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County Executive



Prince George's County **Rent Stabilization** Working Group Meeting Five

December 12, 2023 | 12-2pm | virtual

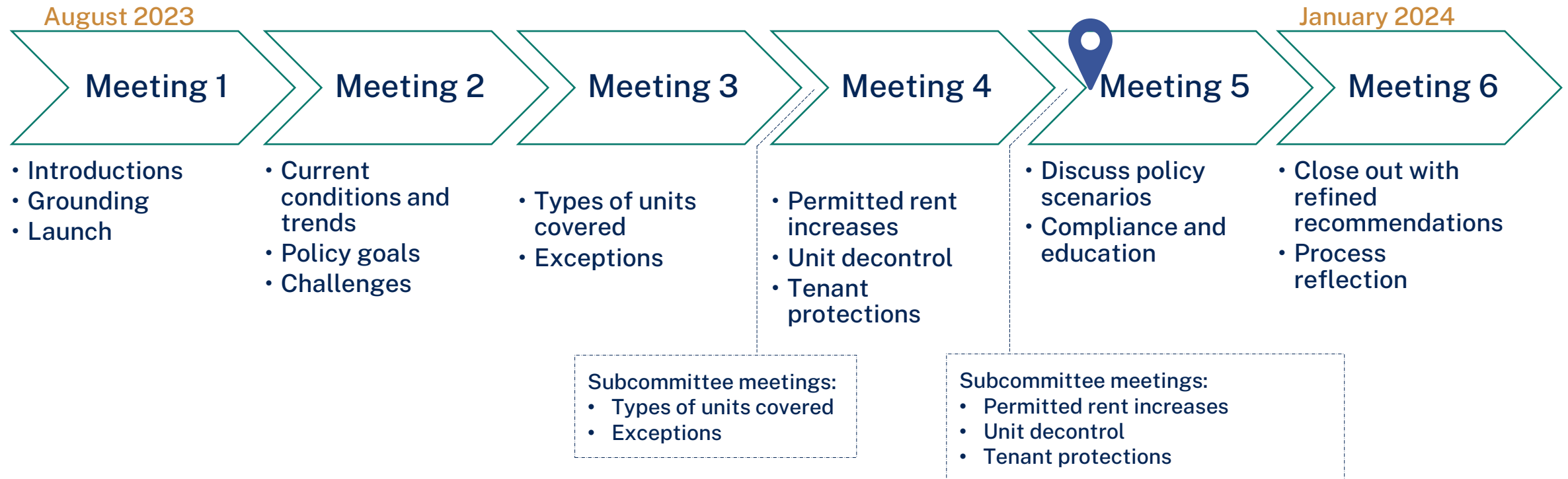


Prince George's County formed the Rent Stabilization Workgroup to study and make recommendations for a permanent rent stabilization bill.



Where We Are Today

Prince George's County Rent Stabilization Working Group



Ground Rules

for engaging as a collaborative working group

Be present
with us

Respect
each other

Respect the
group

Listen in
good faith

Speak *your*
truth

Give *and*
take space

Remember
to breathe

Name harm
and ask for
clarification

Agenda

- 1 PROCESS RECAP
- 2 SUBCOMMITTEE REPORT OUTS
- 3 RESEARCH UPDATE: CASE STUDIES
- 4 POLICY REGIME SCENARIOS ACTIVITY
- 5 NEXT STEPS



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Recap of Goals

Policy goal

- Increase housing stability for renters, especially those who are most vulnerable to being priced out of their homes

A successful rent stabilization policy

- Mitigates tenant displacement
- Ensures rental housing stock is maintained and managed well
- Supports increased supply of quality rental housing units

Rent Stabilization Policy Components

Permitted rent increases	<ul style="list-style-type: none">• Greatest rent rate or increase in rent• How jurisdictions determine rent increases
Types of housing covered	<ul style="list-style-type: none">• What housing is protected by the rent stabilization policy• What housing is not protected by the rent stabilization policy
Unit decontrol	<ul style="list-style-type: none">• How units might become unregulated
Exceptions	<ul style="list-style-type: none">• Increases permitted to owners in specific circumstances (e.g., capital improvements needed)
Tenant protections	<ul style="list-style-type: none">• Policies to mitigate evictions and/or tenant harassment directly

1	Included and exempted rental units
2	Allowable rent increases
3	Exceptions for landlords
4	Decontrol
5	Related tenant Protections

It is essential that policymakers consider these policy components as **an interrelated bundle** rather than five independent policy choices

REPORT OUT: DECONTROL

Key Takeaways: Decontrol

- **Some consensus that partial decontrol is an acceptable alternative to no decontrol or full decontrol.** Decontrol helps property owners recoup costs, but there should be limitations to protect renters and housing stability, especially given the absence of a just cause eviction requirement.
- **There was general support for rent banking,** with stated preferences for Montgomery County's model and how the rent banking is calculated on an annual basis, as well as Portland, ME for its simple cap at 10% rather than introducing other qualifiers or time-basis.
- **Conversions to condos or coops are not particularly concerning** because there is a low supply of them in the County.
- Preferences were expressed for some kind of allowance or decontrol if part of the property is demolished. **Demolishing and rebuilding a structure should fall under new construction exemptions.**
- **Point-of-sale decontrol helps new property owners because the costs will be different from the previous owner.** However, point-of-sale decontrol **could be seen as an incentive to sell the building and destabilize the tenants.**

REPORT OUT: RELATED TENANT PROTECTIONS

Key Takeaways: Tenant Protections

- There was generally strong **support for most forms of tenant protection** considering the **lack of a just cause eviction** policy in Prince George's County.
 - Support for a mediation process prior to a more formal ruling.
- Emphasis on the need to **educate tenants** about their rights to ensure that protections are enforced.
- The most frequent areas of concern included:
 - **Financing** publicly-supported tenant protections
 - **Timing and process** for navigating an appeal process; and
 - **Capacity** to educate and enforce these protections for the County, tenants, and landlords
- **Thirty days** seemed to be a reasonable amount of time to **file an appeal** for both landlords and tenants

REPORT OUT: ALLOWABLE RENT INCREASES

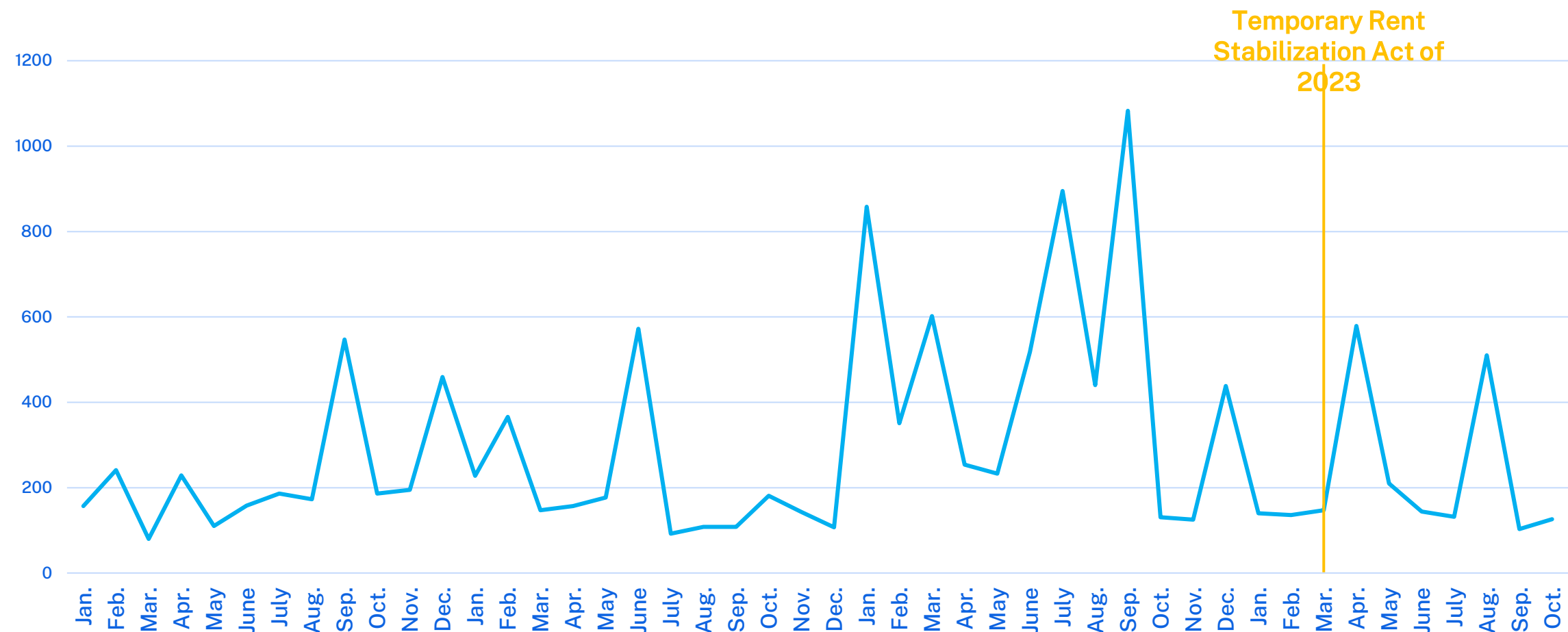
Key Takeaways

- General consensus that stability and predictability should be guiding value in this discussion
 - True for tenants, property managers, investors, and developers alike
 - Participants viewed a rent stabilization board model (versus a baseline/escalator/cap model) as a less stable/predicable model
- The group saw merit in tying the permitted rent increase to inflation, and some stated a desire for a potential cap to have built-in flexibility, for example, a fair return provision
- Discussion around the interconnectivity of rent stabilization components
 - Rent banking, for example, might be important to discourage a push for the maximum allowable annual increase each year
 - Fair return clause reiterated as important

RESEARCH UPDATES

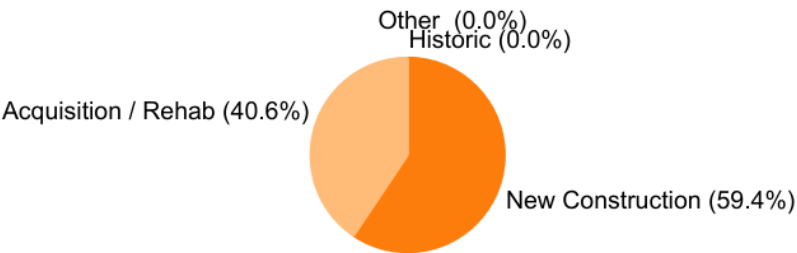
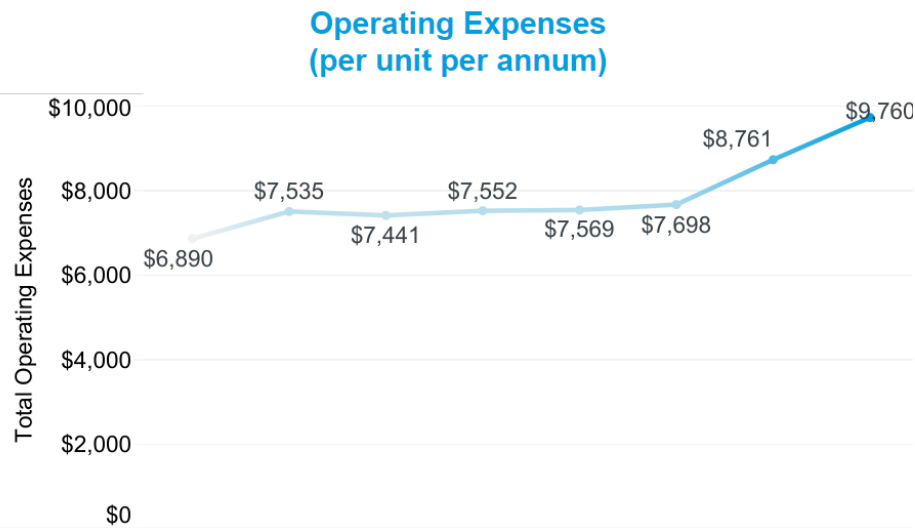
Total Housing Permits in Prince George's County

January 2020 – September 2023

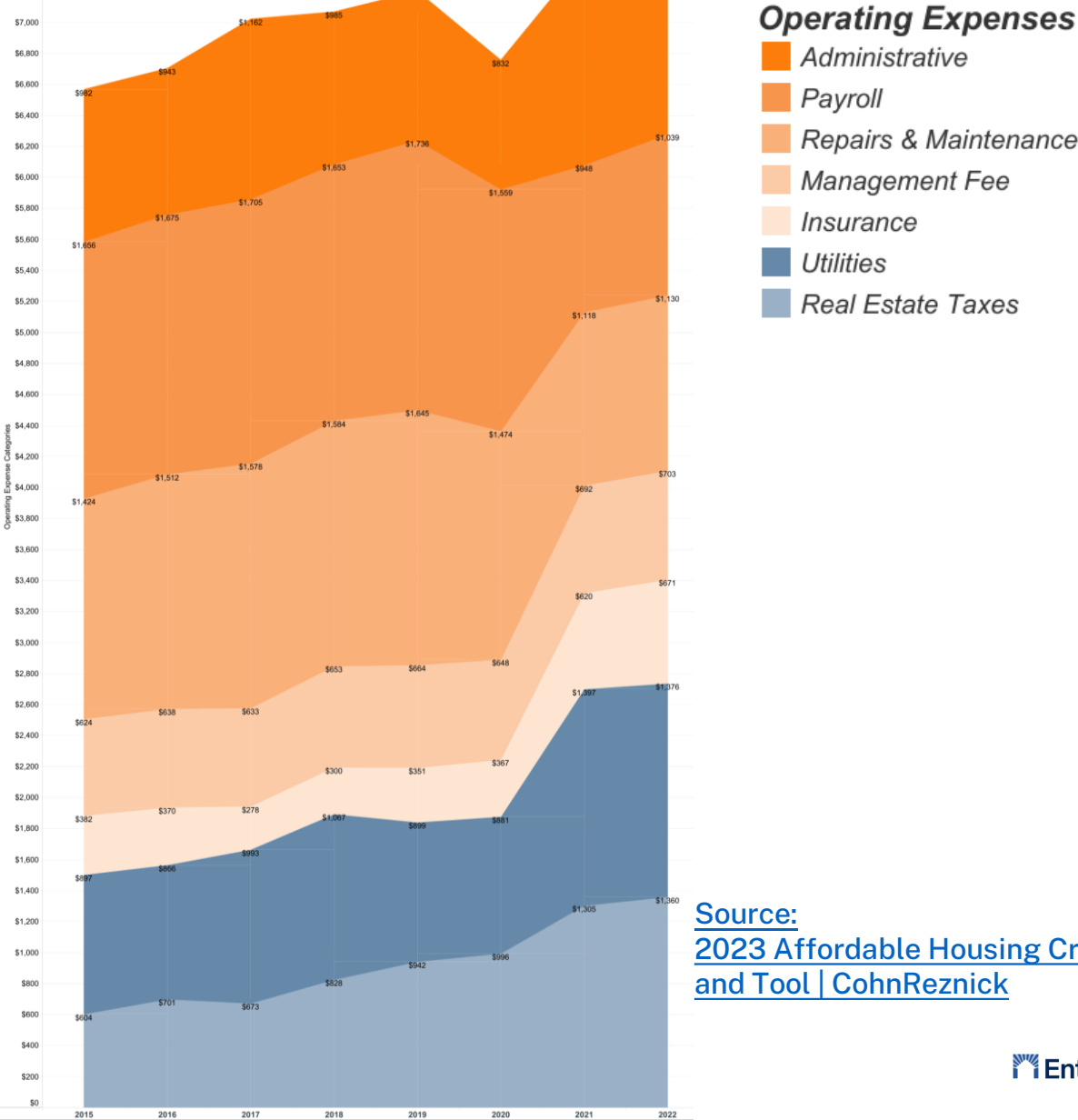


Operating Expenses

LIHTC Properties in Prince George’s County
2015-2022



All Operating Expense Categories (per unit per annum)



Source:
[2023 Affordable Housing Credit Study and Tool | CohnReznick](#)

Case study updates: Washington, DC

- **Permitted Rent Increase:** CPI-W+2% with no cap
 - “Rent ceiling” cap eliminated in 2006 to simplify administration, but there were unanticipated consequences when the CPI spikes unexpectedly.
- **Post-1975 Exemption:** When the ordinance was originally passed in 1985, it exempted buildings constructed after 1975 to exempt buildings that were 10 years old or less at the time. The ordinance included a provision to sunset after 10 years. Instead, it has been re-authorized (and modified) multiple times, without changing the exemption for buildings after 1975.
- **Decontrol modifications:** In the past D.C. allowed property owners raise rents by 10% at the time of vacancy, or to match the rent of a comparable unit on the property. Now, vacancy adjustment is based on tenure:
 - +10% if tenant lived there less than 10 years
 - +20% if tenant lived there more than 10 years
- **Voluntary increase agreements:** DC has enacted a moratorium on their voluntary increase agreement. The primary advantage of this landlord exception is that it requires less administrative work, and it is the only exception for DC property owners that is not capped. However, this policy has faced several challenges:
 - Voucher “loophole”
 - Defining and excluding ordinary maintenance
 - Adequately informing tenants of their rights
- **Estate planning:** When rental properties are transferred to an irrevocable trust as opposed to an individual, they lose their exemption for being owned by a “natural person.”

Case study updates: St. Paul, MN

- RSO was voter-initiated (not developed by City Council)
- Permitted rent increase: 3% per 12-month period, even if a change of occupancy
- RSO applies to all unit types, incl. single-family
- Initially no exemptions for new construction; amended in September 2022 to include rolling 20-year exemption & Just Cause Vacancy provision for partial vacancy decontrol of **CPI + 8%**
- Managed by the Department of Safety & Inspections (DSI)
 - DSI has no real enforcement mechanisms; there is an appeals process, primarily used by tenants
 - Spends time helping smaller landlords understand how to comply with the system
- **Key Takeaway:** thoughtfully written policy is only effective as the implementation/enforcement allows it to be

Case study updates: San Jose, CA

- Rent stabilization was initiated by City Council 1979 to address city's rental housing issues and overhauled in 2017
- **Permitted Rent Increase:** 5% annually
- Ordinance applies to all 3+ unit rentals built before September 7, 1979
- Enacted a separate Tenant Protection Ordinance establishing 13 Just Cause Vacancy provisions for full vacancy decontrol
- Rent stabilization program utilizes a rent registry to monitor and enforce the ordinance
- **Key Takeaways:**
 - Having an older set date for exemptions has led to a higher proportion rental units without stabilization in the city
 - City actively enforces policy through maintenance of the rental registry (annual registration required)
 - Administrative citations
 - Important to provide meaningful exceptions to make property improvements
 - Staff recommended facilitating space for a landlord-tenant mediation program outside of hearings

RENT STABILIZATION SCENARIO DISCUSSION

Rent stabilization policy goal

- Increase housing stability for renters, especially those who are most vulnerable to being priced out of their homes

A successful rent stabilization policy...

- Mitigates tenant displacement
- Ensures rental housing stock is maintained and managed well
- Supports increased supply of quality rental housing units

	Scenario A	Scenario B	Scenario C	Scenario D
Permitted Rent Increase	Baseline: CPI-W Escalator: 4% Cap: 7%	Cap: 3%	Baseline: CPI-U Escalator: 3% Cap: 6%	Whichever is higher: CPI-U OR 4%
Decontrol	Rent banking: capped at 10% At vacancy: no Point of sale: no Condo conversions: annual cap on units that can be converted	Rent banking: none At vacancy: CPI + 8% allowed with just cause evictions (not voluntary tenant transition) Point of sale: no decontrol Condo conversions: no policy	Rent banking: capped at 10% At vacancy: no Point of Sale: 1% Condo conversions: N/A	Rent banking: capped at 5% At vacancy: additional 2% Point of sale: no Condo conversions: annual cap on units that can be converted
Unit Exemptions	Age: properties built after 2024 Size: humans owning less than 10 units Affordability: dedicated affordable/mixed income properties Substantial rehabilitations: properties exempted for 20 years after rehabilitation is complete	Age: rolling 15-year exemption for new construction Size: none Affordability: dedicated affordable/mixed income properties Substantial rehabilitations: properties exempted for 15 years after rehabilitation is complete	Age: rolling 23-year exemption for new properties Size: owner-occupied duplexes and single-family dwellings Affordability: dedicated affordable/mixed income properties Substantial rehabilitations: 23-year rolling exemption for substantially renovated properties	Age: rolling 30-year exemption for new construction Size: none Affordability: dedicated affordable/mixed income properties Substantial rehabilitations: rolling 30-year exemption for new construction
Landlord Exceptions	Fair return: staff approval needed Significant capital improvements: staff approval needed Services and facilities: staff approval needed Tenant petitions: accepted	Fair return: landlords can self-certify up to 8%; staff approval needed for larger exceptions Significant capital improvements: landlords can self-certify up to 8%; staff approval needed for larger exceptions Services and facilities: no policy	Fair return: staff approval needed Significant capital improvements: staff approval needed Services and facilities: no policy	Fair return: staff approval needed Significant capital improvements: staff approval needed Services and facilities: staff approval needed
Tenant Protections	Just cause eviction: if permissible Enforcement: proactively enforced Mediation: required prior to judicial resolution	Just cause eviction: if permissible Enforcement: tenant-initiated Anti-displacement & mediation: none tied to rent stabilization	Just cause eviction: no Enforcement: Tenant-initiated Anti-displacement: clause allows tenants to return if forced to leave due to needed improvements	Just cause eviction: if permissible Enforcement: proactively enforced Anti-displacement: clause allows tenants to return if forced to leave due to needed improvements

Compliance Considerations

Designing a policy that is effective, enforceable, and efficient

Administration

- **Sustainable/reliable funding source** - program fees, general fund, other
- **Staffing** - critical to have adequate number of personnel with appropriate skillsets
- **Infrastructure** – technology systems that allow

Compliance

- Oversight body
 - County administration (staff)
 - Mediation
 - Administrative hearings
 - Rent stabilization board
 - Less burden on County staff
 - Judicial body (landlord-tenant court)
- Penalty
 - Monetary fine per unit
 - Revocation of rental license

Compliance Considerations

Enforcement

- **Complaint-driven vs. proactive enforcement approaches:**
 - Tenants responsible for reporting a violation
 - Pros: least administration for County staff and property owners
 - Cons: tenants need to be well-informed and could fear retaliation
 - Landlords able to self-certify compliance
 - Pros: some administration for County staff and landlords
 - Cons: tenants may be vulnerable to bad faith property owners
 - County proactively administers and enforces the rent stabilization policy
 - Pros: removes the fear of retaliation and onus of reporting violations from tenants
 - Cons: most administration County staff and property owners, may require expanding County staff capacity
- **Sampling:**
 - If there is proactive enforcement, should the County conduct spot-checking compliance or should it monitor the compliance of all unit subject to the policy?

How does compliance impact tenants, property owners, and County staff?

How does compliance interplay with the bundle of components?

What concerns / unintended consequences should the Enterprise team be aware of?

What components require more compliance than others?
Are there opportunities for trade-offs?

LOOKING AHEAD

Where We Are Going

Prince George's County Rent Stabilization Working Group

August 2023

January 2024

