

Enterprise®



Angela D. Alsobrooks
County Executive



Prince George's County Rent Stabilization Working Group Kickoff

August 14, 2023 | 2-3:30pm | virtual



Agenda

- 01 INTRODUCTIONS**
- 02 OBJECTIVES & APPROACH**
- 03 GROUND RULES & EXPECTATIONS**
- 04 RENT STABILIZATION PRIMER / REFRESHER**
- 05 DATA ANALYSIS PLAN**
- 06 NEXT STEPS**



Angela D. Alsobrooks
County Executive



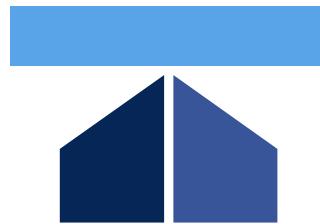
Enterprise Goals

We focus on the greatest need – the massive shortage of affordable rental homes – to achieve three goals:



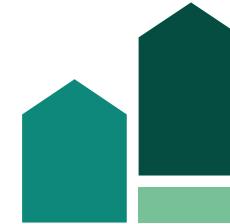
Increase Housing Supply

Preserve and produce good homes
that people can afford



Advance Racial Equity

After decades of systematic
racism in housing



Build Resilience & Upward Mobility

Support residents and strengthen communities
to be resilient to the unpredictable

About the Urban Institute

- The Urban Institute is the trusted source for unbiased, authoritative insights that inform consequential choices about **the well-being of people and places** in the United States. We are a nonprofit research organization that believes decisions shaped by facts, rather than ideology, have the power to improve public policy and practice, strengthen communities, and transform people's lives for the better.

OUR MISSION IS TO OPEN MINDS,
SHAPE DECISIONS, AND OFFER
SOLUTIONS THROUGH ECONOMIC
AND SOCIAL POLICY RESEARCH.

WHEN GROUPS COME TOGETHER AND
USE THEIR KNOWLEDGE,
RESOURCES AND EXPERIENCE TO
INVEST IN A COMMUNITY, INCREDIBLE
THINGS CAN HAPPEN.

Co-Chairs

Hon. Krystal Oriadha
Councilmember, District 7

Aspasia Xypolia
Director, Department of
Housing & Community
Development

Members

Shola Giwa
National Housing Trust

Moha Thakur
National Housing Trust

Jorge Benitez
Housing Justice Coalition

Kia Jefferson
Housing Justice Coalition

Jessica Quincosa, Esq.
Community Legal
Services of Prince
George's County

Deloris Prioleau
Housing Advocate

Paul "Carlos" Lancaster
Prince George's County
Association of REALTORS

Ashley Powell
AOBA

Cheryl Cort
Coalition for Smarter
Growth

Lori Parris
Department of Permitting,
Inspections, and
Enforcement

Gloria Brown
Department of Social
Services

Carletta Lundy
NAACP

John Maneval
Oculus CAS, LLC

Michael Bodaken
University of Maryland

Jeff Jayce
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

**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*)

Kony Serrano*
Deputy Chief of Staff,
District 7

*Designated proxy for Councilmember Oriadha



Angela D. Alsobrooks
County Executive

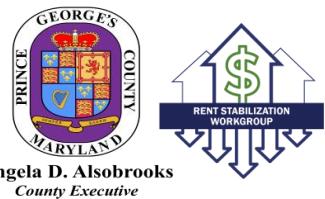




Angela D. Alsobrooks
County Executive

OBJECTIVE & APPROACH

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



Angela D. Alsobrooks
County Executive



Approach

to meeting this objective over the next five months

Full working group meetings

Research findings & updates, including case studies

All member discussions

Focus group report outs

Convene monthly

Subcommittees

Deeper dives into the policy components

Responsible for reporting out key considerations & recommendations

Each group will meet once during process

- 1. Permitted rent increases
- 2. Types of units covered
- 3. Exceptions
- 4. Unit decontrol
- 5. Tenant protections



Angela D. Alsobrooks
County Executive

GROUND RULES & EXPECTATIONS

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

How do these resonate? Is there anything the group would like to add or subtract?

Expectations

WHAT THIS GROUP IS HERE FOR:

- Share
 - experiences,
 - perspectives, and
 - expertise
- Provide community viewpoints throughout the policy development process
- Be fully prepared for and engaged in working group meetings
- Connect abstract concepts to realities of Prince George's County

WHAT THIS GROUP IS NOT HERE FOR:

- Debate for the sake of debate
- Final decision-making body



Angela D. Alsobrooks
County Executive

RENT STABILIZATION PRIMER / REFRESHER

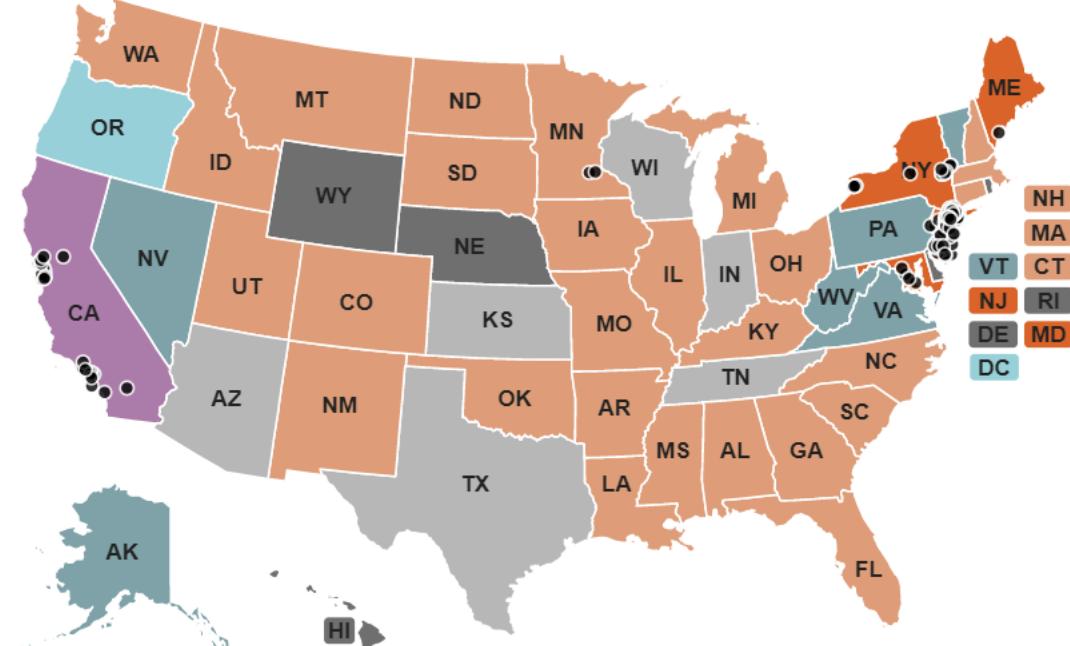
Rent control/rent stabilization

- “Rent control” is a loose term used to cover a spectrum of rent regulations
 - Can vary from hard caps on maximum rents to limits on the amount that rent can increase over time
 - 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 current state of rent stabilization

- As of 2022:
 - Seven states and the District of Columbia have localities in which some form of residential rent stabilization is in effect (California, New York, New Jersey, Maryland, Maine, Oregon and Minnesota)
 - Thirty-seven states either prohibit or preempt rent stabilization
 - Seven states allow their cities to enact rent stabilization but have no cities that have implemented it

Has Statewide Rent Control Has Statewide Rent Control Caps & City Specific Laws
 No Statewide Rent Control; County and City Laws in Effect Preempts Rent Control
 Has no Rent Control or Preemptions Dillon Rule State with no Rent Control nor Preemptions
 Preempts Mandatory Inclusionary Zonings & Rent Control



Source: National Multifamily Housing Council

Policy Components

- Permitted rent increases
 - Greatest rent rate or increase in rent
 - How jurisdictions determine rent increases
- Types of housing covered
 - What housing is protected by the rent stabilization policy
 - What housing is not protected by the rent stabilization policy
- Unit decontrol
 - How units become unregulated
- Exceptions
 - Increases permitted to owners in specific circumstances (e.g., capital improvements needed)
- Tenant protections
 - Policies to mitigate evictions and/or tenant harassment

Choice of cap/permitted rent increases



Set using a fixed formula determined by a state or local housing agency, or determined each year or in some other interval by a rent stabilization board



Programs with formula-based rent increases use a few common methods to set their yearly increases, such as the following:

- 1) increases equal to the full amount of the annual consumer price index (or some other flat percentage)
- 2) increases equal to a percentage of the annual consumer price index
- 3) changes in the cost of living throughout the duration of a lease



Anti-gouging: sets high max rent increase caps

Defining the rent-controlled stock

- Most rent stabilization policies exempt new construction, exempt buildings constructed after a certain date, or offer a grace period before a building is incorporated into the controlled stock
- They also generally exclude small buildings and single-family homes. But this raises equity concerns:
 - Single-family homes have become an increasingly larger share of the rental housing stock, particularly in racially diverse neighborhoods, and their tenants are more likely to have children living in poverty
 - And some large landlords own many small units, allowing them to evade rent stabilization regulations
 - Potential solutions:
 - Washington, DC, uses an alternative approach that bases coverage on the size of the owner's portfolio, rather than on the number of units within a building
 - California's 2019 Tenant Protection Act differentiates between small landlords and investors by ensuring that real estate investment trusts and corporate owners of single-family rentals are included in the coverage

Exceptions to rent caps

- Cost pass-throughs for maintenance or capital improvements
 - Meant to address property quality and maintenance concerns, but some tenant advocates argue that these improvements and subsequent pass-throughs can be unnecessary and overburden tenants
- Right to fair return
 - Hardship petitions seeking approval to raise rents over the standard permitted rent increases, typically calculated as a measure of income the property generates against the approved operating costs and valuation
 - In Washington, DC, landlords can file a petition if they earn anything less than a 12 percent rate of return on their investment property
- Banked increases
 - Allows landlords to not increase rents in some years but to bank them and use them in a later year

Vacancy decontrol

- Allows landlords to raise rents to market rate or exclude units from regulation after a vacancy
 - Creates an incentive for landlords to displace current tenants and encourages them to select tenants who are more mobile and often have higher incomes
 - Studies have shown that cities with vacancy control—places where rent stabilization remains in place at the same level even after a tenant is replaced—experienced an increase in their share of Black and Latinx renters and were generally more affordable to low-income households. Conversely, jurisdictions with vacancy decontrol were less affordable and disproportionately displaced Black renters (Heskin, Levine, and Garrett 2007)

"We do like students. Number one, they leave...I always do raise the rents to market rates when they leave. The best tenants are the people that pay the most." - Small landlord

Tenant protections

"The landlord doesn't have to evict them, they can just choose to not renew their lease if they think somebody else will come in and pay more." - Housing policy researcher

- Many jurisdictions have enacted tenant protections such as just-cause eviction requirements to mitigate the negative impacts of vacancy decontrol
- However, landlords have found so many loopholes around these protections that vacancy control may be the only way to truly ensure the stability and rights of tenants in rent-controlled units
 - Landlords may pressure and harass tenants to leave or reduce services and maintenance to rent-controlled units

Data Analysis Plan

Our initial analysis will focus on describing the current housing conditions and trends in Prince George's County

- Rental costs
- Renter characteristics
- Housing stock

For rental costs, we will look at the following

Market rent per unit & year over year rent growth

Average asking rent by submarket

Rent growth by submarket

Rent growth compared to surrounding jurisdictions

Average asking rent by jurisdiction

Average asking rent by building class

Rent growth by building class

For renter characteristics, we will look at the following

Age of population by tenure of housing

Renter households by race/ethnicity over time

Year householder moved into the unit by tenure

Tenure by median income

Tenure by income ranges

Household income range (over time)

AMI of cost-burdened renter households

Share of renter-households cost burdened (over time)

For housing stock, we will look at the following

Number of housing units by tenure (over time)

Tenure by number of units in structure

Year structure built for renter-occupied housing

Year structure built for renter-occupied housing (compared to nearby jurisdictions)

Vacancy rate (over time)

We will also explore the feasibility of collecting data on the following topics

- Fees incurred by landlords and developers
 - Operating expense trends for multifamily rental properties
 - Escalation of fixed expenses, such as insurance, property taxes, and maintenance costs
 - Capital improvements required at different stages in the life of a project
- Fees incurred by tenants
 - Co-op fees
 - Other fees
- Change in the housing component of the CPI over time for the region

Other topics we'd like to explore



Descriptive information about rental property owners (how many are LLCs, how many units do they own, etc.)



Maps showing where all rental properties are located in the county overlaid with information about income and race/ethnicity of the census tract



Analyses of which rental units would be regulated under various rent control regulations

Based on building size, age of building, and owner characteristics



Rent growth adjusted by wage growth, since wages in many places did not keep up with inflation



Analyses of displacement/renter turnover for the county

What other data/topics would you like to see?



Looking Ahead

Prince George's County Rent Stabilization Working Group

