Montgomery County Council

Committee: PHED
Committee Review: Completed
Staff: Christine Wellons, Legislative Attorney
Purpose: Final action – vote expected
Keywords: #NoRentIncreases
#RentStability

ITEM #8B
October 5, 2021
Action

SUBJECT

Expedited Bill 30-21, Landlord-Tennant Relations – Restrictions During Emergencies – Extended Limitations Against Rent Increases and Late Fees

Lead Sponsor: Councilmember Jawando

EXPECTED ATTENDEES

Director Nigam, Department of Housing and Community Affairs
Frank Demarais, Department of Housing and Community Affairs
Rosie McCray-Moody, Department of Housing and Community Affairs

COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

- The PHED Committee recommended (2-1, with Councilmember Friedson opposing) the enactment of Expedited Bill 30-21 with amendments.
- A roll call vote would be required to enact the bill with amendments, per the PHED Committee's recommendation. In addition, Councilmember Friedson has a potential amendment (described below).

DESCRIPTION/ISSUE

On April 23, 2020, the County Council enacted Expedited Bill 18-20, the COVID-19 Renter Relief Act, which prohibited landlords from raising rent above certain guidelines during the COVID emergency declared by Governor Hogan, and for a 90-day period after the expiration of the emergency.

Expedited Bill 30-21 would extend the prohibition against raising rents above the guidelines until 1 year after the expiration of the emergency. In addition, the bill would prohibit charging fees for late rent payments for 1 year after the expiration of the emergency. As amended by the PHED Committee, the bill would prohibit charging late fees only for those renters who demonstrate economic hardship due to the COVID-19 pandemic.

The COVID emergency declared by Governor Hogan expired on August 15, 2021. Therefore, the rent stabilization under the COVID-19 Renter Relief Act is scheduled to expire on November 15, 2021. If Expedited Bill 30-21 were adopted, then the rent stabilization (in addition to late fee relief) would extend until August 15, 2022.

SUMMARY OF KEY DISCUSSION POINTS

- Whether to adopt a potential amendment by Councilmember Friedson to limit rent increases to 0% between Nov. 15, 2021 and August 15, 2022 for renters who demonstrate economic hardship due to the COVID-19 pandemic; and to permit notices of other rent increases to move forward beginning on November 15, 2021.
- Whether to enact Expedited Bill 30-21 with amendments, as recommended by the PHED Committee.

<u>This report contains:</u>

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Item #8B
October 5, 2021
Action

M E M O R A N D U M

September 30, 2021

TO: County Council

FROM: Christine Wellons, Legislative Attorney

SUBJECT: Expedited Bill 30-21, Landlord-Tennant Relations – Restrictions During Emergencies – Extended Limitations Against Rent Increases and Late Fees [1]

PURPOSE: Action – roll call vote required

COMMITTEE RECOMMENDATION:
The PHED Committee recommends (2-1) the enactment of Expedited Bill 30-21 with amendments.

Expected Attendees:
Director Nigam, Department of Housing and Community Affairs
Frank Demarais, Department of Housing and Community Affairs
Rosie McCray-Moody, Department of Housing and Community Affairs

Expedited Bill 30-21, Landlord-Tennant Relations – Restrictions During Emergencies – Extended Limitations Against Rent Increases and Late Fees, sponsored by Lead Sponsor Councilmember Jawando, was introduced on July 13, 2021. A public hearing was held on September 14, 2021. The Planning, Housing and Economic Development (PHED) Committee held a worksession on the bill on September 20, 2021. **The PHED Committee voted (2-1, with Councilmember Friedson opposing) to recommend the enactment Expedited Bill 30-21 with amendments.**

Expedited Bill 30-21 would build upon expedited legislation passed by the Council on April 23, 2020 in response to the COVID rental crisis. The 2020 legislation – the COVID-19 Renter Relief Act – limited the increase of residential rents during the catastrophic health emergency declared by Governor Hogan on March 5, 2020. Under the Act, the current limitation on rent increases will last for 90 days after the emergency expired on August 15, 2021. Therefore, under the current County law, the rent stabilization would expire on November 15, 2021.

Under Bill 30-21, the limitation on rent increases would be extended from 90 days to 1 year after the expiration of the emergency. Thus, the relief from rent increases would be extended until August 15, 2022. In addition, the bill would prohibit charging late fees accrued during the emergency and until August 15, 2022.

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[1] #NoRentIncreases
#RentStability

Background

The purpose of Expedited Bill 30-21 is to extend certain protections for tenants as they recover from the recent catastrophic health emergency declared by the Governor on March 5, 2020 in response to the COVID-19 pandemic.

Specifics of the Bill

Under current law, the COVID-19 Renters Relief Act enacted by the Council on April 23, 2020, rents may not be increased above certain rent guidelines during the COVID "catastrophic health emergency" declared by Governor Hogan on March 5, 2020, and for 90 days after the expiration of the emergency. Expedited Bill 30-21 would extend the period that rent increases may not exceed certain guidelines from the current 90 days to 1 full year after the expiration of the emergency.

In addition to limiting rent increases, the bill would prohibit landlords from charging fees accrued for late rent payments during the emergency, and for a period of 1 year after the expiration of the emergency. The bill would not require landlords to refund late fees that have been paid already, but it would apply "to any uncollected late fee for rent that became due on or after the date of the emergency, including rent that became due on or after the date of the emergency and before the effective date of this Act."

The bill also would extend the sunset of the Covid-19 Renter Relief Act. The Act currently is scheduled to sunset 181 days after the expiration of the emergency. Bill 30-21 would extend the sunset until 18 months after the expiration of the emergency.

Summary of Public Testimony

A public hearing on Expedited Bill 30-21 was held on September 14, 2021, at which seven speakers testified. On behalf of the County Executive, DHCA Director Nigam spoke in support of the bill, noting that the County should help residents to remain housed as we emerge from the COVID emergency (©33).

Several organizations, including CASA, the Renters Alliance, and Jews United for Justice, also supported the bill. CASA believes that the bill is a "common sense measure" that extends necessary protections for working families (©46). The Renters Alliance noted that the County is still in the midst of a pandemic, and that now is not the time to increase rents. Individual renters also have testified in support of the bill.

Numerous landlords and property managers, including property manager Mark Dickson-Patrick, oppose the bill. Mr. Dickson-Patrick manages over 300 hundred units in the County and, based on his experience, believes that the bill would be damaging to the economy. He noted that landlords should not have to absorb recent steep rises in the producer price index alone, and that the rent cap would result in payroll cuts at rental properties. Nicola Whiteman, on behalf of ABOA, agreed that the bill would be damaging given that landlords would have to defer critical maintenance and upgrades in order to absorb the costs of the bill (©34).

SUMMARY OF PHED WORKSESSION

Participants in the worksession included Mr. Nigam, Department of Housing and Community Affairs; Mr. Demarias, Department of Housing and Community Affairs; Ms. McCray-Moody, Department of Housing and Community Affairs; Ms. Whiteman, AOBA; and Mr. Martinez, CASA.

The Committee discussed numerous issues in connection with the bill, including the approaches of other jurisdictions, and the economic and racial equity and social justice implications of the bill. The Committee voted (3-0) to amend Expedited Bill 30-21 to:

1. Make non-substantive technical clarifications;
2. Prohibit certain late fees unless the landlord first provides certain notifications the tenant (Councilmember Riemer's amendment); and
3. Require the landlord to waive certain late fees if the tenant meets certain eligibility criteria regarding financial hardship, income, and debt (Councilmember Riemer's amendment).

The amendments recommended by the Committee are reflected within the bill at ©1 of this staff report.

The Committee discussed, but did not vote upon, an amendment by Councilmember Friedson to limit rent increases to 0% for renters experiencing economic hardship from the COVID-19 pandemic, while allowing notifications of rent increases for renters not affected by the pandemic to move forward beginning on November 15, 2020. Councilmember Friedson's potential amendment is set forth under Issue #3 of this staff memorandum.

The Committee recommended (2-1, with Councilmember Friedson opposing) the enactment of Expedited Bill 30-21 with the three amendments described above regarding technical clarifications and Councilmember Riemer's amendments on late fees.

ISSUES FOR THE COUNCIL'S CONSIDERATION

1. <u>Other Jurisdictions</u>

In response to the COVID-19 pandemic, several jurisdictions in addition to Montgomery County – including the District of Columbia, Prince George's County, the City of Los Angeles, and the City of Oakland – adopted temporary restrictions on rent increases. Several of these jurisdictions also have adopted restrictions against late fees.

In the District of Columbia, the public health emergency ended on July 25, 2021. However, rent increases will continue to be restricted until February 2022:

> Rent increases cannot occur until after December 31, 2021. Landlords must provide a minimum of a 30-day notice before a rent increase can occur, so higher rent cannot be charged until February 2022.

Tenant Rights Now that the Public Health Emergency Has Ended | Attorney General Karl A. Racine (dc.gov)

The District of Columbia also has prohibited the imposition of late fees for any month covered by the District's local health emergency.

In Prince George's County, rent increases are prohibited, for 90 days after expiration of the emergency declared by the Governor, for tenants who have experienced substantial losses of income due to COVID. During the same time period, late fees are prohibited for all tenants. CB-16-2020-Website-Text---FINAL (princegeorgescountymd.gov)

In Oakland, a local emergency is still in place. During the emergency, rent increases above the CPI are generally prohibited. Regarding late fees, no late fees may be imposed for unpaid rent that became due during the Local Emergency *if* the rent was late for reasons resulting from the COVID-19 pandemic." City of Oakland | Emergency Moratorium on Residential Rent Increases… (oaklandca.gov)

Similar to the approach of Expedited Bill 30-21, the City of Los Angeles has generally prohibited rent increases and late fees for 12 months after the expiration of the City's health emergency. (*See* City of Los Angeles Fact Sheet at © 61). The local emergency in Los Angeles is still in place. COVID-19 Orders | Office of Los Angeles Mayor Eric Garcetti (lamayor.org).

2. <u>Economic Impact</u>

The Office of Legislative Oversight opined that Expedited Bill 30-21 would have a net negative impact on economic conditions in the County. Notably, the bill would likely have *uneven* effects upon landlords and existing tenants:

- OLO anticipates that enacting Expedited Bill 30-21 **would have a negative impact on private organizations in the County in terms of several of the Council's priority indicators. The primary businesses affected would be landlords in the residential rental sub-sector**. As previously discussed, OLO anticipates that market conditions would support rents above the voluntary rent guidelines for certain properties/units. By extending the temporary prohibition against raising rents on existing tenants above the voluntary rent guidelines until one year after the expiration of the emergency, certain landlords would lose rental revenues that they otherwise would collect in the absence of enacting the Bill. Forgone rental revenues, in addition to late fees, would result in a net decrease in business income for the affected landlords and could potentially result in workforce reductions in efforts to reduce operating costs to compensate for revenue loss.

- OLO anticipates that enacting Expedited Bill 30-21 **would have a positive impact on County residents in terms of several of the Council's priority indicators. The primary residents impacted by the Bill would be existing tenants**. Existing tenants would experience a net increase in household income. This would be especially helpful for residents of Class B and C buildings (buildings with lower average rents that cater to middle-class and moderate-to low-income residents). Tenants who will suffer temporary losses of income, such as furloughed employees who return to work, would benefit the most

(Emphasis added; footnotes omitted).

OLO further noted that "the net revenue loss from the combined rent and fee effects **may incentivize landlords to seek new tenants through lease non-renewal, eviction, or other avenues**. For example, Maryland landlords have filed 550 tenant-holding-over-actions (eviction suites related to expired leases) in October 2020 – a 117% increase over the previous year, since eviction bans during the pandemic do not protect against lease expiration." (Emphasis added). It should be noted that the eviction moratoria at the state and federal levels have expired, and the County is unable to extend the moratoria due to state preemption.

3. Racial Equity and Social Justice

In its RESJ statement, OLO concluded that the bill likely would have the greatest benefit for Black and Latinx residents, and that the bill could reduce the displacement of low-income residents of color:

- OLO anticipates that Expedited Bill 30-21 extending rent controls enacted at the beginning of the pandemic and limiting late fees **will disproportionately benefit Black and Latinx residents because they experience the highest rates of housing insecurity in the County**. More specifically, Black and Latinx residents are over-represented among rent-burdened families and households in need of rental assistance to avoid evictions. Black individuals and families are also overrepresented among persons experiencing homelessness in the County.

- Overall, OLO anticipates that the bill **could reduce the displacement of low-income residents of color resulting from rising rents in neighborhoods with increased real estate development**. Displacement associated with the loss of affordable housing would exacerbate current housing inequities by race and ethnicity. Further, Bill 30-21 aligns with best practices recommended by the Eviction Lab at Princeton, the Urban Institute, and PolicyLink for reducing the risk of evictions among low-income households.

(Emphasis added; footnotes omitted).

4. Potential Amendment – Councilmember Friedson

Councilmember Friedson has proposed an amendment (text below), which – similar to the PHED Committee's recommended approach to late fees – would apply the bill's restriction against rent increases to renters who have experienced economic hardship due to the COVID-19 pandemic. For only those affected renters, Mr. Friedson's amendment would hold rent increases to 0% from November 15, 2021 to August 15, 2022. (Note that from now until November 15, 2021, all renters would continue to be protected against any rent increases above the rent guidelines.)

Potential Amendment:

Add a new subsection to generally limit rent increases to 0% between Nov. 15, 2021 and August 15, 2022 for renters who demonstrate that they suffered an economic hardship as a direct or indirect result of the COVID-19 pandemic:

Rent increases above 0% – when prohibited.

(1) Except as provided in paragraph (2), a landlord must not increase the rent of a tenant between November 15, 2021 and August 15, 2022 if the tenant attests, in an application form prescribed by the Director, that the tenant:

(A) has experienced a COVID-19 related financial hardship;

(B) has a gross household income at or below 50% of the area median income for the previous 30 days, or for the 2020 tax year;

(C) has been a Montgomery County resident since August 2020 or earlier; and

(D) owes $1,000 or more to the landlord.

(2) A landlord may increase the rent of a tenant between November 15, 2021 and August 15, 2022 if:

(A) the tenant does not meet the requirements of paragraph (1); or

(B) prior to November 15, 2021, the landlord provided to the tenant a notice under Section 29-54 of a rent increase that does not exceed the voluntary rent guidelines under Section 29-53.

Next Steps: Whether to enact Expedited Bill 30-21 with amendments, as recommended by the PHED Committee; and, if applicable, with Councilmember Friedson's amendment discussed under Issue #3.

This packet contains:	Circle #
Expedited Bill 30-21	©1
Legislative Request Report	©5
Sponsor's Memorandum	©6
Economic Impact Statement	©8

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Expedited Bill No. 30-21
Concerning: Landlord-Tenant Relations – Restrictions During Emergencies – Extended Limitations Against Rent Increases and Late Fees
Revised: 9/20/2021 Draft No. 6
Introduced: July 13, 2021
Expires:
Enacted:
Executive:
Effective:
Sunset Date: February 15, 2023
Ch. _____, Laws of Mont. Co. _________

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

Lead Sponsor: Councilmember Jawando

AN EXPEDITED ACT to:

(1) prohibit fees for **[[**the**]]** late rent payments during certain emergencies;
(2) extend the time after an emergency during which rent increases must not exceed certain guidelines; and
(3) generally amend the law regarding rents and fees for rental housing, and regarding landlord-tenant relations.

By amending
Montgomery County Code
Chapter 29, Landlord-Tenant Relations
Section 29-55

Laws of Montgomery County 2020
Chapter 14

Boldface	*Heading or defined term.*
Underlining	*Added to existing law by original bill.*
[Single boldface brackets**]**	*Deleted from existing law by original bill.*
Double underlining	*Added by amendment.*
[[Double boldface brackets**]]**	*Deleted from existing law or the bill by amendment.*
* * *	*Existing law unaffected by bill.*

The County Council for Montgomery County, Maryland approves the following Act:

Sec. 1. Section 29-55 is amended as follows:

29-55. Rent increases and late fees [[during]] following the COVID-19 state of emergency – prohibited.

(a) *Definitions*. In this Section, the following terms have the meanings indicated.

Emergency means the catastrophic health emergency declared by the Governor of Maryland on March 5, 2020, as amended or extended by the Governor, under Section 14-3A-02 of the Public Safety Article of the Maryland Code.

Tenant has the meaning stated in Section 29-1. Tenant includes an existing tenant. Tenant does not include a prospective tenant.

(b) *Rent increases above guidelines – when prohibited*. A landlord must not increase a tenant's rent to an amount that exceeds the voluntary rent guidelines under Section 29-53 if:

(1) the rent increase would take effect during **[[**an**]]** the emergency; or

(2) notice of the rent increase does not comply with subsection (c) and Section 29-54.

(c) *Notices of rent adjustments*.

(1) During **[[**an**]]** the emergency and **[[**within**]]** until August 15, 2022 **[**90 days**]** **[[**1 year after the expiration of an emergency**]]**, a landlord must not notify a tenant of a rent increase if the increase would exceed the voluntary rent guidelines under Section 29-53.

(2) If a landlord provided notice of a rent increase to a tenant prior to the emergency and the increase would exceed the voluntary rent guidelines under Section 29-53, the landlord must inform the tenant in writing:

(A) to disregard the notice; or

(B) that the increase is amended to be less than or equal to the voluntary rent guidelines under Section 29-53.

(d) *Late fees – when prohibited*. A landlord must not charge a fee to a tenant for the nonpayment or late payment of rent due during **[[an]]** the emergency, or due **[[within 1 year after the expiration of the emergency]]** between the expiration of the emergency and August 15, 2022, unless the landlord first provides to the tenant, in a form prescribed by the Director:

(1) a notification that the tenant may qualify for the waiver of late fees under subsection (e); and

(2) an application form to apply for the tenant to apply for the waiver.

[(d)] (e) A landlord must waive late fees for the nonpayment or late payment of rent due during the emergency, or due between the expiration of the emergency and August 15, 2022, if a tenant attests, in the application form prescribed by the Director under subsection (d), that the tenant:

(1) has experienced a COVID-19 related financial hardship;

(2) has a gross household income at or below 50% of the area median income for the previous 30 days, or for the 2020 tax year;

(3) has been a Montgomery County resident since August 2020 or earlier; and

(4) owes $1,000 or more to the landlord.

(f) *Notice of expiration of emergency*. The Department must post on its website information about the requirements of this Section, including the date that **[[an]]** the emergency **[[expires]]** expired, and the date that **[[is]]**

[90 days] [[1 year after the expiration of the emergency]] requirements under this section expire.

Sec. 2. Expedited Effective Date. The Council declares that this legislation is necessary for the immediate protection of the public interest. This Act takes effect on the date on which it becomes law.

Sec. 3. Application of Late Fee Restrictions. Section 22-55(d), added under section 1 of this Act: (1) applies to any uncollected late fee for rent that became due on or after the date of the emergency, including rent that became due on or after the date of the emergency and before the effective date of this Act; but (2) does not require a landlord to refund to a tenant any payment received by the landlord prior to the effective date of this Act.

Sec. 4. Section 3 of Chapter 14 of the Laws of Montgomery County 2020 is amended as follows:

Sec. 3. Sunset date. This Act must expire, and must have no further force or effect, upon [the 181st day] [[18 months following the expiration of the catastrophic health emergency declared by the Governor of Maryland on March 5, 2020, as amended or extended by the Governor]] February 15, 2023.

LEGISLATIVE REQUEST REPORT

Expedited Bill 30-21

Landlord-Tenant Relations – Restrictions During Emergencies – Extended Limitations Against Rent Increases and Late Fees

DESCRIPTION: Expedited Bill 30-21 would restrict certain rent increases and late fees for one year after the expiration of the COVID-19 emergency, which was declared by the Governor on March 5, 2020.

PROBLEM: The burden of rent increases and late fees for tenants during public emergencies.

GOALS AND OBJECTIVES: Prevent landlords from increasing a tenant's rent above certain guidelines, or from charging late fees, for one year after the expiration of the COVID emergency declared by the Governor.

COORDINATION: Department of Housing and Community Affairs

FISCAL IMPACT: OMB

ECONOMIC IMPACT: OLO

EVALUATION: To be done.

EXPERIENCE ELSEWHERE: Montgomery County's COVID-19 Renter Relief Act of 2020

SOURCE OF INFORMATION: Christine Wellons, Legislative Attorney

APPLICATION WITHIN MUNICIPALITIES: N/A

PENALTIES: Class A violation under Section 29-8

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MONTGOMERY COUNTY COUNCIL
ROCKVILLE, MARYLAND

WILL JAWANDO
COUNCILMEMBER
AT-LARGE

TO: Councilmembers
Chiefs of Staff

FROM: Councilmember Will Jawando

Dear Colleagues:

When Governor Hogan declared a State of Emergency on March 5, 2020 due to COVID-19 pandemic, no one could fully imagine what was ahead. Since that time, there have been over 71,000 COVID-19 cases, 1,600 deaths and the loss of countless businesses in Montgomery County alone. Fifteen months later, as we work through recovery from this devastation, one of the biggest dilemmas we face is the current eviction crisis.

On June 15, 2021, Governor Hogan announced plans to lift Maryland's state of emergency on July 1, 2021. This action will put an end to all the state's mandates and restrictions related to COVID-19, including important tenant protections. At the beginning of the pandemic, I introduced and the Council passed Bill 18-20, Landlord-Tenant Relations-Rent Stabilizations During Emergencies, to protect Montgomery County renters from destabilizing rent increases. The law is tied to the Governor's declaration and will expire 90 days after the end of the state of emergency. Unfortunately, given the depth of the pandemic and economic fallout our residents need more time.

In the coming weeks, I will be introducing legislation to extend the time that rent increases must not exceed the Voluntary Rent Guidelines to one (1) year after the expiration of an emergency and prohibit late fees for late rent payments. This is a critical step that will help build the necessary bridge that families need as we work towards an equitable recovery from the COVID-19 pandemic. A copy of the proposed legislation is included for your review.

We must continue to provide protections and solutions for Montgomery County residents that we have not had to consider in the past and I hope you will join me in supporting this legislation. Please reach out to Pam Luckett in my office if you would like to co-sponsor or have any questions.

Sincerely,

Will Jawando

cc: Chiefs of Staff
Christine Wellons
Marlene Michaelson
Linda McMillan
Craig Howard
Sonya Healy

Economic Impact Statement

Office of Legislative Oversight

Expedited Bill 30-21 — Landlord-Tenant Relations – Restrictions During Emergencies – Extended Limitations Against Rent Increases and Late Fees

SUMMARY

The Office of Legislative Oversight (OLO) anticipates that Expedited Bill 30-21 would have a net negative impact on economic conditions in the County. Using input-output analysis, OLO estimated that the non-transfer of higher rents and late fees from affected tenants to landlords would result in net negative economic effects. However, the negative economic effects of the Bill could be reduced if the residential rental sub-sector is sufficiently profitable to absorb the loss of revenue, landlords are able to pass some portion of costs to prospective tenants, and the Bill reduces housing insecurity for tenants and the economic costs associated with it.

BACKGROUND

Expedited Bill 30-21 would amend the COVID-19 Renter Relief Act which the Council enacted on April 23, 2020. The COVID-19 Renter Relief Act (hereinafter "the Act") prohibited landlords from raising rent above the County's voluntary rent guidelines during the COVID emergency declared by Governor Hogan and for a period of 90 days after the expiration of the emergency.[1] The emergency ended as of August 16, 2021.[2] As a result, the prohibition on rent increases above the voluntary rent guidelines will end in November 2021.

If enacted, Bill 30-21 would make two changes to the Act. First, it would extend the temporary prohibition against raising rents above the voluntary rent guidelines, which stands at 1.4% for 2021, until one year after the expiration of the emergency. Second, it would prohibit a landlord from charging fees for late rent payments during the emergency and for a one-year period after the expiration of the emergency.[3]

[1] Montgomery County Council, Expedited Bill 30-21, Landlord-Tennant Relations – Restrictions During Emergencies – Extended Limitations Against Rent Increases and Late Fees, See Bill in Introduction Staff Report, https://apps.montgomerycountymd.gov/ccllims/DownloadFilePage?FileName=2721_1_15581_Bill_30-2021_Introduction_20210713.pdf. /DownloadFilePage?FileName=2720_1_15580_Bill_29-2021_Introduction_20210713.pdf.
[2] https://governor.maryland.gov/wp-content/uploads/2021/08/2760_001.pdf
[3] Expedited Bill 30-21.

Like much of the country, the COVID-19 pandemic and economic recession have significantly affected renters and landlords in the County. Due to job loss and other economic disruptions, many tenants have been unable to keep up with rent payments, causing substantial losses in rental income for landlords.

In her 2020 analysis of the crises' impacts on rental housing in the County, Natalia Carrizosa (OLO) found the following:[4]

- Eviction moratoria and rental assistance programs likely have been successful in reducing evictions. There is a risk of a "wave of evictions" when temporary moratoria expire.
- Risk factors for loss of housing due to the pandemic and/or recession likely include the following: loss of employment income, cost-burdened prior to the pandemic (more than 30% of income spent on rent), presence of children under 18, lower levels of educational attainment, low income, Black, and Latinx.
- Owners of small rental properties, as well as Black and Latinx owners,[5] likely have experienced greater relative losses of rental revenue for several reasons. First, tenants in homes and small multi-family buildings are more likely than tenants in larger buildings to work in the industries most impacted by the pandemic and recession. Second, small multi-family buildings generally charge lower rents than large buildings. Third, tenants in small multi-family buildings tend to have lower incomes.[6]

Recent data from the U.S. Census Bureau's weekly Household Pulse Survey (HPS) indicates that rental housing insecurity remains a problem in the Washington DC Metropolitan Area. (Note that HPS provides data at the metropolitan level, not the county level). **Table 1** presents the most recent survey results for three measures of rental housing insecurity:

- <u>Payment Status</u> – whether households are caught up on their rent payment
- <u>Payment Confidence</u> – households' confidence in their ability to make next month's rent payment
- <u>Perceived Eviction Likelihood</u> – households' perception of the likelihood they will be evicted in the next two months

[4] Natalia Carrizosa, "COVID-19 Recovery Outlook: Cost-Burdened Renter Households," Office of Legislative Oversight, Montgomery County Council, September 21, 2020, https://www.montgomerycountymd.gov/OLO/Resources/Files/2020%20Reports/COVID-19RecoveryOutlook-CostBurdenedRenters.pdf; and Natalia Carrizosa, "COVID-19 Recovery Outlook: Evictions in Rental Housing," Office of Legislative Oversight, Montgomery County Council, June 16, 2020, https://www.montgomerycountymd.gov/OLO/Resources/Files/2020%20Reports/COVID-19Recovery-Evictions.pdf.

[5] On impacts to Black and Latinx landlords, see Nathaniel Decker, "The Uneven Impact of the Pandemic on the Tenants and Owners of Small Rental Properties," Turner Center for Housing Innovation, UC Berkeley, July 2021, https://ternercenter.berkeley.edu/wp-content/uploads/2021/07/Small-Rental-Properties-Decker-July-2021.pdf; and Laurie Goodman and Jung Hyun Choi, "Black and Hispanic Landlords Are Facing Great Financial Strain because of the COVID-19 Pandemic," Urban Institute, September 4, 2020, https://www.urban.org/urban-wire/black-and-hispanic-landlords-are-facing-great-financial-struggles-because-covid-19-pandemic-they-also-support-their-tenants-higher-rates.

[6] On impacts to small landlords, see Elijah de la Campa, "The Impact of COVID-19 on Small Landlords in Albany and Rochester, New York," Joint Center for Housing Studies, Harvard University, March 11, 2021, https://www.jchs.harvard.edu/blog/impact-covid-19-small-landlords-albany-and-rochester-new-york; Decker, "The Uneven Impact of the Pandemic on the Tenants and Owners of Small Rental Properties."

The results from the most recent survey round (July 21 to August 2, 2021) for households in the Washington DC Metropolitan Area indicate the following:

- Approximately 16% of renter households were not caught up on their rent payments.
- Approximately 22% of renter households had "no confidence" or "slight confidence" in their ability to make the next month's rent payment.
- Approximately 35% of renter households felt it was "very likely" or "somewhat likely" that they would be evicted within the next two months.

These findings are generally consistent with previous survey results dating back to April 28, 2021. (See **Tables A1-A3** in the Appendix.)

Moreover, the most recent survey results presented in **Table 1** are generally consistent with Carrizosa's findings regarding household characteristics associated with rental housing insecurity. As shown in **Table 1**, households with the following characteristics had higher percentages of rental housing insecurity than the total averages:[7]

- Elderly
- Latinx
- Black
- Lower educational attainment
- Presence of children
- Experienced recent loss of employment
- Lower income

Consistent with the unequal economic impacts of the crisis, the HPS data indicate that a minority, yet significant, portion of tenants in particular demographic groups in the metropolitan area continue to face rental housing insecurity.[8] In addition to the economic strain it places on households, tenant challenges paying rent also impact landlords, particularly those with relatively larger shares of tenants who entered the crisis in a more vulnerable economic state and/or have been disproportionately impacted by the crisis. As previously indicated, small and minority landlords appear more likely to fall in this category.

[7] For this survey round, respondents with incomes over $200,000 also expressed rental housing insecurity. However, a cursory look at data from previous survey rounds seems to suggest that this finding is anomalous.

[8] For more on the groups most impacted by the crisis, see for example "Black women face a persistent pay gap, including in essential occupations during the pandemic," Economic Policy Institute, https://www.epi.org/blog/black-women-face-a-persistent-pay-gap-including-in-essential-occupations-during-the-pandemic/; "Older workers were devastated by the pandemic downturn and continue to face adverse employment outcomes," Economic Policy Institute, https://www.epi.org/publication/older-workers-were-devastated-by-the-pandemic-downturn-and-continue-to-face-adverse-employment-outcomes-epi-testimony-for-the-senate-special-committee-on-aging/; and "Latinos face disproportionate health and economic impacts from COVID-19," American Center for Progress, https://www.americanprogress.org/issues/economy/reports/2021/03/05/496733/latinos-face-disproportionate-health-economic-impacts-covid-19/.

Table 1. Rental Housing Insecurity in Washington DC Metropolitan Area (July 21 to August 2, 2021)

	Not currently caught up on rent payments	No or Sight slight? confidence in ability to pay next month's rent	Very or somewhat likely to leave this home due to eviction in next two months
Total	**16%**	**22%**	**35%**
Age		0%	
18 - 24	-	19%	-
25 - 39	14%	17%	**39%**
40 - 54	19%	**31%**	25%
55 - 64	**20%**	**23%**	19%
65 and above	**24%**	**24%**	**60%**
Hispanic origin and Race			
Hispanic or Latino (may be of any race)	**24%**	**42%**	**52%**
White alone, not Hispanic	9%	7%	6%
Black alone, not Hispanic	**20%**	**36%**	**53%**
Asian alone, not Hispanic	15%	20%	8%
Two or more races + Other races, not Hispanic	**44%**	7%	16%
Education			
Less than high school	**58%**	**74%**	**83%**
High school or GED	13%	**30%**	2%
Some college/Associate's degree	**21%**	**24%**	**37%**
Bachelor's degree or higher	9%	10%	33%
Presence of children under 18 years old			
Children in household	**25%**	**36%**	**49%**
No children	11%	17%	22%
Respondent or household member experienced loss of employment income in last 4 weeks			
Yes	**41%**	**41%**	34%
No	9%	18%	37%
Household income			
Less than $25,000	**20%**	**38%**	15%
$25,000 - $34,999	**38%**	19%	8%
$35,000 - $49,999	**28%**	**29%**	**67%**
$50,000 - $74,999	3%	**24%**	**80%**
$75,000 - $99,999	3%	6%	0%
$100,000 - $149,999	14%	11%	12%
$150,000 - $199,999	1%	0%	-
$200,000 and above	**27%**	**27%**	**100%**

Source: Census Bureau, Household Pulse Survey; Stephen Roblin

Despite the uneven impacts of the crisis on certain tenants and landlords, the residential rental markets in the County and broader Washington DC Metropolitan Area appear to be rebounding from when it hit bottom in the 2020-21 winter. This conclusion is based on rent and vacancy trends in data from CoStar, a commercial real estate information and analytics provider.[9]

Staff from the Montgomery County Planning Department provided CoStar data to OLO. The data provided includes the following indicators:

- Average daily asking rent per square foot for all multifamily rental properties by jurisdiction, namely Washington DC and Fairfax, Montgomery, and Prince George's Counties.
- Average daily asking rent per square foot for all multifamily rental properties in Montgomery County by building class (A, B, and C).
- Quarterly vacancy rates for all multifamily rental properties by jurisdiction.

OLO staff produced the graphs and tables presented below from this data.

It is important to note the data does not reflect the entire population of residential rental units in the jurisdictions. The data reflects all multifamily rental properties in the CoStar database. Excluded are units that rent as an agreement between an individual owner and an individual tenant, such as a condominium in a building that the owner chooses to rent.[10] Despite this limitation, OLO believes the CoStar data provides an accurate reflection of changes over time in the residential rental markets.

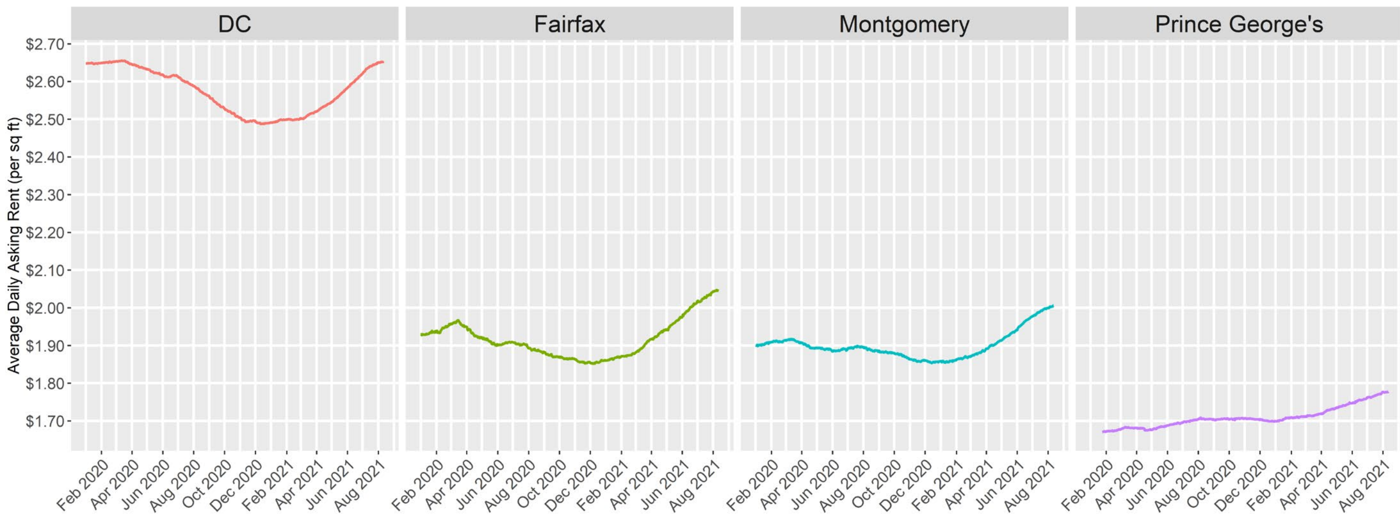
<u>Rents by Jurisdiction:</u> **Figure 1** and **Table 2** provide an overview of average daily asking rents for multifamily by jurisdiction from January 1, 2020 to August 12, 2021. As indicated in both, Montgomery County has followed the regionwide pattern of rents reaching their 2020 peak in March, sharply decreasing until December 2020, and rebounding during the spring and summer months of 2021. Prince George's County is the exception to this pattern in which rents have remained relatively stable throughout the crisis.

In Montgomery County, multifamily property rents have rebounded strongly.

- In 2020, the pre-pandemic average daily asking rent reached as high as $1.92 per square foot and dropped to $1.85 in December—a 4% decrease from the pre-pandemic peak.
- By May 2021, the average daily asking rent reached the pre-pandemic peak of $1.92 per square foot and has continued to climb.
- As of August 12, 2021, the average daily asking rent has reached $2.01 per square foot—a 5% increase over the pre-pandemic peak of $1.92.

[9] CoStar.com, About CoStar, https://www.costar.com/about.
[10] OLO correspondence with Montgomery Planning Department staff.

Figure 1. Average Daily Asking Rent for Multifamily Rental Units by Jurisdiction



Source: CoStar; Montgomery County Planning Department; Stephen Roblin

Table 2. Minimum and Maximum Average Daily Asking Rent for Multifamily Rental Units by Jurisdiction

	Pre-Pandemic Period 1/1/2020 - 3/15/2020	**Pandemic Period (3/16/2020 - 8/12/2021)**	
	Maximum Rent (per sq ft) *Date*	*Minimum Rent (per sq ft)* *Date*	*Maximum Rent (per sq ft)* *Date*
DC	$2.66 3/12/2020	$2.49 12/12/2020	$2.65 8/12/2021
Fairfax	$1.97 3/15/2020	$1.85 12/7/2020	$2.05 8/8/2021
Montgomery	$1.92 3/10/2020	$1.85 12/14/2020	$2.01 8/11/2021
Prince George's	$1.68 3/12/2020	$1.68 4/20/2020	$1.78 8/12/2021

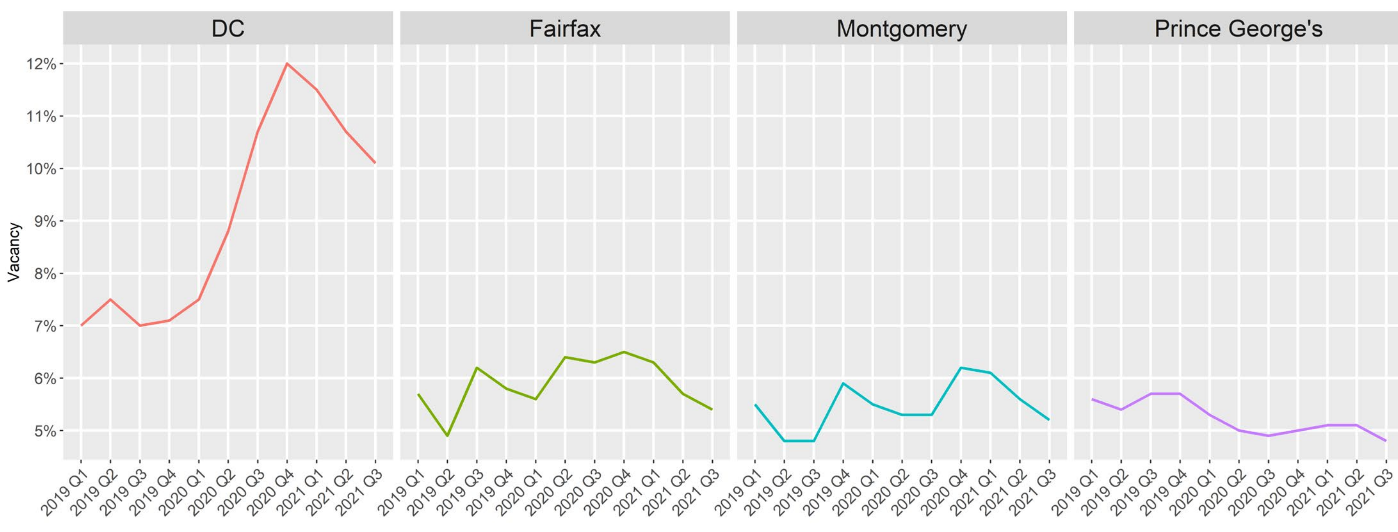
Source: CoStar; Montgomery County Planning Department; Stephen Roblin

Vacancy by Jurisdiction: **Figure 2** and **Table 3** provide an overview of vacancy rates for multifamily by jurisdiction from the first quarter in 2019 to the third quarter in 2021. Montgomery County has followed the regionwide pattern in terms of vacancy rates. Rates reached their lowest point in the first and second quarters in 2020, sharply increasing until the fourth quarter in 2020, and dropping in subsequent quarters. Again, Prince George's County is the exception to this pattern in which vacancy rates have remained relatively stable throughout the crisis.

In Montgomery County, multifamily property vacancy rates have rebounded.

- In 2020, the vacancy rate reached its lowest point of 5.3% in the first and second quarters. Since then, the vacancy rate climbed to 6.2% in the fourth quarter in 2020—a 17% increase over the lowest rate that year.
- As of the third quarter in 2021, the vacancy rate reached 5.2%—a 2% decrease from 5.3%.

Figure 2. Average Quarterly Vacancy Rates for Multifamily Rental Units by Jurisdiction



Source: CoStar; Montgomery County Planning Department; Stephen Roblin

Table 3. Minimum and Maximum Average Vacancy Rates for Multifamily Rental Units by Jurisdiction

	Pre-Pandemic Period 2019 Q4 - 2020 Q2[11])	Pandemic Period 2020 Q3 - 2021 Q3	
	Minimum Vacancy Quarter	*Maximum Vacancy Quarter*	*Minimum Vacancy Quarter*
DC	7.1% 2019 Q4	12% 2020 Q4	10.1% 2021 Q3
Fairfax	5.6% 2020 Q1	6.5% 2020 Q4	5.4% 2021 Q3
Montgomery	5.3% 2020 Q1 & Q2	6.2% 2020 Q4	5.2% 2021 Q3
Prince George's	5% 2020 Q2	5.1% 2021 Q1 & Q2	4.8% 2021 Q3

Source: CoStar; Montgomery County Planning Department; Stephen Roblin

Rents by Building Class: **Figure 3** and **Table 4** provide an overview of average daily asking rents for multifamily properties in Montgomery County by building class from January 1, 2020 to August 12, 2021. Building class designations differentiate buildings based on quality. To illustrate, Class A multifamily properties include luxury apartments with higher average rents and tend to have higher-income tenants. Class B refers to older properties with lower average rents and tend to cater to middle-class tenants. Compared to Class A and B, Class C properties are the oldest, have the lowest average rents, and tend to have moderate- to low-income residents.

In Montgomery County, multifamily property rents across all building classes have rebounded strongly.

- **Class A Rents:** In 2020, the pre-pandemic average daily asking rent for Class A multifamily properties reached $2.27 per square foot. With the onset of the pandemic, it dropped to $2.15 in November 2020—a 5% decrease from the pre-pandemic peak. By late-April 2021, rents rebounded to the pre-pandemic peak of $2.27 and continued to climb. As of August 2021, rents have reached as high as $2.37—a 4% increase over the pre-pandemic peak.
- **Class B Rents:** For Class B multifamily properties, the pre-pandemic average daily asking rent reached $1.82 per square foot. It dropped to $1.77 in November 2020—a 3% decrease from the pre-pandemic peak. By mid-April 2021, rents rebounded to the pre-pandemic peak of $1.82 and continued to climb. As of August 2021, rents have reached as high as $1.92—a 5% increase over the pre-pandemic peak.

[11] This table includes 2020 Q2 within the “pre-pandemic period” because of the lag in time between the start of the pandemic and tenants vacating properties.

- **Class C Rents:** For Class C multifamily properties, the pre-pandemic average daily asking rent reached $1.71 per square foot. The lowest it dropped to was $1.68—a 2% decrease from the pre-pandemic peak. By early-May 2021, rents rebounded to the pre-pandemic peak of $1.71 and continued to climb. As of August 2021, rents have reached as high as $1.77—a 4% increase over the pre-pandemic peak.

Figure 3. Average Daily Asking Rents for Multifamily Rental Units in Montgomery County by Building Class

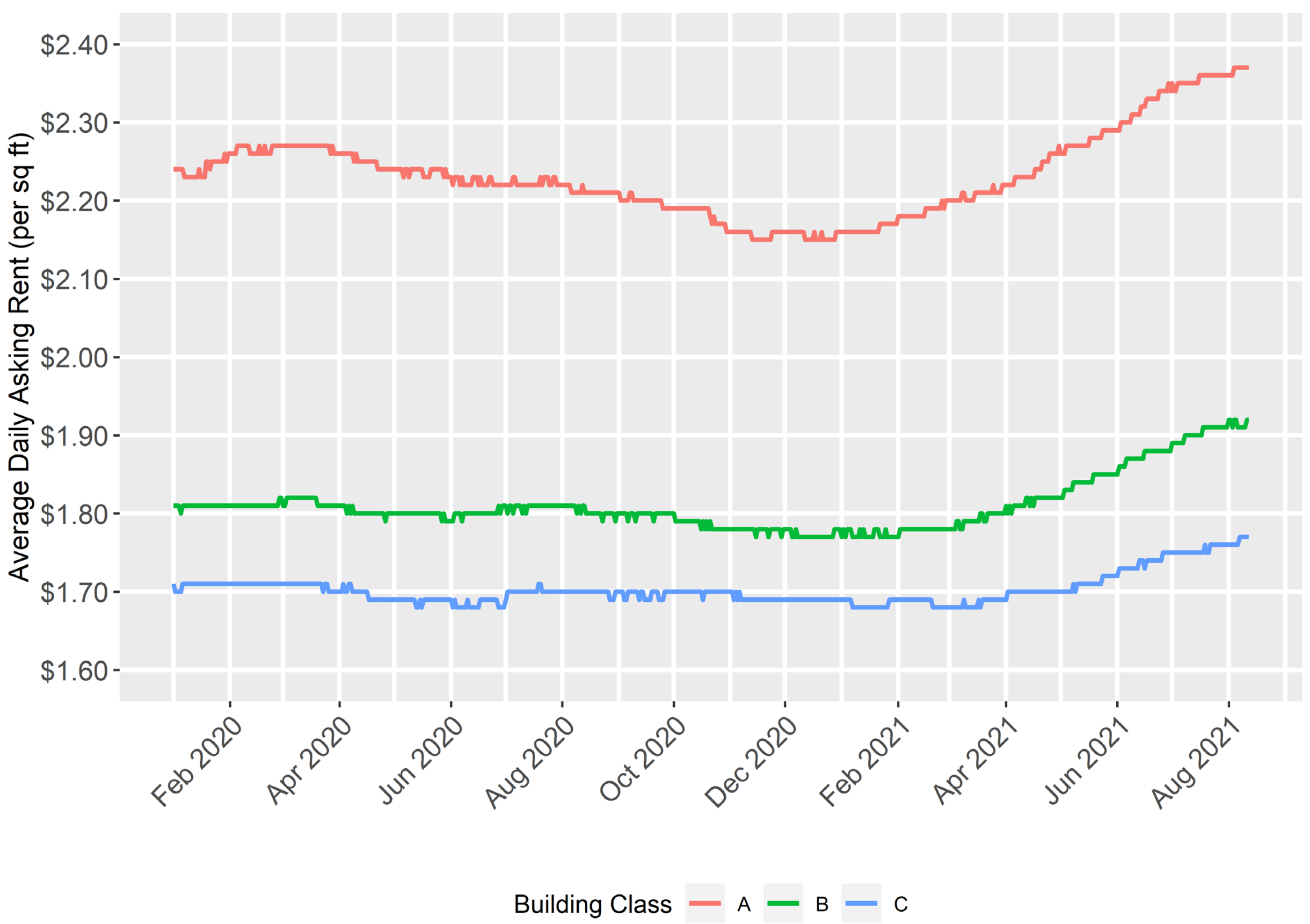


Table 4. Minimum and Maximum Average Daily Asking Rent for Multifamily Rental Units by Building Class in Montgomery County

	Pre-Pandemic Period 1/1/2020 - 3/15/2020	Pandemic Period 3/16/2020 - 8/12/2021	
	Maximum Rent (per sq ft)	*Minimum Rent (per sq ft)*	*Maximum Rent (per sq ft)*
Class A	$2.27	$2.15	$2.37
Class B	$1.82	$1.77	$1.92
Class C	$1.71	$1.68	$1.77

In sum, Montgomery County's path through the crisis has closely paralleled Fairfax County. Yet, Fairfax County was the only jurisdiction examined here that did not impose any form of rent control during the pandemic. See **Table 5**. The residential rental market in Prince George's County has been the most stable; Washington DC's trajectory has been the most turbulent. Between these paths are the residential rental markets in Montgomery and Fairfax Counties. As reflected in rents and vacancy rates, both markets took a big hit with the onset of the pandemic and bottomed-out in the 2020/21 winter. The markets rebounded in subsequent months and have surpassed their maximum rent and minimum vacancy rates in the early months of 2020.

How have rent trajectories paralleled each other in Montgomery and Fairfax Counties despite the difference in emergency rent control measures? It is beyond the scope of this analysis to explore all possible explanations. However, OLO believes the most likely explanation is that the temporary prohibition on rent increases above Montgomery County's voluntary rent guidelines only applies to existing tenants, not prospective tenants.[12] As a result, the sharp increase in rents since the nadir likely has been due to new leases.

Table 5. Rent Control During Pandemic by Jurisdiction

Jurisdiction	Temporary Price Restriction	Termination
DC	Prohibits rent increases[13]	December 31, 2021
Fairfax	None[14]	N/A
Montgomery	Prohibits rent increases above the County's voluntary rent guidelines[15]	90 days after expiration of statewide emergency
Prince George's	Prohibits rent increases for a "tenant with a substantial loss of income"[16]	90 days after expiration of statewide emergency

[12] Montgomery County Council, Expedited Bill 30-21.
[13] See link https://ota.dc.gov/sites/default/files/dc/sites/ota/publication/attachments/Act%2024-125%20Summary%20-%20Post-PHE%20Changes%20to%20Tenant%20Protections2021.08.03.pdf
[14] See link https://www.fairfaxcounty.gov/cableconsumer/csd/tenant-landlord-faqs
[15] See link https://montgomerycountymd.gov/DHCA/covid-19_summary_renter_relief.html
[16] See link https://www.princegeorgescountymd.gov/DocumentCenter/View/31333/CB-16-2020-Website-Text---FINAL.

METHODOLOGIES, ASSUMPTIONS, AND UNCERTAINTIES

Enacting Expedited Bill 30-21 has the potential to affect landlords, tenants, and broader economic conditions through two effects—the "rent effect" and "fee effect."

Rent Effect: The rent effect refers to the economic impacts from extending the temporary prohibition against raising rents on existing tenants above the voluntary rent guidelines until one year after the expiration of the emergency. Doing so would primarily affect economic conditions in the County on the condition that the residential rental market would support rent increases above the voluntary rent guidelines during the timeframe of the extension (roughly November 2021 to November 2022). If this occurs, the rent effect would translate into forgone rental revenues for landlords, resulting in a net increase in household income.

The data presented above suggest that some multifamily rental properties across building classes in Montgomery County can currently support rent increases above the current voluntary rent guideline for 2020 at 1.4%. For this reason, OLO anticipates that extending the current rent control measure for one additional year would keep rents lower for existing tenants in certain properties/units than they would otherwise be without enacting Expedited Bill 30-21.

It is important to emphasize however the uncertainty surrounding this prospect. Even if the current path of the residential rental market in the County continues, data limitations prevent OLO from estimating the magnitude of the rent effect in terms of the total rents charged in the County during the one-year extension and the distribution of the rent effect across building classes. Compounding the uncertainty is the possibility of the current path of the residential rental market in the County being a poor indicator for its condition during the timeframe of the temporary rent control extension. Indeed, another downturn in the market due to changes in public health conditions cannot be ruled out, particularly given the slow progress in the global vaccination effort and the potential for new, more virulent variants of COVID-19 to spread.

Fee Effect: The fee effect refers to the economic impacts from prohibiting a landlord from charging fees for late rent payments during the emergency and for a one-year period after the expiration of the emergency. The fee effect would translate into forgone revenues from fees collected by landlords, resulting in a net increase in household income.

Data limitations also prevent OLO from estimating the magnitude of the potential fee effect. However, OLO believes there is less uncertainty regarding the economic effects of prohibiting landlords from charging fees for late rent payments than extending the temporary rent control measure. Collecting late fees arguably is less dependent on conditions in the broader residential rental market than setting rents. To illustrate, even if market conditions do not support rent increases above the voluntary rent guidelines, OLO anticipates that landlords would be able to collect some portion of the total fees charged against tenants.

Given the likelihood that enacting Expedited Bill 30-21 would generate rent and fee effects, OLO makes the following assumptions in this analysis:

> **Assumption:** The non-transfer of higher rents and late fees from affected tenants to landlords would result in a net decrease in revenue for the landlords and net increase in household income for the tenants during the timeframe of the policy. Described in terms of economic sectors, the non-transfer would result in a net decrease in total revenue for the real estate industry and a net increase in income for County households.

Methodology: Due to the data limitations raised above, OLO cannot predict the total economic impact of enacting Expedited Bill 30-21. The goal of this analysis is to assess whether enacting the Bill would likely result in a net positive or negative impact on overall economic conditions in the County. To do so, OLO uses input-output (I-O) analysis, a form of quantitative macroeconomic analysis based on the interdependencies between different economic sectors or industries within a national, state, or regional economy.[17]

I-O analysis is a methodology commonly used by local planners, policymakers, and investors to estimate how changes in economic activity affect other rounds of spending across all sectors within a specified economy. Importantly, the effect on other rounds of spending diminishes over time due to "leakages," or "money that no longer circulates within the economy because of savings, taxes, or imports."[18]

To clarify the concepts, consider the following illustration: On the one hand, the net increase in household income for tenants affected by the Bill may increase their consumption from restaurants based in the County, which in turn would increase the restaurants' revenues. The positive economic effects would diminish from leakages, like the restaurant owners using a portion of the revenues to purchase equipment produced outside the County. On the other hand, the net decrease in revenue for affected landlords may lead them to lay-off employees who reside in the County. These residents may reduce their consumption from local restaurants, thereby negatively affecting their revenues. The negative economic effects would also diminish from leakages, like restaurant owners refraining from purchasing imported equipment.

To perform the I-O analysis for Expedited Bill 30-21, OLO uses the Regional Input-Output Modeling System (RIMS II) final-demand multiplier for the real estate industry and household sector. The RIMS II multipliers, developed by the U.S. Bureau of Economic Analysis,[19] measure the ripple effects of changes in economic activity in terms of four measures:

- Output (sales): total market value of industry output,
- Value-Added: total value of income generated from production (equivalent to gross domestic product),
- Earnings: employee compensation plus net earnings of sole proprietors and partnerships, and
- Employment: number of full- and part-time employees. [20]

Industries with relatively high multiplier values for these measures result in greater output, value-added, earning, and employment for every additional dollar of economic activity in those industries. There are multipliers for 64 industries in the County. **Table 6** presents the values of the RIMS II real estate and household multipliers for Montgomery County.

Table 6. RIMS II Household and Real Estate Multipliers for Montgomery County

Sector	Output	Earnings	Employment	Value-Added
Household	0.7951	0.1587	3.8028	0.4936
Real Estate	1.3845	0.1744	4.7589	0.9816

[17] For a non-technical description of I-O analysis, see https://www.investopedia.com/terms/i/input-output-analysis.asp.
[18] U.S. Bureau of Economic Analysis, *RIMS II: An Essential Tool for Regional Developers and Planners*, December 2013, G-3, https://apps.bea.gov/regional/rims/rimsii/rimsii_user_guide.pdf.
[19] Ibid.
[20] Ibid, 3 – 3 and 3 – 4.

Using the Rims II multipliers, OLO estimates the net change in output, earnings, employment, and value-added in the County for every $1 million non-transfer from the household sector to the real estate industry. As illustrated in **Table 7**, the non-transfer would result in approximate loss of $589,400 in output, $15,700 in earnings, $488,000 in value-added, and 1 job per every $1 million "transfer."

Importantly, these estimates are not predictions. Instead, they are intended to illustrate the general magnitude of the potential changes in the measures. On this basis, OLO expects that enacting Expedited Bill 31-21 would likely result in a negative impact on overall economic conditions in the County.

Table 7. Estimates of I-O Analysis

Multiplier	Economic Change ($)	Output ($)	Earnings ($)	Employment (jobs)	Value-Added ($)
Household	+ $1M	$795,100	$158,700	4	$493,600
Real Estate	- $1M	-$1,384,500	-$174,400	-5	-$981,600
Net Multiplier Effect		**-$589,400**	**-$15,700**	**-1**	**-$488,000**

Scope Limitations: It is important to note that the I-O analysis used here does not account for several factors that would likely influence the economic impacts of enacting Expedited Bill 30-21. These factors include:

- current profitability of the residential rental sub-sector
- ability of landlords to pass the costs of the Bill onto prospective tenants
- extent to which the Bill would reduce the economic costs associated with housing insecurity for tenants

As discussed in subsequent sections, sufficient profitability of the residential rental sub-sector, the ability of landlords to pass on costs to prospective tenants, and reduced housing insecurity would mitigate the negative economic impacts of the Bill.

VARIABLES

The primary variables that would affect the economic impacts of enacting Expedited Bill 30-21 are the following:

- total annual rent revenues;
- total late fee revenues;
- total household income of existing tenants;
- profitability of residential rental sub-sector;
- ability of landlords to pass costs onto prospective tenants; and
- total number of tenants facing housing insecurity.

IMPACTS

WORKFORCE ▪ TAXATION POLICY ▪ PROPERTY VALUES ▪ INCOMES ▪ OPERATING COSTS ▪ PRIVATE SECTOR CAPITAL INVESTMENT ▪ ECONOMIC DEVELOPMENT ▪ COMPETITIVENESS

Businesses, Non-Profits, Other Private Organizations

OLO anticipates that enacting Expedited Bill 30-21 would have a negative impact on private organizations in the County in terms of several of the Council's priority indicators.[21] The primary businesses affected would be landlords in the residential rental sub-sector. As previously discussed, OLO anticipates that market conditions would support rents above the voluntary rent guidelines for certain properties/units. By extending the temporary prohibition against raising rents on existing tenants above the voluntary rent guidelines until one year after the expiration of the emergency, certain landlords would lose rental revenues that they otherwise would collect in the absence of enacting the Bill. Forgone rental revenues, in addition to late fees, would result in a net decrease in business income for the affected landlords and could potentially result in workforce reductions in efforts to reduce operating costs to compensate for revenue loss.

As illustrated in the I-O analysis, the net reduction in landlord revenues due to the rent and fee effects would also have negative economic impacts on businesses that provide goods and services for landlords. For example, landlords may reduce their expenses for building maintenance and repair to compensate for revenue loss. If so, businesses that provide these services would experience revenue decreases. The magnitude and scope of the negative interindustry effects would depend largely on the net loss of revenue from the rent and fee effects. Additional factors include the profitability of the residential rental sub-sector and ability of landlords to pass the costs of the Bill onto prospective tenants.

Profitability: The level of profitability would affect landlords' ability to absorb the loss revenues. Landlords with strong gross profit may face less pressure to reduce their operating costs associated with labor, repair and maintenance, and other activities. While a thorough assessment of the profitability of the residential rental sub-sector is beyond the scope of this analysis, OLO notes conflicting trends at the current juncture. On the one hand, the fact that average rents have surpassed the pre-pandemic height and the vacancy rate has dropped below the pre-pandemic low suggests that the sub-sector is on the upswing. See **Figures 1-3** and **Tables 2-4**. On the other hand, the sub-sector experienced significant declines in revenues due to rent non-payments and delays. Meanwhile, landlords have experienced increases in operating expenses in certain areas. For example, water rates through the Washington Suburban Sanitary Commission (WSSC) have increased since the start of the pandemic.[22] Moreover, in OLO's conversations with local landlords, they stressed that trash removal costs have increased.

Ultimately, OLO suspects that there is significant variation within the sub-sector in terms of profitability. If secondary source evidence is indicative of local conditions, then owners of small rental properties, as well as Black and Latinx owners, likely have tighter profit margins.[23]

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[21] Montgomery County Code, Sec. 2-81B, Economic Impact Statements, https://codelibrary.amlegal.com/codes/montgomerycounty/latest/montgomeryco_md/0-0-0-80894.

[22] https://bethesdamagazine.com/bethesda-beat/government/montgomery-prince-georges-jointly-pass-6-water-sewer-rate-increase/

[23] On impacts to small landlords, see Elijah de la Campa, "The Impact of COVID-19 on Small Landlords in Albany and Rochester, New York," Joint Center for Housing Studies, Harvard University, March 11, 2021, https://www.jchs.harvard.edu/blog/impact-covid-19-

Ability to Pass on Costs: As previously discussed, the sharp increase in rents in the County is likely driven by new leases, as current rent control measure applies only to existing tenants. The extent to which landlords can pass on the costs of extending the rent control onto new tenants would mitigate the negative impacts to the residential rental sub-sector. Landlords' ability to do so would likely depend on several factors. For one, it is possible that landlords may gain pricing power if the positive trends in the market continue. If so, some landlords may be more willing to test demand elasticity by increasing rents above what they would otherwise without the rent control measure.

Second, the net revenue loss from the combined rent and fee effects may incentivize landlords to seek new tenants through lease non-renewal, eviction, or other avenues. For example, Maryland landlords have filed 550 tenant-holding-over-actions (eviction suites related to expired leases) in October 2020 – a 117% increase over the previous year, since eviction bans during the pandemic do not protect against lease expiration.[24]

Competitiveness: It is not anticipated that the Bill will significantly undermine the County's competitiveness in the residential rental sub-market for a few reasons. First, relative to other peer jurisdictions, the County's market is doing well. See **Figures 1-3** and **Tables 3-4**. Second, the duration of the rent control is one year, which should not pose long-term issues.

Private Sector Capital Investment: The primary effect in this regard is likely a decrease in repair and maintenance for existing properties. OLO does not anticipate the Bill would undermine future developments of rental housing – market-rate or affordable. This is because the duration of rent control is one year and new development projects take a long time to plan, authorize, and construct.

Residents

OLO anticipates that enacting Expedited Bill 30-21 would have a positive impact on County residents in terms of several of the Council's priority indicators. The primary residents impacted by the Bill would be existing tenants. Existing tenants would experience a net increase in household income. This would be especially helpful for residents of Class B and C buildings (buildings with lower average rents that cater to middle-class and moderate-to low-income residents).

Tenants who will suffer temporary losses of income, such as furloughed employees who return to work, would benefit the most. For these households, the temporary freeze on rent hikes would prevent them from falling deeper in arrears. Once their income rebounds, they would be able to pay off their debts more rapidly to landlords. OLO has no way of estimating the number of households that would fall into this category. Nevertheless, there are theoretical and empirical reasons to expect that a lower debt burden for renters could stimulate the local economy, mainly by increasing disposable spending for these renters, and potentially reduce job loss among the working poor and other economic costs associated with housing insecurity.[25]

small-landlords-albany-and-rochester-new-york; Decker, "The Uneven Impact of the Pandemic on the Tenants and Owners of Small Rental Properties."

[24] "Landlords in Maryland are Exploiting a Loophole to Evict Renters During the Pandemic, Advocates Say," by Ally Schweitzer, DCist, March 11, 2021, https://dcist.com/story/21/03/11/landlords-in-maryland-are-exploiting-a-loophole-to-evict-renters-during-the-pandemic-advocates-say/

[25] See, for example, Matthew Desmond and Carl Gershenson, "Housing and Employment Insecurity among the Working Poor," Social Problems 63: 46-67, https://scholar.harvard.edu/files/mdesmond/files/desmondgershenson.socprob.2016.pdf.

However, the freeze on rent increases may not provide enough financial support to prevent eviction for households that sustain deep and enduring losses of income, particularly low-income households. OLO is unable to accurately estimate the number of households that will fall in this category. These households will fall deep in arrears, which will incentivize landlords to assume the time and monetary costs associated with pursuing evictions and finding new renters. If these tenants are displaced/evicted, it could lead to negative impacts such as lost income, work disruption, moving costs, attorney's fees, court fees, etc.[26]

For residents who own rental properties, they may experience a net income loss due to this Bill. However, as previously discussed, these residents or landlords may rely on other avenues to make up for lost income such as tenant holding over and non-renewing lease, due to rent control.

DISCUSSION ITEMS

The Councilmembers may want to consider the following discussion items:

- Whether the residential rental sub-sector has been sufficiently profitable to absorb the loss of rental and late fee revenue;
- The extent to which the Bill would reduce housing insecurity and the economic costs associate with it; and
- If there is a more targeted approach that can focus on tenants with need.

WORKS CITED

Montgomery County Code. Sec. 2-81B. Economic Impact Statements.

Montgomery County Council. Expedited Bill 30-21, Landlord-Tenant Relations – Restrictions During Emergencies – Extended Limitations Against Rent Increases and Late Fees. Introduced on July 13, 2021.

Montgomery County Office of Procurement. FY20 Annual Report: Minority, Female and Disabled-Owned Businesses (MFD) Program.

U.S. Bureau of Economic Analysis. *RIMS II: An Essential Tool for Regional Developers and Planners*. December 2013.

CAVEATS

Two caveats to the economic analysis performed here should be noted. First, predicting the economic impacts of legislation is a challenging analytical endeavor due to data limitations, the multitude of causes of economic outcomes, economic shocks, uncertainty, and other factors. Second, the analysis performed here is intended to *inform* the legislative process, not determine whether the Council should enact legislation. Thus, any conclusion made in this statement does not represent OLO's endorsement of, or objection to, the bill under consideration.

[26] Stephanie Bryant, Natalia Carrizosa, and Kelli Robinson, "Evictions in Montgomery County," Office of Legislative Oversight, Montgomery County Council, October 2018, https://www.montgomerycountymd.gov/OLO/Resources/Files/2018%20Reports/2018_10EvictionsMontgomeryCounty.pdf.

CONTRIBUTIONS

Stephen Roblin (OLO) prepared this report, with assistance from Blaise DeFazio (OLO).

APPENDIX

Table A1. Status of Last Month's Rent for Households in Washington DC Metro Area (2021)

	Household currently caught up on rent payments			Occupied without rent
	Yes	No	Did not report	
7/21- 8/2	79%	16%	0%	5%
6/23 - 7/5	81%	15%	0%	4%
6/9 - 6/21	79%	17%	0%	3%
5/26 - 6/7	84%	13%	0%	2%
5/12 - 5/24	79%	18%	0%	2%
4/28 - 5/10	82%	13%	0%	5%

Source: Census Bureau, Household Pulse Survey; Stephen Roblin

Table A2. Confidence to Pay Next Month's Rent for Households in Washington DC Metro Area (2021)

	Confidence to pay next month's rent						Occupied without rent
	No confidence	Slight confidence	Moderate confidence	High confidence	Payment is/will be deferred	Did not report	
7/21- 8/2	11%	11%	21%	52%	0%	0%	5%
6/23 - 7/5	7%	14%	10%	64%	1%	0%	4%
6/9 - 6/21	11%	11%	11%	61%	1%	2%	3%
5/26 - 6/7	5%	16%	11%	63%	1%	1%	2%
5/12 - 5/24	11%	10%	12%	63%	1%	1%	2%
4/28 - 5/10	8%	9%	13%	65%	1%	0%	5%

Source: Census Bureau, Household Pulse Survey; Stephen Roblin

Table A3. Likelihood of Eviction for Households in Washington DC Metro Area (2021)

	Likelihood of leaving this home due to eviction in next two months				
	Very likely	Somewhat likely	Not very likely	Not likely at all	Did not report
7/21- 8/2	21%	15%	38%	20%	7%
6/23 - 7/5	39%	13%	34%	10%	3%
6/9 - 6/21	4%	15%	36%	45%	1%
5/26 - 6/7	6%	10%	45%	35%	4%
5/12 - 5/24	26%	14%	25%	29%	6%
4/28 - 5/10	27%	17%	34%	22%	0%

Source: Census Bureau, Household Pulse Survey; Stephen Roblin

Racial Equity and Social Justice (RESJ) Impact Statement

Office of Legislative Oversight

Expedited Bill 30-21: Landlord-Tenant Relations- Restrictions During Emergencies- Extended Limitations Against Rent Increases and Late Fees

Summary

The Office of Legislative Oversight (OLO) anticipates that Expedited Bill 30-21 will disproportionately benefit Black and Latinx residents because they experience the highest rates of housing insecurity in the County. In turn, the Bill could help reduce future housing inequities associated with the displacement of low-income residents of color due to rising rents resulting from increased real estate development (i.e., gentrification).

Purpose of RESJ Impact Statement

The purpose of RESJ impact statements is to evaluate the anticipated impact of legislation on racial equity and social justice in the County. Racial equity and social justice refers to a **process** that focuses on centering the needs, power, and leadership of communities of color and low-income communities with a **goal** of eliminating racial and social inequities.[1] Achieving racial equity and social justice usually requires seeing, thinking, and working differently to address the racial and social harms that have caused racial and social inequities.[2]

Purpose of Expedited Bill 30-21

Housing insecurity can make it challenging for households to quarantine and social distance during the pandemic. To enhance housing security for renters, the County Council enacted the COVID-19 Renter Relief Act (Bill 18-20) on April 23, 2020 to limit rent increases during the COVID-19 state of emergency declared by Governor Hogan. Expedited Bill 30-21, Landlord-Tenant Relations - Restrictions During Emergencies- Extended Limitations Against Rent Increases and Late Fees - was introduced on July 13, 2021. The bill's purpose is to extend the COVID-19 pandemic limitation on rent increases from 90 days to one year after the expiration of the emergency.[3] The bill would also prohibit landlords from charging late fees accrued during the emergency and for one year after.[4]

Housing Insecurity and Racial Equity

Low-wealth and low-income households have been negatively impacted by the financial burdens associated with the pandemic. These households lacking access to affordable and safe housing, also known as secure housing, are also at greater risk of experiencing evictions and homelessness.[5] Many of these households who are disproportionately Black and Latinx in Montgomery County were at risk for evictions and homelessness prior to the pandemic.

To understand the drivers of racial and ethnic inequities in housing that preceded the COVID-pandemic, this RESJIS describes local data on housing security by race and ethnicity and describes the roles that housing segregation and the racial wealth divide have played in creating housing inequities in the County. The intent of this overview is to demonstrate that racial and ethnic disparities in housing security are neither natural nor random, but instead reflect in part government's role in creating and maintaining racial and ethnic inequity in housing.

Data on Housing Insecurity. Local data on three metrics of housing insecurity - rent-burdened households, rental assistance during the pandemic, and homelessness - demonstrate that Black and Latinx households in Montgomery County are especially housing insecure. More specifically, in Montgomery County:

- Among renter households in 2019, rent-burden (expending 30 percent or more of income on rent) was experienced among 66 percent of Latinx renters and 60 percent of Black renters compared to 40 percent of White renters and 33 percent of Asian renters.[6]
- Among COVID Relief Rental Program clients (approved as of April 4, 2021), 43 percent were Black and 37 percent were Latinx while 9 percent were White and 3 percent were Asian or Pacific Islander.[7]
- Among single adults experiencing homelessness in 2020, 60 percent were Black, 30 percent were White, 17 percent were Latinx, and 5 percent were Asian and Pacific Islanders.[8]
- Among families experiencing homelessness in 2020, 78 percent were Black, 15 percent were White, 9 percent were Latinx, and 2 percent were Asian.[9]

Data on homeownership also demonstrates housing inequities by race and ethnicity where 75 percent of White and Asian households in Montgomery County resided in owner-occupied units in 2019 compared to 50 percent of Latinx and Native American households and 42 percent of Black households.[10]

Racial Segregation in Housing. Segregation by race and ethnicity characterizes the housing market in Montgomery County where White residents are concentrated in the most affluent communities. More specifically, in 2015:[11]

- White residents accounted for 47 percent of County residents but comprised 72 percent of District 1 residents (Chevy Chase, Bethesda, and Potomac) where a near majority of households (47 percent) had annual incomes exceeding $200,000 and 13 percent of households had annual incomes less than $75,000.
- Asian residents accounted for 15 percent of County residents but comprised 19 percent of District 3 residents (Rockville and Gaithersburg) where a fifth of households (21 percent) had annual incomes exceeding $200,000 compared to a third of households that had annual incomes less than $75,000.
- Black residents accounted for 18 percent of County residents but comprised 32 percent of District 5 residents (Takoma Park, Silver Spring and Burtonsville) where less than a fifth of households had annual incomes exceeding $200,000 compared to 40 percent of households that had annual incomes less than $75,000.
- Latinx residents accounted for 18 percent of County residents but comprised 26 percent of District 4 residents (Wheaton and Olney) where a sixth of households had annual incomes exceeding $200,000 compared to a third of households that had annual incomes less than $75,000.

While some attribute segregation in the housing market to personal preferences and differences in household income and educational attainment by race and ethnicity, these explanations often ignore the role of systemic discrimination as drivers of preferences, income, educational attainment, and housing segregation itself.[12] Moreover, defining housing segregation as a function of personal preferences ignores the role of government in creating segregated housing.

The role of government in creating and sustaining housing segregation begins with the origins of the nation. Slavery, sharecropping, Jim Crow laws, and the Homestead Act were government policies designed to build wealth among White residents by extracting resources from people of color. Government policies reinforcing housing segregation continued with the New Deal as the Federal Housing Administration (FHA) provided government subsidized financing to White residents and developers to purchase or build homes in White-only enclaves.[13] As noted by Oliver and Shapiro:

> "African Americans who desired and were able to afford homeownership found themselves consigned to central-city communities where their investments were affected by the "self-fulfilling proficiencies" of the FHA appraisers: cut off from sources of new investment, their homes and communities deteriorated and lost value in comparison to those homes and communities that FHA appraisers deemed desirable."[14]

Accompanying these benefits for White homeowners and communities were racial covenants attached to residential property and redlining of neighborhoods predominantly occupied by people of color.[15] Between 1902 and 1948, for example, Silver Spring enacted more than 50 racially restrictive covenants that prohibited the owning or renting "the whole or any part of any dwelling or structure thereon, to any person of African descent." [16] Further, Colonel Edward Brook Lee attached racially restrictive covenants to all of his suburban properties in Montgomery County.[17] The GI Bill was also implemented in racially exclusionary ways that denied Black veterans' loans and reinforced segregation.[18]

Collectively, taxation, housing, and transportation policy lead to the suburbanization of America, enabling 35 million White families to purchase homes in the suburbs but restricting Black families to central cities between 1933 and 1978.[19] Prior to the Fair Housing Act of 1968, affordable government-backed mortgages created a platform for wealth in White neighborhoods while only two percent of these secured mortgages were issued to Black applicants.[20] And while the Fair Housing Act of 1968 eliminated racially explicit segregation in housing, the policies that built the segregated housing market "have never been remedied and their effects endure."[21]

The suburbanization of the Washington Metropolitan region driven by White flight from Washington, D.C. drove the growth of Montgomery County. Housing segregation within Montgomery County also reflects the migration of **Black, Indigenous, and people of color** (BIPOC) families from D.C. to Prince George's County and the eastern parts of Montgomery County followed by White flight from those environs to the western parts of the County (e.g., Bethesda and Potomac). Moreover, given the value and investments made in greenlined areas, the value of segregated White housing increased exponentially compared to housing in mixed and predominantly Black areas that were undervalued and underinvested in due to redlining.[22]

Today, racial discrimination in housing continues with predatory lending practices targeted to communities of color (e.g. subprime and other undesirable loans or denied loans),[23] racial and ethnic bias in the rental and real estate markets,[24] and the "implicitly racialized tax code" that favor asset holdings with lower tax rates over income earned, and mortgage holders over renters.[25] Montgomery County's 2015 Analysis of the Impediments to Fair Housing Choice acknowledges that housing discrimination in the County on the basis of source of income also persists despite County law that makes such discrimination illegal.[26]

The Racial Wealth Divide. The racial wealth divide - the difference in wealth by race - is also a significant driver of disparities in housing security by race and ethnicity. Wealth refers to the difference between assets and obligations. Researchers generally note that the racial wealth divide reflects the cumulative impact of intergenerational transfers of resources and differential access to wealth-building opportunities over time by race and ethnicity. It takes wealth to build wealth – to invest in homes, education, new businesses and future generations.[27] Wealth also enables families to absorb the financial shocks of recessions, including the economic impact of the COVID-19 pandemic. Conversely, low-wealth households with low-incomes demonstrate the greatest risk for housing insecurity, evictions and homelessness.

Available data demonstrates wide wealth gaps in the Washington Metropolitan region by race and ethnicity. Data compiled by the Urban Institute found that White households had more than 80 times the wealth of U.S. Born Black households and 21 times the wealth of Latinx households in 2014. More specifically their survey of families in the District of Columbia region that included parts of Montgomery County found that:

- White households had a median wealth of $284,000 compared to $13,000 for Latinos, $3,500 for U.S.-born Black households, and $3,000 for African-born Black households.
- Chinese households had slightly less wealth than White households ($220,000), although the difference was not statistically significant.
- Korean ($496,000), Vietnamese ($423,000), and East Indian ($573,000) households reported the highest amounts of median wealth, though they were not statistically significant.

Racial discrimination created and perpetuated by government is at the root of the racial wealth divide. As noted by the Federal Reserve Bank of Boston:

> "(T)he practices and policies that laid the groundwork for and built the U.S. were explicitly designed to ensure an absolute accumulation of intergenerational wealth and concentrated power for White people, particularly men. A legacy of land theft, slavery, racial segregation, disenfranchisement, and other exclusive policies against Black and Indigenous … and (other) people of color produced a racialized economy that decimated these communities and intentionally barred survivors and descendants from building wealth, socioeconomic well-being and resilience."[28]

Moreover, Oliver and Shapiro note that "historic wealth-amassing government policies" including the Homestead Acts, Federal Housing Act, and the GI Bill "facilitated property ownership, homeownership, business development, and education largely for Whites, why systematically excluding similar opportunities" for BIPOC. They find that the racial wealth gap is a "result of both this historic legacy and enduring contemporary racial discrimination."

The Urban Institute's "The Color of Wealth in the Nation's Capital" provides an extensive history of the structural barriers in policies, Supreme Court rulings, government programs, and practices that created wealth for many White families and prevented or stripped wealth accumulation from Black families.[29] The barriers noted include:

- The failure to fully implement Reconstruction and provide land to Black people who had been held in bondage.
- Violent attacks on Black people and communities by White people, destroying individual and community assets.
- Outlawing lucrative forms of entrepreneurship and skilled private sector jobs for Black people, and severely restricting employment of Black people in government jobs.
- Requiring free Black people to pay taxes, but forbidding them to attend public schools, causing them to pay again to build and be educated in private schools.
- Using restricted racial covenants to prevent Black people from buying White-owned houses.
- Using redlining to limit loans to Black and mixed-race communities.
- Using mass incarceration to disproportionately imprison and disenfranchise Black people and undermine asset accumulation for Black families and communities.
- Targeting Black people and neighborhoods with subprime loans, further stripping them of wealth.

As BIPOC experienced barriers to asset accumulation, many White residents amassed generational wealth and power. For example, the Social Security Act of 1935 crafted a social safety net for White populations while eligibility criteria for these supports disproportionately hurt people of color by excluding farm and domestic workers, two-thirds of who were

BIPOC (i.e. Black, Mexican, or Asian). Researchers estimate that the exclusion from this part of the safety net cost Black people alone over $143 billion.[30]

ANTICIPATED RESJ IMPACTS

OLO anticipates that Expedited Bill 30-21 extending rent controls enacted at the beginning of the pandemic and limiting late fees will disproportionately benefit Black and Latinx residents because they experience the highest rates of housing insecurity in the County. More specifically, Black and Latinx residents are over-represented among rent-burdened families and households in need of rental assistance to avoid evictions. Black individuals and families are also over-represented among persons experiencing homelessness in the County.

Overall, OLO anticipates that the bill could reduce the displacement of low-income residents of color resulting from rising rents in neighborhoods with increased real estate development. Displacement associated with the loss of affordable housing would exacerbate current housing inequities by race and ethnicity. Further, Bill 30-21 aligns with best practices recommended by the Eviction Lab at Princeton, the Urban Institute, and PolicyLink for reducing the risk of evictions among low-income households.[31]

RECOMMENDED AMENDMENTS

The County's Racial Equity and Social Justice Act requires OLO to consider whether recommended amendments to bills aimed at narrowing racial and social inequities are warranted in developing RESJIS.[32] OLO finds that Expedited Bill 30-21 could narrow racial and ethnic inequities in housing security by reducing evictions associated with rising rents, particularly in response to increased development in affordable communities across the County (e.g. communities along the Purple Line).

Should the Council desire to actualize more significant reductions in housing inequities via legislation, PolicyLink's Priorities for Advancing Racial Equity Through the American Rescue Plan offers the following recommendations for investing in "frontline, Covid-impacted, and disinvested communities" and for "preventing displacement and increased community ownership of land and housing" that could be considered as potential amendments to this bill:

- **Support projects that affirmatively further fair housing** by ensuring BIPOC residents have equitable access to low-poverty neighborhoods with community assets and also by investing in low-income communities. Strategies aimed at increasing access to low-poverty neighborhoods include inclusionary zoning and increasing the value of housing voucher payments in low-poverty neighborhoods. The County's Moderate Price Dwelling Unit Program aligns with recommended practices for promoting inclusionary zoning in low-poverty communities.[33]
- **Maintain strong eviction moratoria for one year beyond the expiration of the pandemic and provide funding to eliminate rent debt** and support struggling landlords and nonprofit affordable housing providers. Best practices include pairing landlord assistance with eviction protections and lease renewals, protecting renters from exorbitant rent increases, and programs that ensure undocumented people can access services. The County has expanded funding for legal services for households facing evictions, Bills 18-20 and 30-21 limit exorbitant rent increases, and evidence of legal status is not required for the COVID Rental Relief Program.[34]
- **Expand services and acquire permanent housing for people without housing**. The County currently provides a continuum of services for individuals and families experiencing homelessness, but most clients do not receive permanent housing. Among single adults served in 2020, 44 percent were placed in permanent supportive

housing while the remainder received rental support or time-limited rental subsidies of up to 24 months; among families served in 2020, only 12 percent were placed in permanent supportive housing.[35]

- **Fund acquisition strategies to transfer housing and land to community ownership and stewardship,** including rapid-response acquisition funds, community land trusts, and land banks to quickly purchase properties that come up for sale and compete with speculators. Montgomery County's Housing Investment Fund (HIF) and Housing Acquisition and Preservation Funds could potentially be used toward these ends.

Caveats

Two caveats to this racial equity and social justice impact statement should be noted. First, predicting the impact of legislation on racial equity and social justice is a challenging, analytical endeavor due to data limitations, uncertainty, and other factors. Second, this RESJ impact statement is intended to inform the legislative process rather than determine whether the Council should enact legislation. Thus, any conclusion made in this statement does not represent OLO's endorsement of, or objection to, the bill under consideration.

Contributions

Dr. Elaine Bonner-Tompkins, OLO Senior Legislative Analyst, drafted this RESJ impact statement.

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[1] Adopted from definition of racial equity described in the Racial Equity Policy Scorecard included in "Applying a Racial Equity Lens into Federal Nutrition Programs," authored by Marlysa Gamblinni; see the Government Alliance for Race and Equity's "Advancing Racial Equity and Transforming Government" resource guide for understanding the historical role of government in maintaining racial inequities https://racialequityalliance.org/wp-content/uploads/2015/02/GARE-Resource_Guide.pdf
[2] Adopted from racial equity definition provided by Racial Equity Tools. https://www.racialequitytools.org/glossary
[3] Montgomery County Council Expedited Bill 30-21, Landlord-Tenant Relations- Restrictions During Emergencies- Extended Limitations Against Rent Increases and Late Fees, Introduced on July 13, 2021.
[4] Ibid.
[5] Housing insecurity and the COVID-19 pandemic, March 2021, Consumer Financial Protection Bureau. https://files.consumerfinance.gov/f/documents/cfpb_Housing_insecurity_and_the_COVID-19_pandemic.pdf
[6] American Community Survey, Gross Rent as a Percentage of Household Income, 2019 1-Year Estimates, United States Census Bureau. https://data.census.gov/cedsci/table?t=-00%20%20All%20available%20races%3AIncome%20and%20Poverty%3ARace%20and%20Ethnicity&g=0500000US24031&tid=ACSSPP1Y2019.S0201
[7] Linda McMillan memorandum to County Council regarding FY22 Operating Budget: Homeless Services, Rental Assistance, and Housing Initiative, May 11, 2021 (Agenda Item #30, Joint Committee Worksession), see page circle 13. https://www.montgomerycountymd.gov/council/Resources/Files/agenda/col/2021/20210512/20210512_30.pdf
[8] Ibid, see page circle 8.
[9] Ibid.
[10] Calculations based on American Community Survey, 2019 1-Year Estimates, Table ID S2502.
[11] Data from Leah Hendy and Lily Posey, Racial Inequities in Montgomery County, Urban Institute, Detailed Tables, December 2017. https://www.urban.org/research/publication/racial-inequities-montgomery-county-2011-15
[12] Richard Rothstein, The Color of Law: A Forgotten History of How Government Segregated America, 2017
[13] Ibid.
[14] Melvin Oliver and Thomas Shapiro, "Disrupting the Racial Wealth Gap" Sociology for the Public, May 7, 2019
[15] Kilolo Kijakazi, et. al, The Color of Wealth in the Nation's Capital, November 2016 https://www.urban.org/research/publication/color-wealth-nations-capital

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[16] History of Montgomery County, Consumer Health Foundation
[17] Ibid.
[18] Kijakazi
[19] Ibid.
[20] Thomas Hatchett, "The Other Subsidized Housing: Federal Aid for Suburbanization 1940's – 1960's" in John Bowman, et. al, From Tenements to Taylor Homes: In Search of an Urban Policy in Twentieth Century America, 2000
[21] Rothstein
[22] Kijakazi
[23] Keeanga-Yamahtta Taylor, Race for Profit: How Banks and the Real Estate Industry Undermined Black Homeownership, 2019
[24] https://www.urban.org/features/exposing-housing-discrimination
[25] Dorothy Brown, The Whiteness of Wealth: How the Tax System Impoverishes Black Americans and How We Can Fix it, 2021
[26] Montgomery County, Maryland 2015 Analysis of Impediments to Fair Housing Choice
[27] Andrea Flynn, et. al, The Hidden Rules of Race: Barriers to An Inclusive Economy, 2017
[28] Field Note, 2020-2, December 2020 – Turning the Floodlights on the Root Causes of Today's Racialized Economic Disparities: Community Development Work at the Boston Fed Post-2020, Regional and Community Outreach
[29] Kijakazi
[30] Ibid.
[31] See citations for The Eviction Lab and Urban Institute cited by Natalia Carrizosa, COVID-19 Recovery Outlook: Evictions in Rental Housing, Office of Legislative Oversight, June 16, 2020, and PolicyLink, 10 Priorities for Advancing Racial Equity Through the American Rescue Plan: A Guide for City and County Policymakers. https://www.policylink.org/resources-tools/american-rescue-plan-10-priorities
[32] Montgomery County Council, Bill 27-19, Administration – Human Rights - Office of Racial Equity and Social Justice – Racial Equity and Social Justice Advisory Committee - Established
[33] PolicyLink
[34] https://www.montgomerycountymd.gov/council/Resources/Files/agenda/col/2021/20210512/20210512_30.pdf
[35] Ibid, circle page 9.

Montgomery County Council

Testimony on behalf of County Executive Marc Elrich on Bill 30-21 Taxation – Landlord-Tenant Relations – Restrictions During Emergencies, Extended Limitations Against Rent Increases and Late Fees

September 14, 2021

1:30 p.m.

Good afternoon Council President Hucker and Councilmembers, my name is Aseem Nigam, Director of the Department of Housing and Community Affairs. I am here on behalf of the County Executive in support of Bill 30-21 Extended Limitations Against Rent Increases and Late Fees.

This Bill extends for one year after the expiration of the public health emergency the limit on rent increase notices at the voluntary rent guideline, which currently is 1.4%. Such protection is important because the damage done by COVID to our economy and many of our residents is severe and long-lasting.

Throughout the pandemic, the County, through HHS, has been helping tenants who are behind on rent due to COVID by providing up to $12,000 in COVID Rent Relief. And DHCA has been collaborating with HHS to provide tenants court-based legal assistance through Maryland Legal Aid and Homeless Persons Representation Project, along with one-on-one support for tenants through CASA, Housing Initiative Partnership, Latino Economic Development Center and Renters Alliance. At the same time, we have been preserving affordable housing, including 564 units at Halpine View where we also leveraged county land to achieve more deeply affordable housing.

The economic recovery is going to take longer than the health recovery. Many of the jobs people used to hold no longer exist or residents have seen their hours cut. It will take time for people to prepare for and access employment. Thus, there is a need to continue supporting people who are struggling to pay rent while the economy recovers and people adjust to the new economy.

This Bill is reasonable. By extending protections against the potential of large rent increases, we can help Montgomery County renters to remain housed while our economy and our residents emerge from the severe economic impacts of COVID.

Thank you.

STATEMENT OF THE APARTMENT AND OFFICE BUILDING ASSOCIATION OF METROPOLITAN WASHINGTON (AOBA) IN OPPOSITION TO BILL 30-21, LANDLORD-TENANT RELATIONS – RESTRICTIONS DURING EMERGENCIES – EXTENDED LIMITATIONS AGAINST RENT INCREASES AND LATE FEES

September 14, 2021

Good afternoon councilmembers and staff. My name is Nicola Whiteman and I appear today on behalf of the Apartment and Office Building Association of Metropolitan Washington (AOBA) in opposition to B30-21. AOBA is a non-profit trade association representing more than 133,000 apartment units and over 24 million square feet of office space in suburban Maryland. Here in the County, AOBA members own/manage over 60,000 of the County's estimated 83,769 rental units and 20,00,000 square feet of office space.

B30-21 will (1) jeopardize continued financial investment in, and significantly reduce rental income needed to maintain older properties by restricting allowable rent increases; (2) have a chilling effect on the development of and investment in future housing in the County; and (3) increase the regulatory burden on the County's existing housing providers. These restrictions will devastate an industry already struggling with the economic effects of the pandemic and undermine the County's ability to meet its stated housing goals while failing to provide meaningful and targeted relief to residents financially impacted by COVID-19.

Now is not the time to de-stabilize rental housing. Adopting the proposed changes could worsen the economic impact of the public health emergency and delay the housing market's recovery.[i] Almost 18-months since the onset of the COVID-19 pandemic, renters, apartment owners and operators continue to face significant financial challenges. Adopting this rent control bill would only ensure that high-income residents unaffected by the pandemic continue to receive benefits they don't need. Instead of compounding the economic crisis by extending the limitation on allowable rent increases and adopting a previously rejected proposal to ban late fees, the County should reject B30-21 and focus 100% of its efforts on accelerating the disbursement of COVID-19 Rent Relief Program funds.

The legislation if adopted will negatively impact the ability to preserve the County's aging rental housing stock. At the beginning of the pandemic, no one could predict how long it would last, only that the ability of housing providers to collect and residents to pay rent was uncertain for the foreseeable future. Now, many housing providers are carrying substantial balances of outstanding rent from those residents financially impacted by the COVID-19 crisis. One AOBA member is owed over $1 million for its Montgomery County portfolio. Another member is owed hundreds of thousands of dollars *at each of four properties*. This is not sustainable. As these numbers continue to increase, without a substantial increase in the disbursement of COVID rental assistance funds, there will be a domino effect on the ability of housing providers to maintain the County's rental housing stock. Rent is the primary source of income for preserving and maintaining rental housing communities, yet the bill seeks to limit income for the County's existing rental housing stock. The bill ignores increasing expense pressures on multifamily communities, especially older communities. Consider, for example, the following:

- **Impact of utility costs on the rental housing:** With rising rates and an increasing number of surcharges, WSSC, Pepco and Washington Gas are significant contributors to the cost of maintaining rental housing. Consider too, that these expenses continue to increase as most residents continue to work from home as employers delay a return to the office. These numbers are projected to continue increasing given expected rate case filings by Pepco and Washington Gas.

    - **PEPCO:** On June 28, 2021, the Maryland Public Service Commission ("PSC") authorized a revenue increase for Pepco of $52.2 million over the next three years (rate increase in effect through March 2024).
    - **WASHINGTON GAS:** On February 12, 2021, the Maryland PSC granted Washington Gas a $12.9 million increase in base rates effective March 2021. Washington Gas is expected to file for another rate increase in late 2021-early 2022 timeline.
    - Total utility costs for buildings with utilities included in the rent can average up to 40% of operating expenses for properties without a mortgage and up to 30% for those with a mortgage. Utility cost have increased approximately 3-5% since the start of the pandemic, primarily due to increased WSSC costs as residents remain at home due to COVID-19 concerns.

- **Impact of onerous fuel/energy tax on preservation of rental housing**: Montgomery County fuel/energy tax revenue estimates for FY22 are $175.7 million. Because of the impacts from COVID-19 (increased energy consumption as residents remain at home), residential tax collections increased 64.6% during the first seven months of FY21 compared to FY20.[ii] The fuel/energy tax alone accounts for 15-20% of customer's total electric bills.[iii] This tax indisputably thus results in rent pressure for every multifamily building where utility costs are included in the rent, and the County has many such buildings.

- **Cost of compliance with other public policy goals and initiatives:** As rental revenues continue to decline, it is critical that the Council consider the impact of existing and proposed regulatory policies on the availability and preservation of affordable housing For example, what is the impact of adopting a building energy performance standard or climate action plan on the County's housing goals? How would rental housing subject to rent control restrictions, as proposed under B30-21, also finance compliance with these regulatory initiatives?

The proposal to implement rent control will discourage construction of new multifamily communities and undermine the County's recent efforts to incentivize rental housing production and preservation. Currently and for the foreseeable future, demand is outstripping supply[iv]. If the Council adopted this legislation, it would discourage much needed investment in existing and new housing.[v] Montgomery County is not an island and the rising costs of preserving and production of housing in this jurisdiction coupled with rent control legislation will only enhance the attractiveness if its neighbors. Developers will choose to build in jurisdictions with stable regulatory environments where investors will not be exposed to the same level of risk. This would be a loss for the County. This legislation would also undermine recent initiatives such as "More Housing at Metrorail Stations Act," designed to help the County achieve its stated housing goals to building more much needed housing.

Fiscal impact to County: Reducing allowable rent increases will depress property values and tax revenue for the County. Rent is the primary source of income for housing providers and ninety cents of every dollar collected in rent covers costs associated with a property.[vi] For example, 12 cents of every $1 is spent on capital expenditures, including roof and HVAC replacement and other important repairs that help ensure quality housing for the County's rental housing residents. Facing declining rental income necessary to maintain their rental communities, some housing providers are delaying costly capital improvement projects or deferring maintenance. Deferred investment in the County's rental housing communities will not only impact the availability of quality housing but also the County's fiscal health.[vii] As housing providers are forced to defer investments and maintenance needs, property values will decline resulting in a corresponding decline in tax revenues for the County and state.[viii]

While some expenses can be deferred, others like mortgage payments and taxes cannot. Notably, approximately 38 cents of every $1 pays for the mortgage on a property. This is a critical expense, as mortgage foreclosures put all residents at risk of losing their housing. Rent payments also cover housing providers' other financial obligations including, for example, increasing utility costs (including from the spike in usage by residents), rising insurance expenses, and other operating costs. Consider too, once new costs associated with protecting their communities from COVID-19.[ix] Housing providers are also facing significant new regulatory costs, including compliance costs associated with the proposed building energy performance standards.[x]

Rents are flat or decreasing. Rents in Montgomery County have increased more slowly than they have in nearby/comparable jurisdictions, including Washington, DC which has a form of rent stabilization."[xi] Notably, the County was experiencing decreasing rents even before the start of the COVID-19 pandemic and subsequent adoption of legislation restricting allowable rent increases to the Voluntary Rent Guideline which is now 1.4%. [xii]

What is the solution? Accelerate the distribution of rental assistance funds. The above challenges and concerns reinforce the need for increasing the disbursement of emergency rental assistance funds. A focused and unified effort to increase the distribution of rental assistance funds is critical to building the necessary bridge that families need as we work towards an equitable recovery from the COVID-19 pandemic. Time is of the essence as the County faces a September 30 deadline to distribute 65% or $38.85 million of the $59 million received in federal and state rental assistance.[xiii] More importantly, the quicker we can distribute funds for affected households, the faster we can stabilize household finances for these families. To date, AOBA and its members have held multiple meetings with HHS to assist the agency, first with early program deployment, and later to ensure tenants' understanding of and access to the program. AOBA urges the Council to reject B30-21 and continue working with its private sector partners on identifying and implementing solutions that will address its housing needs. We look forward to working collaboratively with both the Council and the County Executive to ensure residents financially impacted by the COVID-19 pandemic receive available funds.

[i]See, for example, Rent Collection Is Down, and Apartment Owners Feel the Squeeze, Multifamily properties were initially a bright spot during Covid-19, but banks now see more apartment debt as high risk, WSJ, Jan. 26, 2021 ("Owners of multifamily buildings are falling behind on loan payments. Banks view a greater number of rental loans as high risk, and fewer lenders are available to help struggling developers with financing. Eviction protections, lower rent collections and unprecedented declines in the asking rent in some urban markets are also taking their toll on apartment owners."); The flip side of Trump's eviction ban: Landlords face big crunch, Politico, ("Most of the units are owned by mom-and-pop landlords, many of whom invested in property to save for retirement. Now they're dealing with a dramatic drop in income, facing the prospect of either trying to sell their property or going into debt to meet financial obligations including mortgage and insurance payments, property taxes, utilities and maintenance costs. If enough landlords can no longer make those payments, it would threaten everything from the school budgets funded by property taxes to the stability of the $11 trillion U.S. mortgage market itself.")

[ii]https://www.montgomerycountymd.gov/OMB/Resources/Files/omb/pdfs/FY22/psprec/05-FY2022-REC_Revenues.pdf

[iii] AOBA member projected 2021 electric cost analysis for multiple properties in Montgomery County.

[iv]Montgomery County Housing Needs Assessment, July 2020, ("Given the average annual production of 2,577 new units* from 2015-2019, ***Montgomery County is likely [currently] producing less housing than what is suggested by the employment-driven housing demand forecasts."***); The Metropolitan Washington Council of Governments (MWCOG) called on Montgomery County to increase its share of housing by 10,000 units, including 1,000 additional units each in the City of Gaithersburg and the City of Rockville. The Future of Housing in Greater Washington, Metropolitan Council of Governments, September 2019, page 1 ("[A] Metropolitan Washington Council of Governments (COG) analysis showed the region needs, between 2020 and 2030, more than 75,000 additional households than what is currently anticipated (245,000 households). If the timeframe is stretched from 2020 to 2045, more than 100,000 additional households will be needed beyond the new households anticipated."); See also Strategies for increasing Housing in High-Cost Cities, Urban Institute, August 2016, page 9
("All jurisdictions in the DC region need to produce more housing. From 2012 to 2032, the area needs to build more than 344,000 single-family units and more than 203,000 multifamily units.")
TABLE 2 To Meet Projected Need, All Jurisdictions Need More Production, Future housing demand, 2012 to 2032 by jurisdiction

Jurisdiction	**Total units needed**	**Single-family**	**Multifamily Units**	**Units needed per year**
Montgomery County	83,829	51,316	32,514	4,191

[v]See also B52-20 - Landlord-Tenant Relations - Protection Against Rent Gouging Near Transit, Economic Impact Statement, pages 2-3 ("*Economists Nearly Universally Agree That Rent Ceilings Reduce The* ***quantity and quality of housing*** and that even more moderate forms of rent stabilization have efficiency challenges and negative housing market impacts,") and page 4 ("Economic research often shows that rent stabilization laws lead to supply-side pressures, both in terms of *quantity* and *quality* of supply. To wit, such laws increase the number of condominium conversions, may reduce the number of new units constructed, and can lead to disinvestment by landlords.')

[vi] National Apartment Association (NAA) - Breaking Down one Dollar of Rent

[vii]JCHS reports on landlords under stress, September 2, 2021 ("Having landlords defer maintenance on their properties and seek to exit the business does not bode well for the availability of quality, affordable rental housing.")

[viii]See key findings in the 2005 Takoma Park MD Rent Stabilization Analysis:

- Collectively, the Takoma Park, Montgomery County, and the State of Maryland governments could be losing $795,000 annually in foregone taxes as a result of the policy;
- The assessed value of Takoma Park's multi-family housing as a percentage of the city's total assessed value had declined from 11.6 percent in 2000 to 8.5 percent in 2004; and
- The number of rental units available in Takoma Park had declined by 14 percent since 1990.

See also 2008 study "Some Implications of the Re-imposition of Rent Control on Montgomery County, Maryland," University of Maryland School of Public Policy which concluded that "[t]his review of assessable base growth, projected property tax revenues with and without rent control and rent to income ratios in selected properties suggests that the ***County has little to gain and potentially much to lose, were it to enact rent control legislation***.")

[ix]Solid waste costs have doubled for most housing providers as many residents remain at home due to employers delaying a mandatory return to offices. While utility companies were previously barred from disconnecting utilities or assessing late fees for *residential* customers, all customers, including housing providers remain obligated to pay their utility bills. Also compounding an already challenged housing market, are rising vacancy rates as residents make different housing choices given an uncertain economic future. See also The Impacts of Rental Housing Insurance Premium Increases, NAA publication, June 2021, ("Across the United States, rental housing providers have been experiencing increased premiums across all lines of insurance. Recently, this is becoming more common for providers in the affordable housing space who see premium increases on properties that accept Section 8 Housing Choice Vouchers because of perceived additional risk. Inevitably, such increases drive up operational costs for the property and impact the affordability of rental housing generally."

[x] See Economic Impact Statement on Bill 16-21, page 16 "… OLO expects that enacting Bill 16-21 may reduce the County's competitiveness in the office, retail, and/or multifamily markets vis-à-vis peer jurisdictions, particularly Fairfax County**.** …. Holding all else equal, ***establishing a BEPS policy in Montgomery County would increase average capital, administrative, and operating costs for buildings*** *vis-à-vis those in surrounding jurisdictions. In addition to increasing the cost of doing business in the short-term,* ***establishing a BEPS policy may also undermine perceptions of the business-friendliness of the County among investors, developers, and other economic actors***. ***These effects could, in turn, reduce investment in the*** *office, retail and/or* ***multifamily building markets****, as Fairfax and other nearby jurisdictions appear relatively more attractive. … If enacting Bill 16-21 would result in decreased investment in the office, retail, or multifamily markets, Montgomery County would experience economic development losses (i.e., foregone jobs from building infrastructure projects.")*

[x]See, for example, The Pandemic is Making it Difficult for Mom-and-Pop Landlords to Maintain Their Properties, Urban Institute, July 23, 2021 ("[T] the number of landlords who are postponing maintenance reinforces the need to allocate emergency rental assistance (ERA) as quickly as feasible. … This assistance, if quickly distributed, could be a lifeline for many tenants and landlords, providing vital funding for much-needed preservation of their homes and properties. ")

[xi]See also, Economic Impact Statement (EIS) page 8 ("None of this general data indicates that rents are increasing rapidly in Montgomery County and does not indicate that any such problem is more acute near rail transit stations. Program-level data tells a similar story. In response to our questions, the Department of Housing and Community Affairs' (Office of Landlord-Tenant Affairs) indicated that it received only 19 complaints about rent increases in FY19 and 44 such complaints in FY20.")

[xii] EIS, page 6. (Per CoStar data, [a]verage effective rents in Montgomery County's rental housing market generally increase only modestly. According to Co-Star Analytics, the average annual change for Montgomery County's rental multi-family housing stock from 2001 to 2020 is 1.48% per year.")

[xiii]Riemer, Jawando ask county to look into some rent relief cases, Bethesda Beat, July 16, 2021 ("Ilana Branda, deputy chief of Services to End and Prevent Homelessness within DHHS, said that of this week the county has distributed about $7.7 million of the $59 million it received from the federal and state governments for rental assistance. Of that, 65%, or about $38.35 million, must be distributed by late September, according to U.S. Treasury and state guidelines."

Montgomery County Community Action Board Testimony

Expedited Bill 30-21: Landlord-Tenant Relations - Restrictions During Emergencies - Extended Limitations Against Rent Increases and Late Fees

September 14, 2021

As advocates for the low-income community, the Community Action Board (CAB) strongly supports Bill 30-21. The CAB supported the COVID-19 Renter Relief Act last year, which prohibited rent increases beyond the guidelines established by the County. Recognizing that renters continue to struggle in our community due to the impacts of COVID-19 and the longstanding lack of affordable housing, we believe that extending the protections already in place for an additional year is critical.

The lack of affordable housing in Montgomery County continues to be a critical issue for lower-income households. In 2019, even before the COVID-19 pandemic, about half of all renters in the County were "housing cost burdened", spending more than 30% of their income of housing alone.[1] Our board has heard time and again from participants in our free advocacy training program for lower-income County residents, the Community Advocacy Institute, that obtaining affordable housing is a constant struggle. The HOC housing voucher waiting list remains long and many people struggle to navigate the application process for rental assistance.

One of our board members who represents the low-income community, recently shared her personal challenges during the pandemic. She continues to be unable to work due to the in-person nature of her job and is now behind on her rent. While she has applied for assistance, she is still struggling and is very concerned about what will happen now that the Maryland evictions moratorium has ended.[2]

[1] https://hit.handhousing.org/jurisdictions/montgomery
[2] https://nlihc.org/sites/default/files/Overview-of-National-Eviction-Moratorium.pdf

This bill is critical to help ensure that households currently behind on their rent, most of whom are people of color, do not fall further behind.[3] Extending the restrictions on rent increases for an additional year following the public health emergency will help to prevent a surge in homelessness later on. The CAB applauds the County Council's ongoing efforts to address the needs of lower-income community members during the pandemic and beyond. We encourage you to pass this bill and we stand ready to support the Council in establishing additional policies and programs that will provide critical assistance and help more of our neighbors move towards self-sufficiency.

[3] https://nlihc.org/coronavirus-and-housing-homelessness/national-eviction-moratorium

From: Douglas Hoyt
To: Councilmembers
Subject: Oppose Expedited Bill 30-21
Date: Wednesday, September 15, 2021 9:55:31 AM

Dear Montgomery County Councilmembers,

I urge you to oppose Expedited Bill 30-21, Landlord-Tenant Relations – Restrictions During Emergencies - Extended Limitations Against Rent Increases and Late Fees. Now is not the time to de-stabilize rental housing. Housing providers are experiencing rising levels of outstanding rent payments, increased operational costs, and are carrying substantial balances of outstanding rental debt from residents impacted financially by COVID-19. The proposal to ban late fees will only disincentivize some of our residents who can from paying rent resulting in even higher amounts of rent owed. As these numbers continue to increase without a substantial increase in the disbursement of COVID-19 Rent Relief Program funds, our ability to maintain the County's rental housing stock will be impaired.

Facing declining rental income necessary to maintain our rental communities, some housing providers are delaying costly capital improvement projects or deferring maintenance. Deferred investment in the County's rental housing communities, over half of which is more than thirty years old, will not only impact the availability of quality housing but also the County's fiscal health. As we are forced to defer investments and maintenance needs, property values will decline resulting in lower tax revenues for the County and state.

Implementing rent control, as this bill proposes, would further exacerbate these economic hardships, and jeopardize the County's ability to meet its housing goals by discouraging much-needed investment in both existing and new rental housing. The County risks developers electing to take much-needed investment dollars to neighboring jurisdictions instead of Montgomery County. Many of these jurisdictions operate without punitive restrictions on reasonable rent increases and late fees.

Accelerating Rent Relief Funds Must be the Priority

The proposed rent control legislation is a blunt instrument that, unlike every other affordable housing program, would apply to all rental housing regardless of a renter's income, ensuring that high-income residents unaffected by the pandemic continue to receive a benefit they don't need. If the desired goal is helping residents financially impacted by the pandemic, then the Council should redouble its efforts to expedite the disbursement of COVID Rent Relief Program funding. Accelerating the distribution of funds to renters in need will stabilize their finances and enhance housing stability while also providing the income necessary to maintaining rental housing.

Since the onset of the Rent Relief Program, housing providers like myself have hosted events to increase program awareness among residents in our communities, assisted residents in completing applications, and actively applied for funding. B30-21 would be disastrous for Montgomery County, and I urge your opposition. I stand ready to partner with the Council on improving the process for getting funds under the COVID-19 Rent Relief Program, a targeted and effective solution, to residents in need.

Regards,

Douglas Hoyt
11225 Oak Leaf Dr
Silver Spring, MD 20901

From: Wesley Darden
To: County.Council@MontgomeryCountyMD.gov
Subject: Pass Rent Stabilization Bill 30-21
Date: Wednesday, September 15, 2021 8:57:33 AM

County Councilmembers,

I'm writing today to urge you to pass Rent Stabilization Bill 30-21.

Approximately 40% of Montgomery County residents live in rental housing. These community members are disproportionately people of color, more likely to have suffered the health effects of contracting COVID-19, more likely to be essential workers, more likely to have had their income reduced during the pandemic, and more likely to have lost jobs entirely.

In April 2020, the Council voted unanimously to pass the COVID-19 Renter Relief Act. And today, the conditions that necessitated the passage of that measure are still present: We are still in a pandemic.

Thousands of our renters are already in arrears, and fewer than half of the applications for rent relief have been processed. Please give families an opportunity to receive the aid they've been promised, and time to financially recover.

There are landlords here providing month-to-month leases, waiting for those 2020-enacted protections to expire so they can raise rents beyond the voluntary guidelines. Court dockets are already packed with eviction cases, as the Delta variant continues to rage. Now is not the time to lift protections and push housing stability out of reach for even more families and children.

Governor Hogan has failed our community by neglecting to declare the obvious -- that we are in a public health emergency, and so it falls to you to step up and protect our residents. Please pass Rent Stabilization Bill 30-21.

Additionally, I ask that we follow the lead of five other Maryland counties and partner with United Way to expedite rent relief payouts with the Strategic Targeted Eviction Prevention (S.T.E.P.) program. This program works with landlords to pay off multiple tenants' back rent in bulk, instead of individual tenants having to apply.

Thank you for your time and consideration. Housing is a human right, a public health issue, a public safety issue, and a moral issue. We must not leave renters behind as we recover from this pandemic as a community.

Wesley Darden
wadarden@gmail.com
11427 encore dr
Silver Spring, Maryland 20901

From:	Dana Pisanelli
To:	county.council@montgomerycountymd.gov
Cc:	councilmember.jawando@montgomerycountymd.gov
Subject:	Support for Expedited Bill 30-21
Date:	Thursday, July 15, 2021 4:29:08 PM

To Montgomery County Councilmembers:

I write in support of Councilmember Jawando's expedited bill to limit rent increases for one year after Maryland's Covid-19 related State of Emergency ends. As a county resident and renter since 2000, I have first hand experience that is directly relevant to the proposed legislation.

In February 2020, I received an invitation to renew my lease for the same 2 BR unit I had been renting for twenty years. With not a single upgrade or appliance replacement (other than new carpeting 14 years earlier and replacing a garbage disposal that was beyond repair), the lowest increase was 20%. My new rent would be even higher if I were to renew for a shorter period-- and even higher still if I decided to convert to a month-to-month tenancy. At the time, the County's recommended increase was 1.5%.

That is not a typographical error. Brookfield Properties Multifamily LLC, a giant corporate conglomerate that took over the building a few years ago, has consistently imposed higher increases than the prior company. And just as the pandemic was taking off, it sought to impose the highest increases I have ever experienced or heard of, raising my (not inexpensive) rent a minimum of TWENTY PERCENT.

Had it not been for Council's bill limiting rent increases last year, I would have been constructively evicted by this exorbitant increase. And I have no doubt that if Expedited Bill 30-21 does not become law, Brookfield will immediately engage in similar, unconscionable price gouging.

I ask you to please pass Expedited Bill 30-21, and to consider future legislation to protect renters by imposing rent control. Voluntary guidelines do not stem abuses by greedy landlords and management companies.

Thank you.

Sincerely,

Dana Pisanelli
North Bethesda

September 14, 2021

Councilmember Tom Hucker, President
Councilmember Gabe Albornaz, Vice President
Montgomery County Council
Stella Werner Council Office Building
100 Maryland Ave
Rockville, MD 20850

RE: CASA Testimony in SUPPORT of Council Bill 30-21, Landlord-Tenant Relations - Restrictions During Emergencies - Extended Limitations Against Rent Increases and Late Fees

Dear Council President Hucker and Members of the County Council,

CASA offers our strong support of Bill 30-21. CASA is the region's largest community organization serving the immigrant community with a growing membership of over 115,000 Black and brown immigrant and working families, over 20,000 of whom live across Montgomery County. Our mission is to create a more just society by building power and improving the quality of life in working-class and immigrant communities. We envision a future where our members stand in their own power, our families live free of discrimination and fear, and our diverse communities thrive as we work with our partners to achieve full human rights for all.

Bill 30-21 aims to extend necessary protections for Montgomery County working families as they continue to navigate the raging pandemic. Bill 30-21 would extend the limitation on rent increases from 90 days to one year after the expiration of the public health emergency and prohibit charging late fees accrued during, and for one year after the emergency. We applaud the foresight this council had in championing housing security for Montgomery County families at the beginning of the pandemic with the passage of the expedited legislation to limit rent increases last April - and now, call on the council to continue their leadership on behalf of working families who are still greatly impacted by the pandemic.

Countless CASA members have shared experiences of landlords providing month-to-month leases who are waiting for the current protections to expire so they can raise rents higher than the

2.6% cap provided in the voluntary rent guidelines. In this ongoing crisis, we can't afford to price out our most vulnerable. The extension of this protection for an additional year will make the difference for many families who are struggling to find employment, receive rental assistance, and put food on the table.

Housing is a critical element of infrastructure. It is our core belief that housing is a human right and the greatest asset in any community is its people – our community's health, prosperity, and quality of life are at the core of how we should measure community sustainability. Montgomery County has a responsibility to ensure that all of those elements are taken into consideration as they craft policy. The protections in Bill 30-21 are simply an additional tool that working families will have on their side. Housing cost-burdens are most prevalent among renters, many of whom are essential workers - the heroes who continue to keep our economy running as we continue to work from home. Further, Bill 30-21 drives Montgomery County closer to its vision of racial equity, as immigrants and other residents of color, who have been most impacted by the effects of the emergency, face a longer economic recovery period.

CASA strongly supports Bill 30-21 and respectfully urges the council to vote favorably.

Respectfully submitted,

Ashanti Martinez
Research and Policy Analyst, CASA
ashantimartinez@wearecasa.org

Extending the rent increase and late fee limitations will be detrimental to the County's goal of maintaining affordable housing. Repair costs – materials and labor – continue to rise in the wake of the COVID-19 pandemic. At the same time, the real estate market is booming, with bidding wars for houses offered for sale. If the County continues to limit rent increases, property owners are likely to opt to get out of the rental business and sell rental properties, rather than pay increased repair and labor costs, with no increase in rental income. Thereby, the opportunity for affordable housing erodes.

September 14, 2021
Sherry Glazer, Bethesda, MD
Deedee Jacobsohn, Rockville, MD
https://jufj.org/

JEWS UNITED FOR JUSTICE
THINK JEWISHLY. ACT LOCALLY.

TESTIMONY IN SUPPORT OF BILL 30-21

Landlord-Tenant Relations – Restrictions During Emergencies – Extended Limitations Against Rent Increases and Late Fees

TO: The Montgomery County Council

FROM: Sherry Glazer and Deedee Jacobsohn, on behalf of Jews United for Justice (JUFJ)

Our names are Deedee Jacobsohn and Sherry Glazer, both residents of District 1. We are submitting this testimony in support of **Expedited Bill 30-21 – Landlord-Tenant Relations – Restrictions During Emergencies – Extended Limitations Against Rent Increases and Late Fees** on behalf of Jews United for Justice (JUFJ). JUFJ represents over 2,700 Jews and allies from across Montgomery County, who act on our shared Jewish values by pursuing social and economic justice and racial equity in our local communities.

Jewish texts provide guidance on many aspects of fairness in housing. For example, the Talmud includes specific discussions on the requirement to provide safe and habitable living conditions to tenants and on limiting evictions. In this time of crisis we are thinking of a more general ethical precept: "You shall not abuse a needy and destitute laborer, whether a fellow countryman or a stranger" (Deuteronomy 23:24). **Bill 30-21 provides critical protections to tenants during a prolonged period of economic uncertainty the pandemic has caused.**

Bill 30-21 extends the provisions of the COVID-19 Renter Relief Act (Expedited Bill 18-20) which was enacted by the full Council on April 23, 2020. Bill 18-20 prohibited landlords from raising rents above the voluntary rent increase guidelines from the beginning of the state of emergency in March 2020 through 90 days after the expiration of the state of emergency. By passing Bill 30-21, tenants will be protected from rent increases for an entire year after the expiration of the emergency, instead of being protected for only 90 days.

Bill 30-21 will also prohibit charging fees for late rent payments during the emergency and for one year after the expiration of the emergency. **Since the emergency declared by the State of Maryland expired on August 15, time is of the essence for enacting Bill**

30-21 in its entirety, ensuring protections for renters from unjustly large rent increases and accumulating late fees.

We are nearly 18 months into the health crisis that began in March 2020, and the pandemic is not over. Despite the recent surge of the delta variant and urgent pleas from Maryland legislators and advocates, Governor Hogan would not renew Maryland's state of emergency and allowed it to expire on August 15, 2021. This means the protections from the COVID-19 Renter Relief Act will expire on November 15, 2021. Bill 30-21 will provide an additional 9 months of protection from excessive rent increases that will significantly lessen the hardships on renters. Despite millions of federal and state dollars granted for rent relief, tenants are struggling to get access to the funds to cover past rent due. We urge the County Council to do what it can to ease the financial burdens and uncertainty facing renters in Montgomery County, particularly as other safety nets disappear.

Limiting rent increases to those specified in the voluntary rent guidelines does not result in preventing all rent increases, only those increases that are unfair during a time of economic crisis. According to the Department of Housing and Community Affairs (DHCA), the voluntary rent guidelines are set by the County Executive annually "based on the rental component of the Consumer Price Index for the Washington-Metropolitan Area." This keeps rent in line with other regular expenses and allows tenants to have a reasonable expectation of remaining in their homes at a rent they can afford. Since most landlords tend to follow the voluntary rent guidelines without legislation, extending this limitation will have no impact on their usual business. Landlords who seek to profit from the perennial local housing shortage, however, will be prevented from doing so. We are thankful that the County Council voted unanimously to pass limits on rent increases in April 2020, and hope that you will extend that provision now.

We further urge the County Council to prohibit charging late fees. Late fees during the current crisis place an undue burden on struggling workers, especially cost burdened renters who already pay more than 35% of their incomes towards rent. And if late fees are allowed to continue to accrue, the amount of rent relief obtained will not cover rising debt. **We hope that the County Council will prohibit the punitive practice of charging late fees at a time when thousands of renters are at risk of eviction during an ongoing public health crisis.**

On behalf of Jews United for Justice, we urge the Council to use its power to keep people housed by supporting Bill 30-21.

Testimony Tigist Teklegioris, Montgomery County Resident
In favor of Bill 30-21

Good afternoon members of the county council,
My name is Tigist Teklegioris, I am a Montgomery County resident, and I am here in favor of Bill-30-21, in support of rent stabilization and cancelation of late fees during this time of crisis. I have lived in the county for many years with my four children, two of them are now in college. During the pandemic, there were times I wasn't feeling well; I had fevers, cough, bitter taste, and I couldn't sleep. I was in bad shape, my symptoms continued for months, and I had to take time off from work. Because I wasn't able to work due to my health, my employment was terminated. Now I am struggling to pay the rent, and I haven't been able to pay the rent since April.

The housing situation has been very hard. I have been struggling paying bills, and someone shared with me how to apply for rental assistance. I applied for rental assistance more than four months ago, and I am still on the waiting list. I have a one-year lease that is about to expire this month, on September 23rd, and I am trying to see if I can extend my lease month-to-month.

It is important not to increase the rent or charge late fees because this is an international crisis. So many people have died because of Covid-19, not just here but everywhere. If I were working, I would be paying the rent, but businesses are collapsing at the international level. Thank you for your time, and I ask for your support on Bill 30-21 to support Montgomery County Residents during this crisis. Thank you!

September 16, 2021

TO: Montgomery County Councilmembers

RE: Expedited Bill 30-21, Landlord-Tenant Relations – Restrictions During Emergencies – Extended Limitations Against Rent Increases and Late Fees

As Chairman and CEO of Walker & Dunlop, the largest provider of capital to the U.S. multifamily industry that is also ranked the #1 Fannie Mae DUS® Lender and the #3 Freddie Mac Multifamily lender, I urge you to not move forward on B30-21, a proposal to adopt emergency rent control in Montgomery County. From the perspective of one of a handful of publicly traded companies in Montgomery County, we firmly believe that this proposal would have a negative effect on our housing stock and the rest of the local economy.

Montgomery County has recently taken concrete steps to increase housing development, including affordable housing development. The proposed rent control measures undermine those efforts and will have a chilling effect on the ability of owners to maintain existing housing and develop future housing.

Further, the proposal fails to address the core housing issue that we face today: dwindling supply. As we saw in an announcement this week, the White House is calling for more capital and additional supply to create housing stock and reduce rents. Any rent control will achieve the opposite goal; it will discourage investors from entering the Montgomery County market, effectively capping capital flows into and pushing rents higher.

Underwriters of loans intending to either refinance existing properties or finance new development must conduct a risk analysis of a loan application, which includes a risk profile of the regulatory environment where the properties are located. Rising operational costs due to the pandemic and the government's policy response has had a destabilizing effect on the rental housing market, and both B30-21 and the still pending B52-20 would disrupt it further. Implementing rent control, as is called for in both bills, even on a temporary basis under the justification of an emergency, will collectively discourage rental housing development in the county and handicap future multifamily financing, which provides a much-needed housing alternative in the current supply-constrained environment.

To reiterate, we do not support the measures in Bill 30-21 and the still pending Bill 52-20, and would suggest the Council focus on increasing supply of affordable rental and for-sale housing rather than stagnating growth and investment by attempting to control rents.

Sincerely,

William M. Walker
Chairman & CEO of Walker & Dunlop

Dweck
PROPERTIES

1050 17th Street NW, Suite 300
Washington DC 20036
202.296.0360
dweckproperties.com

September 17, 2021

STATEMENT BY DWECK PROPERTIES IN OPPOSITION TO BILL 30-21

September 14, 2021

Good afternoon councilmembers and staff. My name is Lisa Williams, and I am the Senior Vice President of Property Management for Dweck Properties. Dweck Properties is the owner/manager of Willard Towers, one of the first high rise apartment buildings in Chevy Chase and comprised of more than 500 residences.

The building was developed in the 1960's by Abe Pollin (then called The Irene). Several of our residents were original tenants and have been part of the building's fabric for decades. Much of the building's systems and equipment are also original to this 60+ year landmark and in need of significant capital investment.

With a reverence for its colorful history and its potential, our company purchased the property in June 2020.

The negative impact of B30-21 on older buildings like Willard Towers is substantial.

- **Reducing rental income has a direct impact on how owners finance and implement critically needed repairs and replacements--** plumbing, HVAC, elevator, electrical systems, and more. These systems are core to healthy, comfortable living environments.

- **It also exacerbates the rising operating expense burden on owners**—already impacted by increasing covid-related costs for additional cleaning, insurance, utility and ventilation, plus significant personnel absences related to the pandemic, and much more.

Both factors further destabilize the apartment market at all levels, disincentivize investment in housing, —especially older housing--while providing no relief to the residents that need rental assistance the most.

Lisa Williams
Senior Vice President, Property Management, Dweck Properties
1050 17th Street NW, Suite 300
Washington D.C. 20036

From:	Nicola Whiteman
To:	Wellons, Christine
Subject:	FW: Oppose Bill 30-21
Date:	Friday, September 17, 2021 2:53:10 PM
Attachments:	image001.png image002.png image003.png image004.png image005.png image006.png

[EXTERNAL EMAIL]

From: Luke Lanciano <llanciano@bmcproperties.com>
Sent: Friday, September 17, 2021 1:31 PM
To: hans.riemer@gmail.com; Ken.Silverman@montgomerycountymd.gov; Councilmember.Riemer@montgomerycountymd.gov; Councilmember.Glass@montgomerycountymd.gov; Valeria.Carranza@montgomerycountymd.gov; gabe.albarnoz@montgomerycountymd.gov; Joy.Nurmi@montgomerycountymd.gov; Councilmember.Jawando@montgomerycountymd.gov; Pamela.Luckett@montgomerycountymd.gov; Cecily.Thorne@montgomerycountymd.gov; Councilmember.Katz@montgomerycountymd.gov; Carmen.Kaarid@montgomerycountymd.gov; Lisa.Mandel-Trupp@montgomerycountymd.gov; Councilmember.Friedson@montgomerycountymd.gov; Mary.Gies@montgomerycountymd.gov; Cindy.Gibson@montgomerycountymd.gov; Craig.Rice@montgomerycountymd.gov; sharon.ledner@montgomerycountymd.gov; Councilmember.Navarro@montgomerycountymd.gov; craig.wilson@montgomerycountymd.gov; Roland.Ikheloa@montgomerycountymd.gov; councilmember.hucker@montgomerycountymd.gov; David.Kunes@montgomerycountymd.gov; Julio.Murillo@montgomerycountymd.gov; Christine.wellons@montgomerycountymd.gov; County.Council@montgomerycountymd.gov
Cc: Nicola Whiteman <nwhiteman@aoba-metro.org>
Subject: Oppose Bill 30-21

Good Afternoon Councilmembers,

My name is Luke Lanciano and I work in the affordable housing compliance department of Bernstein Management Corporation. We manage over 800 units in the County, including 82 dedicated affordable housing units in a larger downtown Silver Spring building that also provides market rate housing. I would like share how the re-imposition of rent control and prohibition on late fees outlined in Bill 30-21 would impact our ability to provide high quality housing to all our residents, whether they be in dedicated affordable housing units or market rate units. I urge you all to think carefully when making such major policy changes under the guise of an emergency. There have been no marked increases in unemployment in the County or State with the Delta surge of COVID-19, so imposing bans on late fees or certain rent increases for arbitrary lengths of time at this stage simply makes no sense as a response.

To dispel with the rhetoric, Bill 30-21 is very clearly a rent control bill, disguised as a "temporary" COVID relief measure. Rent control is a failed policy that lowers housing quality, reduces investment in new housing and fails to target limited resources to those who need them most, thus further exacerbating the problems faced by those with low incomes. What Bill 30-21 will actually do is make it harder for housing providers to refinance, allocate future capital for needed repairs, and manage our housing inventory in such a way that ensures housing availability for new County residents. If the Council can extend rent control for another year based on the flimsy pretense that COVID-19's continued circulation means broad economic hardship, then it will almost certainly extend rent control using any other excuse. Late fees are critical tools to ensure that tenants pay their rent in a timely fashion to help providers pay their own obligations to staff and vendors, and in jurisdictions where late fees have been banned we have seen markedly lower collection rates, even with comparable economic indicators and similar building types and unit mixes. For our dedicated affordable housing units, the implicit long-term appeal of a mixed income building is that the losses taken by an investor in offering affordable housing units are then offset by the market rate pricing available for other units. By taking away the market-rate component of mixed income housing, the Council would undercut future mixed income projects and reduce the availability of high quality, economically integrated housing. Mixed income buildings are extremely valuable sources of housing in places like Montgomery County, which is all-too-often segregated by income in many other ways. The more barriers that the Council puts in place to private investment in such housing, the less housing of this type there will be.

By enacting Bill 30-21, the County Council is also distracting from the much more critical task at hand—the speedy provision of rental assistance. The County lags behind regional neighbors in the speed it has been able to disburse funds, and rental assistance ought to be the primary focus of any elected official who truly seeks to help low-income County residents. Currently, there is a deadline of September 30th for each region to spend 65% of their allocated funds, lest the Treasury Department pull funding and re-allocate it to those regions who are better able to successfully spend these dollars, so ensuring that Montgomery County ends up on the right side of that trade over the next 2 weeks is absolutely critical for the region. Pursuing a failed policy during that time, which will only harm the County in the long-run is the wrong approach. The County Rental Assistance program run by DHHS is a clear place where County Council pressure can help break down some of the barriers to our tenants receiving assistance. We have been constantly pushing tenants to take advantage of the County's program, and keep hearing about the endless delays they face at DHHS, the labyrinth of requirements and the inability to reach someone to answer questions about a pending application and we are sincerely hoping for your assistance here.

The housing industry has already faced many challenges since March 2020, caused in part by a sharp but temporary drop in demand and exacerbated by County Council policy. Despite this, our expenses have gone up considerably, as our staff has continued to maintain, disinfect, and manage properties that suddenly became part-time offices for countless remote workers. In addition, many providers started offering payment plans, and increased tenant outreach and support as soon as the seriousness of COVID was realized in March of 2020, as we strongly believed it was in our best interest to ensure the safety and stability of our residents during a time of crisis. That time of crisis has now passed, and we simply must learn to operate in this 'new normal'. Increased rental assistance is the best way our industry and our tenants can recover, but allowing Bill 30-21 to pass as written is not in the best interest of the County.

The Council should not proceed with Bill 30-21 and should focus it's efforts on speeding up County rental assistance, which all agree would be in the best interest of tenants, the housing industry and the County as a whole. I ask you all to oppose the current version of Bill 30-21.

Thank you,

Luke Lanciano
Compliance Administrator

5301 Wisconsin Ave. NW Suite 500 Washington, DC 20015
Direct: (202) 827-2514 | Fax: (202) 363-6341
llanciano@bmcproperties.com | www.bmcproperties.com

BERNSTEIN
management corporation®

PEOPLE FIRST.®

EQUAL HOUSING OPPORTUNITY

From:	Kelly Soloway
To:	hans.riemer@gmail.com; Silverman, Ken; Glass"s Office, Councilmember; Carranza, Valeria; Albornoz"s Office, Councilmember; Nurmi, Joy; Jawando"s Office, Councilmember; Luckett, Pamela; Thorne, Cecily; Katz"s Office, Councilmember; Kaarid, Carmen; Mandel-Trupp, Lisa; Friedson"s Office, Councilmember; Gies, Mary; Gibson, Cindy; Rice"s Office, Councilmember; Ledner, Sharon; Navarro"s Office, Councilmember; Wilson, Craig; Ikheloa, Roland; Hucker"s Office, Councilmember; Kunes, Dave; Murillo, Julio; Wellons, Christine; County Council
Cc:	nwhiteman
Subject:	Statement of Opposition Expedited Bill 30-21
Date:	Friday, September 17, 2021 1:34:55 PM

[EXTERNAL EMAIL]

Dear Councilmembers,

My name is Kelly Soloway and I am a Regional Property Manager at Fairfield Residential which manages 2075 units in Montgomery County. I would like to address how the proposed limitations on rent increases and late fees will compound the economic crisis brought on by COVID-19 and urge the Council to reject B30-21 and focus instead on the critical task of accelerating the disbursement of COVID-Rent Relief Program funding to residents in need.

Implementing rent control will compound the financial struggles of housing providers in an environment of ever-increasing operating and COVID-related costs, disincentivize rental housing production, and have a detrimental effect on the quality of rental housing in the county.

Currently, there is $727,798 in outstanding rent owed at Fairfield's seven communities in the County. There is one community where two residents have a combined balance of $80,000 and have not made one payment during the pandemic, even though they received income during that time. They have been denied rent relief due to the requirements of the program that residents make an effort to pay something when income is available.

Fairfield has been empathetic to our residents that have been impacted by COVID. Our teams are regularly sending out links to rental assistance provided by the County, State and private organizations. We have allowed residents to make payment plans if they need. Despite the CDC moratorium being challenged, we have continued to halt evictions to provide residents more time to file for rent relief that show a hardship. Our goal is to keep residents impacted in their homes. It is worth noting that some of our residents have been declined by the Montgomery Rent Relief because during the qualification process; the County has found that residents were in fact receiving income and made no effort to pay. These residents would benefit from your waived late fee proposal. For every resident truly in need, there are others taking advantage of the restrictions you plan to invoke. For those that do apply and receive rent relief, we have been waiving late fees associated with their delinquency. In addition, at the beginning of the pandemic, when people were truly in need, Fairfield did not charge late fees. Allow landlords to do the right thing and do not impose a bill that would reward those that would take advantage.

Rent is the primary source of income for maintaining our communities, and since the pandemic, there has been a considerable increase in expenses related to maintaining those communities. We have seen increases across the board in paint, HVAC, appliance parts and replacements between 10-

18%. Utility costs, especially trash has increased at all properties by nearly 25% as more people were working and learning from home. Our communities were also responsible for more COVID related expenses for PPE, signage and cleaning supplies, at our six properties, has totaled more than $360,868 the last eighteen months. Due to increased expenses, uncollected rent, and a 2% decline in market rents during the peak of the pandemic due to urban exodus, many improvements to our communities have been deferred; projects that would enhance the lives of our residents and the services we provide. We need rent increases to invest in improvements and provide our residents the clean, safe and well maintained communities they deserve.

The above challenges and concerns reinforce the need for increasing the disbursement of emergency rental assistance funds. A focused and unified effort to increase the distribution of rental assistance funds is critical to building the necessary bridge that families need as we work towards an equitable recovery from the COVID-19 pandemic. Time is of the essence as the County faces a September 30 deadline to distribute 65% or $38.85 million of the $59 million received in federal and state rental assistance. More importantly, the quicker we can distribute funds for affected households, the faster we can stabilize household finances for our resident families. I urge the Council to reject B30-21 and continue working collaboratively with AOBA and other stakeholders to ensure residents financially impacted by the COVID-19 pandemic receive available funds. Thank you for the opportunity to submit this statement.

Sincerely,

Kelly Soloway
Regional Supervisor - Property Management

3811 N. Fairfax Drive, Suite 750
Arlington, VA 22203
Office: 703.414.8404
fairfieldresidential.com

FOULGER-PRATT

Statement in Opposition to Expedited Bill 30-21, Landlord-Tenant Relations – Restrictions During Emergencies – Extended Limitations Against Rent Increases and Late Fees

September 17, 2021

Good [morning/afternoon] councilmembers and staff. I am Alison Punsalan, Senior Vice President, Property Management for Foulger-Pratt, a local real estate investment and development firm noted for its long-term focus and extensive experience executing successful mixed-use, transit-oriented projects all over the region. Here in Montgomery County, we have developed and managed over 2,133 rental units. I appear today to testify in opposition to Expedited Bill 30-21.

In the past 17 years, Foulger-Pratt has developed 7 communities of much-needed rental housing in the county, representing more than 2,198 rental units. This includes the 343- unit Rae at Westlake under development in Bethesda, and the Harwood Flats, a 335-apartment community in Rockville. The Rae at Westlake will include 44 apartments designated as moderately priced dwelling units. Similarly, the Harwood Flats will include 42 affordable units. The proposed legislation would negatively impact our ability to continue developing such communities. At a time when the County is working hard to craft creative solutions to the affordable housing problem with measures such as the "More Housing at Metrorail Stations Act," expansion of rent control will have a chilling effect on the ability of owners to develop future housing.

In addition, Foulger-Pratt takes seriously our commitment to maintain at a high standard the properties, we have under management. We have put on hold any capital investments in our properties in 2020 and 2021 due to the uncertainty with the amount of outstanding rent and the legislated moratoriums on rent increases. If this bill moves forward, it will further delay our ability to make decisions on needed improvements to our properties until 2023 and into 2024. It impacts our workforce as they have to manage the risk of not having projects completed as planned and deal with the uncertainty of operating buildings with equipment that is beyond its useful life.

A cap on rent increases in any form requires us to prioritize expense increases that are uncontrollable like rising utility cost and insurance rates and requires us to make tough decisions on more discretionary expenses like hiring for open positions, services for residents, and improvements in their apartment homes.

Thank you for the opportunity to submit this written statement. I hope that you will oppose Expedited Bill 30-21 and instead continue helping to encourage the development of new rental housing for our residents and the ongoing improvements of our current housing stock.

FOULGER-PRATT

Statement in Opposition to Expedited Bill 30-21, Landlord-Tenant Relations – Restrictions During Emergencies – Extended Limitations Against Rent Increases and Late Fees

September 17, 2021

Good afternoon councilmembers and staff. I am Feras Qumseya, Vice President, Development for Foulger-Pratt, a local real estate investment and development firm noted for its long-term focus and extensive experience executing successful mixed-use, transit-oriented projects all over the region. Here in Montgomery County, we have developed and managed over 2133 rental units. I appear today to testify in opposition to Expedited Bill 30-21

In the past 17 years, Foulger-Pratt has developed 7 communities of much-needed rental housing in the county, representing more than 2198 rental units. This includes the 343- unit Rae at Westlake under development in Bethesda and the Harwood Flats, a 335-apartment community in Rockville. The Rae at Westlake will include 44 apartments designated as moderately priced dwelling units. Similarly, the Harwood Flats will include 42 affordable units. The proposed legislation would negatively impact our ability to continue developing such communities.

- **Impact on development**
  - As construction costs continue to escalate, and if the County continues to cap income streams, many apartment developments in the County simply won't make financial sense.
  - As the regulatory environment becomes more restrictive in the County, developers will build housing elsewhere in the DMV region making the county less competitive. This will exasperate the housing crisis resulting in less supply for much needed housing further worsening the affordable housing crisis.

At a time when the County is working hard to craft creative solutions to the affordable housing problem with measures such as the "More Housing at Metrorail Stations Act," expansion of rent control will have a chilling effect on the ability of owners to develop future housing.

Thank you for the opportunity to submit this written statement. I hope that you will oppose Expedited Bill 30-21 and instead continue helping to encourage the development of new rental housing for our residents.

COVID-19 Renter Protections Fact Sheet

Eric Garcetti, Mayor

Los Angeles HOUSING+COMMUNITY Investment Department
Rushmore C. Cervantes, General Manager

THE CITY OF LOS ANGELES EVICTION PROTECTIONS APPLY TO **ALL** RENTAL UNITS IN THE CITY OF LOS ANGELES.

THE RENT INCREASE FREEZE APPLIES ONLY TO RENTAL UNITS SUBJECT TO THE CITY'S RENT STABILIZATION ORDINANCE (RSO).

TO FIND OUT IF YOUR UNIT IS SUBJECT TO THE RSO: TEXT "RSO" TO (855) 880-7368.

SUMMARY OF RESIDENTIAL TENANT PROTECTIONS

NON-PAYMENT OF RENT DUE TO COVID-19 - Beginning March 4, 2020, through the end of the local emergency, no owner can evict a residential tenant for nonpayment of rent if the tenant is unable to pay rent because of circumstances related to the COVID-19, such as:

- Loss of income due to workplace closure or reduced hours.
- Loss of income or increased child care costs because daycare or schools are closed.
- Medical costs for you or a household member who is ill with COVID-19.
- Loss of income due to government ordered emergency measures.

A tenant should notify their landlord in writing no later than 7 days after the rent due date that they cannot pay rent due to COVID-19. A tenant should keep all documentation that demonstrates the tenant's COVID-19 reason for being unable to pay rent.

THE CITY ORDINANCE DOES NOT RELIEVE TENANTS OF THE OBLIGATION TO PAY RENT. TENANTS HAVE UP TO 12 MONTHS FROM THE EXPIRATION OF THE LOCAL EMERGENCY TO PAY BACK RENTS. LANDLORDS MAY NOT CHARGE INTEREST OR A LATE FEE ON THE RENT OR REQUEST TENANTS TO USE THEIR STIMULUS MONEY FOR RENT.

EVICTION PROTECTIONS - A tenant may not be evicted for a "No-fault" reason during the local emergency period (for example, for owner move-in or to install a resident manager). Additionally, tenants may not be evicted for having unauthorized occupants, pets or nuisance as a result of circumstances related to COVID-19. Tenancies may not be terminated in order to demolish, convert or withdraw a residential rental unit from the rental housing market under the Ellis Act until 60 days after the expiration of the declaration of emergency.

NO RENT INCREASES FOR PROPERTIES SUBJECT TO THE RSO - No rent increase that became effective on of after March 30, 2020, are allowed for properties subject to the RSO, unless approved by HCIDLA, until 1 year after the local emergency expires. Rent increases do no accumulate during the one (1) year period.

REPAYMENT OPTIONS - Prior to the expiration of the local emergency or within 90 days of the first missed rent payment, whichever comes first, a landlord and tenant **may** (but are not required to) agree to a plan for repayment of unpaid rent. The repayment period may be extended by mutual agreement by the landlord and tenant. The landlord may voluntarily extend a discount to the tenant during the emergency. The City's Housing + Community Investment Department (HCIDLA) suggests the following options:

- Tenant to repay on a **monthly** basis: ($Balanced Owed) divided by 12 monthly payments.
  For example: ($2,000 past due rent/12 payments = $166.67 monthly payment).
- Tenant to repay on **a bi-weekly** basis: ($Balanced Owed) divided by 26 bi-weekly payments.
  For example: ($2,000 past due rent/26 payments = $76.92 bi-weekly payment).
- Tenant to repay on a **weekly** basis: ($Balanced Owed) divided by 52 weekly payments.
  For example: ($2,000 past due rent/52 payments = $38.46 weekly payment).

ASSISTANCE FOR TENANTS - Tenants may seek information and assistance from HCIDLA by calling 866-557-RENT or 866-557-7368, Monday - Friday, between the hours of 8:30 AM to 4:30 PM, or by filing a complaint online at: hcidla.lacity.org/File-a-Complaint.

Coronavirus.LACity.org - hcidla.lacity.org

2020.5.26

Eric Garcetti, Mayor

Los Angeles HOUSING+COMMUNITY Investment Department
Rushmore C. Cervantes, General Manager

TENANT NOTIFICATION TO LANDLORD OF INABILITY TO PAY RENT DUE TO COVID-19 EMERGENCY

Date:_______________________________

RE: Property Address: ____

Dear _______________________________,

On March 4, 2020, the City of Los Angeles declared a local emergency due to the COVID-19 pandemic and in response, adopted Los Angeles Municipal Code 49.99 et seq. which provides eviction protections to tenants who cannot pay rent due to circumstances related to the COVID-19 pandemic.

I am writing to provide notice that I am unable to pay rent for the month (s) of _______________ __________________________ because I have been affected by COVID-19 pandemic.

I have been affected by the COVID-19 pandemic in the following ways (check one or more of the following):

- ☐ I have suffered a loss of income because I have had to pay health-care expenses related to treating a COVID-19 illness.
- ☐ I have suffered a loss of income because of a COVID-19 related workplace closure.
- ☐ I have suffered a loss of income because school closures have increased my child-care expenses and/or I cannot go to work due to the school closures.
- ☐ I have suffered a loss of income because of a government ordered COVID-19 measure.
- ☐ Other:____

I understand that rent is deferred and I must **repay any past due rent within 12 months after the local emergency expires,** unless I voluntarily commence repayment earlier. Per the City Ordinance, I am not required to sign a repayment plan.

Sincerely,

TENANT(S) NAME:

____

TENANT(S) SIGNATURE(S):

____

ADDENDUM
Item #8B
October 5, 2021
Action

M E M O R A N D U M

October 5, 2021

TO: County Council

FROM: Christine Wellons, Legislative Attorney

SUBJECT: Expedited Bill 30-21, Landlord-Tennant Relations – Restrictions During Emergencies – Extended Limitations Against Rent Increases and Late Fees [1]

PURPOSE: Action – roll call vote required

Addendum to Action Staff Memorandum Dated September 30, 2021:

Councilmember Friedson intends to move the enclosed amendments during the Council's consideration of Expedited Council Bill 30-21 on October 5, 2021.

[1] #NoRentIncreases
#RentStability

Expedited Bill 30-21, Landlord-Tenant Relations – Restrictions During Emergencies – Extended Limitations Against Rent Increases and Late Fees

Councilmember Friedson – Updated Amendment & Supplemental Amendments

Below is an updated version of Councilmember Friedson's amendment (as set forth in the Action staff report dated September 30, 2021) that targets rent relief to individuals experiencing economic hardship from the COVID-19 pandemic. In addition, below are two new amendments to: (1) require landlords periodically to report to DHCA regarding notifications and attestations; and (2) require educational outreach by DHCA, and require DHCA to publish sample notifications and attestations in multiple languages, including Spanish and English.

Amendment #1 (Updated Amendment re: Rent Increases and Economic Hardship)

Return subsections (b) and (c) to their original text, so that the limit on rent increases above the rent guidelines will expire 90 after the emergency termination. (i.e., the limitation will expire on Nov. 15, 2021.)

Add two new subsections to limit rent increases to 0% between Nov. 15, 2021 and August 15, 2022 for renters who attest that they suffered an economic hardship as a direct or indirect result of the COVID-19 pandemic:

Rent increases above 0% – when prohibited.

A landlord must not increase the rent of a tenant between November 15, 2021 and August 15, 2022, unless the landlord first provides to the tenant, using standard language prescribed by the Director:

(1) a notification that the tenant may qualify for the waiver of the rent increase under subsection (_); and

(2) attestation language for the tenant to affirm to receive the waiver.

Waiver of rent increase – when required.

(1) Except as provided in paragraph (2), a landlord must not increase the rent of a tenant between November 15, 2021 and August 15, 2022 if the tenant attests, using the standard language prescribed by the Director under subsection (_), that the tenant:

(A) has experienced a COVID-19 related financial hardship;

(B) has a gross household income at or below 50% of the area median income for the previous 30 days, or for the 2020 tax year; and

(C) has been a Montgomery County resident since August 2020 or earlier.

(2) A landlord may increase the rent of a tenant between November 15, 2021 and August 15, 2022 if:

(A) the tenant does not meet the requirements of paragraph (1); or

(B) prior to November 15, 2021, the landlord provided to the tenant a notice under Section 29-54 of a rent increase that does not exceed the voluntary rent guidelines under Section 29-53.

In line 34, delete "in a form prescribed by the Director" *and substitute it with*: "using standard language prescribed by the Director".

In line 37, delete "an application form to apply" and replace it with "attestation language for the tenant to affirm to receive the waiver".

In lines 40-41, delete "in the application form prescribed by the Director under subsection (d)" *and substitute it with* "using standard language prescribed by the Director under subsection (d)",

Amendment #2 (Amendment to require periodic reports by landlords.)

Add a new subsection to read as follows.

Required periodic reports by landlords. If a landlord receives an attestation for a waiver of a rent increase or a late fee under this Section, the landlord must report to the Department, on May 31, 2022 and Nov 30, 2022:

(1) the number of notifications provided to tenants under this Section;

(2) the number of waivers of late fees provided to tenants under this Section;

(3) the number of waivers of rent increases provided to tenants under this Section;

(4) the number of applications for waivers of late fees denied under this Section;

(5) the number of applications for waivers of rent increases denied under this Section;

(6) the U.S. Postal Service zip code of the property where the tenants reside; and

(7) the rental amounts of the tenants who received waivers.

Amendment #3 (Amendment to require educational outreach and publication in multiple languages by DHCA)

Amend subsection (f) to read as follows:

(f) *Notice of expiration of emergency; education and outreach; publication in multiple languages*. The Department must:

(1) post on its website information about the requirements of this Section, including the date that **[[**an**]]** the emergency **[[**expires**]]** expired, and the date that **[[**is**]]** **[**90 days**]** **[[**1 year after the expiration of the emergency**]]** requirements under this section expire;

(2) conduct outreach to educate tenants and landlords about the requirements of this Section; and

(3) post on its website, in multiple languages including English and Spanish, the standard notification language, including the standard attestation language, required under this Section.