March 1, 2023

FISCAL AND POLICY NOTE

TO: Jennifer A. Jenkins
Council Administrator

William M. Hunt
Deputy Council Administrator

THRU: Josh Hamlin
Director of Budget and Policy Analysis

FROM: David Williams
Legislative Budget and Policy Analyst

RE: Policy Analysis and Fiscal Impact Statement
CB-023-2023 Rental Assistance Program and Rental Assistance Fund

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CB-023-2023 (*Proposed and Presented by* Council Members Oriadha, Blegay, Burroughs, Dernoga, Ivey, and Olson)

Assigned to the Planning, Housing, and Economic Development Committee

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AN ACT CONCERNING PRINCE GEORGE'S COUNTY RENTAL ASSISTANCE PROGRAM for the purpose of the purpose of establishing the Prince George's County Rental Assistance Program and Rental Assistance Fund; providing financial rental assistance to Prince George's County residents based on AMI level and rent increases; awards shall be eligible for monthly disbursements up to 6 months over the course of a 24-month period; and assistance may be applied for every 2 years.

Fiscal Summary

Direct Impact:

Expenditures: Additional expenditures necessary, dependent on number of approved applications and subject to appropriation.

Revenues: No anticipated impact

Indirect Impact:

Likely favorable.

Legislative Summary:

CB-023-2023, proposed and sponsored by Councilmembers Oriadha, Blegay, Burroughs, Dernoga, Ivey, and Olson was presented on February 21, 2023, and referred to the Planning, Housing, and Economic Development Committee. This bill would provide rental assistance for eligible applicants for a 6-month span within a 24-month period. After the 24-month period the applicant may reapply for rental assistance for another 6-month span. The Maximum award amount is limited to 20% of the tenant's monthly rent.

Background/Current Law:

The objective of this law is to assist Prince George's County residents in combating rapidly rising housing costs by supplementing low-income tenants on a temporary basis. Such a measure can mitigate some tenant displacement and other negative economic externalities. There is currently not a county-wide law establishing a formal rental assistance program. However, Prince George's County did participate in the federal Emergency Rental Assistance Program (ERAP), distributing over $100 million in aid.[1] This bill would establish a permanent County-level program to supplement the ERAP program that is no longer accepting new applications.

Relevant legislation from Other Jurisdictions

During the COVID-19 pandemic most jurisdictions established some form rental assistance to administer federal ERAP funds provided through the CARES Act.[2] Most major municipalities have set up programs to serve as an action arm to administer federal funds but most of them were temporary and followed the same timeline as the federal ERAP program. This bill establishes a formal rental assistance program and places it within the Prince George's County Code.

The majority of rental assistance initiatives (particularly in the last 3 years) across the country were meant to serve as an immediate and short-term response to economic hardship brought on by the pandemic. These programs were not focused on long term, income-based assistance but more on expedited crisis management/mitigation.

Though short term, these programs were more robust in offering rent and utility assistance for a year and sometimes more. The Montgomery County Rental Assistance Program set the income ceiling at 30% of household area AMI but provided rent and utility assistance (up to $2000) for up to 18 months. The increased funding is a result of ERAP funds appropriated en masse to prevent widespread displacement and homelessness.

[1] Prince George's County Emergency Rental Assistance Program
[2] United States Congress- Coronavirus Aid, Relief, and Economic Security Act

Resource Personnel

- Kony Serrano Portillo, Legislative Director, District 7

Discussion/Policy Analysis:

CB-023-2023

CB-023-2023 would amend Subtitle 13. *Housing and Property Standards. Division 3. Subdivision 1. General Provisions,* to add new Sections 13-144 and 13-145. New §13-144 establishes the Prince George's County Rental Assistance Program (RAP) for temporary rental assistance for eligible applicants and charges the Department of Housing and Community Development with administering the program. Administration includes the establishment of an application and award process and an annual reporting requirement. Section 13-144 also establishes the RAP Fund and provides that RAP funds availability is "subject to allocation from the County budget and any other funding sources."

Eligibility and limitations are laid out via §13-145. A County resident may be eligible for an award from the Fund if:

- the resident is a tenant of a rental property located within Prince George's County; and
- the tenant is subject to a legally binding lease or sublease agreement; and
- the tenant's primary residence is said rental property; and
- the tenant's household income is equivalent to or less than 60% of the Area Median Income ("AMI") for the Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Statistical Area as established by the United States Office of Management and Budget.[3]

Limitations include a provision that only one tenant per rental property may receive assistance from the fund at any given time, as well as a limitation of six months of assistance in the 24-month period after an initial reward. After this 24-month period, a tenant may reapply for and receive additional assistance. Assistance under the RAP is limited to 20% of the tenant's monthly rent. Finally, CB-023-2023 includes an uncodified section providing that for FY 2024 *only*, priority shall be granted to approved tenants whose rent increased at least 15% per annum over FY 2023, and those awards are to be dispersed prior to the grant of any other awards.

Economic Evaluation

This legislation will derive its income eligibility from the Metropolitan Statistical Area index which has the area median income (AMI) at $106,415. As noted above, to be eligible for RAP assistance, applicants must have a household income of 60% of AMI or less, equating to $63,849 or lower. It is worth noting that according to U.S. Census data, the County median household

[3] Prince George's County Council- CB-023-2023

income is $91,124.[4] As such, eligible tenants must have a household income at or below approximately 70% of *County* median income. Based on Prince George's County Health Department data, roughly 31%, or 100,000 households in the County would be income-eligible for RAP assistance (see Figure 1, below).

Households by Income	County: Prince George's	
	Households	% of Households
Under $15,000	18,451	5.68%
$15,000 - $24,999	13,435	4.13%
$25,000 - $34,999	16,604	5.11%
$35,000 - $49,999	27,614	8.50%
$50,000 - $74,999	51,688	15.91%
$75,000 - $99,999	46,465	14.30%
$100,000 - $124,999	39,286	12.09%
$125,000 - $149,999	30,216	9.30%
$150,000 - $199,999	36,756	11.31%
$200,000 - $249,999	18,531	5.70%
$250,000 - $499,999	17,873	5.50%
$500,000+	8,034	2.47%

Figure 1, Source: PGCHealthZone, 2022 Demographics, Prince George's County Health Department[5]

According to research conducted on the effects of federal rental assistance on the economy by the Center on Budget and Policy Priorities, federal rent relief efforts sharply reduce homelessness, crowding, and health care costs.[6] A Countywide rent relief initiative has the potential to shield low-income renters from adverse economic conditions and reduce tenant displacement. CB-023-2023, even as a temporary measure may in some instances prevent further homelessness and generally increase housing stability. This policy can also lead to other positive externalities such as increased civic participation, better health and academic outcomes for children, and decreased reliance on other forms of public assistance services.

In Prince George's County approximately 37.8% of households are occupied by renters.[7] Of those renters the majority of them (70.8%) pay at or below $1,999 a month for their units, with a median gross rent of $1,563. Thus, a County tenant that meets the 60% or less of AMI income requirement, and pays the median gross rent in the County, will be paying roughly 30% or more of the household monthly income on rent. According to the U.S. Department of Housing and Urban Development, households are considered cost burdened when they spend more than 30% of their income on rent, mortgage and other housing needs.[8]

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[4] U.S. Census QuickFacts – Prince George's County, Maryland
[5] PGCHealthzone 2022 Demographics
[6] Center on Budget and Policy Priorities- Research Shows Rental Assistance Reduces Hardship and Provides Platform to Expand Opportunity for Low-Income Families
[7] Prince George's County Census data- Housing data
[8] Census.gov: Housing Costs a Big Burden on Renters in Largest U.S. Counties

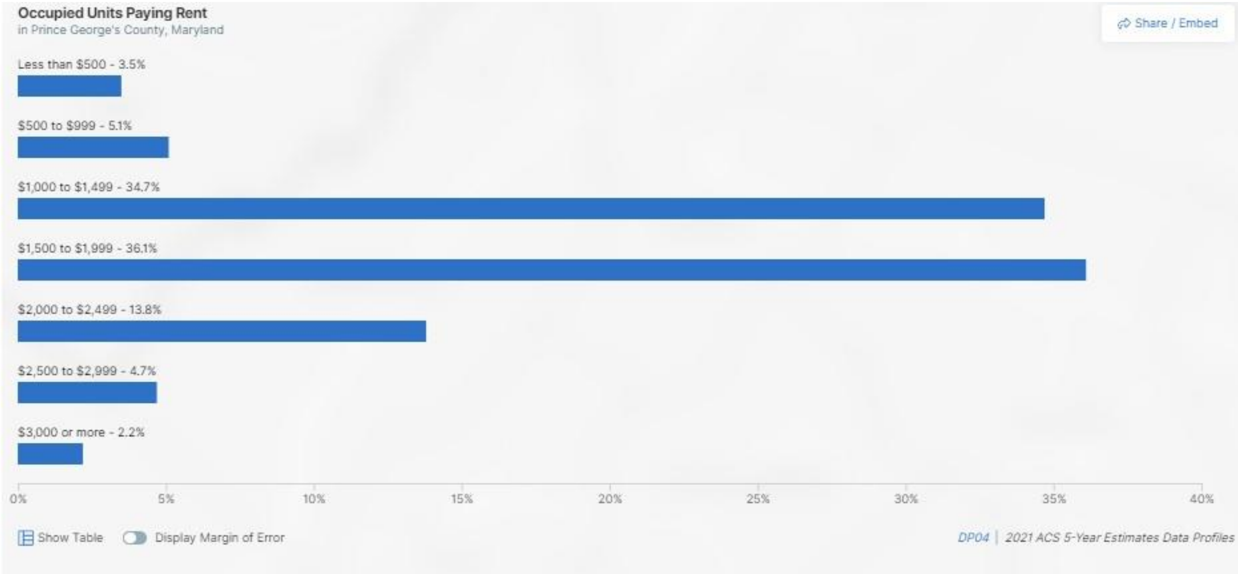

Figure 2, Source: U.S. Census Profile, Prince George's County, Maryland

The median income of "nonfamily" households is $62,538; the Census Bureau defines a nonfamily household as one in which a householder is either living alone or exclusively with people not related to them.[9] The nonfamily household designation is important because it represents the population of those most likely to be renters within Prince George's County. According to the latest census data 35.4% of households in the County constitute nonfamily households. If multiple unrelated parties reside in the same domicile there is the potential for "double-dipping" in which different household members apply for assistance on a rotating basis. This is a compliance concern that will have to be monitored during the application process.

Equity Evaluation

This policy targets renters within Prince George's County who may be most susceptible to displacement if faced with substantial rent increases. As noted above, households that earn $63,849 or less are already cost-burdened. This policy allows all Prince George's County renters beneath the income ceiling with a valid leasing agreement to apply and be considered for rental assistance and limits awards to one person per household at any given time. This bill is equitable in that it provides an equal opportunity for all potentially eligible applicants to apply and receive funding without favoring any particular group over another.

Administrative Evaluation

This bill tasks the Department of Housing and Community Development (DHCD) with creating and administering an application process, vetting applicants, verifying qualified recipients, and dispersing funds. This program necessitates a robust operation that requires intake, assessment, compliance, and distribution arms to ensure efficacy. DCHD will have to have competent staff to vet and communicate with applicants as well as to mitigate fraud to maximize the program's

[9] US Census Bureau subject definitions- Nonfamily Household

funding. Additionally, the Department needs adequate database support to handle the number of applications and acceptable data collection for record keeping. These functions will add extra costs to county administrative operations in addition to the need to appropriate funds dedicated to rental assistance.

Efficacy Evaluation

This bill poses to have a positive effect on the targeted populace and for the County at-large. Empirical analysis shows that federal level rental assistance leads to improvement in the following areas: [10]

- Poverty
- Crowding
- Geographic displacement
- Educational achievement for minors
- Healthcare outcomes
- Healthcare affordability
- Reliance on other forms of public assistance

This bill has the potential to positively impact the county on all fronts by providing much needed assistance to the lowest earning households. Limiting awards to one tenant per household at any given time should reduce "double-dipping" but may not fully prevent multiple eligible tenants from accessing the relief on a rotating basis. The largest liability that could hinder efficacy is fund availability. Most local rental assistance programs utilized federal ERAP funds via the CARES Act and include a crisis-event component (illness, unemployment, etc.) as an eligibility requirement in addition to income restrictions. The RAP program established by CB-023-2023 represents a departure from that model in that (after 2024) it is a purely income-driven subsidy rather than a temporary relief program for tenants at risk of eviction as a result of illness, unemployment, or extreme rent increase. The Prince George's County RAP will be reliant upon its own internal budget and other assorted funding sources for its operations, and the pool of eligible applicants has the potential to be quite large.

Process Values

This program is one of the first major municipal level codifications of rental assistance and has been developed with sound process values. The legislation shows no major structural flaws, it is up to the DHCD to ensure that the program operates with legal, ethical, and fiscal integrity. One area of concern will be how the rental amount is determined. The legislation states that qualified applicants will be entitled to no more than 20% of their monthly rent amount, determining the percentage each applicant will be entitled to (if all applicants will not be granted the full 20%) may affect process values. It will be critical for the award process established by DHCD to clearly and unequivocally provide a predictable means of calculating the amount of RAP awards.

[10] Center on Budget and Policy Priorities-Research Shows Rental Assistance Reduces Hardship and Provides Platform to Expand Opportunity for Low-Income Families

Fiscal Impact

- *Direct Impact*

Enactment of CB-023-2023 will have a direct fiscal impact on the County and may necessitate immediate and sizeable expenditures. It is important to remember, however, that funds for the RAP are subject to appropriation under the terms of the bill.

Cost of administration

Because of the potentially large volume of applications for the program, the Department of Housing and Community Development will need a sufficient number of trained staff to administer the program, and this may necessitate additional positions above the current complement. There may also be significant costs associated with building a database for program applicants and administrators to submit and assess applications, respectively.

Cost of awards

Estimating the potential fiscal impact of awards made under RAP as proposed is a challenging exercise that involves many assumptions. Below is an attempt to use existing data to estimate a likely potential impact based on a number of identified assumptions. Caution must be exercised in attempting to make such an estimation, but it is staff's view that while the ultimate impact may be far less than even the figure presented below, additional expenditure of multiple millions of dollars per year, to the extent funds are appropriated, is likely.

According to the M-NCPPC's "Prince George's County Population, Housing, and Economic Survey," there are 107,859 renter-occupied units in the County.[11] Because tenants generally tend to be lower income than homeowners, it is likely that the percentage of potentially eligible *tenant-households* exceeds the 31% of all County households that would be income-eligible noted above. Using the fairly conservative assumption that *35%* of the 107,859 units are occupied by income-eligible households, we can estimate approximately 37,750 income-eligible tenant-household occupied units. As mentioned above, the median gross rent in Prince George's County is $1,563 and the maximum award permitted by this bill is 20% of total monthly rent.

Assuming the median rent is slightly lower for income-eligible tenant-households or, say, $1,300, and that 25% of eligible tenant households *apply for and are approved* in the same 24-month period, the potential award cost would be $14,722,500 over that 24-month period.[12] Of course, all awards will not be paid within the same 24-month period, but given that eligible tenant-households

[11] Prince George's County Population, Housing, and Economic Survey, page 22
[12] If all eligible tenant households apply for and are approved in the same 24-month period, the maximum potential award cost would be $58,890,000 over that 24-month period: 20% of the assumed median rent ($1300) = $260 per month, times six months in the 24-month period = $1560 in assistance per 24-month period per eligible household, times 37,500 eligible households = $58,500,000.

can reapply after each 24-month period runs, it is not an unreasonable model to use to estimate the potential long-term cost.

Again, RAP funds are subject to appropriation, so the ultimate expenditure on the program is determined in the budget. If the Council wishes to consider ways to mitigate the possible cost, it may wish to consider a sliding award scale, with the amount of the award tied to each applicant's rent-to-income percentage. This would likely add administrative expense in processing applications, but would better target available funds to those most in need. Another possible consideration is to strictly limit assistance to six months out of 24 *per unit*, rather than per eligible tenant.

- *Indirect Impact*

Enactment of CB-023-2023 may have a favorable indirect fiscal impact in the form of tax revenues generated from additional consumer activity by recipients of awards under the RAP. Additionally, there may be unquantifiable favorable impacts resulting from increased housing stability.

- *Appropriated in the Current Fiscal Year Budget*

No

Effective Date of Proposed Legislation:

The Act shall take effect forty-five (45) days after it becomes law.

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