



# THE PRINCE GEORGE'S COUNTY GOVERNMENT


## Office of Audits and Investigations


January 18, 2023

### FISCAL AND POLICY NOTE

TO: Jennifer A. Jenkins  
Council Administrator

William M. Hunt  
Deputy Council Administrator

THRU: Josh Hamilton   
Director of Budget and Policy Analysis

FROM: David Williams   
Legislative Budget and Policy Analyst

RE: Policy Analysis and Fiscal Impact Statement  
CB-007-2023 Rent Stabilization Act of 2023

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CB-007-2023 (*Proposed and presented by Council Members Oriadha, Burroughs, Blegay, Dernoga, Ivey, and Olson*)

Assigned to the Health, Human Services, and Public Safety (HHSPS) Committee

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AN ACT CONCERNING THE RENT STABILIZATION ACT OF 2023 for the purpose of temporarily amending the Landlord-Tenant Code to limit landlords' ability to increase rent for certain tenants; limiting increases to a certain amount; providing for penalties; providing that existing obligations or contract rights may not be impaired by this Act; and generally relating to rent restrictions for residential leases and rental dwelling units.

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### Fiscal Summary

#### Direct Impact

*Expenditures:* Additional administrative expenditures for program implementation, enforcement, and compliance, likely minimal.

*Revenue:* Little to no anticipated impact

#### Indirect Impact

Likely favorable.

### **Legislative Summary:**

CB-007-2023, proposed and sponsored by Council Members Oriadha, Burroughs, Blegay, Dernoga, Ivey, and Olson was presented on December 12, 2022, and referred to the Health, Human Services, and Public Safety Committee. The Bill would prohibit landlords from increasing rent beyond a certain percentage annually. *This Bill includes a sunset provision limiting its effective period to six months after it takes effect.*

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

#### *Relevant Prior County Legislation*

This legislation would be a first for Prince George's County, post-COVID State of Emergency. The County and our regional neighbor Montgomery County implemented similar measures during the onset of the COVID-19 pandemic to mitigate mass evictions and keep residents that may have suffered layoffs housed. Bill 22-22E, which is currently pending before the Montgomery County Council, is the closest analogue to this Bill. Bill 22-22E stipulates that rent increases will be limited to 4.4% during the six-month period thereafter, meaning that no rent increases beyond 4.4% shall take place nine-months after the bill's effective date.<sup>1</sup>

Other jurisdictions that have passed temporary rent increase caps include:

- Montgomery County passed Bill 30-21 which prohibited landlords from increasing rents and levying late fees on tenants during the COVID-19 emergency.<sup>2</sup>The District of Columbia passed D.C. Law 23-869<sup>3</sup> putting a moratorium on all rent increases on a temporary basis during the COVID-19 emergency. Expired December 2021.
  - Rockville, Maryland passed an emergency ordinance capping rent increases at 1.4% per year during the COVID-19 Emergency. Expired February 2022.
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### **Resource Personnel:**

- Ashanti Martinez, Chief of Staff, District 7
  - Kony Serrano Portillo, Legislative Director, District 7
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<sup>1</sup> Montgomery County Council- Bill [22-22E](#)

<sup>2</sup> Montgomery County Council- Bill [30-21](#)

<sup>3</sup> Pillsbury Law- [DC Law 23-869](#)

### **Discussion/Policy Analysis:**

#### *CB-007-2023*

CB-007-2023 would amend Subtitle 13 Housing and Property Standards. Division 3. Landlord and Tenant Regulations. Subdivision 1. General Provisions. The Bill would add §§13-144-147 to add the Rent Stabilization Act and dictate that landlords cannot increase the rent more than 3% from the last stated rental price for the next year. This law would be enforceable for a 6-month period and all leases officiated within that time span would be subject to this rental increase cap and the bill remains in effect until 90 days after the expiration date. Additionally, the tenant will be immune to late fees, and/or penalties during the same period. DHCD and DPIE will be charged with provided information for the public regarding this bill on their websites and to provide notice to license holders.

Section 13-145 appears to prohibit landlords from notifying tenants of a rent increase, and requires landlords to notify tenants to disregard certain notices of increases (page 2, lines 5-14). It is not clear how these provisions will work in instances where the increases are otherwise permissible under the Bill.

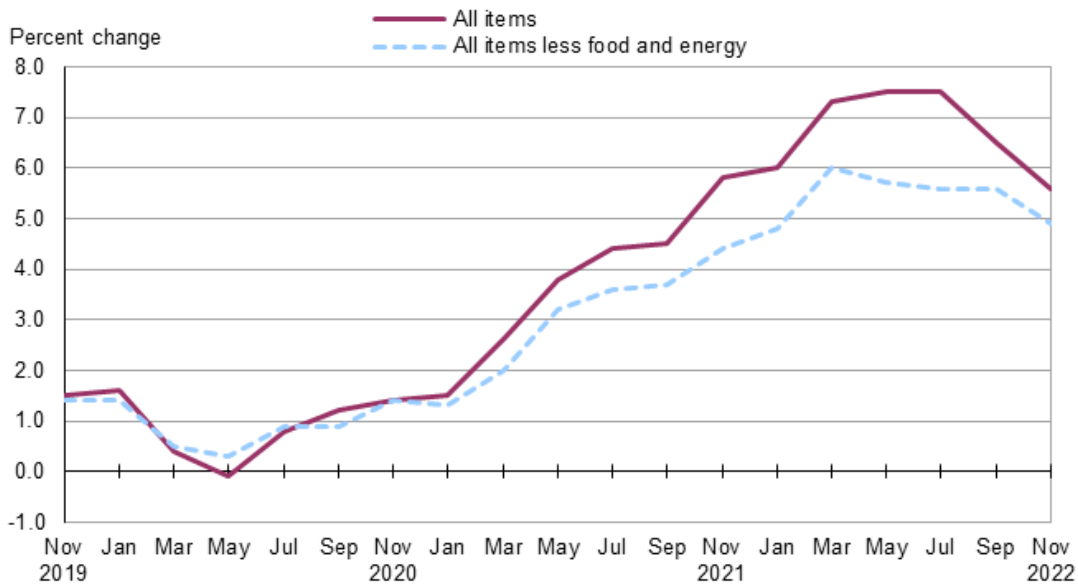
#### *Economic Evaluation*

The economic realities of any public policy are dictated by the demographics and conditions within its jurisdiction. The purpose of this legislation is to preserve the amount of affordable housing in Prince George's County and prevent tenant displacement due to large rent increases. This bill will serve as a temporary panacea to a larger problem. The following chart is a visual display of the Consumer Price Index for All Urban Consumers (CPI-U) for the Washington-Arlington-Alexandria area from November 2019 to November 2022. As we can see, between the periods of May 2020 to July 2022 prices for all consumer items increased steadily, peaking at a roughly 7.5% year-over-year increase in the summer of 2022. In addition, the "rent of primary residence" component of the Index in November 2022 increased 5.5% year-over-year.<sup>4</sup>

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<sup>4</sup> [https://www.bls.gov/regions/mid-atlantic/news-release/consumerpriceindex\\_washingtondc.htm](https://www.bls.gov/regions/mid-atlantic/news-release/consumerpriceindex_washingtondc.htm)

**Chart 1. Over-the-year percent change in CPI-U, Washington-Arlington-Alexandria, DC-VA-MD-WV, November 2019–November 2022**



Source: U.S. Bureau of Labor Statistics.

The pandemic caused national economic strain and put many working-class citizens at economic risk. The County acted and passed CB-016-2020 temporarily halting rent increases, late fees, and lease terminations during the state of emergency.<sup>5</sup> As the pandemic precautions have been reduced, the inflationary effect that it has created has not and tenants will be especially vulnerable. Placing a cap on the percentage increase for the for a 6-month period and limiting late fees will reduce the financial pressure on tenants and allow the economic gains to be temporarily transferred from the landlord to the tenants.

### *Equity Evaluation*

This bill if enacted will impact all landlords and tenants will be affected equally. Implementation will not vary based external factors and all persons subject to this bill will be treated equally. The Bill does not provide specific definitions for affected parties “landlord” and “tenant” so the definition under §13-138 applies. Under §13-138, “landlord” is defined as “the legal and equitable owner(s) of a property, or any portion thereof, used or to be used as a single-family rental facility or a multifamily rental facility and shall include, without limitation, a mortgagee, vendee, contract purchaser, assignee of rents, receiver, trustee, executor, personal representative, lessee, or any person, firm, or corporation who manages the multifamily rental facility by contractual agreement with the owner.” As such, the provisions of the Bill are applicable to *all* landlords, regardless of the number of units they own. The temporary nature of the bill creates a more equitable policy to maintain affordable housing with landlords of all sizes. Smaller landlords that are prevented from keeping rents closest to market rates may be adversely affected by decreasing property values and inability to keep up with renovations. Additionally, smaller scale landlords are more likely to have

<sup>5</sup> Prince George’s County Council- [CB-016-2020](#)

their financial livelihoods interconnected with their rental properties in contrast with larger corporate landlords.

#### *Administrative Evaluation*

This program will require some additional administrative expenditure and oversight which will be delegated to the Department of Housing and Community and Department (DHCD) and the Department of Permitting, Inspections, and Enforcement (DPIE). Both departments are tasked with updated their websites to advertise information about this pilot program and post the notification to all rental license holders that will be affected by this bill. DPIE will also be tasked with enforcement and compliance on all participants through the levying of financial penalties to be provided directly to the general fund. There may some addition costs associated with the administration of this program via responsibilities placed upon both DHCD and DPIE.

#### *Efficacy Evaluation*

The effectiveness of a public policy is subject to a plethora of regional factors. This Bill will create a temporary wealth transfer from landlords to tenants by keeping annual rent increases below their market rate. The only long-term effect of this Bill be that tenants will benefit from a year's worth of savings that otherwise may have been foregone by standard rent increases. The Council's goal of providing tenants with temporary relief will be achieved and there will be minimal adverse effects across the spectrum of landlords.

#### *Process Values Evaluation*

The implementation process includes does not discriminate against landlords based on size or location. All landlords that are licensed within the County's jurisdiction will be subject to this law and the stipulations therein. This Bill distributes the intended cost savings across all renters within Prince George's County and establishes a bilateral agency effort on the dissemination of information and administrative and enforcement. The process values for this policy are sound, no group is shown favor or unfairly targeted.

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#### **Fiscal Impact:**

- *Direct Impact*

The enactment of CB-007-2023 may have a limited adverse fiscal impact, as it will establish the bilateral agency administrative and enforcement obligations of DHCD and DPIE leading to additional County expenditures. These expenditures may be offset to some extent by fines collected from policy violators if enough are found. The fact that the Bill is only valid for a six-month period also minimizes any likely fiscal impact.

- *Indirect Impact*

The enactment of CB-007-2023 may have a favorable impact on the County. It will have a favorable, albeit temporary, impact on County renters, and the County may experience increased revenues and decreased expenditures associated with the preserved stability of the rental housing market during the Bill's effective period.

- *Appropriated in the Current Fiscal Year*

No

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**Effective Date of Proposed Legislation:**

The Act shall take effect forty-five (45) 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.