

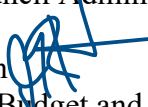



FISCAL AND POLICY NOTE

October 4, 2024

TO: Jennifer A. Jenkins
Council Administrator

Colette R. Gresham, Esq.
Deputy Council Administrator

THRU: Josh Hamlin 
Director of Budget and Policy Analysis

FROM: Shalene Miller-Whyte 
Legislative Budget and Policy Analyst

RE: Policy Analysis and Fiscal Impact Statement
CB-097-2024 Landlord-Tenant Regulations - Prohibition of Rent Gouging

CB-097-2024 (*proposed by: Council Member Oriadha*)

Assigned to the Committee of the Whole (COW)

AN ACT concerning Landlord-Tenant Regulations - Prohibition of Rent Gouging For the purpose of preventing landlords exempt from rent stabilization regulations from raising rents excessively by capping annual increases at fifteen percent.

Fiscal Summary

Direct Impact:

Expenditures: No anticipated expenditures likely.

Revenues: No anticipated revenue impact.

Indirect Impact:

There will likely be a mixed indirect impact.

Legislative Summary:

CB-097-2024¹ Sponsored by Council Member Oriadha on September 10, 2024, and referred to the Committee of the Whole. It would amend Subtitle 13, Housing and Property Standards, of the Prince George's County Code to establish a 15% rent cap on all units exempt from limits outlined in Sec. 13-145 of the Code.

If enacted, CB-097-2024 would:

- Repeal and reenact with amendments County Code section 13-147.
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Resource Personnel:

- Eric Irving, Fiscal & Legislative Specialist
 - Tiffany Hannon, Chief of Staff, Council District 7
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Current Law/Background:

Prior to CB-097-2024, CB-007-2023² was introduced to temporarily amend the Landlord-Tenant Code to limit landlords' ability to increase rent, with a cap set at 3%. This included an initial 6-month period but was extended through CB-008-2024³ to extend the sunset date of this temporary measure by an additional six months, from April 17, 2024, to October 17, 2024.

To address the concerns of all stakeholders regarding rent stabilization, a rent stabilization work group was developed in partnership with Enterprise, Urban Institute, and Equitable Housing Solutions to engage stakeholders and provide clear recommendations for a permanent rent stabilization policy within the County.⁴ Stakeholders included housing advocates, apartment companies, investment partners, non-profits, County agencies, and others with interests and concerns regarding the potential implementation of this policy. Findings were reported on February 27, 2024.⁵

¹ [CB-097-2024](#)

² [CB-007-2023](#)

³ [CB-008-2024](#)

⁴ [Rent Stabilization Work Group](#)

⁵ [Rest Stabilization Task Force Recommendations and Report](#)

With the recommendations of the rent stabilization work group, CB-055-2024 was created to provide a permanent stabilization that includes the following provisions:

- Provide an annual rent increase of equal to the lesser of the CPI-U plus 3 % of 6%. This will be provided on May 1 of each year and effective on July 1 of that year.
- Exempts newly constructed units whose construction was completed on or after January 1, 2000;
- a building originally designed and constructed to contain only 2 dwelling units, one of which the owner currently occupies as a principal residence (domicile);
- an accessory dwelling unit;
- a unit located within a substantially renovated building if:
 - (A) the substantial renovation was or is completed on or after January 1, 2000; and
 - (B) the building is not in violation of Subtitles 4 or 13;
- a rental unit owned by a landlord who:
 - (A) owns 5 or fewer rental units within the County; and
 - (B) is either:
 - (i) a natural person; or
 - (ii) the trust or estate of a decedent;
- a rental unit being leased to a new resident;
- any rental unit that is (or is located within) a dwelling that is majority owned by one or more individuals domiciled in Prince George’s County and is not a multifamily dwelling or located within a multifamily dwelling;
- a condominium unit owned by one or more individuals domiciled in Prince George’s County; and
- any unit within or a part of a building cooperative.

Discussion/Policy Analysis

Rent Gouging

Rent gouging describes the act where a landlord sets the rent for a property too high or raises an existing tenant’s rent at an unconscionable price.⁶ This can be detrimental to a tenant, as some tenants across the Country have experienced increases as high as 30% from one year to the next. This often perpetuates cost burdens amongst tenants and push many tenants out of their homes.

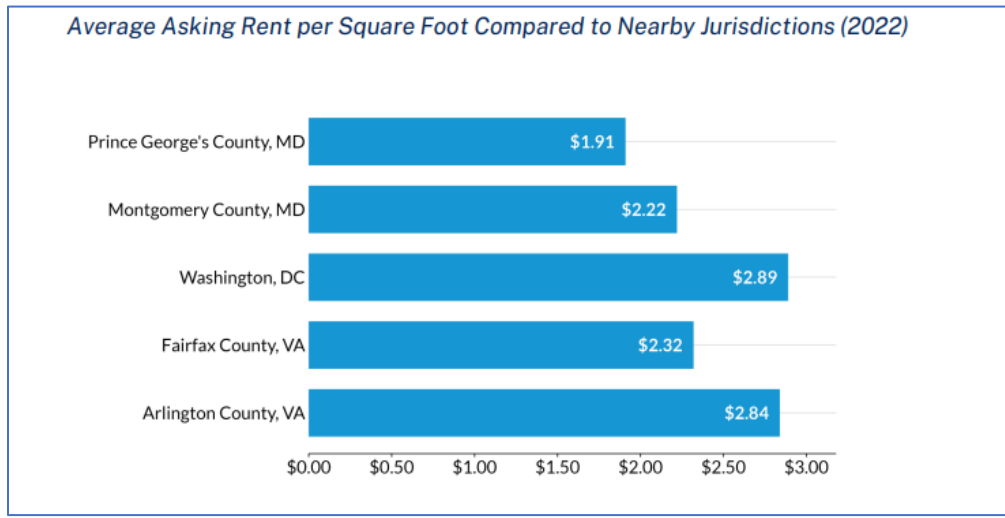
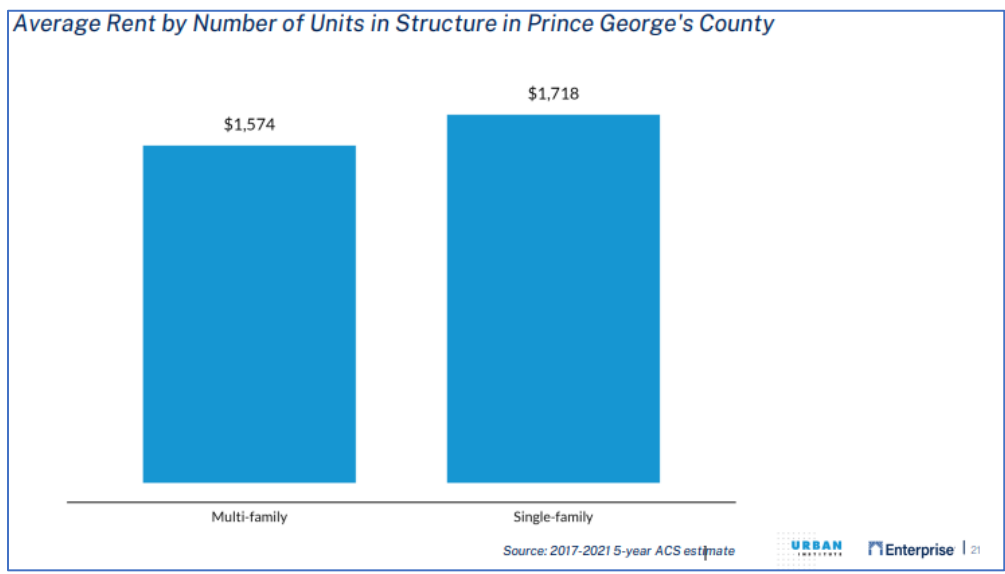
Prince George’s County Renters & Rent Growth

According to the American Community Survey 2018-2022, 52% of the County’s renters had unaffordable housing costs within the County. In 2023, 30% of the County’s housing stock was affordable to low-income households. With an annual housing production target of 2,380 units through the Council of Government Housing Targets, the County only built 1,172 new units. With

⁶ [What is Rent Gouging? Definition and laws | LawDistrict](#)

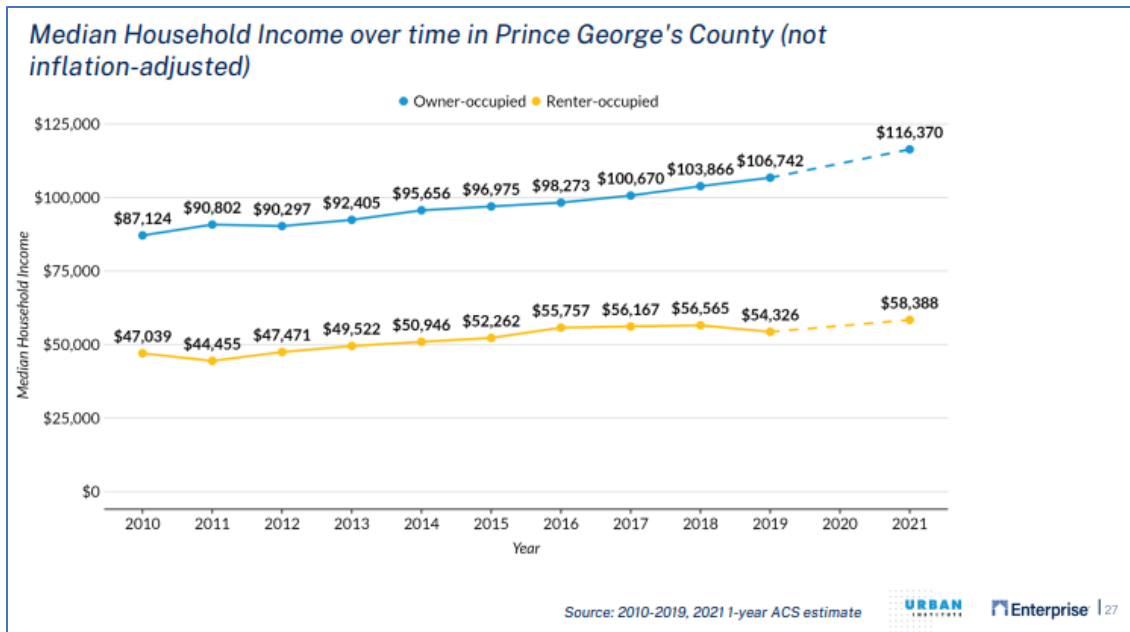
a 4 year target of 9,520, the County has missed its targets, only developing at least 5,576 units.⁷ In 2021, there were 64,777 cost-burdened renters within the County, this has steadily grown since 2010 from 55,766.⁸

Other important figures provided by the Rent Stabilization Task Force demonstrate that the average rent for multi-family units is \$1,574, and the median household income for owner-occupied units is double the median household income for renter-occupied units. This demonstrates that with lower rents per square foot in the County, the median household income amongst renters is not enough to meet the cost of rent in comparison to neighboring jurisdictions, especially given the cost burdens mentioned previously.



⁷ [Prince George's County | Housing Indicator Tool | HAND \(handhousing.org\)](#)

⁸ 2010-2019, 2021 1-year ACS estimate, Rent Stabilization Task Force PowerPoint



CB-055-2024 is written to regulate units built before January 1, 2000. According to CoStar's data⁹, prior to 2000, 444 buildings were constructed, including 86,040 units; these units may be subject to regulation; in the chart below, these are considered Class B and Class C units. However, several other stipulations can remove them from this number, including:

- a unit subject to a regulatory agreement with a governmental agency or an agreement with a third-party entity that restricts occupancy of the unit to low and moderate-income tenants;
- a unit located within a substantially renovated building if:
 - (A) the substantial renovation was or is completed on or after January 1, 2000; and
 - (B) the building is not in violation of Subtitles 4 or 13;

According to 2022 CoStar rent data, as provided by the Rent Stabilization Task Force, 11% of all multi-family units are affordable, also to be excluded from the number of units to be regulated under CB-055-2024.¹⁰

The table below shows that at least 12,275 Class A units were built in 41 buildings after January 1, 2000, and at least 7,916 Class B or C units were built in 48 buildings after 2000. These are likely to be considered as all other units to have capped rents of 15%, with CB-097-2024.

It is important to understand how rents are rising within the County. Based on the data from the U.S. Bureau of Labor Statistics in the table below, the county saw rent growth of 3% across all classes. This is .15% below the CPI-U for our region. Rent growth slowed from 4.5% in 2022 to 1.5% in 2023 among Class B and C units and from 3.0% to 1.5% during the same period among Class A units. CPI-U went from 6.72% in 2022 to 3.15% in 2023.

⁹ CoStar ©, a commercial listing firm, for apartment counts and rents.

¹⁰ 2022 CoStar rent data, Rent Stabilization Task Force Recommendations PowerPoint

Since 2017, the County has averaged a 3.2% rent increase across Class B and Class C units.

PRINCE GEORGE'S COUNTY ANNUAL RENT GROWTH SUMMARY				
YEAR	ALL APARTMENT UNITS	WORKFORCE UNITS	LUXURY UNITS	Washington-Arlington-Alexandria, DC-VA-MD-WV
	~106,000 Units	Class-B & Class-C (Generally Built Before 2000)	Class-A (Generally Built After 2000)	CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS (CPI-U)
2017		2.00%	3.50%	1.08%
2018		1.60%	3.10%	2.05%
2019		6.30%	6.70%	1.28%
2020		2.10%	0.60%	0.89%
2021		4.50%	2.50%	3.79%
2022		4.50%	3.00%	6.72%
2023		1.50%	1.50%	3.15%

¹¹ ¹²

CB-097-2024

For units not exempt from Sec. 13-145, as established by CB-055-2024, the rent stabilization Bill, CB-097-2024, seeks to prohibit rent increases above 15% of the previous base rent, including fees during a 12-month period. As stated previously, for units built after 2000, which will generally be included in this exemption, as of 2023, rent growth saw a decrease from 3% to 1.5%. The highest percentage of rent growth within the County since 2017 has been from 2018 to 2019, with a 3.6% jump from 3.1% to 6.7%. While there are many cases of excessive rent increases, these may be outliers based on the rent growth data provided by CoStar.

A rent gouging prohibition will protect residents not included in the original rent stabilization Bill from excessive rents beyond 15%.

¹¹ U.S. Bureau of Labor Statistics for CPI.

¹² CoStar ©, a commercial listing firm, for apartment counts and rents.

Other Jurisdictions

California

Pen. Code § 396 (e) & (f) states that it is unlawful to increase the rental price to an existing or prospective tenant by more than 10%. It may be lawful if a landlord can prove that the increase is attributed to additional costs for repairs or costs beyond normal maintenance.¹³ Certain properties are exempt such as those built 15 years ago or less. Research by the UC Berkeley Turner Center states that rent gouging legislation in California is failing due to exempting units built 15 years ago or less. Researchers also found that the 10% rent increase may still leave tenants with hefty rent prices, since it is significantly higher than what tenants can afford and risk being the new floor or new normal for rent increases.¹⁴

Oregon

Through Senate Bill 608¹⁵, the State of Oregon has a state-wide rent control, limiting rent increases to 10% in 2024, and soon to be limiting them again in 2025 with 10% as well.¹⁶ Rental properties younger than 15 years old are exempt. This has been beneficial to the rental market due to increased accessibility for housing and a reduction in displacement.¹⁷ However, other research argues that landlords receive a lower rate of return and create fewer incentives for landlords and developers to build and manage additional properties, which may result in lower quality of housing overall.¹⁸

Fiscal Impact:

- *Direct Impact*

The adoption of CB-097-2024 will not have an adverse fiscal impact. Enforcement of this provision will unlikely require additional staffing or workload for the Department of Permitting, Inspections, and Enforcement.

- *Indirect Impact*

The adoption of CB-097-2024 is likely to have a mixed indirect impact. Its impact may be favorable in reducing resident displacement and creating greater housing affordability for middle to low-income renters. However, it may reduce incentives for landlords and developers over time and potentially impact the overall quality of housing. Additionally, the hard cap on increases may incentivize landlords to routinely raise rents more than they otherwise would to hedge against a potential need for a large increase to cover extraordinary one-time capital costs.

¹³ [Pen. Code § 396 California](#)

¹⁴ [UPDATE: AB 1482, an 'Anti-Rent Gouging' Law, Fails California Tenants - Housing Is A Human Right](#)

¹⁵ [SB0608 \(oregonlegislature.gov\)](#)

¹⁶ [Department of Administrative Services : Rent Stabilization : Office of Economic Analysis : State of Oregon](#)

¹⁷ [Has Oregon Ushered in Era of Rent Control with New Law? - The Urbanist](#)

¹⁸ [Rent Control Will Hurt Oregon Renters: News: The Independent Institute](#)

- *Appropriated in the Current Fiscal Year Budget*

No.

Questions for Committee Consideration:

1. Does the 15% cap sufficiently align with the current rent growth trends?
 2. Will this cap encourage or incentive landlords to raise the rent above the current rent growth averages in the region?
 3. Is there a risk for the 15% becoming the new floor?
 4. Should additionally guidelines be established for special cases where a significant rent increase is required?
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Effective Date:

CB-097-2024 shall be effective forty-five (45) calendar days after it becomes law.

If you require additional information or have questions about this fiscal impact statement, please call me.