGHT TO APPEAL	N/A	A landlord has a right to petition for a rent increase to obtain a fair return, if the landlord proposes the increase should be more than the allowable rent cap. The landlord has the burden of proof to submit a petition that includes income and expense information for DHCA to review and determine whether a fair return is permitted.	

		If the petition is granted, the landlord must provide the tenant a 90-day notice before increasing the rent, if a petition is denied, the landlord has the right to appeal to the Commission on Landlord-Tenant Affairs. There is a ceiling on an approved fair return increase of up to 15% in one year. A troubled or at-risk property not in compliance with County laws and/or regulations would be prohibited from filing a fair return petition.
CAPITAL IMPROVEMENTS	The cap may be exceeded, upon application, if the Director determines: (1) the surcharge is limited to an amount necessary to cover the costs of capital improvements to the regulated unit, excluding the costs of ordinary repair and maintenance; (2) the surcharge does not take effect until after the capital improvements are completed; (3) if the capital improvements are building-wide, the surcharge is prorated over 24 months; (4) if the capital improvements apply only to certain regulated rental units and are not building-wide, the surcharge is prorated over 12 months; and (5) the surcharge ends once the costs of the capital improvements have been recovered by the landlord.	Through the fair rate petition process, a landlord may request to include the amortization of capital improvements as operating expenses, if the improvements were made building-wide.
HARDSHIP EXEMPTION	A landlord may be granted a 1-year exemption from DHCA for financial hardship to the landlord. The exemption is renewable.	N/A
ANNUAL REPORTING	Yes. Landlords are required to annual report rent amounts to DHCA.	Yes. Landlords are required to annual report rent amounts to DHCA.

HOUSING VACANCY TAX	Not applicable.	A rental unit vacant for more than a year may be subject to a \$500 per unit housing vacancy tax. Funds collected by Finance will be deposited into the Housing Initiative Fund.
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MEMORANDUM

June 23, 2023

TO: Planning, Housing, and Parks Committee

FROM: Christine Wellons, Senior Legislative Attorney

SUBJECT: Bill 15-23, Landlord-Tenant Relations – Ant-Rent Gouging Protections

PURPOSE: 2nd Worksession – Committee recommendation expected

This addendum contains three additional potential amendments for the Committee’s consideration. Two of the amendments are put forward by Councilmember Mink. One is a clarifying amendment recommended by staff.

Councilmember Mink’s Amendments. Councilmember Mink’s first suggested amendment is intended to disincentivize landlords from increasing rents excessively prior to Bill 15-23’s effective date. This would be a temporary adjustment to the cap, applied only to landlords who raised rents above the cap in between the bill becoming law and taking effect.

Add the following after line 100.

Section 4. Transition. Between the date that this Act becomes law and the date that this Act takes effect, if a landlord (the “Landlord”) increases the rent for a regulated unit by an amount that exceeds the rent increase allowance that would have applied if the Act were in effect, then the landlord must not, once the Act takes effect, increase rent for the regulated unit except as permitted under this Section 4. For purposes of this Section, the term “Excess Amount” means the amount that the rent increase exceeded the rent increase allowance that would have applied if the Act were in effect. Once the Act is effective, the Landlord may increase rent by an amount not to exceed the published rent increase allowance minus the Excess Amount. If the Excess Amount exceeds the published rent increase allowance, then the Excess Amount is reduced by the amount of the published rent increase allowance. Once the Excess Amount is reduced to zero, the Landlord may increase the rent in accordance with the provisions of Section 1 of this Act.

Councilmember Mink also recommends the following amendment to limit the amount that “troubled” or “at risk” properties would be permitted to increase rents under the bill.

Add the following after line 33:

- (b) Subject to Method (2) regulations adopted by the Director, a regulated unit located in a property designated by Department as “troubled” or “at risk” under Section 29-22(b) may not increase rent in excess of an amount the Director determines necessary to cover costs required to improve habitability.

Clarifying Amendment. Council staff would recommend an additional amendment to clarify what happens if, prior to the effective dates of the bill or of DHCA’s Method (2) regulations, a landlord notifies a tenant of a future increase.

After line 100, add the following.

Section [#]. Rent Increase Notices - Transition. If a landlord notifies a tenant, prior to the effective date of this Act or prior to the effective date of Method (2) regulations adopted under this Act, of a rent increase that would occur after the effective date of the Act or of the regulations: (1) the rent increase must not occur unless the increase is equal to or less than the CPI-U plus 8 percent; and (2) the landlord must notify the tenant in writing either that the notice is void, or that the notice is modified to an increase equal to or less than the CPI-U plus 8 percent.

Note: if the Committee were to recommend a rent cap other than the CPI-U plus 8 percent, then this amendment would need to be adjusted accordingly.

MEMORANDUM

June 23, 2023

TO: Planning, Housing, and Parks Committee

FROM: Christine Wellons, Senior Legislative Attorney

SUBJECT: Bill 15-23, Landlord-Tenant Relations – Ant-Rent Gouging Protections

PURPOSE: 2nd Worksession – Committee recommendation expected

This second addendum contains an additional potential amendment, which Councilmember Jawando intends to put forward. The amendment relates to the calculation of the annual rent increase allowance under the bill.

Amend lines 20-22 as follows.

(a) Annual rent increase allowance. The Director annually must calculate a rent increase allowance for regulated rental units equal to the lesser of:

- (1) CPI-U plus ~~[[8 percent]]~~ 2 percent; or
- (2) 6 percent.