



# THE PRINCE GEORGE'S COUNTY GOVERNMENT

## Office of Audits and Investigations

October 8, 2021

### FISCAL AND POLICY NOTE

TO: Robert J. Williams, Jr.  
Council Administrator

William M. Hunt  
Deputy Council Administrator

THRU: Josh Hamlin  
Senior Legislative Budget and Policy Analyst

FROM: Arian Albear  
Legislative Budget and Policy Analyst

RE: Policy Analysis and Fiscal Impact Statement  
CB-092-2021

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CB-092-2021 (*Proposed and presented by:* Council Member Ivey)

Assigned to the Committee of the Whole

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AN ACT CONCERNING PRE-SETTLEMENT AND POST-SETTLEMENT OCCUPANCY AGREEMENTS IN RENTAL HOUSING TRANSACTIONS for the purpose of establishing exemptions from rental licensing requirements for buyers and sellers of real property that enter into Pre-Settlement Occupancy Agreements and Post-Settlement.

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### Fiscal Summary

#### Direct Impact

*Expenditures:* No additional expenditures likely.

*Revenue:* No additional revenue likely.

#### Indirect Impact

Potentially positive.

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### **Legislative Summary:**

CB-092-2021<sup>1</sup>, proposed by Council Member Ivey, was presented on 21 September 2021 and referred to the Committee of the Whole. CB-092-2021 would exempt Pre- and Post-Occupancy Settlement Agreements from requiring a rental license for a term of 90 days or less.

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### **Background/Current Law:**

Pre-Settlement Occupancy Agreements are rental agreements whereby a buyer of a property rents from the seller for a period of up to 90 days before the final sale of the property. Post-Settlement Occupancy Agreements, conversely, are rental agreements whereby the seller of a property rents from the buyer for a period of up to 90 days after the final sale of the property. These agreements are generally used to allow one of the parties to either end a previous mortgage or lease or have time to secure a future one within a short time.

Prince George's County has two separate licensing requirements under which these Agreements may fall: *rental* licenses and *short-term rental* licenses.

Code Section 13.181 of Division 4. Rental Housing, under Subtitle 13. – Housing and Property Standards provides for *rental* license exemptions under three categories:<sup>2</sup>

- 1) If the tenant is the landlord's parent, son, daughter, sibling, grandchild, grandparent, or in-law;
- 2) If the landlord is an active member of any branch of the United States Armed Forces, Diplomatic Corps, or Foreign Service who maintains the subject property as her or his domicile and permanent residence; or
- 3) If the landlord has been relocated for employment or education, maintains the subject property as her or his domicile and permanent residence, and the subject property has not been leased for more than two (2) consecutive years.

Additionally, with CB-37-2020, an exemption to the *short-term rental* license for Pre- and Post-Occupancy Settlements was included under Subtitle 5. – Businesses and Licenses. Division 8. – Short-Term Rentals. Sec. 5-175.10. – Exemptions.:

Notwithstanding other provisions of the Prince George's County Code, short-term rental licensing requirements within Prince George's County, Maryland shall not restrict or apply when a buyer or seller of real property enters into a Settlement Occupancy Agreement and shall be exempt from the licensing requirements set forth in this Division.

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### **Resource Personnel:**

Monica Young, Chief of Staff/Legislative Aide

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<sup>1</sup> [CB-92-2021](#).

<sup>2</sup> Prince George's County Code, [Section 13.181](#).

**Discussion/Policy Analysis:**

CB-92-2021 seeks to create an analogous exemption to the one established under CB-37-2020 and listed under Sec. 5-175.10 and ensure it applies to the standard rental license as well as the short-term rental license. This would have the effect of cleaning up the Code and ensure that no party to these Agreements is subject to a rental license. The Department of Permitting, Inspections, and Enforcement's (DPIE) web page on rental licenses<sup>3</sup> does not list Pre- and Post-Settlement Occupancy Agreements as one of the three (3) exemptions enumerated above under the Background/Current Law section.

Further communication with DPIE noted that the Department does not collect information on the reason for the rental license and, therefore, the Audits & Investigation team was unable to enumerate the total number of licenses collected under this category.

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**Fiscal Impact:**

*Direct Impact*

CB-92-2021 is not expected to have any direct fiscal impact to the County as DPIE does not believe that fees for rental licenses for property subject to Pre- and Post-Settlement Occupancy Agreements are currently collected and are already exempted under CB-37-2020.

Because DPIE cannot enumerate the number of rental licenses collected for this category, the amount of forgone income from exemption, if any, is unknown. In any event, the amount collected would be negligible.

*Indirect Impact*

CB-92-2021 could have a small indirect impact for the Department of Permitting, Inspections, and Enforcement in decreased paperwork and inspections to certify residences for rental agreements. The exemption would also create one less administrative hurdle for residents seeking to remain in their house as they secure another home for a period of up to 90 days.

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**Effective Date of Proposed Legislation:**

The proposed Bill shall be effective forty-five (45) calendar days after it becomes law.

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

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<sup>3</sup> Department of Permitting, Inspections, and Enforcement, [Single Family Rental Licensing](#).