



Howard County

Internal Memorandum

Subject: Testimony & Fiscal Impact Statement on Council Bill No. ___-2023, an ACT prohibiting the increase in the amount of rent over a specified amount for certain regulated units.

To: Brandee Ganz, Chief Administrative Officer

From: Tracy Rezvani, Administrator, Office of Consumer Protection, Department of Community Resource and Services

Date: October 26, 2023

Summary

Bill ___-2023 supports the establishment of a rent stabilization provision within Title 17 “Public Protection Services”. Notably, the provision prohibits the increase in the amount of rent that a landlord may charge, requires the County to publish permitted rent increase amounts, allows landlords to apply for a capital improvement surcharge upon a showing of certain criteria, allows landlords to apply for a fair return waiver, provides certain exemptions, and prohibits landlords from making opt-in fees mandatory.

Background

Data collected by CoStar on the Howard County housing market has found that the average cost of rent has risen by approximately 23 percent over the last three years. This increase can be attributed to several factors. The vacancy rate for rental apartments in Howard County dropped from 3.1 percent to 1.5 percent between 2018 and 2021, which is far below the recommended vacancy rate of 5 percent that indicates a stable and healthy rental market. In addition, the County’s 2022 Rental Survey revealed a shortage of approximately 6,500 rental units affordable to households earning less than \$60,000 per year.

The sharply-rising cost of housing and rent in Howard County is pricing many existing residents out of their homes and contributing to displacement and housing instability. This local phenomenon mirrors national trends. Data collected as part of the 2020 U.S. Census showed that approximately 45 percent of rental households were cost burdened in 2020, spending more than 30 percent of their income on rent, and 23 percent of households were severely cost burdened, spending more than 50 percent of their income on rent.

Over the past several months, the County Executive, the Department of Housing and Community Development, and the Office of Consumer Protection, have fielded numerous calls and complaints regarding excessive rent increases and the addition of new fees on top of rent for both mandatory and discretionary services. The Administration believes it is in the County's interest to mitigate excessive rent increases to promote the public safety, health, and welfare of Howard County residents. For these reasons, we have filed Council Bill ___-2023.

Proposal

The Bill will generally prohibit the increase of rent beyond the base rent plus a rent increase allowance. The rent increase allowance shall be calculated annually and shall be the lesser of CPI-U plus 5 percent or 10 percent.

Landlords embarking on capital improvements may request a surcharge over the rent allowance. To ensure accurate information, the Office of Consumer Protection will request documentation to support the claimed costs as well as annual reports regarding the status of both the improvements and the recovery of costs for the improvements through rent. The surcharge rate increase is capped at a total of 20 percent of the base rent. Landlords may also present evidence to the Office of Consumer Protection that indicates financial harm to the landlord as a result of the increase, enabling the landlord to request a Fair Return exemption to the capped increase. The bill also allows for rental units that meet certain criteria to be exempt from the capped increase.

Finally, the Bill amends an existing provision of Title 17, which previously allowed landlords to charge mandatory fees for amenities and common areas. The Bill removes that allowance to prohibit landlords from making fees for amenities and common areas mandatory. The Bill also requires upfront disclosure of all legally permitted fees.

Fiscal Impact

To fully implement the Bill, the Office of Consumer Protection believes it would need to create a new Landlord-Tenant Affairs Division that would handle conciliation and mediation of landlord-tenant complaints, consultations, inquiries, and enforcement of applicable landlord-tenant laws, as well as regulatory and economic analysis functions outlined in the Bill.

Based on the expected workload of the new division, three additional positions would be needed at a full-year cost of about \$288,000. The pro-rated cost for the current fiscal year is estimated at about \$61,000 and is expected to be covered through savings within the current budget.

Positions	Full-Year	Partial-Year
1409 Admin Support Tech III	72,886	14,714
5209 Human Services Specialist II	102,651	22,155
5211 Human Services Specialist III	112,282	24,563
Total	287,819	61,432

There may be additional program start-up costs which are difficult to estimate. There will be some revenues coming from Class A citations and related fines, which will offset to a small extent the overall program cost.