



## **Apartment and Office Building Association of Metropolitan Washington Position Statement on FY 2024 Operating Budget**

**April 11, 2023**

The Apartment and Office Building Association of Metropolitan Washington (AOBA) is a non-profit trade association representing the owners and managers of more than 133,000 apartment units and over 23 million square feet of office space in Prince George's and Montgomery Counties. In Montgomery County, AOBA members own/manage over 60,000 of the county's estimated 83,769 rental units and 20,000,000 square feet of office space.

### **The Need for Rental Assistance to Combat High Rent Delinquencies**

AOBA appreciates and applauds the county's efforts to allocate \$124 million to affordable housing, specifically, \$34 million in rental assistance.

AOBA supports any measure that uses county resources to fund a rental assistance program targeted to renters in need or experiencing financial hardship. This budget line item is critical for renters struggling to make ends meet and will also alleviate the county's housing providers suffering from high delinquencies.

### **AOBA Opposes the 10 Percent Increase in Property Taxes**

AOBA vehemently opposes the County Executive's proposed 10-percent property tax increase. The Association is not against funding the school system and shares concerns about teacher attrition and recruitment. Nevertheless, AOBA believes this proposed operating budget sets the county on an unsustainable path that may necessitate further property tax increases in future years. Despite the County Executive's assertion that this is an "education first" budget, the budget includes significant, double-digit increases for much of county government, including Recreation, Human Resources, and Transit Services, among others. Again, AOBA recognizes the need for many of the proposed programs and services, but now is not the time to raise taxes, given that a recession may be looming, and inflation remains stubbornly high.

These economic conditions add to the numerous fiscal pressures AOBA members have faced in recent years. This includes a 6.5-percent WSSC rate increase for FY23; a \$52 million revenue increase and corresponding rate increase until March 2024 for PEPCO; and new county and state legislative mandates, such as the Building Energy Performance Standards (BEPS) that will

require large-scale retrofits and expensive capital improvements. **These cost increases and new regulatory burdens are just the tip of the iceberg as labor costs are rising; utility usage is at an all-time high due to more tenants working from home, and supply chain shortages have made routine maintenance more expensive.**

Many AOBA members also continue to experience significant delinquencies, with some properties reporting as high as 40 percent. One member company with a portfolio of 2,969 apartment homes in the county currently carries a total delinquency of \$2,651,267. The total delinquency for the portfolio is slightly over \$5.2 million, comprising over 10,000 apartment homes.

At the same time that AOBA members are experiencing these fiscal challenges, the Council is considering limiting how much housing providers can increase rents. Rent is the single source of revenue that housing providers use to continue to support the operation and maintenance of the housing. **Ninety-one (91) percent of the rent goes to the overall upkeep, insurance, utilities, mortgage, and property taxes. These cost increases can only be managed through increases in rent, service reductions to residents, or deferred maintenance and significant repairs. Many AOBA members have reported cutting back on staffing and delaying capital improvements to keep up with routine maintenance.**

To proliferate development and maintain existing housing stock, AOBA urges the Council to reconsider the property tax increase and fund the county's essential programs and services in a fiscally responsible manner.

AOBA looks forward to working with the Council on the county's housing issues. If members of the Council have any questions or comments, please do not hesitate to contact Ryan Washington by emailing [rwashington@aoba-metro.org](mailto:rwashington@aoba-metro.org) or calling (202) 770-7713.