

Testimony on Behalf of County Executive Marc Elrich on
Special Appropriation #24-14 to the FY24 Operating Budget,
Montgomery County Government,
Department of Housing and Community Affairs,
Rent Stabilization Bill 15-23, \$1,374,470

November 7, 2023
1:30 p.m.

Good afternoon, Council President Glass and Councilmembers, my name is Scott Bruton. I am the Director of the Department of Housing and Community Affairs (DHCA). I am testifying on behalf of County Executive Mar Elrich in support of Special Appropriation #24-14 to the FY24 Operating Budget, Montgomery County Government, Department of Housing and Community Affairs, Rent Stabilization Bill 15-23, \$1,374,470.

We recommend this special appropriation to the FY24 Operating Budget in the amount of \$1,347,470 for the implementation of the Rent Stabilization Bill 15-23, which was passed by the County Council on July 18, 2023, was signed into law on July 24, 2023, and went into effect on October 23, 2023. DHCA will not enforce the law until the Montgomery County Council approves regulations via the Method (2) process. Special Appropriation #24-14 is based on the fiscal impact statement for Bill 15-23 with the addition of one staff member. As noted by several Councilmembers, Bill 15-23 took on several aspects of Bill 16-23, which require the addition of one staff member.

The timely execution of Special Appropriation #24-14 is essential for DHCA to be able to hire and train the staff and set up the information technology infrastructure and processes required to enforce the law the day the Council approves the regulations. The funds will be utilized to hire personnel to manage the annual rent increase reporting requirements; enforce compliance with the rent stabilization law and regulations; respond to tenant and landlord complaints; manage the application and appeals processes for the fair return, capital improvement, and substantial rehabilitation petitions; conduct community outreach; respond to service inquiries and troubleshoot service problems; and investigate and enforce remedies for noncompliance.

Additionally, DHCA will develop an online rent stabilization portal and case management system, which will serve as an educational tool for landlords and tenants and facilitate the reporting of mandated rent increase data, complaints, exemption applications, and fair return and capital improvement petitions. This new portal and system would streamline data tracking, increase efficiencies, and reduce the staff costs incurred to ensure compliance and issue violations. Based on program staffing and administrative costs in other jurisdictions, DHCA projects that the Rent Stabilization Office will need at least nine full-time employees among various job classifications, for which the estimated annualized personnel costs total \$996,415,¹

¹ Staffing of other jurisdictions with similar rent stabilization bills were assessed when finalizing the total amount of staff required for the DCHA- Rent Stabilization Office. In Washington, DC estimates of the number of units under rent stabilization range from 70,000-90,000 out of a total of approximately 200,000 rental units. Washington DC's office of the Rent Administrator, which administers all rental units and the rent stabilization program, has a current

to handle the approximately 25,588 licensed rental properties containing 98,640 units in the County.²

Position	Grade	FTEs	Annualized Personnel Costs
Program Specialist II	G21	4.00	\$400,600
Administrative Specialist III	G23	1.00	\$107,700
Program Manager I	G23	1.00	\$107,700
Investigator III	G25	1.00	\$116,015
Sr. IT Specialist III	G28	1.00	\$129,900
Manager III	MIII	1.00	\$134,500
Total PC		9.00	\$996,415

The associated operating expenses to support the required personnel complement are approximately \$46,620, including one-time costs of \$40,770 in year one and ongoing expenses of \$5,850 annually. Based on the County's previous experience developing websites and case management systems, the total estimated costs in the first year would be approximately \$172,850 which includes an initial start-up cost of \$169,350 and the ongoing yearly expenses of \$3,500 to provide technical support and required maintenance. The estimated costs to develop and implement this platform would be \$265,000. Lastly, the Rent Stabilization Office will require an additional \$76,070 for office operating expenses. In conclusion the total operating expenses required to implement Bill 15-23 are estimated at \$560,540, of which \$475,120 is a one-time cost to initiate the office and \$85,420 yearly to sustain the Rent Stabilization Office.

Operating Expenses	One-time	Ongoing	Total
Program Operations	\$40,770	\$5,850	\$46,620
Website and Case Management System	\$169,350	\$3,500	\$172,850
Online Portal for Rent Data Monitoring	\$265,000	\$76,070	\$341,070
Total OE	\$475,120	\$85,420	\$560,540

budget of \$1,504,000 and is staffed with 11 FTEs: 1 manager; 2 rental property program specialists (aka senior council), 2 program specialists, 1 housing provider ombudsman, and 6 contact representatives. Washington, DC is in the process of creating a rental property database to aid the administration of all rental units and the rent stabilization program and has already spent over \$700,000 on the creation of the database and portal but has not yet determined the ongoing staffing needs to support it after deployment. Additionally, licensing of rental properties is handled by a separate DC government department. The City of Takoma Park contains more than 3,200 rental units. Its rent stabilization program has 3 full-time staff and a consultant with a total budget of \$315,574.

² The total number of regulated rental properties includes 73,668 multifamily units (among 616 properties), 16,020 single family units, 8,516 condominium units, and 436 accessory dwelling units. *2022 Montgomery County Annual Rent Survey*.