



Designing and Implementing a Rent Stabilization Policy in Prince George's County

Research Findings, Local Stakeholder
Perspectives, and Key Considerations

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Today's Discussion

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RECOMMENDATIONS
- 7 ADMINISTRATION +
COMPLIANCE
- 8 CLOSING THOUGHTS



**RESEARCH +
ANALYSIS**



**WORKGROUP
PERSPECTIVES**

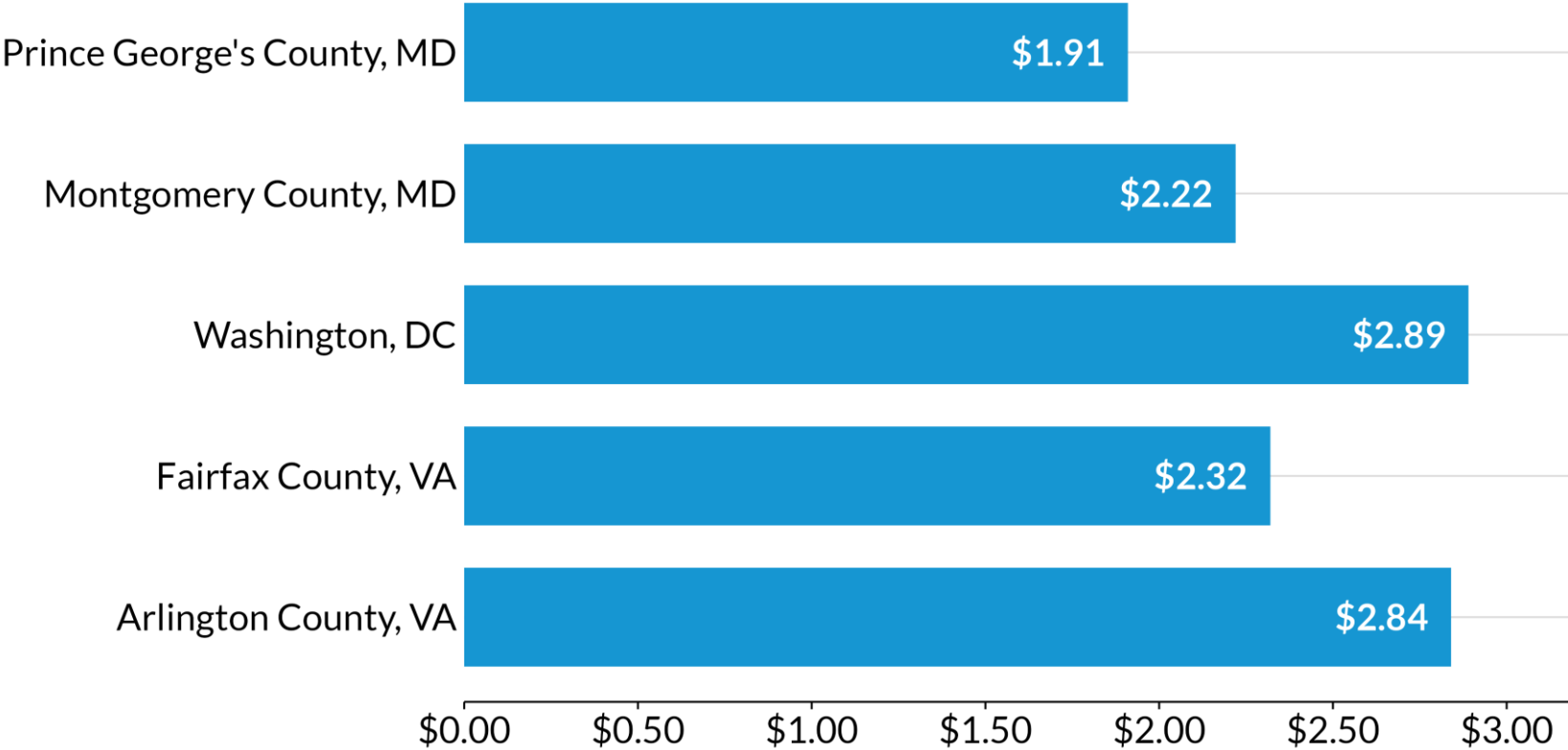


INTERVIEWS

CONTEXT

Prince George's County has lower asking rent per square foot than nearby jurisdictions for multi-family rentals

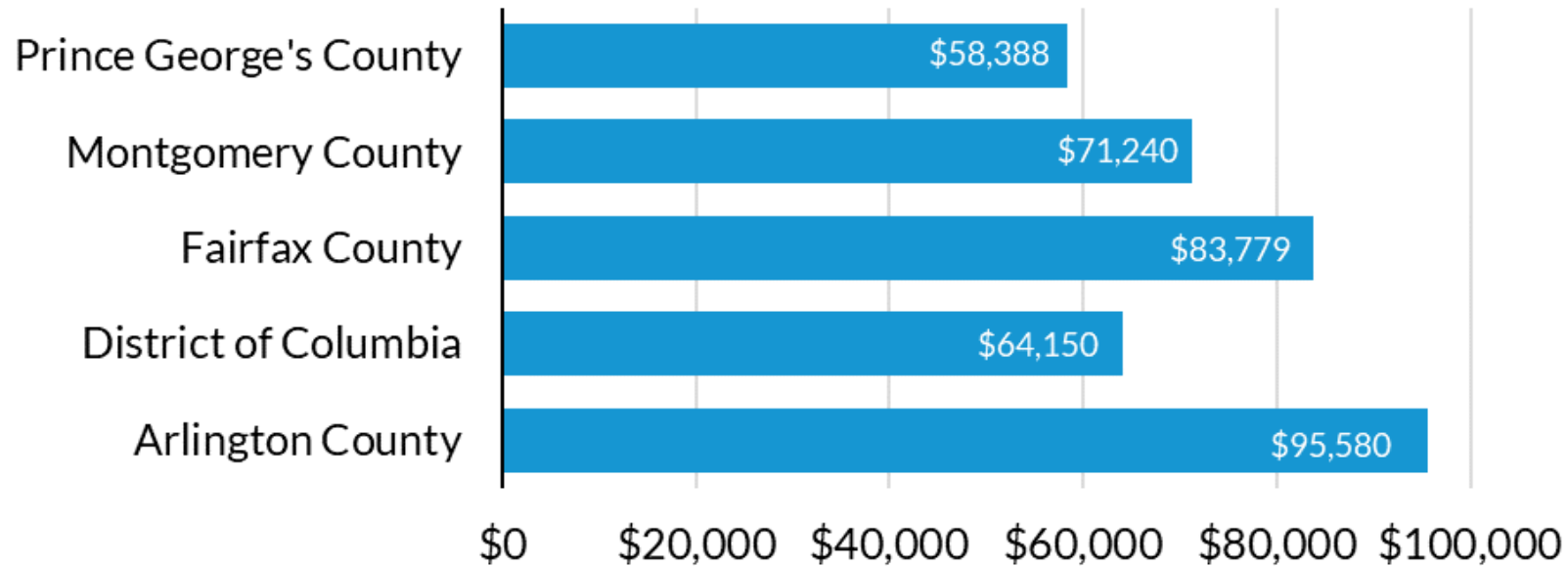
Average Asking Rent per Square Foot for Multi-Family Rentals in Prince George's County Compared to Nearby Jurisdictions, 2022



Source: Urban Institute analysis of 2022 CoStar rent data

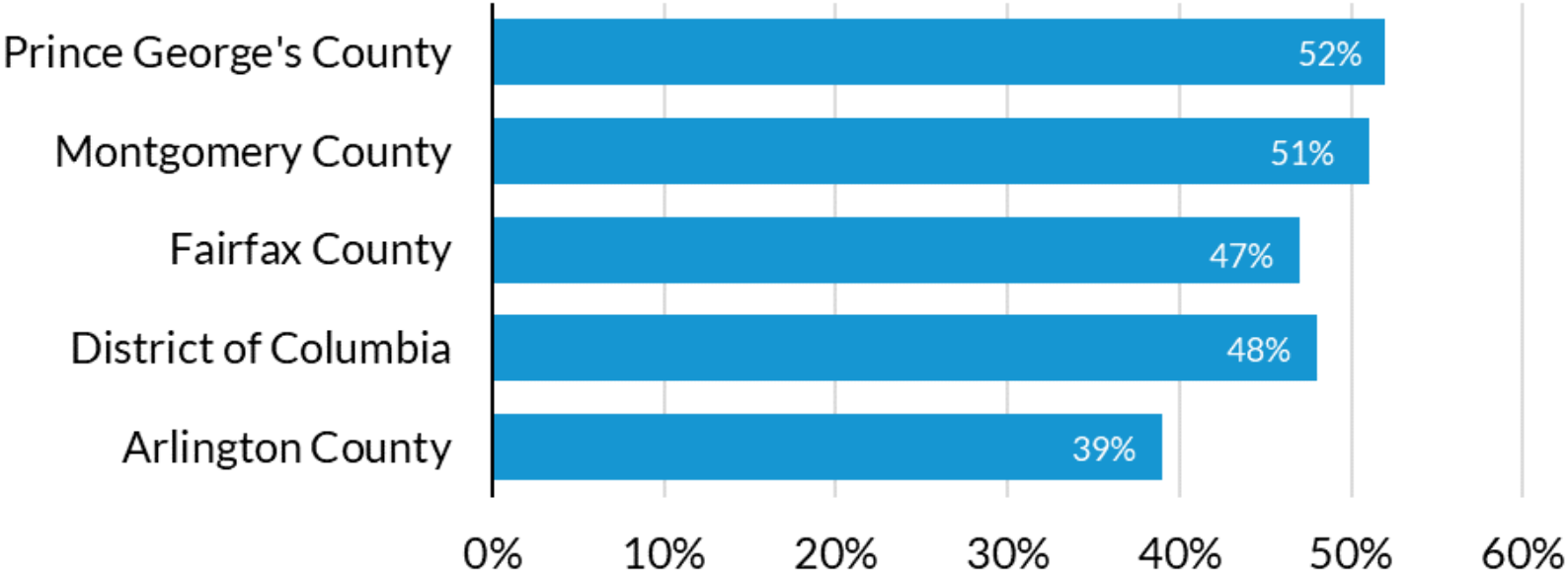
However, Prince George's County also has a lower median income than nearby jurisdictions

Renter Median Household Income in Prince George's County Compared to Nearby Jurisdictions, 2021



The percent of rent burdened households in Prince George's County is higher than in nearby jurisdictions

Percent of Renters who are Rent Burdened in Prince George's County Compared to Nearby Jurisdictions, 2021

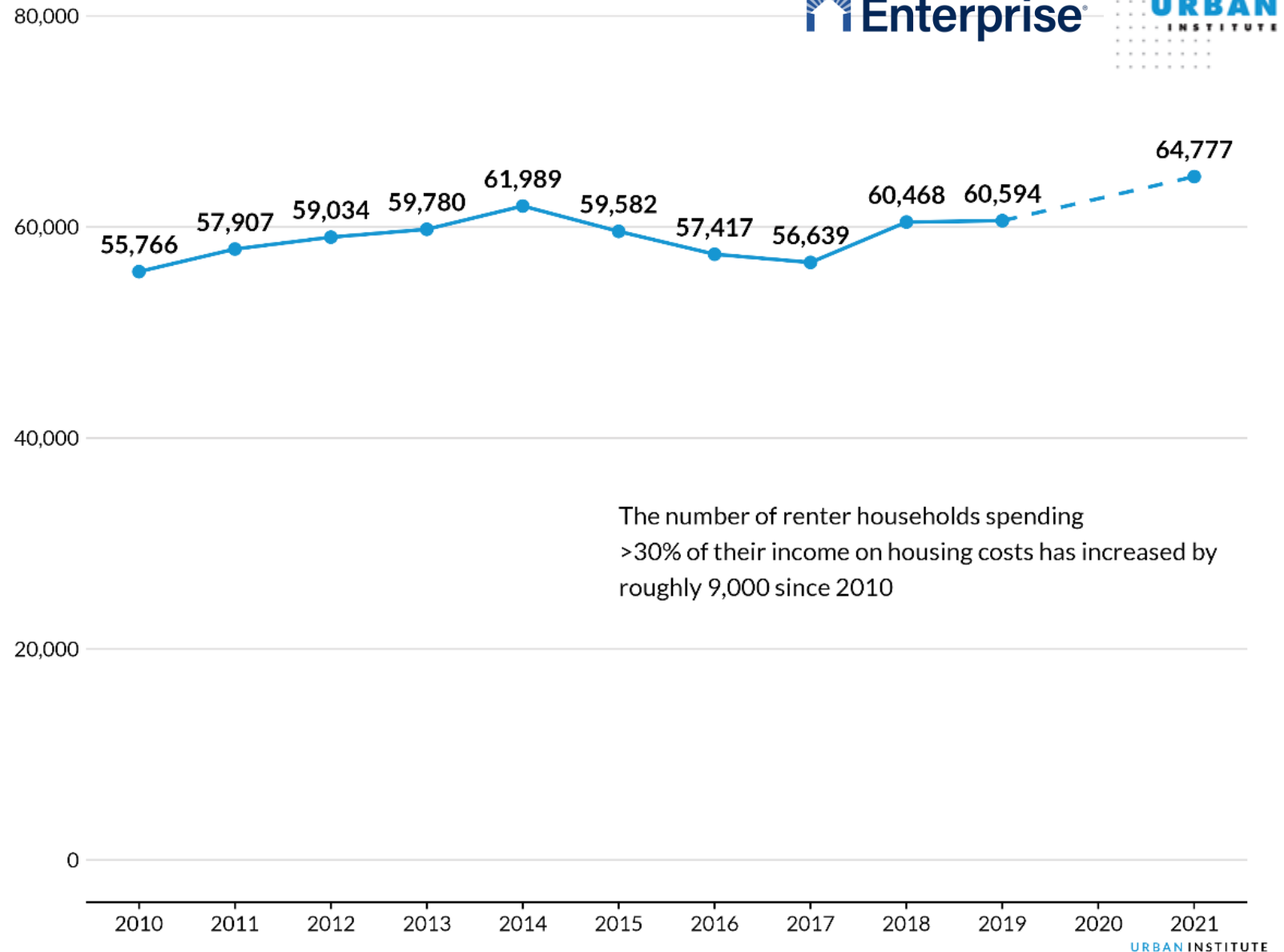


URBAN INSTITUTE

Source: Urban Institute analysis of 2021 1-year ACS data

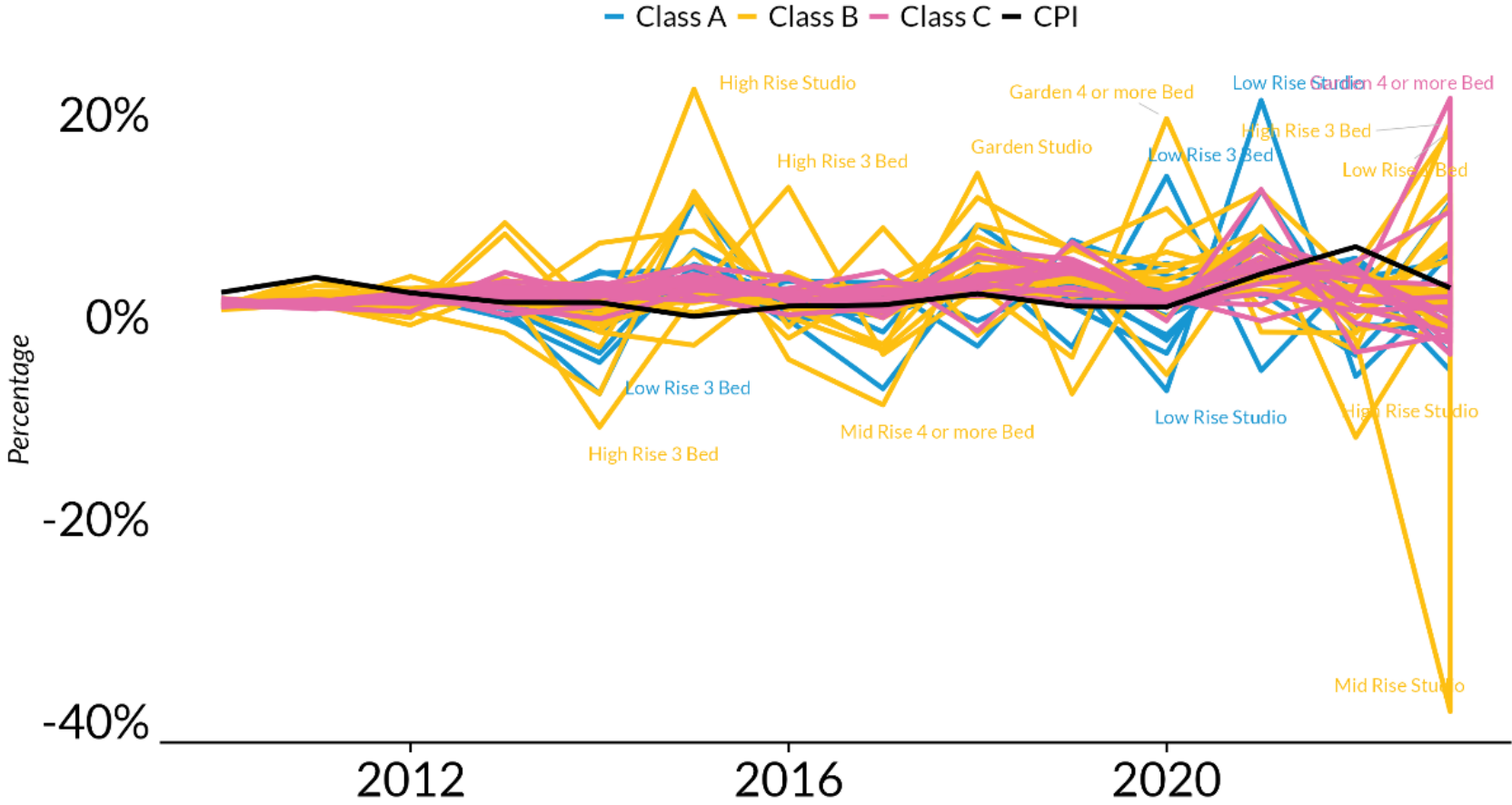
And this number is growing...

- These households struggle to not only pay rent, but may also struggle to meet other basic needs
- People who are housing cost burdened are
 - less likely to purchase health insurance
 - more likely to experience food insecurity
 - more likely to have difficulty paying bills
 - more likely to skip needed medical care



While average rent increases in the county are often near or below inflation, there is great variation in rent changes by property type with some increases as high as 20%

Changes in Rent by Property Type in Prince George's County, 2010-2023



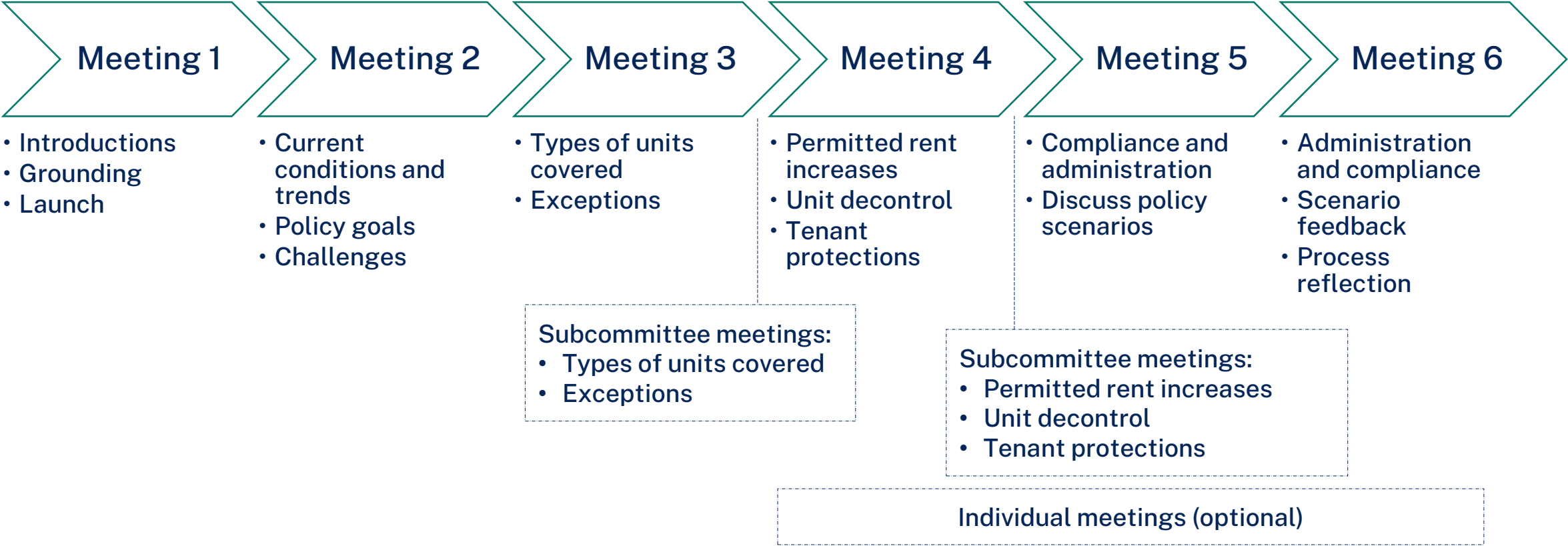
URBAN INSTITUTE

Source: Urban Institute analysis of 2021 1-year ACS data

**In response, the County passed the
Rent Stabilization Act
of 2023.**

The County also convened a work group to design a permanent rent stabilization measure for the county

August 2023 – January 2024



Co-Chairs

Hon. Krystal Oriadha
Councilmember, District 7

Aspasia Xypolia
Director, Department of
Housing & Community
Development

Members

Shola Giwa
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National Housing Trust

Jorge Benitez
Housing Justice Coalition

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Department of Permitting,
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Gloria Brown Burnett
Department of Social
Services

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Oculus CAS, LLC

Michael Bodaken
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Jeff Kayce
Bozzuto Development
Company

Brad Frome
RISE Investment Partners

Heather Raspberry (or
designee)
Housing Association of
Nonprofit Developers
(HAND)

Oswaldo Acosta
City First Enterprise

Phuc Tran
Jair Lynch Team

Taylor Phillips
Housing Association of
Nonprofit Developments

Prince George's County Representatives

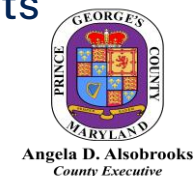
Hager Franklin
Special Assistant to the
Director, Department of
Housing & Community
Development (*non-voting
participant*)

Jim Chandler
Assistant Deputy Chief
Administrative Officer –
Economic Development
(*non-voting participant*)

Tiffany Hannon*
Chief of Staff, District 7

*Designated proxy for Councilmember Oriadha

Shalene Miller-Whye
Policy Team, County
Council



Angela D. Alsobrooks
County Executive



ABOUT RENT STABILIZATION

What is rent stabilization?

“Rent stabilization” is a loose term used to cover a spectrum of rent regulations

- First implemented in the United States during World War II as a hard ceiling on rents (generally referred to as rent control)
- Evolved into a less stringent and more nuanced regulatory scheme (generally referred to as rent stabilization)
- Modern rent stabilization generally involves a cap on annual rent increases along with a set of accompanying regulations such as vacancy decontrol, condominium conversion regulation, hardship clauses, and exemptions based on building type and age

The role of rent stabilization policies

Rent stabilization plays a specific role in jurisdictions' policy toolkits.

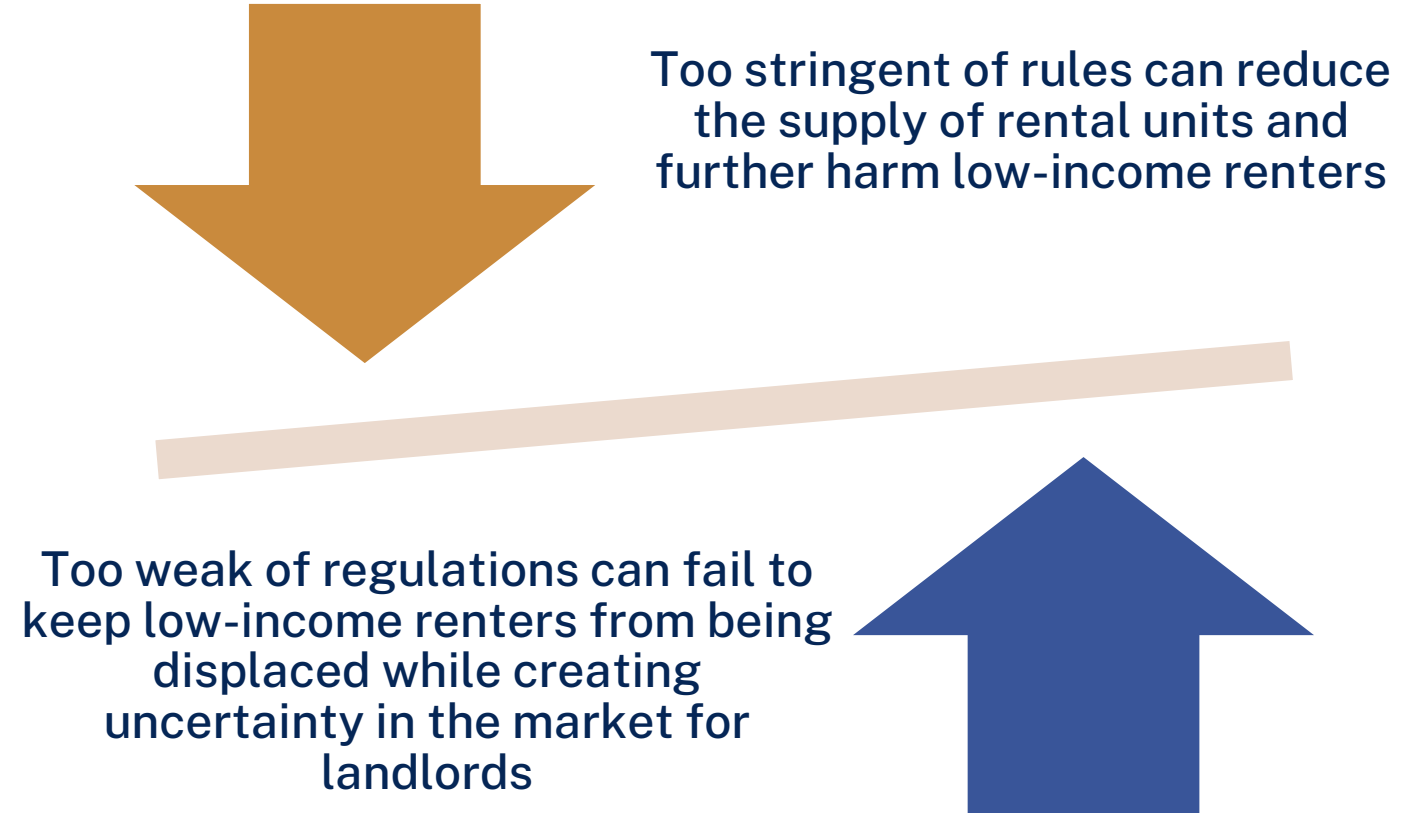
Rent stabilization
should be
considered as:

- A tool that can help prevent displacement by slowing the rate of rent increases
- Complementary to other housing stability and affordability policies

Rent stabilization
is not:

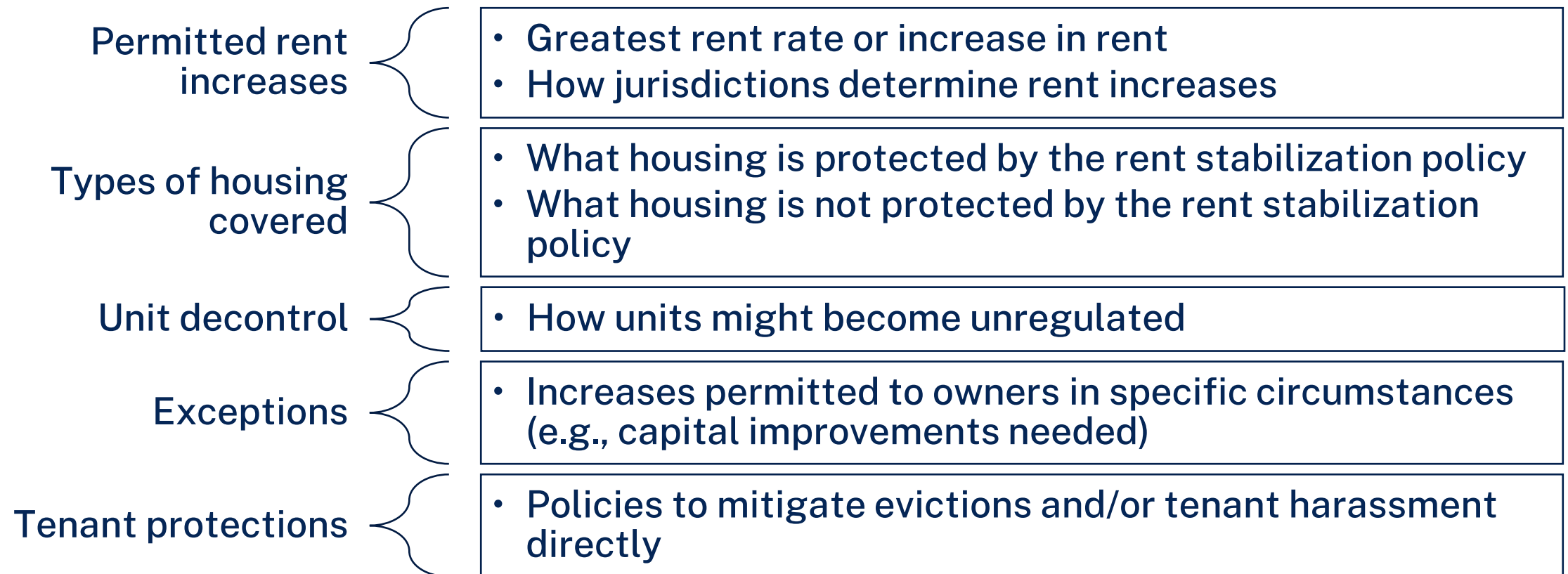
- An affordable housing production tool
- An affordable housing preservation tool
- A guarantee for universal, affordable rents (which may already be unaffordable)
- A silver bullet to long-term affordability for the County

Rent stabilization regulations must be designed with balance in mind



Core components of rent stabilization policies

Rent stabilization plays a specific role in jurisdictions' policy toolkits.



IN PRACTICE

MONTGOMERY COUNTY

Core components of Montgomery County's rent stabilization policies

| | |
|--------------------------|---|
| Permitted rent increases | <ul style="list-style-type: none">• CPI-U + 3% with a cap of 6% |
| Types of housing covered | <ul style="list-style-type: none">• Accessory apartments• Duplexes where one of the units is occupied by the owner as their primary residence• Person (natural person or trust/estate of a decedent) with a portfolio of two or less rental units• New construction/substantially renovated buildings exempted for 23 years• A unit subject to a regulatory agreement with a governmental agency that restricts occupancy of the unit to low- and moderate-income tenants |
| Unit decontrol | <ul style="list-style-type: none">• Fair return• Capital improvements |
| Exceptions | <ul style="list-style-type: none">• Banking of annual rent increases up to 10% that can be applied to new leases• A new base rent must be calculated for any unit vacant for over 12 months that returns to the market with no active written or oral lease. Calculations are shared with Council for review. |
| Tenant protections | <ul style="list-style-type: none">• Anti-harassment |

Montgomery County: Next Steps

Looking beyond the ordinance

| July 2023 | | | February 2024 | | | | | | |
|---|---|---|---|--|--|---|---|---|------------------------------|
| Bill enacted by Montgomery County Council | Signed into law by the County Executive | Work begins on Rent Stabilization regulations | Proposed regulations submitted to the County Register | County Executive submits regulations to County Council | County Council refers to PHP Committee | PHP Committee work session-preliminary review | PHP Committee refers regulation to County Council | County Council reviews and votes on the regulations | Rent stabilization in effect |
| ✓ | ✓ | ✓ | ✓ | ○ | ○ | ○ | ○ | ○ | ○ |

Montgomery County: Next Steps

Since adopting the policy last year, Montgomery County has been working toward implementation.

Contingent on County Council approving regulations...

- Will create a new office to administer the policy in coordination with other agencies (e.g., legal, IT, communications)
- Core operating expenses include:
 - Program operations
 - Program website
 - Case management system
 - Online portal for rent data monitoring

| <i>Expense</i> | <i>Estimated costs</i> |
|--|------------------------|
| Personnel (8-9 FTE) | \$896k - \$996k |
| Year 1 operating expenses (start-up and ongoing costs) | \$555k - \$561k |
| Years 1-6 anticipated operating expenses (TOTAL) | \$7.1m - \$7.8m |

CONSIDERATIONS & RECOMMENDATIONS

Permitted rent
increases

Types of housing
covered

Unit decontrol

Exceptions

Tenant protections

Learnings
Considerations
Recommendations

Limitations on rent increases

Central findings

The maximum allowable annual rent increase (MAARI) formula defines how much landlords or property managers can increase rent over a 12-month period.

Model A: combination of the following elements

| Baseline Factor | Escalator | Cap |
|--|--|--|
| <ul style="list-style-type: none">• A figure pegged to an inflation or consumer spending index• Ties the formula to economic reality of property managers | <ul style="list-style-type: none">• An additional amount (set percent)• Accounts for increasing operating expenses beyond inflation index | <ul style="list-style-type: none">• The maximum amount rent can be increased regardless of the constant and escalator• Ensures predictability for tenants• In the absence of a baseline factor and/or escalator, should account for inflation and operating expenses |

Model B:
A government-appointed body (e.g., rent guidelines board) periodically determines annual allowable rent increases (see New York City)

Limitations on Rent Increases

Key considerations

- While the MAARI is focused on housing stability, the formula should also account for real property management costs to mitigate unintended consequences, including:
 - property management being understaffed
 - property management not being able to make essential repairs and property improvements
 - dissuading new investment
 - encouraging conversion to condominiums in the county
- If a lower MAARI is chosen, should allow for a more streamlined pathway for exceptions
- If a lower MAARI is chosen, should allow for a more streamlined pathway for exceptions

Temporary policy:

- No baseline factor
- No escalator
- 3% cap

Recommendations:

- Anchor to an inflation index
- Include a hard cap to ensure predictability
- Design to see allowable rent increases of at least 4% but no more than 10%

Exemptions

Central findings

Exemptions define which units/properties are exempted from a rent stabilization policy, which effectively determines how many renting households benefit from it.

- Common exemptions include:
 - building age (relative to a set date or on a rolling basis)
 - affordable housing
 - size of property or portfolio
- Exemptions can be granted by-right or require landlords to submit documentation
- Some jurisdictions exempt large portions of their rental units, while some newer policies exempt minimal rental units
- Important to understand the local rental stock (property sizes, owners, age) when designing policy
 - Critical to understand unique needs of renters and landlords relating to these differences

Exemptions

Key considerations

- Fixed-date exemptions offer more certainty for investors and developers while rolling age-based exemptions ensure that all or most properties are subject to rent stabilization and would protect the greatest number of tenants
- The greater the number of units exempted from the policy, the further the County will be from reaching its goal of promoting housing stability for tenants
- Relating to administration, it is important to have staffing levels that reflect the size of the rental universe
- If not exempting smaller landlords, it is especially important that they can get timely exceptions approved for critical repairs

Temporary policy:

- Federal, state, locally subsidize units or any unit that the tenant is receiving rental assistance
- Dwelling units that received an initial use and occupancy permit in the last five years of policy effective date

Recommendations:

- Understand how different exemptions intersect and add up; compare to overarching policy goal(s)
- Clearly define exemptions, including any relating to committed affordable housing units
- Evaluate the macro effects of age-based exemptions over time

Exceptions

Central findings

There are certain circumstances in which landlords may need to increase rent at a rate higher than allowed under the MAARI to ensure their property is maintained and/or managed well.

- Common exceptions include
 - Fair return clause
 - Significant capital improvements
 - Substantial renovations
 - Changes in facilities/services
- Workgroup member emphasized the importance of clear exceptions and consistent implementation
- Fair return clauses are essentially universal as they prevent violations of the Constitution's Takings Clause

Exceptions

Key considerations

- Having well-designed exceptions can mitigate potential risk of rent stabilization contributing to the deterioration of rental units
- It is important to have adequate staffing and systems in place to process and track requests/appeals expediently
- As it relates to significant capital improvements and substantial renovations, County leadership should consider what related tenant protections might be put into place to minimize tenant displacement

Temporary policy:
None

Recommendations:

- Fair return clause
- Significant capital improvements
- Substantial renovations

Decontrol

Central findings

Decontrol refers to the opportunity for landlords/property managers to increase rents between tenants beyond what is typically allowed. The primary function is to cover the costs of maintenance, operations, repairs, and other turnovers costs, while also ensuring a fair return on their property.

- Four primary approaches
 - Full decontrol: landlords reset units to market rents at unit turnover
 - Partial decontrol: landlords are able to increase rent at a higher, but still controlled rate at unit turnover
 - No decontrol
 - Rent banking: “when a landlord implements a rent increase that is lower than the amount they are legally allowed to make, they are able to recover the foregone rent increase in subsequent years” (PolicyLink)
- While the workgroup members had a range of perspectives, many considered partial decontrol with rent banking as an acceptable alternative to full or no decontrol

Decontrol

Key considerations

- Racial equity implications need to be considered given the evidence that some decontrol policy choices can inadvertently incentivize displacement
- If the County pursues a policy regime with no decontrol, they should consider having thoughtfully designed exceptions (i.e., fair return and capital improvements) through which landlords can temporarily increase rent to account for turnover costs and increasing operating expenses, if needed
- When some level of decontrol is allowed, it is especially important to also have anti-harassment and other tenant protections in place for tenants

Temporary policy:

None

Recommendations:

- Partial vacancy decontrol that allows property managers to increase rent somewhere between 8-12%
- Allow rent increases to be banked up to 10%

Related tenant protections

Central findings

Tenant protections can help safeguard renters' rights, including the right to habitability, and prevent unjust evictions or rent increases.

- Important to acknowledge power dynamics between tenants and landlords
- Common protections include:
 - Anti-harassment clauses that protect against
 - Threat of eviction
 - Threats to disclose immigration/citizenship status to authorities as a means of retaliation
 - Ability to seek remediation
 - Legal support for renters relating to rent stabilization policy
 - Clear appeals processes
 - Just cause eviction protections (in certain legal environments)

Related tenant protections

Key considerations

- Just cause eviction protections are not currently granted in Maryland
- These protections are particularly important if the policy is enforced solely through tenant complaints.
- Policies that include vacancy decontrol may encourage landlords/property managers to formally or informally evict tenants, so tenant protections are particularly important under those scenarios.

Temporary policy:

Anti-retaliation ordinance
(Emergency Act Concerning
Landlord Retaliation for Rent
Stabilization)

Recommendations:

- Proactive education
- Clear tenant appeals processes
- Option for mediation
- Legal support for renters
- Dedicated staff/office of landlord-tenant affairs

Summary

| COMPONENT | RENT STABILIZATION ACT OF 2023 | RECOMMENDATIONS |
|-------------------------------|--|--|
| LIMITATIONS ON RENT INCREASES | <ul style="list-style-type: none"> • Baseline factor: N/A • Escalator: N/A • Cap: 3% | <ul style="list-style-type: none"> • Anchor to an inflation index • Design to see allowable rent increases at least 4% but no more than 10% • Include a hard cap to ensure predictability |
| EXEMPTIONS | <ul style="list-style-type: none"> • Federal, state, locally subsidize units or any unit that the tenant is receiving rental assistance • Dwelling units that received an initial use and occupancy permit in the last five years of policy effective date | <ul style="list-style-type: none"> • Understand how different exemptions intersect and add up; compare to overarching policy goal(s) • Clearly define exemptions, including any relating to committed affordable housing units • Evaluate the macro effects of age-based exemptions over time |
| EXCEPTIONS | N/A | <ul style="list-style-type: none"> • Fair return • Significant capital improvements • Substantial renovations |
| DECONTROL | N/A | <ul style="list-style-type: none"> • Partial vacancy decontrol that allows property managers to increase rent somewhere between 8-12% • Allow rent increases to be banked up to 10% |
| RELATED TENANT PROTECTIONS | <ul style="list-style-type: none"> • Anti-retaliation ordinance (Emergency Act Concerning Landlord Retaliation for Rent Stabilization) | <ul style="list-style-type: none"> • Proactive education • Clear tenant appeals processes • Option for mediation • Legal support for renters • Dedicated staff/office of landlord-tenant affairs |

ADMINISTRATION + COMPLIANCE

Key Administration Considerations

The nuts and bolts

- Without appropriate staffing and systems, policies are ineffective and could potentially even be harmful
- Critical that the County allocate the appropriate resources for creating and sustaining program
- Adequate staffing and systems should be in place to:
 - Process and track requests/appeals expediently
 - Educate both landlords and tenants about allowable increases and their rights
 - Monitor implementation and evaluate impacts
- Funding
 - Common sources: registry fees, hearing fees, general fund

What is required to establish a rent stabilization policy?

What roles do County staff have to play in standing up a new policy?

- Creating program regulations
- Developing/sourcing IT systems
- Hiring staff with the appropriate expertise/ skillsets
- Onboarding staff
- Creating necessary standard operating protocol
- Developing educational/training materials

What is required to manage a rent stabilization policy?

Key responsibilities *may* include, but are not limited to:

- Updating program regulations
- Revising necessary standard operating protocol
- Managing rental registry
- Educating the public on the policy and answering questions
- Reviewing complaints from tenants
 - Mediating conflicts
 - Staffing administrative hearings/board meetings
- Processing requests for exceptions
 - Analyzing submitted
 - Reviewing appeals from landlords/tenants
- Managing program staff and budget
- Producing reports
- Evaluating the policy periodically
- Coordinating with all respective departments (i.e., legal, communications, IT, code enforcement)

How should the policy be enforced?

- Essential to account for uneven power dynamics between tenants and landlords
 - Knowledge, resources, time, status to navigate legal process
- Necessary for complaint process to move expediently to mitigate unlawful rent charges, evictions, and/or retaliation from bad actors
- Establishment of a clear process and escalation can include any combination of:
 - Staff
 - Board or commission
 - Administrative hearing
 - Legal system

What penalties do jurisdictions use?

| Penalties | Example Jurisdiction | Specific Policy |
|---|----------------------|--|
| No penalty in policy | State of Oregon | Tenants must file lawsuit to seek remedy |
| Damages | State of New York | <p>“The penalty for a rent overcharge is the amount an owner collected above the legal regulated rent, plus either interest or treble damages.”</p> <p>“The tenant may deduct up to 20% of the penalty from the monthly rent until the penalty is completely offset”</p> |
| Revocation of rental license | | |
| Property lien (if property is now vacant) | State of New York | The filing of a judgment may result in a lien being placed against the owner’s real property. If the owner does not satisfy the judgment, the lien may be enforced against the owner’s property by a county sheriff or the city sheriff. |

What penalties do jurisdictions use?

| Penalties | Example Jurisdiction | Specific Policy |
|-----------------------------|----------------------|--|
| Administrative fines | Washington, DC | “Where it has been determined that any person has committed any violation of the Act, Chapters 41-44 of this title, or any order of the Rent Administrator, Office of Administrative Hearings, or the Commission, or has made a false statement in any document filed pursuant to the Act or Chapters 38-44 of this title, civil fines of not more than \$5,000 per violation may be imposed by the Rent Administrator, Office of Administrative Hearings, or the Commission the person acted willfully.” |
| Civil action | Washington, DC | Where a party has failed to comply with an order of the Rent Administrator, the Office of Administrative Hearings, or the Commission, the Rent Administrator, the Commission, or any adversely affected tenant or housing provider is authorized to commence a civil action in the Superior Court of the District of Columbia for enforcement pursuant to § 218 of the Act (D.C. Official Code § 42-3502.18), or a tenant may file an application for entry of the final order as a judgment in accordance with Superior Court Civil Rule 12-1(b)(1)(G). |
| Misdemeanor | San Francisco | It shall be unlawful for a landlord to increase rent or rents in violation of the decision of an Administrative Law Judge or the decision of the board on appeal pursuant to the hearing and appeal procedures set forth in Section 37.8 of this chapter. It shall further be unlawful for a landlord to charge any rent which exceeds the limitations of this chapter. Any person who increases rents in violation of such decisions or who charges excessive rents shall be guilty of a misdemeanor. |

What systems should a jurisdiction have to manage a rent stabilization policy?

- Rental registry platform: ability to track rent changes / direct entry from landlords
- Case management – complaints, questions
- A document management platform for organizing materials related to exception requests and appeals
- Where possible, utilize systems that can “talk” to other property/license-related platforms, such as code enforcement
- Jurisdictions we interviewed advised against using spreadsheets to manage data and processes

What types of ongoing outreach and education are needed?

- Clearly-written documents that are accessible to tenants and landlords
 - FAQ documents
 - Lease riders
- Workshops/trainings
- Easy to search for online – not buried somewhere
- Ongoing relationships with of outreach partners
 - Trusted organizations with relationships with renters
 - Landlord industry groups
- Language/disability access

CLOSING THOUGHTS

Rent stabilization cannot work on its own

Like rent stabilization's interrelated bundle, rent stabilization *itself* is just one component of Prince George's County's housing policy package.

- Rent stabilization only addresses one component of housing – stability
- Policy design needs to take local *and* regional context into consideration
 - Prince George's County's policy should be tailored to reflect its unique demographic and housing attributes
 - Housing markets are interconnected regionally do not end at jurisdictional boundaries
- Adequate staffing and systems are required to ensure that a rent stabilization policy functions efficiently and effectively
- Imperative that Council determine its ultimate goal(s) for rent stabilization before designing core components of the policy

THANK YOU