March 4, 2025 Testimony of Christopher Bruch

Against Bill 6-25

Consumer Protection - Defective Tenancies as Deceptive Trade Practice

Good afternoon President Stewart and members of the Council, my name is Chris Bruch, I have been a resident of the County for 61-years and I am CEO of The Donohoe Companies, a 141-year-old business headquartered here in Montgomery County.

Bill 6-25, is a solution in search of a problem. In my view, you are legislating for the 2% (bad actors) at the expense of the 98% (reputable landlords). This legislation is duplicative as our State and County have laws, restrictions, codified procedures, and requirements that already protect tenants from bad landlords. Remedies include:

- The State Tenant Safety Act that took effect in October allows tenants to file a class action suits against their landlord for defective tenancies, Tenants can sue for damages.
- The County's DHCA 40+ person code enforcement team can use its authority to enforce housing code violations, including the troubled and at-risk properties designation which prevents landlords from raising rents
- The County's OLTA can issue decisions and orders that have the force of law
- These consumer protections already exist in state law, which the Attorney General has used to go after bad actors

I just three short years, Montgomery County has gone from one of the most desirable multifamily markets for investment in the Nation, to one of the worst. Thanks in part to rent control, vacancy control, and a never-ending slew of unnecessary regulations like this one. For those in the multifamily space, it feels like death by a thousand cuts.

Let me explain how a typical developer finances a new 200-unit apartment building:

Cost: $100M ($500K/unit)

Loan: 60%

Equity:40% ($40M in cash)

Typical developers only put in 5-10% of the equity ($5M)

Still need to raise $35M

We pitch the project to institutions, life companies, pension funds, etc.

They have zero interest in investing in Montgomery County, they have essentially red-lined us. Your brand (Montgomery County) is in serious trouble when your housing policies are criticized nationally by the Wall Street Journal and at national real estate investment conferences where MC has been cited as the DC submarket to avoid.

Because we cannot attract capital, new starts are at an all-time low. When we're not building market rate housing, we're also not building MPDU's. This is a very dire situation for our housing supply.

There's a snowball effect to past policy decisions – reduced interest in MC results in fewer buyers, developers and reduced property valuations and tax collections, and eventually refinancing risk where borrowers choose to walk away rather than pay down debt. This housing crisis, now, coupled with Federal and Contractor job losses and a significant reduction in Federal space is setting us up for a local recession.

I offer <u>two suggestions</u> to reattract investment to MC and stimulate new market rate supply:

1) Change the rent control applicability date to a static date, like Prince Georges County which is 2020, or DC by example is 1975. Montgomery County is the only jurisdiction with a rolling 23-year applicability date. The day the property opens, the rent control clock begins ticking and property's value begins declining.

2) Eliminate vacancy control – which effectively keeps units below market in perpetuity. No investor or lender can underwrite a new market-rate development with any units below market in perpetuity. This is especially harmful to older properties that are more capital intensive, vacancy control is why these properties eventually fall into disrepair.

I urge you not to pass this unnecessary and duplicative legislation.

Thank you for your consideration.