

Dear Members of the County Council

Hello, and thank you for taking the time to read my testimony on the important, and far from straightforward issue of rent stabilization in Montgomery County.

I urge you to find a compromise between the two bills on offer, and to keep in mind that any exact proposals laid out, whether by me, you, or someone else, is ultimately something of a guess. This is not an exact science, and there are too many factors for anyone to be *sure* they have a perfect answer, myself very much included, but we still need to try our best to get this right.

I am testifying favorable, with amendments, to both bill 15-23 (anti rent gouging protections) and bill 16-23 (the HOME Act), for the simple reason that I think that the best answer lies somewhere in the middle.

The long and short of it is that I feel a bill with a cap of CPI +4% with a 15 year exemption for new construction is the best path forward. I believe that we can and should provide more substantial protections than the CPI +8% outlined in the anti gouging bill, but think that the HOME act, with no indexing to inflation above a 3% cap, is not flexible enough to mitigate the real impacts rent stabilization policy has on housing supply. The outlined process for exceptions to this cap is potentially helpful, but still casts a good deal of uncertainty for development that requires banks to have enough confidence in a project to give the loans to make the building happen.

While I come down between the two bills that have been proposed by various councilmembers, and do not support the HOME Act as it is written, the figures and arguments presented by the bill sponsors and supporters are centered on what at risk tenants feel would be most helpful in keeping them stably housed. That's important to keep in mind as we work on a path forward.

I truly think the policy that Montgomery County adopts has to be more moderate in order to properly balance protections for current renters against making sure we have enough housing to affordably meet the needs of renters, current and new, that will need new accommodations in the future. However, no matter how hard I try, I cannot fully appreciate the urgency that more vulnerable residents feel. Please also listen to what they have to say to help make sure the final bill addresses their concerns as much as is feasible.

Similarly, the authors and proponents of the anti gouging law are working in good faith to provide protections while also guarding against the risks presented by strict rent limitations, and those risks are real and cannot be dismissed either.

Future adjustment may be technically possible, but it won't be easy, so it's important to get this right the first time around.

It's also important to remember that if a rent cap is too strict, landlords will find a way around it, taking on new amenity, parking, or other fees. By all means, think about limiting those too, but the best way to avoid such gaming that could result in still leaving renters with harsh increases is to set a number that protects against large increases while still providing flexibility for landlords and developers to make a predictable return on development and maintenance of housing.

On the other hand If the cap is too loose, it risks allowing the displacement of renters that otherwise could have been protected while still leaving meaningful room and flexibility for the rental, development, and maintenance of new housing. A cap on the high end is still better than the status quo, but we should aim to do as much good as possible here, and while I salute the efforts of the authors of both bills, I think bill 15-23 can lower it's cap just as bill 16-23 can be more flexible the other way.

Still, the headline maximum rent increase and new building grace period aren't the only opportunities for compromise. I urge you to be creative. Maybe a rate on the low side with a long exemption for new buildings is the path forward. Maybe a CPI+6% number can work with a hard cap at... say 10% no matter how high inflation is. Maybe the opposite can help, a floor, a minimum level to which rents can be raised even when the would be cap is low. Talk to the stakeholders, find a path forward that balances the need for flexibility with the need for stability.

I know that there is some concern that a bill that caps rents at a level above the voluntary rent guidelines will cause landlords to, en masse, raise rents by that permitted cap, and not the voluntary rent guidelines. I can't sit here and say the risk of that happening is zero, and I'm sure it will happen in some cases, but over the long term, absent price coordination between different landlords that simply does not exist, competition should prevent this from happening on a large level. It's also worth noting that unlimited increases are currently allowed, and yet increases vary considerably because of competition, and often still follow the voluntary guidelines. Keeping the voluntary guidelines and communicating them in the same document to both landlord and renter when a lease is up could go a long way to mitigate any remaining risk here.

As a final note, it is a testament to this council and to many advocates in the county that we are having this conversation at all. Like many, years ago I was fundamentally skeptical of rent stabilization, but as I have testified to this council about previously, and written about publicly, I have come to appreciate that in a world where there are many impacts on supply, zoning, building material costs, setbacks, lending practices, parking minimums, and until recently, school capacity imposed bans on new housing, there will always be constraints on supply with or without rent stabilization, and that there is a sweet spot we can hit.

We can't go too far and use this as an excuse to completely dismiss the barriers that stabilization can present to new home construction. It is also true that rent stabilization favors renters by incumbency more directly than it does by "need", so it is no panacea, but nothing is. Those supply impacts are real, and any policy we put forward must balance them against the need to protect incumbent renters, but there will *always* be constraints on supply. If we lived in a world where we would have all the housing we need but for the supply impact of rent stabilization, I would oppose it in all its forms, but that is not the world that we live in.

It just isn't.

Getting the policy details right and making sure that all the economic factors are well balanced is critical, but we also cannot ignore the moral imperative here. We can't make things so strict that people are locked in place forever even if they want to move, but at the same time, a home is the most important place in someone's life, and it can uproot your entire life if you are pushed out of it due to a dramatic rent increase. Data, economics, logic, and cold hard supply impacts all have their place in this debate, but so does our obligation to help those hoping for a stable place to rest their head at night, and some form of rent stabilization will help that happen.

I urge you to find the balance, and work out a compromise. We need to get this right.

Thank you
Mike English

