FISCAL AND POLICY NOTE

February 19, 2025

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-Whye
Legislative Budget and Policy Analyst

RE: Policy Analysis and Fiscal Impact Statement
CB-006-2025 Permanent Rent Stabilization and Protection Act of 2024

CB-006-2025 (*proposed by*: Council Members Ivey, Watson and Olson)

Assigned to the Committee of the Whole (COW)

AN ACT concerning Permanent Rent Stabilization for All Senior Housing For the purpose of establishing rent stabilization protections for all age-restricted senior rental units regardless of other exempted conditions.

Fiscal Summary

Direct Impact:

Expenditures: No anticipated expenditure impact.

Revenues: No anticipated revenue impact.

Indirect Impact:

There will likely be a mixed indirect impact.

Legislative Summary:

CB-006-2025,[1] sponsored by Council Members Ivey, Watson, Olson, and Oriadha, was presented to the Council on January 28, 2024, and referred to the Planning, Housing, and Economic Development Committee. It would amend Subtitle 13, Housing and Property Standards, of the Prince George's County Code to establish protections for all age-restricted senior rental units, regardless of other exempted conditions.

If enacted, CB-006-2025 would:

- Repeal and reenact with amendments to County Code sections 13-147.
- Protect all age-restricted senior rental housing from additional exempted conditions.

Resource Personnel:

- Eric Irving, Fiscal & Legislative Specialist
- Amy J. Fry, Chief of Staff, Office of Council Member At-Large Ivey

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Current Law/Background:

Prior to CB-055-2024[2], CB-007-2023[3] 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-008-2024[4] 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.[5] Stakeholders included housing advocates, apartment companies, investment partners, non-profits, County agencies, and others with interests and

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[1] CB-006-2025
[2] CB-055-2024
[3] CB-007-2023
[4] CB-008-2024
[5] Rent Stabilization Work Group

concerns regarding the potential implementation of this policy. Findings were reported on February 27, 2024.[6]

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 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 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 hotel or motel only serving transient residents;
- 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 (domicile);
- an accessory dwelling unit;
- 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;
- Subject to rent stabilization regulations adopted by the Director, 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 the living trust of a natural person; or
  (ii) the trust or estate of a decedent;
- 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.

[6] Rest Stabilization Task Force Recommendations and Report

Discussion/Policy Analysis

Bill Provisions

CB-006-2025

This Bill would establish that age restricted senior housing is not included in exemptions from Section 13-147, originally established in CB-055-2024 which include several exemptions outlined in this memorandum's "Background" section. Age restricted housing is defined as any senior facility and/or building that has an age restriction of fifty-five (55) years and older for a lease to live in the facility and/or building according to Sec. 13-138 of the County Code[7].

Most notable is the provision that exempts newly constructed units built after January 1, 2000, as well as units that restrict occupancy to low and moderate-income tenants. This is important, as most of the senior housing available in the County was built after 2000. According to data, adults 55 and older make up 30% of the County's rental population[8] and are more likely to be cost-burdened due to many factors, such as high rents and living with fixed incomes. Related to the restriction of rents, this would allow units that currently provide low to moderate rents under a regulated agreement to fall under the annual rent cap. This may not affect residents since rents are already regulated within an agreement with considerably low and moderate rents compared to the market rate.

Neighboring Jurisdictions

Montgomery County has enacted Bill 15-23[9], with a rent increase allowance of 6% of the existing rent or 3% plus the CPI-U. Exemptions include newly constructed units offered for less than 23 years, accessory dwelling units, certain owner-occupied properties, a rental unit owned by a landlord who owns two or fewer rental units who is a natural person, estate or trust, health facilities, religious and non-profit organizations, and licensed facilities. Additionally, rent increases can be permitted to fund certain capital improvements. Montgomery County does not include any specific protections or exemptions for age-restricted housing.

Administrative Impact & Cost Considerations

This new provision related to age-restricted housing does not change the administrative impact established by CB-055-2024 or raise any additional cost considerations.

However, the Apartment and Office Building Association (AOBA) of Metropolitan Washington submitted testimony stating that this legislation may negatively impact the development of subsidized senior housing within the County, including regulatory risks as seen in Montgomery

[7] Sec. 13-138 Landlord-Tenant Regulations - Prince George's County
[8] 2017-2021 5-year ACS estimate
[9] Sec. 29-56. Rent stabilization - Montgomery County

County, Maryland, according to economists from the National Multifamily Housing Council (NMHC). Further data shows multifamily sales are declining in Prince George's County compared to Northern Virginia and a decline in transfer and recordation taxes. However, there is insufficient data to demonstrate the reason for this ongoing decline.

Fiscal Impact:

- *Direct Impact*

The adoption of CB-006-2025 will not have an adverse fiscal impact.

- *Indirect Impact*

The adoption of CB-006-2025 is likely to have a mixed indirect impact. Its impact may be favorable in reducing resident displacement and creating greater housing affordability for senior renters by including rental units built after 2000. However, this favorable impact may be offset by an adverse impact on new multifamily construction, as referenced by the MBIA, AOBA, and the NMHC, concerning whether senior housing will continue to be built in the County. Reduced construction will result in the need for greater subsidies and reduced property tax revenue.

- *Appropriated in the Current Fiscal Year Budget*

N/A.

Effective Date:

CB-006-2025 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.