



THE PRINCE GEORGE'S COUNTY GOVERNMENT

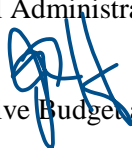
Office of Audits and Investigations

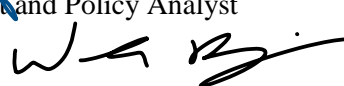
October 12, 2020

MEMORANDUM

TO: Robert J. Williams, Jr.
Council Administrator

William M. Hunt
Deputy Council Administrator

THRU: Josh Hamlin 
Senior Legislative Budget and Policy Analyst

FROM: Warren E. Burris, Sr. 
Senior Legislative Budget and Policy Analyst

RE: Policy Analysis Statement
CB-078-2020 (Draft 1) Emergency Act Limiting Rent Increases during a Public Health Crisis

CB-078-2020 (sponsored by: Councilmember Ivey)

Assigned to Committee of the Whole (COW)

EMERGENCY ACT CONCERNING LIMITING THE AMOUNT OF A RENT INCREASE THAT MAY BE ASSESSED AFTER ADOPTION OF CB-16-2020, WHICH PROHIBITED CERTAIN ACTS DURING THE COVID-19 PUBLIC HEALTH CRISIS for the purpose of amending the Landlord-Tenant Code to limit a landlord's ability to increase rent above a certain amount during the COVID-19 Public Health Crisis; providing that existing obligations or contract rights may not be impaired by this Act; and generally relating to rent increases during the COVID-19 Public Health Crisis.

Fiscal Summary

Direct Impact:

Expenditures: Minimal

Revenues: None

Indirect Impact:

Potentially negative

Legislative Summary:

CB-078-2020 sponsored by Councilmember Ivey was presented to the Council on September 29, 2020 and referred to the Committee of the Whole (COW). CB-078-2020 would amend the Landlord-Tenant Code to limit rent increases on certain tenants during, and within 90 days after the expiration of, the COVID-19 Public Health Emergency. The Bill would repeal and re-enact Subtitle 13, Division 3, Sections 13-139, 13-140 and 13-142 of the County Code.

CB-078-2020 would:

- Limit the amount that a landlord may increase rent *for any tenant not suffering from loss due to emergency* to 2.6% per year during and for 90 days after the expiration of the COVID-19 Public Health Emergency (§13-139); and
- Clarify existing language regarding notices provided to tenants regarding rent adjustments and the prohibition of certain rent increases (§§13-140 and 13-142).

The Bill also provides that the County Council may extend its terms for an additional 90 days by resolution.

Current Law/Background:

Since the COVID-19 Public Health Emergency declared in March 2020, County residents have lost their income as jobs were lost and/or employees were furloughed, and thousands of residents have become ill-physically and emotionally. The federal government passed Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law March 27, 2020, which provided 120 days of eviction relief for tenants in federally backed housing. In addition, the CARES Act expanded unemployment insurance for employees who lost jobs due to COVID-19. Furthermore, the Federal government attempted to assist these families by providing recovery benefits of \$1,200 per adult individual (\$2,400 for couples filing jointly) and \$500 for each child age 16 and under.

While the benefits have been helpful, the payments have not nearly been enough to sustain the household, including paying rents. According to the Apartment and Office Building Associates of Metro Washington (AOBA), landlords in the County have experienced late/no rent payments. AOBA members own and/or manage over 66,000 rental units in 220 apartment communities across Prince George's County, which represents approximately 20% of the County's housing.¹

In June 2020, the County Council enacted CB-016-2020, which prohibited evictions, rent increases and penalties for certain individuals impacted during the COVID-19 Public Health Emergency. While CB-016-2020, protected tenants impacted by losses due to the COVID-19 crisis, it did not offer protections for those not impacted by the crisis.

However, neither the CARES Act, nor the Governor's Executive Order provided any relief or protections for landlords and apartment owners, who are still responsible for maintenance expenses and mortgage payments. To cover these costs, some landlords across the region have been increasing fees of tenants not impacted by the COVID crisis. Enactment of CB-78-2020 would protect tenants not directly impacted by

¹ U.S. Census Bureau Quick Facts for Prince George's Co.
<https://www.census.gov/quickfacts/fact/table/princegeorgescountymaryland/PST120218>

the crisis from extreme rent increases by limiting the amount of annual increase a landlord can impose to 2.6 percent. The State of Maryland currently does not have statutory language regulating price gouging during declarations of emergency.

Resource Personnel:

DPIE Staff
Council Administration
Monica Young, Chief of Staff/Legislative Aide, District 5 Council Office

Discussion/Policy Analysis:

- *Potential Benefits of Enacting CB-078-2020*

The COVID-19 continues to result in an economic blow threatening the financial stability and households of many of the County's residents. Protecting residents not currently impacted by the COVID crisis from unreasonable rent increases will allow families to maintain financial stability and alleviate families with the worry of sustaining and maintaining their households during this Pandemic. Enactment of CB-078-2020 should prevent County residents not impacted by the crisis from being used to offset landlords' losses resulting from nonpayment by those who are impacted by offering protection from rent/price gouging. Also, the restriction on increases to the period specified avoids placing an unnecessary, extended burden on landlords.

- *Potential Costs of Enacting CB-078-2020*

Enactment of CB-078-2020 should result in minimal cost associated with outreach and enforcement of the legislation from the responsible agency (Department of Permitting, Inspection and Enforcement). There will, however be a general need to communicate with community stakeholders to inform residents of the law change.

However, it should be noted that housing providers, landlords and/or apartment owners may oppose this bill as many landlords because it restricts their ability to offset some losses by increasing rents during the Public Health Emergency.

As mentioned during the enactment of CB-016-2020, landlords and apartment owners were not afforded relief through the CARES Act, and their mortgages are still due. Having huge numbers of apartment owners and landlords default and/or have to re-finance their mortgages could cause disruptions in the banking system. In addition, if a landlord defaults on their mortgage, the tenant could also be displaced as the landlord would no longer own the property. Further, should the owners have to refinance, the rental property may no longer be affordable to the tenant.

Other Jurisdictions Establishing Emergency Rent Protection

- US Congress - HR 6472 - COVID-19 Price Gouging Prevention Act (proposed)
 - Montgomery County, MD – Expedited Bill 18-20
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Fiscal Impact:

Direct Impact

Enactment of CB-078-2020 will likely result in minimal negative fiscal impact on the County related outreach and communication of the language of the new legislation to tenants and landlords/apartment owners.

Indirect Impact

Enactment of CB-78-2020 may have a potentially negative impact as apartment owners and landlords will not have any remedy from loss revenue and no means of increasing. This could impact their landlords and apartment owners' ability to pay property taxes, which may impact the County's revenue. In addition, as we do not know how long the public emergency will be, should the landlord and/or apartment owners' default on their mortgages, the renter could then face the possibility of being displaced.

Appropriated in the Current Fiscal Year Budget

No.

Effective Date of Proposed Legislation:

As an Emergency Act, CB-078-2020 would take effect on the date that it becomes law.

If you require additional information, or have questions about this fiscal impact statement, please reach me via phone or email