OLO Report 2023-5 June 13, 2023

Rent Regulations and the Montgomery County Rental Housing Market

Stephanie Bryant
Natalia Carrizosa
Leslie Rubin

with contributions from Logan Anbinder

Office of Legislative Oversight
Montgomery County, Maryland

Rent Regulations and the Montgomery County Rental Housing Market

OLO Report 2023-5 **Executive Summary** **June 13, 2023**

Rent regulations are a set of policies that establish when and by how much landlords can increase rent in a 12-month period in residential properties. Currently in the United States, approximately 200 local jurisdictions, two states (California and Oregon), and the District of Columbia have rent regulation systems. The County Council requested this Office of Legislative Oversight report to better understand the nature and design of rent regulation systems, the research findings on the social and economic impacts of these systems, and the status of the Montgomery County rental housing market. The limited research available on rent regulation systems has shown that rent regulations system can have unintended negative economic impacts on a jurisdiction. System design significantly impacts outcomes and various design features may lessen the likelihood of some economic impacts.

Overview of Rent Regulation in the United States

Jurisdictions design rent regulations to reflect individual community and policy goals. The following exhibit summarizes common components of rent regulation systems.

Components of Rent Regulation Systems

Legislative Intent	Some common policy goals of rent regulation systems include promoting housing stability and preventing large rent increases.
Program Management	The power to implement and enforce regulations can either be shared between a government agency and an appointed commission, or rest solely with one of these.
Enforcement Actions	Systems can impose fines, allow imprisonment, and/or roll back unjustified rent increases.
Property Type Exemptions	Exemptions may include new construction, single family homes, subsidized housing, and religious facilities.
Allowable Annual Increase	Allowable rent increases may be a flat percentage, may be a fraction or a multiple of a local Consumer Price Index, and may also include a cap.
Exceptions to the Allowable Annual Increase	Exceptions may include allowing landlords to increase rents above the limit upon vacancy, to achieve a fair return, if an additional person occupies the unit, or based on voluntary agreement.

Jurisdictions routinely review and revise rent regulations as economic conditions change (e.g., inflation, construction pipeline) or policy gaps are discovered. Overwhelmingly, these adjustments are based on tenant or landlord/developer first-hand accounts or complaints.

Social and Economic Impacts of Rent Regulations

The body of empirical research on modern (second generation) rent regulation systems is limited. Therefore, researchers advise caution on extrapolating findings on rent regulations to other jurisdictions with different economies, housing markets, and/or rent regulation systems.

First Generation Rent Regulations

- World War II-era
- Strict rent ceilings

Second Generation Rent Regulations

- 1970s onward
- Allow annual rent increases
- Higher increases permitted in some circumstances

The available research indicates that rent regulations may result in two key positive outcomes for renters:

1. Rents in rent-regulated units are typically lower than in non-regulated housing in the same area; and
2. People living in regulated units live in them longer compared to people in non-regulated units, increasing housing stability.

Increased housing stability can result in many positive economic, educational, and mental and physical health outcomes for people who experience housing stability. Research shows that these benefits to renters who live in rent regulated units and are not limited to low-income renters or others at increased risk for housing instability – they accrue to any renters who live in regulated units.

Research findings also show that rent regulation systems may economically impact residential rental markets, such as reducing rental housing supply, based on how jurisdictions design systems.

New Construction	Existing Rental Housing	Maintenance	Rents in Other Units
• Typically no impact because systems routinely exempt new construction from regulation	• Potential to reduce rental housing supply due to converting properties to non-regulated uses • Some jurisdictions restrict condominium conversions	• Potential for more maintenance issues in regulated units • Jurisdictions may use incentives/ penalties to promote proper maintenance	• Potential for higher rents in non-regulated units • Less restrictive systems show little to no impact on rents in non-regulated units

Vacancy Controls. Some research has found that vacancy controls (limits on how much a landlord can increase rents between tenants) may impact system outcomes. Research indicates that systems with vacancy controls may keep rents lower than systems with no vacancy control or areas with no rent regulations. One study, however, found that vacancy controls led to a decline in the supply of rental units while similar jurisdictions with no vacancy control saw an increase in the rental housing supply.

Rent Regulations in Montgomery County

OLO examined the history of rent regulations in the County and found that the County regulated rents during two periods: 1973-1981 and 2020-2022.

- When Federal rent control ended in 1973, the Council responded by implementing local regulations; it was the first jurisdiction in the DC area to enact a rent control system. Over time, these policies underwent multiple, significant changes. Controls ended in 1981.
- In March 2020, Maryland declared a state of emergency following confirmed COVID-19 cases in Maryland during the COVID-19 pandemic. As one of many policies adopted to help County residents, the Council capped rent increases beginning in April 2020. The cap was extended in 2021 and expired in 2022.

During the 1970s, County law gave the Department of Housing and Community Affairs (DHCA) the authority to proactively roll back unjustified rent increases, using required monthly data reported by landlords to monitor increases. In contrast, the COVID-era rent cap laws did not expand DHCA's data collection authority beyond its annual survey, impeding DHCA's ability to proactively identify rent cap violations in real time and use its full investigative authority under Chapter 29.

Montgomery County Rental Market

Approximately 335,000 people lived in 133,000 renter-occupied housing units in Montgomery County in 2021. The median household income ($72,000) for renter households was less than half of that ($151,000) for owner households. As a result of numerous inequities created or supported by the government, renter householders are disproportionately Black or African American and Hispanic or Latino, while owner householders are disproportionately White.

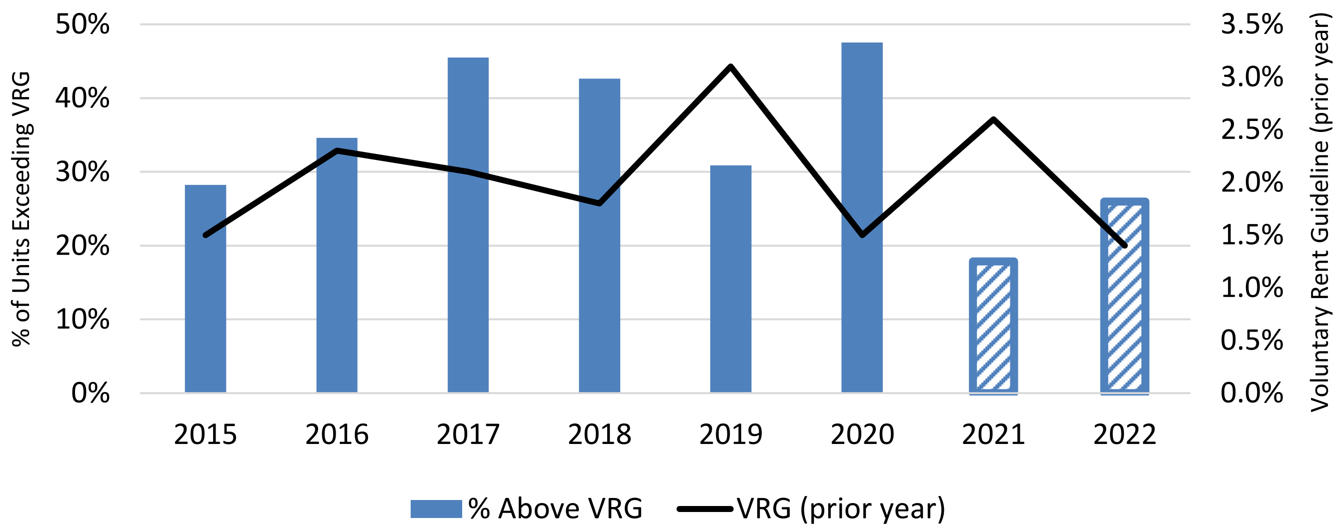
OLO examined trends in the Montgomery County rental market using data from DHCA's Annual Rental Facility Occupancy Survey for 2014 to 2022. Notwithstanding some limitations and data quality issues, DHCA's annual survey is the only source of systematic county-level data on rent increases for individual existing tenants. The below table shows that while the majority of renters experienced rent changes below 2%, some tenants experienced larger increases ("holdover unit" means the same renter lived in the unit from one year to the next).

Numbers of Holdover Units by the Percentage Change in Rent from the Previous Year

Rent Change	2015	2016	2017	2018	2019	2020	2021	2022	All Years	
Holdover Units	**43,941**	**41,360**	**33,363**	**45,971**	**40,159**	**41,795**	**43,410**	**46,420**	**336,419**	**100%**
Decrease (any size)	2,871	3,053	3,320	3,054	5,109	3,303	3,702	3,359	27,771	8%
No change (0%)	25,988	12,646	6,865	15,290	12,232	14,087	22,235	19,109	128,452	38%
Increase under 2%	5,804	8,329	5,891	10,600	5,805	7,306	4,936	16,145	64,816	19%
2% to < 5%	6,581	13,068	13,136	11,696	9,803	11,156	8,152	4,333	77,925	23%
5% to < 10%	1,588	2,485	2,507	3,019	4,516	4,249	2,146	1,459	21,969	7%
10% to < 20%	598	877	906	1,379	1,533	1,017	1,650	1,293	9,253	3%
20% to < 50%	357	388	530	695	722	433	408	469	4,002	1%
50% or more	154	514	208	238	439	244	181	253	2,231	1%

The following chart shows the percentage of holdover units each year where the annual rent change exceeded the prior year's Voluntary Rent Guidelines (VRG). It shows that for the 2021 and 2022 survey years, which cover periods during which the County had in effect the COVID-19 rent cap that prohibited landlords from raising rents above the VRG, rent increases exceeded the VRG in 17% and 26% of units, respectively.

Percentage of Rent Changes in Holdover Units That Exceeded the VRG, 2015-2022



* This chart excludes units located in the municipalities of Gaithersburg, Rockville and Takoma Park, which in some cases were subject to different rent increase guidelines or limits.

OLO Recommendations

OLO offers the following four recommendations for Council consideration.

1. In the process of evaluating the establishment of a rent regulation system in the County, the Council should consider the potential impacts of several types of program design options.

2. Should the Council create a rent regulation system, it should ensure that DHCA has the authority, data, and resources to monitor and enforce it.

3. The Council should establish a framework for periodically reviewing detailed data on the rental housing market to assess conditions and review and adjust policies, including allowable percentage rent increases, to meet the needs of renters and landlords.

4. If the Council does not expand DHCA's authority to collect residential rent data in real time, it should request that the County Executive address and remedy the challenges and limitations associated with the Department of Housing and Community Affair's Annual Rental Facility Occupancy Survey.

OLO Report 2023-5

Rent Regulations and the Montgomery County Rental Housing Market

Table of Contents

Appendices

Introduction

Rent regulations legally establish when and by how much landlords[1] can increase rent in a 12-month period in residential properties. Currently in the United States, approximately 200 local jurisdictions, two states (California and Oregon), and the District of Columbia have rent regulation systems. Jurisdictions identify a variety of policy goals for implementing rent regulations, including:

- "Protecting tenants from excessive rent increases;
- Alleviating the affordable housing crisis;
- Preserving existing affordable housing;
- Providing housing habitability and security of tenure for renters;
- Maintaining economic and racial diversity; and
- Preventing real estate speculation."[2]

Researchers observe that governments (federal, state, and local) look to rent regulations when certain circumstances arise, including (1) wartime and (2) periods of economic instability (characterized as "peacetime inflation when rents increased beyond the ability of many tenants to pay" or periods of population migration combined with "acute housing shortfalls.)"[3]

Researchers and academics divide rent regulations into two separate time periods – "first generation" systems created during World War II and almost entirely phased out by the mid-1950s and "second generation" systems created in the 1970s during an era of rampant inflation (including in Montgomery County). The structure of first-generation and second-generation systems differ significantly, leading to very different social and economic outcomes.

First Generation rent regulations are known for strict "rent control" – the federal government placed ceilings on residential rents that landlords could not exceed. Research from this period "led to a widely held set of views that rent control would, in fact, produce a set of adverse impacts in local housing markets, including a decline in maintenance of housing, a decline in the production of new housing, and rent increases in the portion of the housing stock not controlled."[4] Research on second-generation rent regulations, do not support these views.

---

[1] A landlord (typically responsible for renting units and overseeing operation of a rental property) and the landowner (the person who owns a rental property) may be the same person or different people. For simplicity, OLO uses the term "landlord" to refer both, which is often the term used by researchers.

[2] Edward G. Goetz, Anthony Damiano, Peter Hendee Brown, Patrick Alcorn, Jeff Matson, *Minneapolis Rent Stabilization Study*, University of Minnesota Center for Urban and Regional Affairs, at p. 5 (2021).

[3] Goetz, et al., at p. 3; Manuel Pastor, Vanessa Carter, Maya Abood, *Rent Matters: What are the Impacts of Rent Stabilization Measures?*, USC Dornsife Program for Environmental and Regional Equity, at p. 4, 9 (2018).

[4] Goetz, et al., at p. 3.

Rent Regulations and the Montgomery County Rental Housing Market

The County Council requested this Office of Legislative Oversight report to better understand the nature and design of second generation rent regulation systems, the research findings on the social and economic impacts of these systems, and recent and historical trends in the Montgomery County rental housing market. Accordingly, in this report:

- **Chapter 1** summarizes research findings on the social and economic impacts of rent regulations;
- **Chapter 2** compiles information on the structure of rent regulation systems in 11 jurisdictions in the United States;
- **Chapter 3** describes the history of the rent regulation systems in Montgomery County in the 1970s to early 1980s and 2020 to 2022, as well as current law;
- **Chapter 4** presents data on the demographics of renters in Montgomery County and on the physical characteristics of rental housing units in Montgomery County;
- **Chapter 5** includes an analysis of recent and historical trends in the County rental market;
- **Chapter 6** includes OLO's findings; and
- **Chapter 7** includes OLO's recommendations for the Council.

Stephanie Bryant, Natalia Carrizosa and Leslie Rubin drafted this report with assistance from Logan Anbinder, Karen Pecoraro and Kristen Latham.

Components of Rent Regulation Systems. This section provides a brief overview of the common components of rent regulation systems and terminology associated with the topic.

Most rent regulation systems include:

- A statement of legislative goals/intent;
- A description of program management authority;
- Enforcement authority to ensure program compliance;
- Property exemptions – the types of property included in (or excluded from) regulations;
- A description of allowable annual rent increases and how they are determined; and
- Any exceptions to the allowable annual rent increases.

Program Management

This identifies who oversees the program. It is typically a government department whose authority is commonly shared with an appointed board or commission. Typically, as programs increase in complexity (e.g., number of property exemptions, application procedures for exceptions, etc.), the level of program management increases.

Enforcement Authority

State and local law grant power to departments, boards/commissions to carry out and enforce rent regulations. Powers can range from publishing the annual allowable rent increase to holding quasi-judicial hearings on violations of rent protections to the authority to roll back excessive rent increases.

Universe of Regulated Housing – Property Exemptions

Most rent regulation systems define rental housing covered by regulations outlining the types of rental housing excluded from the system. The nature of the local rental housing market and stated policy goals help frame exemptions. Exempted property types can include:

- Newly-constructed rental housing – sometimes excluded indefinitely from rent regulations or sometimes excluded for a fixed period of time (e.g., 10, 15, or 20 years);
- Multi-unit properties (typically smaller) where the property owner resides in a unit;
- Single family houses;
- Condominiums;
- Smaller buildings (e.g., with 2-4 rental units); and
- Accessory dwelling units.[5]

Allowable Annual Rent Increases

All rent regulation systems include a limit on how much landlords can increase rent for a tenant in a 12-month period. Many jurisdictions use a measure based on the local Consumer Price Index (CPI). Examples include:

- A percentage of CPI (e.g. 75% of CPI);
- The CPI;
- The CPI with a limit (e.g., up to the CPI, with a maximum increase of 5%, whichever is lower); or
- A set amount above the CPI (e.g., CPI + 5%).

Some jurisdictions give authority to an oversight body that sets allowable annual increases. Other jurisdictions set a maximum allowable increase in the law (e.g., maximum 5% annual increase).[6] Some jurisdictions tie the approval of an annual increase to a landlord's compliance with housing codes, with rental registration requirements, and/or with fee payments.

---

[5] Goetz, et al., at p. 5; Vicki Been, Ingrid Gould Ellen, Sophia House, "Laboratories of Regulation: Understanding the Diversity of Rent Regulation Laws," *Fordham Urban Law Journal*, at p. 1049-1053 (2019).
[6] See Been, et al., at p. 1059-61; Goetz, et al., at p. 5-6.

Exceptions to Annual Rent Increase Limits

Rent regulations generally outline exceptions that allow the landlord to request a rent increase above the allowable annual percentage. The most common exceptions are because of vacancy, fair return (hardship), and capital improvements. Some jurisdictions also tie approval of exceptions to a landlord's compliance with housing codes, registration requirements, and fee payments.

- **Vacancy Controls**. Systems with "vacancy controls" restricts how much a landlord can increase rent when one tenant moves out and a new tenant moves in. Systems with "vacancy decontrol," by contrast, set no restrictions on how much landlords can increase rent when a new tenant moves in. In most systems with vacancy decontrol, the new tenant moves in and rent regulations apply going forward based on the new, higher rent level. In other systems, vacancy decontrol results in a unit being exempted from the rent regulation system permanently.

- **Fair Return**. Rent regulation laws also generally include a provision to ensure that a landlord can meet annual operating expenses and make a "fair return" on their investment in the property. These provisions typically "allow for landlords to apply for rent increases above the allowable limit under hardship provisions that enable them to increase rent to ensure they do not have problems related to cash flow."[7] Rent regulation systems differ in how they define "fair return."

- **Capital Improvements and Maintenance Costs**. Some researchers assert that rent regulation systems will lead landlords to not maintain rental properties to increase profits. To avoid this outcome, many rent regulations include provisions allowing landlords to shift some capital improvement or maintenance costs to renters.

- **Rent Banking**. Rent regulation systems may allow landlords to "bank" rent increases. In this situation, if a landlord does not raise rents in a given year to the maximum allowable level, the landlord may "bank" the unused part of the increase to use in a subsequent year. Systems that allow rent banking may set time or percentage increase limits on the use of banked increases.

Provisions to Avoid Circumvention of the Law

Research shows that landlords may take steps to evade the control of rent regulations, for example, removing a rental property from the market by converting it to condominiums. Some jurisdictions have also seen landlords attempt to raise rents significantly after adoption of rent regulations but before the regulations go into effect. Rent regulation systems can include provisions to prevent landlords from circumventing the systems.

[7] Goetz, et al., at p. 11.

Eviction protections. To prevent landlords from circumventing rent regulations by unscrupulously taking advantage of unrestricted rent increases at vacancy, many jurisdictions enact "just cause" or *"good cause" eviction. These laws limit the reasons a landlord can evict a tenant who has not violated the lease. In many cases these laws do not kick in until after the first year of the lease. For example, Oregon law permits the landlord to end a lease if:

- Landlord intends to demolish the unit or use it for another purpose other than a residence;
- Landlord intends to make repairs and the property will be unsafe to live in;
- Landlord or the landlord's immediate family member plans to move in; or
- Landlord sold the unit to someone who plans to move in.

Jurisdictions with rent regulations but without added tenant protections may find some landlords will attempt to end a lease with an existing tenant to raise rents to market rates. To do so, landlords legally evict tenants, raise rents to unaffordable levels for the existing tenant to force them out, or fail to renew a lease set to expire, without cause.

Limits on condominium conversion. Some landlords may try to convert their properties into condominiums rather than keep them as rental properties. Some jurisdictions have enacted laws that establish requirements for converting rental property to condominiums, such as requiring regulatory approval, providing existing renters initial rights to purchase their units, and/or requiring landlords to provide relocation assistance to renters.

Right of first refusal. Some jurisdictions have "right of first refusal" laws that give the government and/or other entities the first opportunity to purchase rental housing offered for sale, providing an avenue to preserve rental housing.

Acknowledgments

OLO appreciates the effort, assistance, and feedback provided for this report. The following individuals met with and/or provided information to OLO. If we inadvertently failed to identify someone, the oversight is unintentional. OLO staff members Kristen Latham, Karen Pecoraro, Janmarie Pena, and Stephen Roblin assisted with this report. Additionally, Council Central Staff Pamela Dunn, Eunice Jeong, and Naeem Mia also assisted with this report.

*Designates County Government department/office or program director or Chief.

Government
Nathan Bovelle, DHCA
Yihui Brown, DHCA
Scott Bruton, DHCA*
Sharla Cherry-Quintanilla, DHCA
Mary Gentry, DHCA
Tiffany Johnson, DHCA
Fariba Kassiri, DCAO
Nicolle Katrivanos, DHCA
Adrienne Kraver, CEX
Rose McCray-Moodie, DHCA
Melissa Nolin, DHCA
Jake Weissmann, ACAO
Tamala Robinson, DHCA
Pofen Salem, DHCA
Dale Tibbets, CEX
Thomas Tippett, CountyStat

Montgomery Planning
Lisa Govoni

Apartment & Office Building Association of Metropolitan Washington
Brian Anleu, AOBA
Gabrielle Duvall, Southern Management Companies
Jared Gigliotti, Lerner Enterprises
Brian Gordon, AOBA
Luke Lanciano, Bernstein Management Corporation
Alexander Rossello, AOBA
Steve Silverman, SS Gov Relations

CASA of Maryland
Alex Vazquez

Coalition for Smarter Growth
Carrie Kisicki
Stewart Schwartz

Emergency Assistance Coalition
Courtney Hall
Samuel Taylor

Everyday Canvassing
Tino Fragale
Mady Nadje

Federal Realty
Jay Brinson
Mike Ennes

Independence Now
Sarah Basehart
Shannon Minnick

Maryland Building Industry Association
Griffin Benton
Peter Ciferri, McMillan Metro, P.C.
Kate Kubit, Elm Street Development

Maryland Multi-Housing Association
Aaron Greenfield
Adam Skolnik

Montgomery Housing Partnership
Robert Goldman
Chris Gillis

Renter's Alliance
Matt Losak

Policy and Other Jurisdiction Stakeholders
Michael Bodaken, University of Maryland
Edward Goetz, University of Minnesota
Tram Hoang, PolicyLink
Martin Mitchell, Councilmember, City of Laurel (MD)
Danny Schaible, Council Vice President, City of Hyattsville (MD)

Chapter 1. Research on the Social and Economic Impacts of Rent Regulations

This chapter summarizes the social science and academic research on the social and economic impacts of rent regulations.

- **Part A** introduces the recent history on rent regulations in the United States;
- **Part B** introduces the research on rent regulations;
- **Part C** summarizes research on the social and economic impacts of rent regulation systems; and
- **Part D** outlines the researchers and research cited in this chapter.

A. History of Rent Regulation Systems in the United States

In the United States, the term "rent control" is often used in academic literature to refer to the strict ceilings on residential rents set by the United States federal government during World War II. Begun in some areas of the U.S. in the summer of 1942, rents were frozen as of a certain date (often March 1, 1942).[8] By 1946, 78 percent of rental units and 78 percent of the population were in areas subject to rent control.[9] Except for New York City and a few other New York cities, World War II-era rent control systems in the U.S. were phased out by the late 1940s or mid-1950s.[10]

This period of controls is referred to in research literature as "first generation" rent regulations. Current researchers observe that much of present-day "common opposition" and "strong negative reactions" stem from research on the impacts of first generation regulations.[11] Studies on first generation rent control showed:

> [T]hat rent control would, in fact, produce a set of adverse impacts in local housing markets, including a decline in maintenance of housing, a decline in the production of new housing, and rent increases in the portion of the housing stock not controlled.[12]

While most first generation rent controls in the U.S. were ended by the mid-1950s, some state and local governments in the U.S. began instituting new rent regulation systems in the 1970s to moderate

---

[8] Fetter, Daniel K., "The Home Front: Rent Control and the Rapid Wartime Increase in Home Ownership," *The Journal of Economic History* (2016).
[9] Ibid., at p. 1009.
[10] Ibid., at p. 1008.
[11] Tom Slater, "Rent Control and Housing Justice," *Finisterra – Revista Portuguesa de Geografia*, at p. 65 (2020); Richard Arnott, "Time for Revisionism on Rent Control," *Journal of Economic Perspectives*, at p. 101 (1995); Edward G. Goetz, Anthony Damiano, Peter Hendee Brown, Patrick Alcorn, Jeff Matson, *Minneapolis Rent Stabilization Study*, University of Minnesota Center for Urban and Regional Affairs, at p. 3 (2021).
[12] Goetz, et al., at p. 3.

rents in a period of rampant inflation.[13] Researchers refer to these rent regulations and rent regulation introduced in recent years as "second generation" systems.

Researchers typically characterize second generation rent regulation systems as "moderate" compared to the WWII-era strict price ceilings, because second generation systems allow for annual rent increases, ensure landlords[14] can earn a fair/reasonable rate of return on their property investment, and typically allow landlords to pass through to tenants additional costs associated with the operation of residential rental property, such as capital improvement and/or maintenance costs.[15]

In general, OLO uses the term "rent regulations" in this report to refer to these more modern systems of laws (and to differentiate them from WWII-era "rent control"). Researchers, however, frequently use the term "control" in the research literature about second generation systems. This chapter does use some terms commonly found in this literature, including references to housing units (e.g., controlled, non-controlled, previously controlled) and references to how units are regulated between tenants (i.e., vacancy control, vacancy decontrol).

B. Introduction to the Research

This discussion focuses on research on the impacts seen in second generation rent regulation systems. Quantifying the economic and social impacts of rent regulations requires data that allows researchers to compare buildings and tenants subject to regulations to similar buildings and tenants not subject to regulations and to measure differences that can be attributed to the rent regulations. There are a limited number of places in the U.S. with enforced rent regulations that can be studied.[16] Overall, OLO found the following on the available rent regulations research:

- The body of research on the impacts of rent regulations is comparatively small compared to other fields of research.[17] Research, for example, generally does not distinguish between small

---

[13] Manuel Pastor, Vanessa Carter, Maya Abood, *Rent Matters: What are the Impacts of Rent Stabilization Measures?*, USC Dornsife Program for Environmental and Regional Equity, at p. 8-9 (2018).

[14] A landlord (typically responsible for renting units and overseeing operation of a rental property) and the landowner (the person who owns a rental property) may be the same person or different people. For simplicity, OLO uses the term "landlord" to refer both, which is often the term used by researchers.

[15] Goetz, et al., at p. 3-4; Arnott, at p. 101-102, Slater, at p. 66; Pastor, et al., at p. 9; John I. Gilderbloom, Lin Ye, "Thirty Years of Rent Control: A Survey of New Jersey Cities," *Journal of Urban Affairs*, at p. 208-210 (2007).

[16] Pastor, et al., at p. 7.

[17] Rebecca Diamond, Tim McQuade, Franklin Qian, "The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco," *American Economic Review*, at p. 3366 (2019). John I. Gilderbloom, Lin Ye, "Thirty Years of Rent Control: A Survey of New Jersey Cities," *Journal of Urban Affairs*, at p. 210 (2007)

landlords (e.g., "mom-and-pop" landlords) and larger corporate landlords, so there is little to no understanding of how or whether rent regulation systems impact these landlords differently;[18]

- Research studies describe the different components of the rent regulation system(s) being studied (e.g., annual rent cap, vacancy control/decontrol, types of buildings included). Generally, researchers do not attribute specific research findings to any single system component[19] but to the system as a whole, necessitating caution in making comparisons among study findings.
- Hence, researchers caution on extrapolating research findings on rent regulations to other jurisdictions with different economies, housing markets, and rent regulation systems.[20] The research findings in any given study are based solely on the specific regulations in a studied jurisdiction at a given point in time.
- The findings and conclusion from the primary research on the economic and social impacts of rent regulations can be extremely nuanced. Both the jurisdictions and the rent regulation systems examined in empirical studies vary significantly.

Additionally, most jurisdictions with rent regulations do not publish robust data that would describe the local economic impacts of the regulations. Several studies found that unintended economic impacts attributed to rent regulations may stem from landlords' attempts to avoid regulation (e.g., converting regulated rental housing to unregulated condominiums) and highlight that the structure of rent regulation systems can have significant impacts on the outcomes:

> Rent control is more likely to have perverse effects when the controls are incomplete. When rent regulations do reduce the supply of affordable rental housing, this is typically because they have loopholes allowing landlords to escape the regulations. In particular, vacancy decontrol or allowing larger rent increases on vacancy significantly reduces the impact of rent control and may encourage landlords to push out existing tenants. There is also some evidence that landlords seek to avoid rent regulations by converting rental units into units for sale. To avoid these kinds of unintended consequences, rent regulations should be as comprehensive as possible, and options to remove units from the regulated market need to be closed off wherever possible.[21]

---

[18] Pastor, et al., at p. 15-16.
[19] Some research studies do focus on the impact of a single component of a regulation system but that approach is limited. See, e.g., Allan D. Heskin, Ned Levine, Mark Garrett, "The Effects of Vacancy Control: A Spatial Analysis of Four California Cities," *Journal of the American Planning Association* (2000).
[20] Vicki Been, Ingrid Gould Ellen, Sophia House, "Laboratories of Regulation: Understanding the Diversity of Rent Regulation Laws," *Fordham Urban Law Journal*, at p. 1046 (2019); Kenneth Gibb, Adriana Mihaela Soaita, Alex Marsh, *Rent control: A review of the evidence base*, UK Collaborative Centre for Housing Evidence (2022).
[21] Slater, at p. 73.

OLO notes several examples in the next section.

The Social Impacts of Rent Regulations. Given the small body of research on rent regulation systems, OLO was not surprised that we found no research that has attempted to measure directly how rent regulation systems impact renters socially. Instead, the discussion of the social impacts of rent regulations draws on findings that consistently show that tenants in rent regulated units live in those units longer compared to tenants in non-rent regulated units.
Living in the same housing for a longer period of time is one piece of "housing stability." Many researchers have noted difficulty defining the term "housing stability." A 2014 research study examining the makeup of housing stability defines it as "the extent to which an individual's customary access to housing of reasonable quality is secure."[22] "Housing instability," by contrast, includes situations such as:

- Moving frequently;
- Trouble paying rent;
- Overcrowding; and
- Spending more than 30% of household income on rent ("rent burdened").[23]

Researchers have produced an extensive body of research that identifies many positive economic, health, educational, and social outcomes for people who experience housing stability. In the specific context of rent regulation systems, researchers reason that renters who live longer in rent regulated units (who move less frequently) will experience those positive benefits.

C. The Research Findings

This section summarizes the research on second generation rent regulation systems. Overall, the research findings show:

- **Impact on Housing Stability**: Researchers have consistently found that renters living in rent regulated units live in the units longer compared to renters living in non-regulated units – a key measure of housing stability. A vast body of research shows that housing stability improves economic well-being; physical, emotional, and mental health; and educational outcomes for students. Additionally, most rent regulation systems include regulations limiting evictions to disallow landlords from evicting tenants to raise rents.

[22] Frederick, Tyler J., et al., "How stable is stable? Defining and measuring housing stability," *Journal of Community Psychology* (2014).
[23] "Housing Instability," U.S. Department of Health and Human Services Office of Disease Prevention and Health Promotion.

- **Impact on Rent Levels**: Research has shown that rent regulation systems keep rents lower in regulated units compared to non-regulated units. Conversely, research findings vary on whether rent regulations cause rents in non-regulated units to increase or decrease.

- **Program Reach**: Many researchers have found that rent regulation programs benefit renters at higher risk for housing instability (e.g., People of Color, lower-income residents, seniors). However, rent regulation systems are not targeted only to low-income renters. High-income renters and renters who are not at risk for housing instability also benefit. At the same time, rent regulations can typically benefit significantly more people than low-income housing programs. The number of rent regulated units in areas with regulations generally far exceeds the availability of spots in low-income housing programs in those areas.

- **Impact on New Construction**: Research findings generally show that rent regulation systems do not negatively impact new construction, especially if the regulations exempt new construction from the regulations for a specified time (e.g., 15 years) so the developer can recoup construction costs.

- **Impact on Existing Rental Properties**: Researchers have found that rent regulation systems may entice property owners to convert rental properties to other uses not subject to rent regulations (e.g., condominiums, owner-occupied housing, other non-rental uses, replacing existing buildings with new construction), and some cities with rent regulations have seen reductions in the supply of rental units. Rent regulation systems require design features to lessen the possibility of this impact.

- **Impact on Maintenance and Capital Improvements**: Some research findings showed that rent regulated units had higher levels of aesthetic maintenance problems (e.g., peeling paint). Research findings have been mixed of whether rent regulated units had higher levels of major maintenance problems. One study found that rent regulated units did not have increased levels of significant problems with major maintenance or capital improvements (e.g., sewer, water, etc.). A different study found that rent regulated units had higher levels of plumbing problems. Again, rent regulation systems require design features to lessen the possibility of this impact.

- **Impact on Property Values**. There is mixed evidence on whether rent regulation systems impact property values of non-regulated properties in the same area.

The remainder of this section provides more details on each of these findings.

1. Impact on Housing Stability

Renters in rent regulated units live in those units longer compared to renters in non-rent regulated units.[24]

Rent regulation systems decrease how often tenants move and increase housing stability for tenants living in rent regulated units: "There is widespread agreement in the empirical literature that rent regulation increases housing stability for tenants who live in regulated units."[25] [26]

- A 2019 research study found that renters in some San Francisco rent regulated units "are 10 to 20 percent more likely to remain in their units and roughly [four] percent more likely to remain in San Francisco" compared to renters in non-regulated units.[27] From the same study: "[O]lder tenants and long-term residents [in San Francisco] appeared to benefit most from rent stabilization and have the longest sustained tenure."[28]

- A Massachusetts voter referendum eliminated rent regulations in 1994. Researchers found that eliminating rent regulations reduced the median length that people lived in a unit by 30 percent.[29] Researchers also found that the turnover rates for renters living in previously controlled units spiked by 10 percentage points in Cambridge, MA three years after the end of rent regulations, while the turnover rates for renters in never-controlled units changed little.[30]

- In California, researchers found that tenant turnover was 10 percent lower from 1985-1990 in cities with rent regulations that had vacancy controls – which limit how much landlords can increase rent from one tenant to the next – compared to rent-regulated units with no vacancy controls and units with no rent regulations.[31] Note: California state law currently prohibits local jurisdictions from implementing vacancy control measures.[32]

---

[24] Goetz, et al., at p. 22 (citing Levine 1990).
[25] Goetz, et al., at p. 22 (citing Ambrosius et al., 2015; Diamond et al., 2019; Glaeser and Luttmer, 2003; Gyourko and Linneman, 1989; Heskin et al., 2000); David J. Sims, "Out of control: What can we learn from the end of Massachusetts rent control?", *Journal of Urban Economics* (2007); Levine et al., 1990
[26] Pastor, et al., at p.16 (citing Ault, Jackson, and Richard Saba 1994; Clark and Heskin 1982; Diamond, McQuade, and Qian 2018; Gyourko and Linneman 1989; Munch and Svarer 2002).
[27] Diamond, et al., at p. at 3367; see also Pastor, et al., (citing Diamond 2019); Goetz, et al., at p. 22 (citing Diamond 2019).
[28] Pastor, et al., at p. 16 (citing Diamond).
[29] Goetz, et al., at p. 22 (citing Sims 2007).
[30] David H. Autor, Christopher J. Palmer, Parag A. Pathak, "Housing Market Spillover: Evidence from the End of Rent Control in Cambridge, MA," *Journal of Political Economy*, at p. 671 (2014).
[31] Goetz, et al., at p. 22 (citing Heskin, et. al 2000).
[32] The 1995 California Costa-Hawkins Rental Housing Act restricted local jurisdictions from enacting rent regulations on single-family homes and condominiums, vacancy control, and housing built after 1995.

"[H]ousing research overwhelmingly stresses the importance of housing stability for economic well-being and physical, emotional, and mental health."[33] By contrast, research shows that housing instability, including forced moves due to inability to pay rent, has numerous detrimental impacts on wellbeing.

Family Economics. Research indicates that rent regulations are effective at maintaining below-market rent levels and moderating rent increases compared to non-regulated housing.[34] The rents in rent regulated housing typically are lower than in non-regulated housing in the same area, lessening the housing burden for families. Rent regulations provide predictability to rent increases, which can increase renters housing stability.[35]

Education. Housing stability leads to higher educational achievements for children, especially vulnerable children.[36] Studies have found:

- "For low-income students, changing homes even one time in elementary school can have a negative effect on school performance, contributing to a long-lasting achievement gap."[37] Poorer children are much more likely to move multiple times, compared to more advantaged children.[38]

- "A recent study of over 8,000 primarily low-income urban students in Tennessee found that for every residential move before second grade, students' math and reading test scores dropped relative to their peers."[39]

- "Students who repeatedly change schools are more likely to lag behind their peers in reading and math and more likely to repeat a grade, even when controlling for demographic characteristics."[40]

---

[33] Goetz, et al., at p. 22, (citing Harkness and Newman, 2005; Smith et al., 2003; Welch and Lewis, 1998; Guzman et al., 2005; Bartlett, 1997).
[34] Goetz, et al., at p. 20.
[35] Amee Chew, Sarah Treuhaft, *Our Homes, Our Future: How Rent Control Can Build Stable, Healthy Communities*, collaboration of PolicyLink, Center for Popular Democracy, Right To The City Alliance (2019); Goetz at p. 23.
[36] Goetz, et al., at p. 22 (citing Scanlon and Devine, 2001; Kerbow, 1996; Brennan, 2011; Newman and Holupka, 2014).
[37] *Impact of Affordable Housing on Families and Communities: A Review of the Evidence Base*, Enterprise Community Partners, at p. 5 (2014).
[38] Ibid.
[39] *Impact of Affordable Housing on Families and Communities: A Review of the Evidence Base*, Enterprise Community Partners, at p. 5 (2014) (citing Voight, Adam, Marybeth Shinn, and Maury Nation). "The Longitudinal Effects of Residential Mobility on the Academic Achievement of Urban Elementary and Middle School Students." Educational Researcher 41, no. 9 (December 1, 2012).
[40] Pastor, et al., at p. 18 (citing Garriss-Hardy and Vrooman 2005; Simpson and Fowler 1994).

- "Several studies also show that moving frequently results in lower high-school graduation rates."[41]

- "Stable, affordable housing improves educational outcomes for vulnerable children."[42]

Adult Health. A large body of research documents the impacts of housing instability on adults' health. Some examples include: (1) people who moved for financial reasons in the past three years were more than twice as likely to be in poor or fair health and report anxiety attacks and almost twice as likely to report depression;[43] and (2) "compared to housing secure individuals, adults who felt worried or stressed about their ability to pay their rent or mortgage were three times more likely to report mental distress and were almost 50 percent more likely to have trouble sleeping – both of which can have long-term physical and mental health consequences."[44]

Children's Health. In addition to impacts on educational outcomes, housing instability has negative impacts on children's health. One study found that "children of families that have missed a rent payment in the last year are more likely to be in poor health and are at higher risk of developmental delays than their stably housed peers."[45] Further, frequent moves have been linked to increased risk of depression for children.[46]

Rent regulation systems can provide renters benefits beyond lower rents, "including providing protection against arbitrary evictions, maintenance incentives, and transparency on future rent increases."[47]

Researchers identify other benefits that can stem from rent regulation systems, such as "transparency on future rent increases." Some jurisdictions enact other tenant protections alongside rent regulations, such as legal protections that limit the circumstances under which landlords can end a lease.[48] One

[41] Pastor, et al., at p. 18 (citing Gasper, DeLuca, and Estacion 2012).
[42] Ibid.
[43] Pastor, et al., at p. 18 (citing Burgard, Seefeldt, and Zelner 2012).
[44] *Impact of Affordable Housing on Families and Communities*, at p. 6. (citing Liu, Yong, Rashid Njai, Kurt Greenlund, Daniel Chapman, and Janet Croft). "Relationships Between Housing and Food Insecurity, Frequent Mental Distress, and Insufficient Sleep Among Adults in 12 U.S. States, 2009," *Preventing Chronic Disease* (2014).
[45] *Impact of Affordable Housing on Families and Communities*, at p. 6, citing March, Elizabeth, Stephanie Ettinger de Cuba, John Cook, Kathryn Bailey, Diana Becker Cutts, Alan F Meyers, and Deborah A Frank. "Behind Closed Doors: The Hidden Health Impacts of Being Behind on Rent", Children's Health Watch (2011).
[46] *Impact of Affordable Housing on Families and Communities*, at p. 6, citing Gilman, S. E., I. Kawachi, G. M. Fitzmaurice, and S. L. Buka. "Socio-economic Status, Family Disruption and Residential Stability in Childhood: Relation to Onset, Recurrence and Remission of Major Depression," *Psychological Medicine* (2003).
[47] Gilderbloom & Ye, at p. 214, 216; Joshua D. Ambrosius, John I. Gilderbloom, William J. Steele, Wesley L meares, Dannis Keating, "Forty years of rent control: Reexamining New Jersey's moderate local policies after the great recession," *Cities*, at p. 131 (2015).
[48] Pastor, et al., at p. 17.

researcher observes that rent regulation systems without eviction restrictions and vice versa can lead to detrimental impacts on renters:

> Programs without protections risk unwarranted actions where a landlord evicts a tenant to increase rent without restriction, and eviction protections without rent regulations risk landlords increasing rents to an unaffordable level in order to evict a tenant. A common way to protect tenants from this practice is called "just-cause eviction."[49]

2. Impact on Rent Levels

Researchers have found that rent regulation systems result in lower rents for tenants in controlled units.[50] The structure of a system and its method of regulating annual rent increases will impact how rents differ between controlled units and non-controlled units.[51]

Rent regulations can result in lower rents for tenants in regulated units and can provide predictability of housing cost increases for tenants.[52] See Chapter 2 for a detailed description of the design of rent regulation systems in different jurisdictions in the U.S.

- Los Angeles' rent regulation system began in 1979, guaranteeing an annual increase of 7%. The city altered the program in 1985 to base increases on the CPI, with a minimum guaranteed increase of 3% and a maximum of 8%. Research showed that before the change, rents in controlled units increased at close to the same rate as rents in non-controlled units. Following the change, rents in controlled units stayed "significantly below" rents in non-controlled units.[53]

- Research published in 2007 on the impacts of rent regulations in 76 New Jersey cities showed that the "rent [regulations] had almost no significant impact on median monthly contract rent. At best, it appears that most rent [regulation] ordinances have only succeeded in preventing rent increases that are excessive." A 2015 research study replicating the 2007 study reached similar conclusions.[54]

---

[49] Goetz, et al., at p. 9. "Just-cause" or "good cause" eviction laws limit the reasons landlords cannot renew a lease or can evict a tenant. See discussion in Chapter 2.
[50] Pastor, et al., at p. 11; Goetz, et al., at p. 20 (citing Autor et al., 2014; Early, 2000; Heskin et al., 2000; Sims, 2007; Clark and Heskin, 1982; Levine et al., 1990).
[51] The size of rent regulation systems' impact on rents differs across studies because of, among other things: (1) differences in local housing market conditions and (2) differences in rent regulation systems. Stacy, et al., at p. 7; Goetz, et al., at p. 20.
[52] Goetz, et al., at p. 20.
[53] Goetz, et al., at p. 20 (citing Teitz 1998).
[54] Ambrosius, et al., at p. 129.

- Research commissioned by the City of Cambridge, Massachusetts – examining the impact of the ending of rent regulations in 1994 – found that rents for renters who were in formerly controlled units increased 40 percent from 1994 to 1997 while the rents of never-controlled units rose by only 13 percent.[55]

Research findings differ on whether rent regulations impact the rents of non-regulated units in the same jurisdictions. In some cities, researchers found almost no difference between rents in regulated and non-regulated units, describing the regulations in those cities as "moderate." In another city, researchers found that rents in non-regulated units increased because rent regulations led to a decline in rental housing supply, driving prices up in non-regulated units.[56]

"Studies based on empirical data have found that rent regulations either slightly increase rental affordability in non-controlled units or have a modest effect on rents when controlling for other factors."[57]

- A study of rent regulations in the Boston area found that the rents of *non-regulated units* were lower in areas with a higher percentage of rent-regulated units compared to areas with a lower percentage of rent-regulated units.[58] However, the author notes that the research didn't allow him to identify the cause of/reason for the lower rents in non-regulated units.[59]

- Researchers examining rent regulations in New Jersey jurisdictions found "minimal – if any – impact of rent [regulations] on median rents in New Jersey cities" and attribute the finding to "the non-restrictive nature of moderate rent [regulations]" in New Jersey cities.[60]

- Research on rent regulations in San Francisco, however, found that rents in non-regulated units increased somewhat because landlords removed rental units from the market, reducing overall housing supply.[61]

---

[55] Autor, et al., at p. 670.

[56] Pastor, et al., at p. 11; Goetz, et al., at p. 20-21.

[57] Pastor, et al., at p. 11.

[58] Sims, at p. 148-49.

[59] Ibid., at p. 149.

[60] Ambrosius, et al., at p. 129-130.

[61] Diamond, et al., at p. 3366.

3. Beneficiaries of Rent Regulations

People of Color, residents with lower incomes, and older residents benefit from rent regulation systems.

Research findings on the beneficiaries of rent regulations vary significantly. OLO found the description of the research findings over the past two decades by University of Southern California Professor Manuel Pastor balanced and succinct, touching on much of the nuance:

> Several studies have found older households tend to be the primary beneficiaries of rent regulations (Clark and Heskin 1982 in Los Angeles; Glaeser 2003 in Manhattan; Gyourko and Linneman 1989 in New York City). Many researchers have found that tenants in rent-stabilized units or jurisdictions have lower incomes (Ambrosius et al. 2015; Gilderbloom and Ye 2007; Glaeser 2003; Gyourko and Linneman 1989). Similarly, Ambrosius and colleagues' (2015) study found that New Jersey cities with moderate rent [regulations] had nearly 25 percent lower median incomes and 70 percent more Black residents than cities without.
>
> Moderate rent [regulations] appear[] to benefit people of color. In a few studies, rent-regulated units have been shown to be comprised of disproportionately more people of color than their non-regulated counterparts, including New Jersey (Ambrosius et al. 2015; Gilderbloom and Ye 2007), California (Heskin, Levine, and Garrett 2000), Cambridge, MA (Sims 2011), and some parts of New York City (Gyourko and Linneman 1989). Gyourko and Linneman (1989) found that in uncontrolled units, 12 percent of households were headed by a Black person, 3 percent headed by a Puerto Rican, and 22 percent by a single woman. In controlled units, in comparison, 19 percent of household heads were African American, 14 percent Puerto Rican, and 32 percent single women.
>
> While people of color and low-income people may be disproportionately represented in rent-stabilized units, they may not benefit proportionately from price reductions. Gyourko and Linneman (1989) … the percent of the rent savings from rent regulation relative to annual income, was higher for white families than for either Black or Puerto Rican families. Furthermore, the study found that, … "while many poor families received benefits, so too did many higher income families. In a similar vein, while many low-income families benefitted from rent regulations, many other equally poor families received no benefits."[62]

[62] Pastor, et al., at p. 20 (formatting in original).

Rent regulation systems generally are not restricted to renters who are at higher risk for housing insecurity.

In rent regulation systems, the tenant who happens to live in a rent regulated unit receives the benefits, independent of whether they are at higher risk for housing insecurity. Systems are affirmatively designed this way and jurisdictions typically do not structure rent regulation systems to target particular groups of renters.

Research shows in general that renters under rent regulations "tend to be older, lower-income, more headed by single-mothers, and more commonly people of color. However, this is not at the exclusion of younger, wealthier, whiter renters."[63] Programs are not efficient at targeting those who need them most. Specific studies found:

- The city of Los Angeles completed its own studies in both 1984 and 1988 and found that while older White renters benefited the most, there were positive benefits across the board for all renters;[64]
- Twenty six percent of rent controlled apartments [in Boston] were occupied by renters in the bottom quartile of household income distribution, while 30% of units were occupied by tenants in the top half of this distribution;[65]
- In New York City, "while many poor families received benefits, so too did many higher income families."[66]
- The rent regulation system in San Francisco contributed to gentrification of and widened income inequality in the city: "high-end housing, developed in response to rent [regulations], attracted residents with at least 18 percent higher income, relative to control group buildings in the same zip code."[67]

Rent regulation systems are not means-tested, meaning that rent regulated units are not limited to renters with lower incomes or fewer assets. One researcher asserts that rent regulations would not be enacted if limited to low-income tenants, comparing rent regulation programs to Social Security and Medicare: "Social Security and Medicare are available to everyone in part because if the government means-tested and limited senior aid to those truly in need—which is what economists would prefer—political support would collapse."[68]

[63] Pastor, et al., at p. 19.
[64] Goetz, et al., at p. 24 (citing Teitz 1998).
[65] Sims, at p. 148.
[66] Pastor, et al., at p. 20 (citing Gyourko and Linneman 1989).
[67] Diamond, et al., at p. 3369, 3392.
[68] Pastor, et al., at p. 20; see also Stacy, et al., at p. 7.

Rent regulation systems have much further reach compared to other types of government rental housing programs.[69]

One report advocating for rent regulations asserts that "[b]ecause rent regulations cover private rental housing, they have tremendous reach and impact, and can take effect almost immediately. In cities where it exists, rent [regulations are] the largest source of affordable housing."[70] Data show the magnitude of rent regulated units compared to other types of subsidized housing:

- "In San Francisco, the number of homes stabilized by rent regulation—173,000 units—is three times the number of affordable units provided through all other rental housing programs [51,700]."[71]

- "In New York City, rent-regulated stock houses nearly one million families and twice the number of low-income households live in rent-regulated stock [365,000] than in public and subsidized housing combined [182,000]."[72]

4. Impact on Housing Stock

"Little empirical evidence shows that rent [regulation] policies negatively impact new construction."[73] "On balance, new housing supply is more influenced by cyclicality in the local economy and other local conditions than rent restrictions."[74]

Numerous researchers examining rent regulation systems have concluded that data show these systems do not negatively impact new construction because jurisdictions typically have designed systems to exempt new construction from regulation. New construction is the most common exemption from rent regulation – often for a period of time (e.g., 15 years) – which gives developers a period of time to earn a profit on their investment.[75] Examples include:

---

[69] Pastor, et al., at p. 6.
[70] Chew, et al., at p. 18.
[71] Ibid. (citing Molly Goldberg, Dean Preston, and Aimee Inglis, "The Cost of Costa-Hawkins: A Report by the San Francisco Anti-Displacement Coalition" (San Francisco Anti-Displacement Coalition, July 2018) and Council of Community Housing Organizations analysis of San Francisco city data).
[72] Ibid. (citing Community Service Society analysis of 2017 New York City Housing Vacancy Survey).
[73] Goetz, et al., at p. 23 (citing (Gilderbloom and Ye, 2007; Turner, 1998; Sims, 2007; Arnott, 1995; Goetz, 1995; Appelbaum and Gilderbloom, 1990). See also Pastor, et al., at p. 14.
[74] Pastor, et al., at p. 14.
[75] See Goetz., et al., at p. 1; Gilderbloom & Ye, at p. 214; Been, et al., at p. 1045.

- Research from the Boston area found that the peak of multifamily building occurred five to 10 years before rent regulations were ended in Massachusetts: "[M]ultifamily building construction permits in [Boston, Cambridge, and Brookline, MA] reached their height in the mid to late 1980s—a time when rent stabilization policies were in full effect."[76]

- "A comprehensive report by Berkeley's Planning and Development Department considers the effect of rent [regulations] from 1978 to 1994 and concludes that 'the best available evidence shows that rent [regulations] had little or no effect on the construction of new housing.'"[77]

- Research of rent regulations in over 70 New Jersey jurisdictions found no significant difference in new construction in cities with rent regulations compared to cities without rent regulations.[78]

Research has shown that rent regulation systems may influence landlords to remove existing rental properties from the rental market – converting them to condos, owner-occupied units, or otherwise changing their use so they are not subject to rent regulations.[79]

Several studies have documented that some jurisdictions with rent regulation systems have seen a decline in rental housing because landlords convert the property to other uses not subject to rent regulations. Some examples include:

- Researchers found that San Francisco's rent regulation system led to a 15% decrease in the number of available rental properties because landlords converted buildings to other uses (condos, etc.) and the regulations led to a 25% reduction in renters living in units protected by rent regulations.[80]

- One study found that vacancy controls – which regulate how and how much landlords can increase rent when one tenant moves out and a new tenant moves in – increased conversion of rental property to other purposes and led to a 7% decline in rental units in Los Angeles.[81] "[T]he incentive to convert rental properties to ownership units was even more evident in places with

---

[76] Pastor, et al., at p. 14 (citing Gilderbloom & Ye 2007); Goetz, et al., at p. 23 (citing Sims 2007).
[77] *Rent Control Myths*, citing [*Rent Control in the City of Berkeley, 1978 to 1994: A Background Report*](), City of Berkeley Planning and Development Department (1998).
[78] Ambrosius, et al., at p. 128.
[79] Goetz, et al., at p. 23 (citing Barton, 1998; Diamond et al., 2019; Sims, 2007; Gyourko and Linneman, 1989; Olsen, 1991); Pastor, et al., at p. 15 (citing Diamond 2018, Fetter 2015, Heskin Levine, Garrett 2000, Sims 2007).
[80] Diamond, et al., at p. 3368; see also Pastor, et al., at p. at 15; Goetz, et al., at p. 23.
[81] Pastor, et al., at p. 15 (citing Heskin, Levine, Garrett 2000).

vacancy control, where the unit remains at a price lower than would otherwise be the case after a tenant moved out."[82]

- Researchers found that after rent regulations were repealed in Massachusetts in 1994, housing units in areas that had rent regulations were more likely to be put on the rental market compared to comparable housing units in areas that did not have rent regulations.[83]

"[Conversion of rental housing to other uses] has led many to recommend additional regulations to protect the existing stock against conversion, preventing landlords from easily being able to withdraw their units from the rental market."[84] Nearly all California cities with rent regulations, for example, have ordinances limiting condominium conversions.[85] Researchers also note that laws providing strong eviction protections can lessen the likelihood that landlords convert rental property to other uses.[86]

5. Impact of Vacancy Controls[87]

Rent regulation systems with vacancy controls can keep rents lower than systems with vacancy decontrol or areas with no rent regulation system.[88] One study, however, found that vacancy controls led to a decline in the supply of rental units while similar jurisdictions with no vacancy control saw an increase in rental housing supply.[89]

Vacancy controls govern whether or how much a landlord can raise rents between tenants, with the intention of maintaining lower rents. Research has shown that vacancy controls do reduce rents in affected areas compared to areas with rent regulations with vacancy decontrol or to areas with no rent regulations. Research has shown that rent regulations with vacancy controls can also induce landlords to remove property from the rental market.

- Research showed that between 1980 and 1990, rent-regulated units in California jurisdictions with vacancy control had lower rents than units in jurisdictions with vacancy decontrol or no rent

[82] Pastor, et al., at p. 15 (citing Garrett 2000). A California state law prohibits vacancy control. See Chapter 2.
[83] Sims, at p. 143.
[84] Goetz, et al., at p. 23 (citing Baar, 1983; Arnott, 1995, Rosen 2018).
[85] Nicole Montojo, Stephen Barton, Eli Moore, *Opening the Door for Rent Control: Toward a Comprehensive Approach to Protecting California's Renters*, University of California, Berkeley Haas Institute for a Fair and Inclusive Society, at p. 28 (2018). See also, Pastor, et al., at p. 15.
[86] Chew, et al., at p. 23; Pastor, et al., at p. 12; Montojo, et al., at p. 28.
[87] Systems with "vacancy control" restricts how a landlord can increase rent when one tenant moves out and a new tenant moves in. "Vacancy decontrol," by contrast, allows a landlord to decide how much to increase the rent of a unit when a tenant moves out – typically to market rate.
[88] Goetz, et al., at p. 20 (citing Heskin 2000).
[89] Heskin, et al., at p. 166.

regulations at all.[90] The same California study, however, data showed a decline in the number of rental units in areas with vacancy control and a large increase in rental units in areas without vacancy control. The areas with vacancy control also saw a large increase in owner-occupied units (e.g., property owners moving into rental housing and taking it off the rental market) and the areas without vacancy control only saw a small increase in owner-occupied units.[91]

- Approximately 85 percent of the 76 New Jersey jurisdictions with rent regulations in one study had vacancy decontrol. Researchers found the rent regulation systems had almost no impact on median monthly rents compared to jurisdictions that did not have rent regulations.[92] Another researcher concludes that "[t]he regulation of vacancies can have critical impacts upon the outcomes of rent stabilization programs. Vacancy decontrol may ease anxieties from property owners as it allows them to recoup some of their foregone profits. However, it also severely undermines the long-term effectiveness of rent [regulation] programs."[93]

6. Impact on Maintenance

Researchers have found higher levels of maintenance issues in rental housing in jurisdictions with rent regulations compared to jurisdictions without. Consequently, several researchers recommend including either incentives or penalties in rent regulation systems to mitigate potential negative outcomes.

Some researchers have found that in specific rent regulation systems that landlords have not undertaken all the necessary maintenance of rental properties, leading researchers to recommend system designs to minimize impacts. "The impact of rent [regulations] on housing maintenance is largely dependent on the features of the program itself. Programs with features allowing for responses to changes in the quality of housing services, either incentives or penalties, largely prevent declines in maintenance."[94]

- The study of the 1994 end of the rent regulation systems in the Boston area found that rent regulations were "associated with 'chronic aesthetic problems'" (e.g., peeling paint, holes in walls, loose railings), but not with major issues such as heating, plumbing, and electrical systems.[95]

---

[90] Goetz, et al., at p. 20 (citing Heskin 2000).
[91] Heskin, et al., at p. 166.
[92] Gilderbloom & Ye, at p. 214.
[93] Goetz, et al., at p. 8.
[94] Goetz, et al., at p. 24 (citing Kutty 1996).
[95] Goetz, et al., at p. 24 (citing Sims 2007); Pastor, et al., at p. 12 (citing Sims 2007).

- The 2015 study of New Jersey cities found that jurisdictions with rent regulations had higher percentages of rental units with plumbing deficiencies (1.12%) compared to cities without rent regulations (0.76%) while noting that both percentages were around 1 percent.[96]

- One research compilation observes that "maintenance failure is an issue in all long-term rental contracts where the owner is responsible for maintenance, regardless of whether or not the unit is subject to rent regulations."[97]

Researchers note that effective regulations that incentivize building code compliance and maintenance among landlords can lessen issues that may be associated with maintenance of rent-regulated housing.[98]

7. Impact on Property Value

Two recent studies looking at the impact of rent regulations on property values come to opposite conclusions. One researcher notes that more research is needed on this topic.[99]

There is conflicting research on the impact of rent regulations on property values:

- Researchers found that ending rent regulations in Cambridge, MA in 1994 led to increased property values of previously controlled units of 18% to 25% compared to never controlled units with similar characteristics.[100]

- Researchers studying 74 rent-stabilized cities and 87 non-rent-stabilized cities in New Jersey found that any difference in property values in rent-stabilized cities compared to non-rent-stabilized cities were explained by other factors such as median income, the share of rental housing, and local demographic composition. "[T]he presence or strength of rent [regulations] does not significantly alter appreciation or foreclosure rates."[101]

---

[96] Ambrosius, et al., at p. 128.
[97] Goetz, et al., at p. 23 (citing Arnott and Shevyakhova 2014).
[98] Prasanna Rajasekaran, Mark Treskon, Solomon Greene, et al., *Rent Control: What Does the Research Tell Us about the Effectiveness of Local Action?* Urban Institute, at p. 5 (2019).
[99] Pastor, et al., at p. 14.
[100] Autor, et al., at p. 667. However, property values of never-controlled units also increased due to deregulation and accounted for significantly more in increased property value compared to previously controlled units. The research authors found that ending rent regulations in Cambridge led to approximately $300 million in increased value for formerly controlled units and $1.1 billion in increased value for never-controlled units. Ibid. p. 668.
[101] Pastor, et al., at p. at 13 (citing Ambrosius, 2015).

The market-rate rent a landlord can charge is often the result of factors that are external to the quality of the property itself, such as market conditions, proximity to public transit, or proximity to desired amenities.

The value of land and the rent a landlord can charge is influenced by factors such as the location of the land. One researcher concludes:

> An increase in rents may arise for reasons having to do nothing with whether a landlord has improved his or her actual housing product but instead may arise due to external factors such as the overall set of market conditions, nearby public investments (such as new transit lines), or other sorts of public policies. This is one reason why even free-market economists have favored land taxes as a way to sop up excess profits (that is, profits arising from conditions external to the quality of the housing itself) and encourage the more efficient use of land. In that context, rent regulations are intended to address this divergence between what might be termed “building rent” and “land rent” and provide greater rental affordability for tenants in regulated units.[102]

Government action, for example, can increase residential property values through provision of amenities, such as schools, neighborhood safety, parks, and public transit in proximity to residential properties – to the benefit of landowners and to the financial detriment of renters in the form of higher rents.[103]

> Economists often mistakenly treat rental housing as a simple consumer good. In fact, rental housing involves two separable aspects: the building, and the land or location, as Adam Smith pointed out in *The Wealth of Nations* more than two centuries ago. The “building rent” is the amount actually necessary to pay for the operation and maintenance of a home and to provide a normal profit to the landlord on their invested capital. The “land rent” is an extra payment for access to a desirable location…. Our rental housing market is structured so that private landlords take this publicly-created [land] value for private profit, charging tenants higher rent for their contribution.[104]

[102] Pastor, et al., at p. 9-10. See also Cathy Hughes, Sarah Sayce, Edward Shepherd, Pete Wyatt, “Implementing a land value tax: considerations on moving from theory to practice,” *Land Use Policy* (2020).
[103] Montojo, et al., at p. 22-23.
[104] Ibid.

D. Research Summary

This section identifies the primary research sources used in this chapter.

- Joshua D. Ambrosius, John I. Gilderbloom, William J. Steele, Wesley L meares, Dannis Keating, "Forty years of rent control: Reexamining New Jersey's moderate local policies after the great recession," *Cities* (2015).

- Richard Arnott, "Time for Revisionism on Rent Control," *Journal of Economic Perspectives*, (1995).

- Aurand, Andrew, et al., *Out of Reach: The High Cost of Housing*, National Low Income Housing Coalition (2022).

- David H. Autor, Christopher J. Palmer, Parag A. Pathak, "Housing Market Spillover: Evidence from the End of Rent Control in Cambridge, MA," *Journal of Political Economy*, (2014).

- Vicki Been, Ingrid Gould Ellen, Sophia House, "Laboratories of Regulation: Understanding the Diversity of Rent Regulation Laws," *Fordham Urban Law Journal* (2019).

- Amee Chew, Sarah Treuhaft, *Our Homes, Our Future: How Rent Control Can Build Stable, Healthy Communities*, collaboration of PolicyLink, Center for Popular Democracy, Right To The City Alliance (2019).

- Rebecca Diamond, Tim McQuade, Franklin Qian, "The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco," *American Economic Review* (2019).

- Kenneth Gibb, Adriana Mihaela Soaita, Alex Marsh, *Rent control: A review of the evidence base*, UK Collaborative Centre for Housing Evidence (2022).

- John I. Gilderbloom, Lin Ye, "Thirty Years of Rent Control: A Survey of New Jersey Cities," *Journal of Urban Affairs* (2007).

- Edward G. Goetz, Anthony Damiano, Peter Hendee Brown, Patrick Alcorn, Jeff Matson, *Minneapolis Rent Stabilization Study*, University of Minnesota Center for Urban and Regional Affairs (2021).

- Allan D. Heskin, Ned Levine, Mark Garrett, "The Effects of Vacancy Control: A Spatial Analysis of Four California Cities," *Journal of the American Planning Association*, (2000).

- Nicole Montojo, Stephen Barton, Eli Moore, *Opening the Door for Rent Control: Toward a Comprehensive Approach to Protecting California's Renters*, University of California, Berkeley Haas Institute for a Fair and Inclusive Society (2018).

- Manuel Pastor, Vanessa Carter, Maya Abood, *Rent Matters: What are the Impacts of Rent Stabilization Measures?*, USC Dornsife Program for Environmental and Regional Equity (2018).
- *Rent Control Myths*, Coalition for Nonprofit Housing and Economic Development.
- David J. Sims, "Out of control: What can we learn from the end of Massachusetts rent control?," *Journal of Urban Economics* (2006).
- Tom Slater, "Rent Control and Housing Justice," *Finisterra – Revista Portuguesa de Geografia*, (2020)
- Christina Plerhoples Stacy, Eleanor Noble, Jorge Morales-Burnett, Timothy Hodge, Timothy Komarek, *Rent Control: Key Police Components and Their Equity Implications*, Urban Institute (2021).
- Lisa Sturtevant, *The Impacts of Rent Control: A Research Review and Synthesis*, National Multifamily Housing Council Research Foundation (2018).
- Yesim Sayin Taylor, *Review of Literature on the Impact of Rent Control on Housing Quality and Quantity, Displacement, and Inclusion*, Appendix II to *Appraising the District's Rentals*, D.C. Policy Center (2020).

Chapter 2. Rent Regulations in Other Jurisdictions

OLO researched laws and policies in 11 different jurisdictions to better understand variances in rent regulation policies. This chapter summarizes characteristics and common practices among the jurisdictions reviewed. Of note, while jurisdictions' rent regulations share common components, each tailor specific regulations to the communities they serve and combine them with complementary laws.

To complete this chapter, OLO relied on publicly available documents detailing program history, regulations, legal scope and exceptions, and complimentary laws. There is a detailed summary of each jurisdiction available in the Appendix. This chapter is organized as follows:

- **Section A** identifies jurisdictions with rent regulations in the United States;
- **Section B** summarizes characteristics of rent regulations in case study jurisdictions;
- **Section C** discusses how case study jurisdictions collect, evaluate, and use rent data; and
- **Section D** provides an overview of the proposed changes in rent regulations in the case study jurisdictions.

Reader Note: **Many areas use "rent control" and "rent stabilization" interchangeably to refer to policies that limit rent increases. The Office of Legislative Oversight (OLO) uses the term "rent regulations" when discussing any type of law that impacts the ability to adjust rent.**[105]

[105] Rajasekaran, Prasanna, Mark Treskon, and Solomon Greene. "What Does the Research Tell Us about the Effectiveness of Local Action?" Urban Institute, January 2019; Stakeholder Interview with City of Hyattsville, Jan. 27, 2023.

A. Rent Regulations in the United States

OLO found that 86% of states are either silent on rent regulations (meaning no laws or policies) or have enacted laws preventing rent regulations (42 out of 50 states (excluding Washington, DC)). Of note:

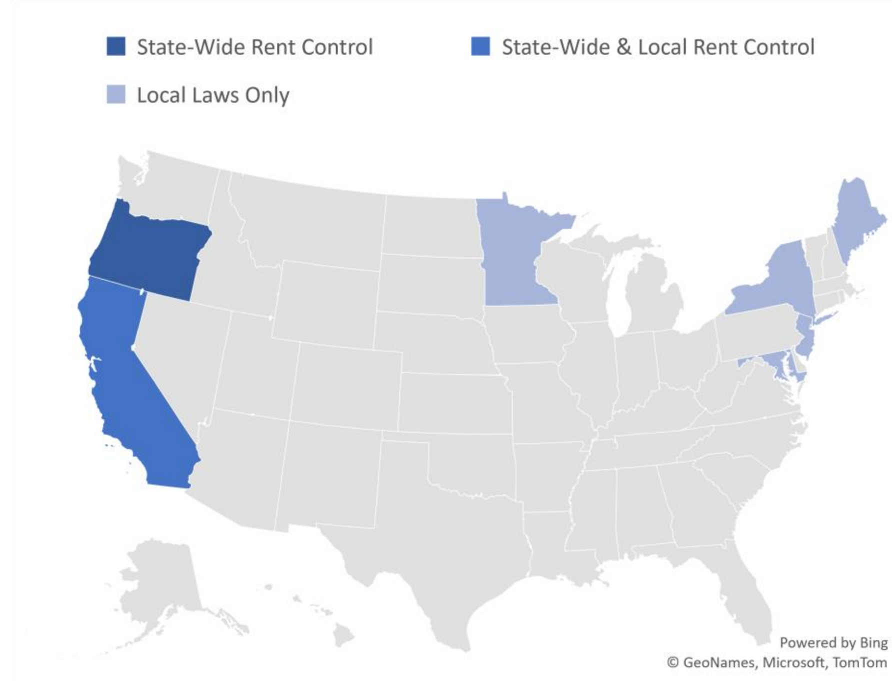
Rent Regulations Prohibited Statewide **Thirty-one states preempt[106] local authority to regulate rents.[107] Cities and counties in these states cannot tailor laws to meet housing needs.[108]**	**62%** **(31 of 50 States)**
Rent Regulations Would Require Explicit Delegation of Authority **Six states prevent local governments from enacting rent regulations by not affirmatively granting power.[109]**	**12%** (6 of 50 States)
No Action Taken on Rent Regulations **Six states neither allow nor prohibit rent regulations.[110] These states could enact laws on rent regulations in the future.**	**12%** (6 of 50 States)

[106] Preemption is the use of state authority to prevent local action on a policy issue. National League of Cities, City Rights in an Era of Preemption, A State-by-State Analysis, 2018 Update.
[107] National Multifamily Housing Council, Rent Control Laws by State, July 19, 2022. States include AL, AR, AZ, CO, CT, FL, GA, IA, ID, IL, IN, KS, KY, LA, MA, MI, MS, MO, NH, NM, NC, ND, OH, OK, SC, SD, TN, TX, UT, WA, and WI.
[108] National League of Cities, City Rights in an Era of Preemption, A State-by-State Analysis, 2018 Update.
[109] National Multifamily Housing Council, Rent Control Laws by State. States include AK, NV, PA, VA, VT, and WV.
[110] National Multifamily Housing Council, Rent Control Laws by State. States include DE, HI, NE, MT, RI, and WY.

Map 2-1 shows seven states and the District of Columbia that have rent regulations as of July 2022.[111] Key findings include:

- California, Oregon, and Washington, D.C. have jurisdiction-wide rent regulations. California permits local jurisdictions to implement additional rent regulations but imposes strict limits on local laws.[112]
- Maine, Maryland, New Jersey, and New York permit local governments to enact rent regulations.
- Minnesota law permits home rule charter cities to establish rent regulations. Home rule laws limit the level of state interference in local operations and delegate power from the state to local government. Delegation of power is limited by policy area.[113] Rent regulations exist in St. Paul and are under consideration in Minneapolis.[114]
- Rent regulations are not widely adopted outside large coastal cities. The largest cities with rent regulations are New York (NY), Los Angles (CA), San Francisco (CA), Oakland (CA), and Washington (DC).[115]

Map 2-1. States with Active Rent Regulations in the United States, July 2022



Source: OLO and National Multifamily Housing Council

[111] National Multifamily Housing Council, Rent Control Laws by State. In 2023, legislators are considering introducing rent regulations in states where they have previously been preempted, including Connecticut and Washington. See Alex Didion. "Three Bills Targeting Rent Gouging, Stabilization Proposed to House." king5.com, January 11, 2023. Glanzer, Ted. "Connecticut Bill Would Cap Annual Rent Increases at 2.5%." The Real Deal New York, January 15, 2023.

[112] National Multifamily Housing Council, Rent Control Laws by State; Prasanna Rajasekaran, Mark Treskon, and Solomon Greene, Rent Control What does the Research Tell Us about the Effectiveness of Local Action?, The Urban Institute, January 2019.

[113] National League of Cities, City Rights in an Era of Preemption, A State-by-State Analysis.

[114] National Multifamily Housing Council, Rent Control Laws by State.

[115] Prasanna Rajasekaran, Mark Treskon, and Solomon Greene, What Does the Research Tell Us about the Effectiveness of Local Action?

B. Case Studies – Rent Regulations in the United States

This section offers an overview of rent regulations in states that permit policies. OLO selected case study jurisdictions based on several factors, including availability of information, geographic location, and potential similarities to the rental market in Montgomery County. Table 2-1 on the following page presents U.S. Census and HUD rental housing data for case study jurisdictions.

Overall, OLO found several similarities among case studies in the components or features of rent regulations but vary in how different locations choose to implement those features. This section summarizes the similarities and differences of rent regulations in case studies across six different categories.

1. Legislative Intent and Goals
2. Program Management
3. Enforcement Authority
4. Property Type Exemptions
5. Annual Allowable Rental Increases
6. Exceptions to Allowable Increases

Reader Note: **In the overview that follows, OLO summarizes key findings from case studies. There is a detailed summary of each case study jurisdiction available in the Appendix.**

Table 2-1. Rental Household Comparison for Case Study Jurisdictions (2021)[116]

	Montgomery County, MD	Oakland, CA	Los Angeles County, CA	Portland, ME	St. Paul, MN	Newark, NJ	Washington, DC	Takoma Park, MD	Prince George's County, MD	Mount Rainier, MD
Year Rent Regulations First Adopted	--	1980	2021	2020	2021	1973	1973	1981	2023	2023
No. of Housing Units (Rented & Owned)	405,755	186,660	3,620,201	35,456	131,275	122,145	357,482	7,053	362,390	4,345
No. of Occupied Units Paying Rent*	129,325	96,028	1,756,032	--	52,803	90,377	182,570	3,292	127,405	3,088
% Who are Renters (of all occupied units)	34.3%	57.4%	53.5%	51.9%	44.5%	79.2%	58.4%	49.8%	37.8%	74.8%
Rental Vacancy Rate	3.3%	6.0%	4.3%	4.6%	9.3%	1.5%	8.0%	1.6%	3.4%	3.6%
HUD Fair Market Rent (Metro Area)	$1,765	$2,383	$2,058	$1,592	$1,308	$1,643	$1,765	$1,765	$1,765	$1,765
Median Rent	$1,821	$1,737	$1,711	$1,305	$1,115	$1,215	$1,668	$1,198	$1,563	$1,342
% of Renters Who Spend More than 35% on Housing	42.6%	41.7%	49.6%	33.8%	36.1%	47.7%	38.8%	42.0%	43.7%	39.1%

*Does not include households renting, but not paying rent (subsidized housing). These households also are not included in the median rent calculation. Case study review also includes a summary of state rent regulations in California and Oregon.

[116] U.S. Census Bureau, American Community Survey, 2021, Comparative Housing Characteristics, 1-Year Estimates Comparison Profiles, Table ID CP04. 5-year estimates reported for Mount Rainier, MD. Data collected during the pandemic and may not be characteristic of normal vacancy rates. U.S. Department of Housing and Urban Development, Fair Market Rents (40th Percentile Rents), 2021 County Level Data (Effective April 1, 2021).

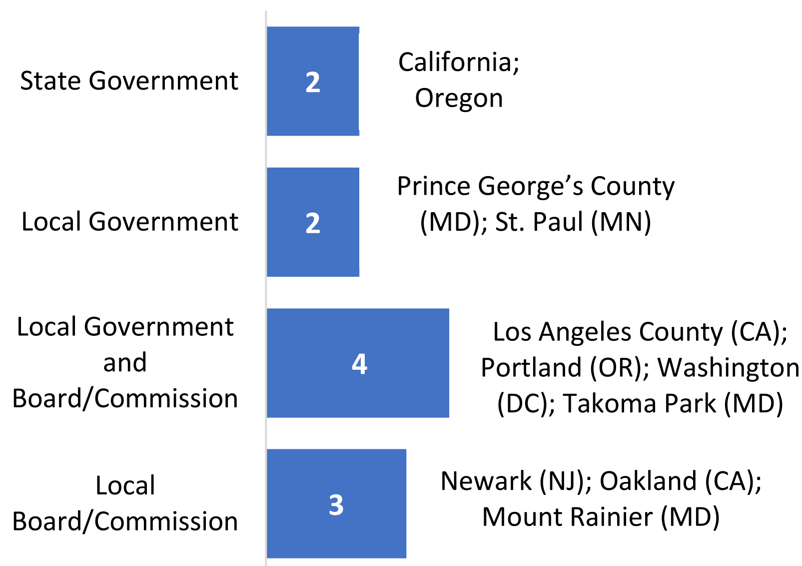
1. Legislative Intent and Goals

OLO reviewed legislative intent behind passage of rent regulations and found jurisdictions enacted rent regulations for similar reasons – most commonly, increased demand for affordable housing, promotion of housing stability, and rapid rent increases (See Appendix).

2. Rent Regulation Program Management

OLO found variations in the authority to oversee rent regulation programs. As programs increased in complexity (e.g., number of property exemptions, application procedures for exceptions, etc.), the level of program management increased. Among jurisdictions reviewed, authority for program oversight and management is often shared between a government department(s) and an appointed board/commission. Chart 2-1 groups case study jurisdictions by program management:

Chart 2-1. Management and Oversight of Rent Regulations



Source: OLO analysis of rent regulation laws for selected jurisdictions

- Departments responsible for permitting, inspections, or housing/community development oversee rent regulations.
- Seven of the 11 jurisdictions appoint a board/commission to review landlord or tenant rent petitions. Board/Commission membership ranges from five members **(Newark, NJ; and Mount Rainier, MD)** to nine members **(Los Angeles County, CA)**. Membership is comprised of tenants, property owners/landlords, and community members. **Portland, ME** appoints its board representatives from five Council districts with the highest number of rental units.

3. Enforcement Authority

State and local law grant power to departments and boards/commissions to carry out and enforce rent regulations. Powers range from publishing the annual allowable rent increase to holding quasi-judicial hearings on violations of rent protections. OLO observed the following regarding enforcement:

- The **State of California** did not enumerate any enforcement powers in its law.
- Several rent regulation laws authorize fines and imprisonment for violations. Nine jurisdictions have the authority to issue fines (**Newark, NJ; Oakland, CA; Los Angeles County, CA; Portland, ME; St. Paul, MN; Washington, DC; Prince George's County, MD; Mount Rainier, MD; and Takoma Park, MD**). Fines are typically assessed per unit, are stackable, and range from $500 for the first offense to $1,000 for subsequent offenses. Four jurisdictions also authorize criminal prosecution and imprisonment (between 90 days to six months) (**Newark, NJ; Oakland, CA; Los Angeles County, CA; and St. Paul, MN)**
- Several jurisdictions have the authority to correct assessed rents. Five jurisdictions are authorized to roll back unjustified rent increases upon a tenant's petition for review **(Newark, NJ; Oakland, CA; Los Angeles County, CA; Washington, DC; and Takoma Park, MD)**. **Oakland, CA** permits review of under- and over-charged rents, while **Washington, DC** permits rent roll back due to findings of substantial code violations.

4. Property Type Exemptions

Each jurisdiction exempts property types from rent regulations. Property exemptions often reflect the rental housing market and policy goals of each jurisdiction. Common exemptions include:

- **New Construction**. New construction units are typically exempt for a limited time – ranging from five years **(Takoma Park, MD; and Prince George's County, MD)** to 30 years **(Newark, NJ).** OLO found variations to this general policy. For example, **Oakland, CA** and **Washington, DC** broadly exempt any property constructed after a certain year, 1995 and 1975 respectively. In comparison, **California** and **St. Paul, MN** law apply a 15- and 20-year rolling exemption for new construction, respectively. **Newark, NJ** exempts substantially renovated units for five years if renovation costs exceed 50% of the unit's value.
- **Single-Family Homes**. Four jurisdictions exempt single-family homes, condominiums, and/or cooperatives from rent regulations **(California, Oakland, CA; Los Angeles County, CA; and Takoma Park, MD)**. **California** links this exemption to property ownership and does not exempt single-family homes owned by institutional investors (e.g., real estate investment trusts, corporations, or LLC). **Takoma Park, MD** exempts all single-family homes, regardless of ownership.
- **Public Housing/Rent Subsidized Units**. All jurisdictions exempt units rented at a reduced rate as part of a local, state, or federal government program or subsidy.
- **Other Exemptions**. Jurisdictions exempt short-term rentals, non-profit owned housing, housing used for healthcare or nursing homes, educational facilities, and religious facilities.

5. Allowable Annual Rent Increases

The allowable annual rent increase is the limit placed on how much landlords can raise rent during a 12-month period.[117] Most jurisdictions use a measure based on the Consumer Price Index (CPI). The table at the end of this section summarizes the allowable annual rent increases in each jurisdiction.

Annual Rent Increase Guidelines. Jurisdictions use a variety of methods to create guidelines for allowable annual rent increases:

- Flat Percent. **St. Paul, MN** and **Prince George's County, MD** were the only jurisdictions that cap rent increases at a set percentage (3% for both areas). Landlords must apply for an exception to increase rent above three percent.
- CPI. Most jurisdictions reviewed use the Consumer Price Index for All Urban Consumers (CPI-U%). CPI-U is based on spending patterns of all urban families and is calculated for various geographic areas.[118] **Washington, DC** uses a subset of CPI-U, known as the Consumer Price Index for Urban Wage and Clerical Workers or CPI-W.[119]
- CPI + Percent. All state-level jurisdictions reviewed - **Oregon, California, and Washington, DC** - use CPI plus a set percent to determine allowable rent increases.
- Cap on CPI Increase. To account for volatility in CPI measures, state and local jurisdictions place a maximum percent which rent increases cannot exceed (**Newark, NJ; California, Oakland, CA; Los Angeles County, CA;** and **Washington, DC)**. Caps on CPI increases range from 3% to 10%.
- Change in CPI is Negative. **Los Angeles County, CA** uses the percent change in average CPI as its allowable annual rent increase, capped at 8%. To adjust for low or negative CPI, the County uses the following the guidelines.

---

[117] Edward G. Goetz, et. al., Minneapolis Rent Stabilization Study.
[118] U.S. Bureau of Labor Statistics, CPI-All Urban Consumers (Current Series), U.S. Department of Labor, Frequently Asked Questions; U.S. Social Security Administration, CPI for Urban Wage and Clerical Workers.
[119] To be included in this subset more than one-half of a family's income must be earned from clerical or hourly wage occupations. CPI-W represents about 32% of urban families. The federal government also uses CPI-W to adjust Social Security and Supplemental Security Income benefits. Ibid.

Table 2-2. Los Angeles County Rent Increase Table[120]

Change in CPI	Max Rent Increase Percent
8% or Greater	8%
3% to 8%	Equal to the Change in CPI
1% to 3%	3%
-2% to 1%	Change in CPI + 2%
Less than -2%	No increase permitted.

Source: Los Angeles County Ordinance

Rent Banking. Rent regulations may permit landlords to defer rent increases. Any unused annual percent, dollar value, or permitted exceptions (see Section 6 below for more detail) can be added to the allowable increase for the following year for an existing tenant and/or applied to a new tenant. Like CPI, jurisdictions limit the total banked increase. For example, **Portland, ME** places a cap on banked rent increase at 10%; whereas **Oakland, CA** places a banked limit at three times the CPI and may not be greater than the lower of 10% or 5% plus the percent change in cost of living.

Other Limitations Set on Annual Increases. There are several other limitations set on rent increases:

- **Washington, DC** set a maximum annual increase for elderly or disabled tenants at CPI-W, the Social Security Cost-of-Living Adjustment, or 5% of the current rent charged, whichever is lower.[121]
- Several jurisdictions link the ability to increase rents annually to rental registry requirements, fees, and housing code compliance **(Newark, NJ; Los Angeles County, CA; and Washington, DC)**. If these requirements are not met, the landlord cannot increase rent.

[120] Los Angeles County Ordinance §8.52.050
[121] DC Code §42-3502.06

Table 2-3. Allowable Annual Rent Increases

Case Study	Allowable Annual Rent Increase	Includes Cap	Cap	Requirement to Increase Rent by Annual Amount (by Unit)
State of Oregon	7% + CPI for All Urban Consumers, West Region	None	--	None
State of California	5% + CPI for All Urban Consumers (Metro Area where property is located) OR 10%	✓	10%	None
Oakland, CA	60% of the percentage increase in CPI-All Items (Fiscal Year July 1st to June 30th) OR 3% whichever is lower	✓	3%	None
Los Angeles County, CA	Percentage Change in the Average CPI over the previous 12 months	✓	8%	Code Compliance, Registration, Payment of Registration Fee
Portland, ME	CPI-U% for the Greater Boston Metro Area	✓	10%	None
St. Paul, MN	3%	✓	3%	Code Compliance (only for exceptions to allowable annual increase See Sec. 6)
Newark, NJ	CPI-U% published monthly	✓	4%	Code Compliance, Registration
Washington, DC	2% + CPI – Urban Wage Earners and Clerical Works (CPI-W)	5% for Elderly/Disabled Tenants; 10% for all others	5%; 10%	Registration (only for Elderly or Disabled Tenants)
Takoma Park, MD	CPI for the Washington/Baltimore Metro Region	Depends on Exceptions (See Sec. 6)	--	None
Prince George's County, MD	3%	✓	3%	None
Mount Rainier, MD	60% of the Consumer Price Index for the Silver Spring-Rockville-Frederick Area Multiplied by Rent Charged in Prior Year	None	--	Code Compliance, Registration (only for exceptions to allowable annual increase See Sec. 6)

Source: OLO analysis of rent regulation laws for selected jurisdictions.

6. Exceptions to Annual Increase

Rent regulations outline exceptions that permit a landlord to request an increase above the allowable annual percent. The most common exceptions are because of vacancy, fair return (hardship), and capital improvements (Table 2-4 and 2-5). These three exceptions are explained in more detail later in this section.

Table 2-4. Definitions of Exceptions to Annual Increases

Exception	Definition
Vacancy	Unit is available to rent to a new tenant.
Banked Rent	Rent increases below the allowable annual increase may be added to the following year or applied to a new tenant.
Fair Return (Hardship)	Increase above the annual limit to meet operating expenses and earn a fair return on investment.
Capital Improvements	Costs of a major improvement to the unit/building/complex.
Rehabilitation/Renovation	Costs associated with renovating or rehabilitating a unit.
Uninsured Repair Costs	Repair costs for a natural disaster or earthquake that are not reimbursable by insurance.
Property Tax	Increase or decrease in property taxes passed through to the tenant.
Utility Costs	Increase in utility costs paid by the landlord.
Updated Code Compliance	Increase in costs to the landlord to comply with new/updated codes.
Increased Housing Services/Facilities	Increase or decrease in costs for providing or removing services and facilities.
Additional Lease Occupants	Additional unit occupants beyond who was included in the original lease agreement.
Voluntary Agreement	Approval by a certain number of tenants that enter an agreement with the landlord to increase rents.
Discontinued Rental Units	A unit is unoccupied, previously rented, and approved for discontinued use.

Source: OLO

Table 2-5. Exceptions by Jurisdiction

	State of Oregon	State of California	Oakland, CA	Los Angeles County, CA	Portland, ME	St. Paul, MN	Newark, NJ	Washington, DC	Takoma Park, MD	Prince Georges County, MD	Mount Rainier, MD
Vacancy	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓
Banked Rent			✓		✓				✓		
Fair Return (Hardship)			✓	✓	✓	✓	✓	✓	✓		✓
Capital Improvements			✓	✓			✓	✓			
Rehabilitation/Renovation				✓			✓	✓	✓		
Uninsured Repair Costs			✓								
Property Tax					✓		✓				
Utility Costs							✓				
Updated Code Compliance				✓							
Increased Housing Services/Facilities			✓					✓			
Additional Lease Occupants			✓								
Voluntary Agreement									✓		
Discontinued Rental Units									✓		

Source: OLO analysis of rent regulation laws for selected jurisdictions.

A landlord's ability to request an exception is often linked to rental registration requirements, fee payment, or housing code compliance (Table 2-6). If a landlord is out of compliance with any of these requirements, the request will not be approved.

Table 2-6. Jurisdictions that Link Exception Process to Registry and/or Code Compliance

	State of Oregon	State of California	Oakland, CA	Los Angeles County, CA	Portland, ME	St. Paul, MN	Newark, NJ	Washington, DC	Takoma Park, MD	Prince George's County, MD	Mount Rainier, MD
Rental Registry Requirements				✓			✓	✓	✓		
Housing Code Compliance						✓	✓	✓	✓		✓

Source: OLO analysis of rent regulation laws for selected jurisdictions.

Annual Increase + Exception Percent = Increase Cap

Jurisdictions permit landlords to add exceptions and annual increases together and apply the total percentage as the rent increase. Several jurisdictions cap total increases. **Newark, NJ** instructs that the sum cannot exceed 25% of the prior month's rent in any 12-month period. **Oakland, CA** caps the sum of increases at 10% in one year or 30% over any five years of the tenancy. **Portland, ME** caps the total at 10% in a 12-month period, with any increase greater than 10% banked for the following year.

In the following, OLO describes the three most common exceptions that allow landlords to increase rent above the annual allowable increase – (1) vacancy, (2) fair return, (3) capital improvements.

Vacancy (Unit is available to rent to a new tenant)

A range of policies exist for setting rent for a new tenant. Jurisdictions either cap increases (vacancy control) or allow the landlord to determine market rent (vacancy decontrol). For example, **Oakland, CA** allows the landlord a 4% increase (compared to 3% for holdover tenants). Alternatively, **St. Paul, MN** caps the rent increase at 8% + CPI (compared to 3% for holdover tenants).

To qualify for the vacancy exception, jurisdictions set conditions on the landlord that must be met. Most commonly these include: **(1)** the prior tenant must have vacated or terminated the lease voluntarily; or **(2)** If the landlord chooses not to renew the lease, they must show cause as to why the lease was not renewed (known as "just cause" or "good cause" eviction).

The table below shows that seven jurisdictions with rent regulations and vacancy exceptions also have just cause eviction laws. Just Cause laws are described in the callout box following the table.

Table 2-7. Permitted Rent Increases Following Vacancy for Selected Jurisdictions (ascending order)

Jurisdiction	Increase Permitted	Prior Lease Conditions	Just Cause Eviction Law
Newark (NJ)	4% (cannot exceed)	None	Yes (state law)
Portland (ME)	5% (cannot exceed 10% per 12-month period)	Prior tenant terminated lease voluntarily	No
Mount Rainier (MD)	60% of the CPI times rent (if unit was previously occupied)	None	No*
Takoma Park (MD)	Banked rent plus allowable increase	Prior tenant terminated lease voluntarily or lease terminated by landlord for cause	No*
St. Paul (MN)	8% + CPI	Prior tenant terminated lease voluntarily or lease terminated by landlord for cause	Yes (local law)
Washington (DC)	If the previous tenancy was 10 years or less the maximum vacancy increase is 10%. If the previous tenancy was more than 10 years, the maximum vacancy increase is 20%.	None	Yes (local law)

Jurisdiction	Increase Permitted	Prior Lease Conditions	Just Cause Eviction Law
Prince George's County (MD)	Unrestricted	None	No*
Oakland (CA)	Unrestricted	None	Yes (state law)
Los Angeles County (CA)	Unrestricted	Prior tenant terminated lease voluntarily or lease terminated by landlord for cause	Yes (state law)
California	Unrestricted	None	Yes (state law)
Oregon	Unrestricted	None	Yes (state law)

*State law currently prohibits local jurisdictions in Maryland from implementing "just cause" eviction laws. A change in State law would be required to implement these policies.

Source: OLO analysis of rent regulation laws for selected jurisdictions.

Just Cause or Good Cause Eviction Ordinances

Many state and local jurisdictions have enacted just cause eviction ordinances. These policies promote housing stability by limiting the reasons landlords cannot renew a lease or evict a tenant.[122] For example, after the first year of occupancy in **Oregon**, a landlord may elect not to renew the lease or evict a tenant (who has not violated the lease) for one of four outlined reasons:

- Landlord intends to demolish the unit or use it for another purpose other than a residence;
- Landlord intends to make repairs and the property will be unsafe to live in;
- Landlord or the landlord's immediate family member plans to move in; or
- Landlord sold the unit to someone who plans to move in.

Oregon law prevents landlords from ending a lease (under 1 year) to take advantage of unrestricted rents at vacancy. Landlords who terminate a lease with a 30-day no cause notice may not reset the rent greater than 7% plus CPI.[123]

Further, landlords must pay relocation assistance if a lease was not renewed for the reasons listed above.[124] Most localities with Just Cause Eviction ordinances also enact rent regulations. Together these laws prevent landlords from terminating leases for the sole purpose of increasing the rent.[125] In Maryland, State law currently prohibits local jurisdictions in Maryland from implementing "just cause" eviction laws. A change in State law would be required to implement these policies.

[122] Local Housing Solutions, Just Cause Eviction Policies.
[123] Oregon State Bar, Rent Increases.
[124] Legal Aid Services of Oregon, About Just Cause Eviction and Rent Increase Protections.
[125] OLO Report 2018-10, Evictions in Montgomery County

Fair Return (Hardship/Increase above the annual limit to meet operating expenses and earn a fair return on investment)

Landlords are entitled to a fair return and jurisdictions with fair return exceptions require landlords to apply and submit detailed budget and operating expenses (e.g., rental history, income, costs, management expenses, property taxes, utilities) (**Newark, NJ; Oakland, CA; Los Angeles County, CA; St. Paul MN; Portland, OR; Washington, DC; Takoma Park, MD; and Mount Rainier, MD**). Policy observations include:

- **Newark, NJ** does not allow landlords to claim a fair return exception if the building was purchased for an excessive price.
- **Washington, DC** guarantees landlords a 12% rate of investment return.
- **Takoma Park, MD** and **Los Angeles County, CA** cap fair return increases at 15% and 10% respectively. **Los Angeles County** also reviews the landlord's request to ensure that it does not create an undue hardship for the tenant.
- **St. Paul, MN** permits landlords to self-certify fair return applications for requests between 3% and 8%. For requests higher than 8%, the City conducts a formal review process.

Capital Improvements/Renovations (Costs of a major improvement to the unit/building/complex)

Jurisdictions permit landlords to apply for a rent surcharge to pass-through capital improvement costs to tenants. Surcharges are time limited and based on the improvement cost and expected useful life. For example:

- **Oakland, CA** allows landlords to pass-through 70% of the cost of the improvement. Costs for correcting serious code violations, deferred maintenance, or "over improving" a property are not eligible.
- **Newark, NJ** requires the landlord to subtract annual savings from the surcharge if the improvement lowers operating costs.
- **Takoma Park, MD** calculates the surcharge based on change in floor area.
- **Washington, DC** caps the rent surcharge at 15% of the original rent for improvements made to individual units and 20% for building-wide improvements. For building-wide improvements costs are amortized over eight years, then expire. Elderly and low-income tenants may be exempt from the surcharge.
- **Los Angeles County, CA** requires the landlord to pay relocation assistance if the tenant is displaced from the unit during renovations (e.g., asbestos abatement).

C. Data Collection and Evaluation in Case Study Jurisdictions

OLO reviewed each jurisdiction to examine how they collect and use rent data. OLO found five jurisdictions which require reporting or further study.

- **California.** California's Legislative Analyst Office must report on the effectiveness of the rent limit law, including its impact on housing, by January 1, 2030.[126]
- **Oakland, CA.** The Rent Adjustment Program must submit an annual report to the City Council on policy updates, community outreach and education activities, petitions and appeals, Rent Board activities, and financial activities.[127]
- **Portland, ME.** An annual report on the state of the city's rental unit availability includes a summary of rents within each of the five council districts.[128]
- **Takoma Park, MD.** By Sept. 30th each year, landlords must submit a rent report for prior 12-month period for all rent stabilized units.[129]
- **Prince George's County, MD.** Prince George's County's current law is effective for one-year. During this time, a County workgroup is studying permanent options.[130]

Lack of Usable Data Negates Ability to Analyze Trends

Lack of reporting requirements built into rent regulations make it difficult for elected leaders to assess whether rent policies work as intended to stabilize housing. Renter households are particularly vulnerable if rent regulations are not adequately enforced.[131] Further, while many jurisdictions link unit registration, fee payment, and code violations to annual rent increases or approved exceptions, few jurisdictions explicitly require use of these data for evaluation of rent regulation programs.

California. State rent regulations do not require real-time, accessible data collection and the first report due on the impact of the regulations is required by 2030. However, UC Berkely's Terner Center and TechEquity collaborated to evaluate the impact of California's rent regulations since the law passed in 2019. Findings from market data (published in September 2022) showed 60% of market units had annual rents above the rent cap. This was double the share exceeding the cap in

---

[126] CA Civil Code Sec1947.12(f)
[127] City of Oakland, RAP Annual Report 2018-2019 and 2019-2020, February 1, 2021.
[128] City of Portland Maine, Code Sec. 6-236
[129] Sec. 6.20.070
[130] Sec. 13-144 and Sec. 13-147
[131] Alexender Casey, Samantha Gordon, et. al., Rising Rents, Not Enough Data, Terner Center for Housing Innovation, UC Berkley, September 2022.

2021 and triple the share in 2019. Researchers noted that data is extremely limited. The report found nearly two dozen localities required landlords to report residential leases, but the data collected widely varies. Currently no locality in California tracks all data required to monitor compliance with state law.[132]

Washington, DC. Prior to 2015, the DC rent system existed almost entirely on paper. Access to data and ability to analyze rent impacts were extremely difficult. In 2015, the DC Council mandated that the Department of Housing and Community Development create a rental housing database that would allow residents to search for rent regulated units and allow landlords to file registration paperwork electronically. The database would also help inform policy decisions on whether to expand or retract rent regulations.[133] The database was delayed for years – requiring initial creation by 2021 (not fulfilled into 2022).[134] DHCA staff report that DC currently has a rough database, but it is difficult to use and users must search scanned documents for information.[135]

D. Changes to Rent Regulations in Case Study Jurisdictions

Rent regulations do not exist in a vacuum, nor are they stagnant policies. OLO found that jurisdictions regularly review and adjust rent regulations to address the needs of renters and landlords. The following summarizes recent proposed and enacted changes in rent regulation policies.

Oregon. Renters experienced double digit rent increases (14.6%) in 2023, even though the 2019 law limited increases to 7% plus CPI. As a result, state lawmakers are considering stricter rent regulations:

- Cap increases at 8% or 3% + CPI whichever is less;
- Cap increases at 10% or 5% +CPI;
- Expanded rent regulations to cover apartments built more than three years ago; and
- Keep exemptions for new construction within the past 10 or 15 years. [136]

---

[132] *Ibid*.
[133] Martin Austermuhle, A tool to Keep Track of Rent-Controlled Housing in D.C. has been Delayed for Years, WAMU 88.5, December 22, 2020.
[134] Alex Koma, D.C.'s Rent-Control Database is Stuck in Purgatory Due to a Dispute Between Two City Agencies, Washington City Paper, June 1, 2022.
[135] OLO interviews with DHCA staff.
[136] Julia Shumway, Oregon Lawmakers ponder stricter rent control laws after 14.6% increases, Oregon Capital Chronical, April 2, 202; Oregon Legislative Information, 2023 Regulation Session SB 611 A.

California. In 1995, the Costa-Hawkins Rental Housing Act restricted local jurisdictions from enacting rent regulations on single-family homes and condominiums, vacancy control, and housing built after 1995.[137] As of April 2023, the state is considering updates to the definition of new construction; particularly replacing fixed dates for new construction with a 15-year rolling window.[138] Local jurisdictions would have the option to apply rent regulations to buildings more than 15 years old, while still preserving a period when new construction is shieled from rent regulations.[139]

Oakland, CA. In 2022, the Oakland City Council amended how the annual increase is calculated. Prior to 2022, the city permitted an annual increase based on 100% of the percentage increase regional CPI. In July 2022, rent increase for regulated units rose to 6.7% - the highest increase in decades. Although existing policy permitted rent increases up to 10%; the city acknowledged, even with a 10% cap, most citizens could not afford an almost 7% increase in rent. The city changed to 60% of the percent increases in CPI-All items or 3% whichever is lower. This change aligned Oakland's rent regulations with neighboring cities, such as San Francisco and Berkley, which place a lower cap on CPI increases.[140]

St. Paul, MN. St. Paul rent regulations were approved in 2021 at a flat increase of 3%, with no property type exemptions. After passage, building permits declined as developers reported that they could not find investors.[141] In 2022, the City Council amended the regulations to include:

- **Vacancy Allowable Increase in Rate**. 8% plus inflation if a tenant voluntarily moves out.
- **Expanded Exemptions**. Property type exemptions expanded to include low-income housing and new construction (up to 20 years).[142]

Portland, ME. Currently, landlords can only increase rent by 5% in vacated units. Two ballot initiatives to review vacancy rules were discussed in March 2023:

- One measure would allow landlords to increase rent on vacated units without restrictions if the tenant left voluntarily. This initiative will be brought to a city-wide vote.
- Another measure would allow landlords to increase rent on vacant apartments by 20% if the landlord can prove the tenant left voluntarily. The measure would also add a penalty for no-

[137] California Senate Rules Committee, Office of Senate Floor Analysis, SB 466, Costa-Hawkins Rental Housing Act: rental rates.
[138] *Ibid*.
[139] California Senate Judiciary Committee, SB466 Costa-Hawkins Rental Housing Act, April 12, 2023.
[140] City of Oakland Council, Ordinance to Modify the CPI Rent Adjustment, Memo from Councilmember Carroll Fife. May 25, 2022; Natalie Orenstein, Landlords can't raise rents above 3%, Oakland City Council Says, The Oaklandside, June 1, 2022.
[141] Max Nesterak, Amid Construction Slowdown, St. Paul Considers Sweeping Changes to Rent Control, Minnesota Reformer, August 3, 2022.
[142] Tim Nelson and Ellen Finn, St. Paul Rolls Back Part of Its New Rent Control Policy, MPRnews, September 29, 2022.

cause evictions requiring landlords to pay $2,000 or an amount of rent paid in the previous two months, whichever is greater. This initiative was voted down by Councilmembers but is strongly supported by the public and may be reconsidered.[143]

Washington, DC. As of May 1, 2023, it is anticipated that DC's rent regulated units could see rent increases as much as 8.9% (holdover tenants generally) and 5% (for qualified seniors and persons with disabilities). This would be the highest increase in the city since 1982 and would impact 70,000 to 90,000 rent stabilized households.[144] The City Council attempted to introduce emergency bills that would have capped increases to the rate of inflation (6.9%) or 5%. Due to potential fiscal impacts, the Council was not able to pass the cap as emergency legislation.[145] However, the Council is still considering reducing the cap on rent increases.[146]

Prince George's County, MD. In March 2023, the County capped increases at 3% (effective April 2023). The County worked to close two potential loopholes prior to the effective date:

- The Council found that landlords terminated existing leases and offered the existing tenant a new lease. As written, the law did not extend the same protections to new tenants as existing tenants. By terminating and issuing a new lease, landlords could exceed the set 3% cap.[147] The Council passed legislation that prohibited landlords from terminating existing tenant leases for the purpose of increasing rent.[148]
- The changes also require the landlord to follow a specific process to claim a property type exemption. Landlords cannot unilaterally claim an exemption without approval.[149]

Mount Rainier, MD. In April 2023, the City amended the measurement used to set the annual increase amount. Originally, the City set it at 60% of the annual increase in the CPI-U. Rather than using a broad CPI-U, the Council amended to law to use 60% of the CPI for Silver Spring -Rockville-Frederick area.[150]

---

[143] WABI5, CBS, Portland Residents Will Vote on a Ballot Measure that Would Change Rent Control Policies, March 21, 2023.
[144] Anastasia Obis, D.C. Tenants in Rent-Control Units Could See as Much as 8.9 Percent Increases, Washington CityPaper, February 24, 2023.
[145] Morgan Baskin, D.C. Lawmakers Scramble to Limit Rent Hikes as Deadline Looms, DCist, April 7, 2023.
[146] Alex Koma, Robert White Wants to Cap Rent Increases At Rent-Controlled Apartments, Washington CityPaper, May 23, 2023.
[147] John Domen, Prince George's Co. Council Moves to Close Loophole in Law Capping Rent Hikes, WTOPnews, April 11, 2023.
[148] John Henry, Prince George's Approves New Tenant Protections After Big Rent Hikes Persist, April 25, 2023.
[149] *Ibid*.
[150] §3D-102; Ordinance No. 03-2023, effective data March 21, 2023.

Chapter 3. Rent Regulations in Montgomery County

Rent regulations are a set of policies among which establish a limit on the amount a landlord can demand for leasing a home or renewing a lease. Historically, the Federal Government regulated rent during times of national emergencies and poor economic conditions:

- **1941-1947** – Eighty percent of the nation's rental housing stock was rent regulated. The Office of Price Administration (OPA) controlled rents in metropolitan areas, prevented evictions, and investigated rent increases or abuses. As the Country emerged from World War II, OPA's authorization ended in 1947. [151]
- **1971-1973** – Due to high inflation, President Nixon enacted wage and price controls, including rent cap, for 90 days in 1971. Controls extended for 17 months through January 1973.[152]
- **2020-2021** – The Centers for Disease Control and Prevention (CDC) issued a national eviction moratorium in response to the COVID-19 pandemic, which banned landlords from evicting tenants due to nonpayment of rent. There was no national effort to control rents – any efforts were made locally.[153]

Similarly, Montgomery County implemented rent regulations during periods of economic uncertainty to protect tenants from extraordinary rent increases. This chapter summarizes the history of rent regulations in the County:

- **Section A** details key changes and components of the County's rent stabilization laws from 1973 through 1982;
- **Section B** offers a timeline of County rent policies during the COVID-19 pandemic; and
- **Section C** explores current County Code and outlines existing voluntary rent guidelines.

A note to readers:

OLO uses the term rent regulation for this report. However, historically the term rent control was used in reference to Montgomery County policy in the 1970s. To keep that context, OLO will refer to rent control for when the term was used.

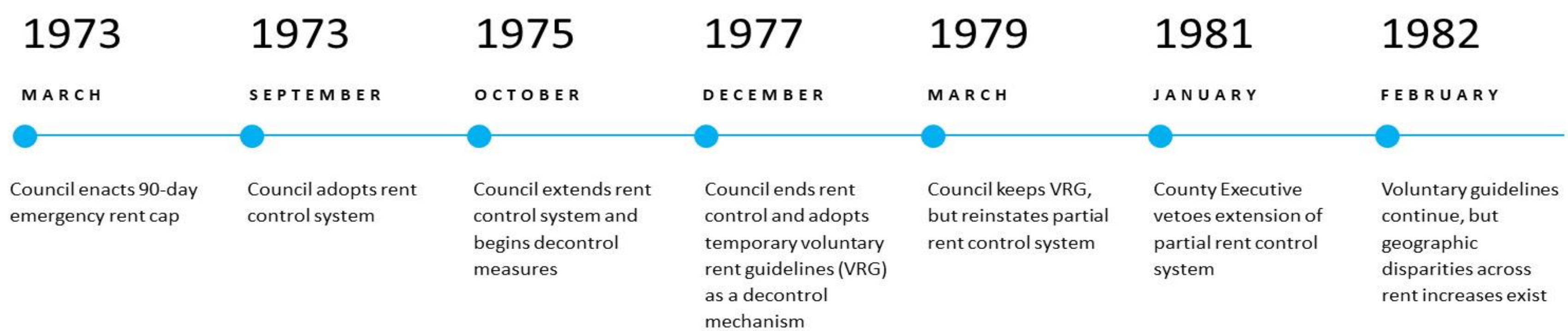
---

[151] Clare Busch, There's a World II- era Blueprint for the looming eviction crisis, The Week, September 18, 2020.
[152] University of California, Santa Cruz, History of Rent Control Debate in California: Early History,
[153] C.D.C Eviction Moratorium Fact Sheet; Clare Busch, There's a World II- era Blueprint for the looming eviction crisis.

A. Montgomery County Rent Regulations: 1973 - 1982

When federal rent control ended in 1973, the County Council responded by implementing local regulations; it was the first jurisdiction in the DC area to enact a rent control system. Over time, these policies underwent multiple, significant changes. OLO describes these events using archived bills and news articles to highlight the historical backdrop and policy components.

COUNTY RENT REGULATIONS: 1973 - 1982



OLO Summary Observations:

- The County's decision to enact, extend, and reinstate rent controls occurred during times of economic uncertainty and poor market conditions for renters.
- The County's decision to end rent control occurred when economic and market conditions changed, including improved vacancy rates. The Council combined decontrol measures with development policies and renter financial assistance.
- Monthly data collection and analysis on rent increases drove Council actions on regulations. County law required landlords to submit monthly data, which gave the Council the flexibility to make "real time decisions" on rent stabilization policies.
- In 1977, the Council adopts the Voluntary Rent Guidelines (VRG) as a suggested guideline for landlords and a temporary measure to help renters adjust to market rents. The County stripped the Office of Landlord-Tenant Affairs (OLTA) and the Commission of its authority to roll back unjustified increases. Rent increases could be investigated and declared unjustified, but there was no recourse.
- These policies were not enough to prevent rent gouging. Rents more than doubled the VRG in 1978 and 1979. In 1979 to protect renters the Council amended the law and returned OLTA's authority to roll back rent increases.

BILL 8-73: COUNCIL ENACTS 90-DAY EMERGENCY RENT CAP[154]

Historical Backdrop. At the end of federal rent controls, County renters experienced rapid rent increases, upwards of 42%.[155] Apartment managers cited property taxes, utility and trash costs, and new pollution laws as reasons for increases.[156] Also, the County had a housing shortage, which could not be solved with planned construction due to a sewer moratorium.[157] As a result, the Council declared a public emergency and enacted a 90-day rent cap.[158] Landlords and property owners sued, but the law was upheld.[159]

Organization and Enforcement. OLTA and the Commission on Landlord-Tenant Affairs (COLTA) implemented and enforced the law. The law set a $1,000 fine/unit for violations of the rent cap. OLTA/COLTA could review and rollback increases.

Property Type Exemptions. The law exempted:
- Landlords who own two or fewer units;
- Single-family homes; and
- Rental units located in municipalities unless corresponding law adopted.

Allowable Annual Increase. The Council capped increases at 7.5% above the rent charged in August 1971 when federal rent controls went into effect. If a landlord raised rents by a percentage below 7.5% (prior to the effective date of the emergency bill), any additional increases could not exceed 7.5% when added to the original increase.

Sunset Date. The law would cease when the Council adopted a system of rent controls. Due to litigation, the Council adopted a long-term system in September 1973.

Data Collection and Reporting. The law required landlords to report rents for new and existing tenants for leases signed each month. OLTA collected this data and reported to the Council.[160]

---

[154] Bill 8-73 was not available from County Archives for OLO to review. This summary is based on OLO Report 90-5 and Washington Post articles.
[155] Ivan Goodman, Controls on Rent Debated: Montgomery County Council hears 49 speakers, The Washington Post, February 25, 1975.
[156] Martha Hamilton and Ivan Goodman, Housing Rise: 35 Pct. Apartment rents continue to climb, The Washington Post, February 16, 1973
[157] Montgomery County Council Bill 39-75.
[158] LaBarbara Bowman, Montgomery Votes Rent Lid, The Washington Post, March 1, 1973.
[159] LaBarbara Bowman, Landlords Seek Ban on Enforcing Montgomery's Rent Control Law, The Washington Post, March 3, 1973; LaBarbara Bowman, County Rent Law is Upheld, The Washington Post, April 10, 1973.
[160]Office of Legislative Oversight, OLO Report 90-5 – An Evaluation of the Rent Stabilization Act; LaBarbara Bowman, Montgomery Votes Rent Lid, March 1, 1973.

BILL 39-73: COUNCIL ADOPTS RENT CONTROL SYSTEM[161]

Historical Backdrop. Aside from the curtailment of exorbitant rent increases, the Council found that the housing problems reported in the of Spring of 1973 were not abated.[162]

Organization and Enforcement. No change from Bill 8-73. OLTA and COLTA implemented and enforced the law.

Property Type Exemptions. The law exempted:

- Landlords who own three or fewer units;
- New construction initially rented after February 1973 (exempted for the first year);
- Single-family, semi-detached, and townhouses not rented since 1971;
- All federally assisted housing units; and
- Rental units located in facilities providing treatment.

Allowable Annual Increases. The law established a two-year rent cap. Direct utility payment factored into allowable increases.

- 1973 – Increase capped at 4%. If a tenant paid one utility (gas or electric), the cap was 3.5%. If the tenant paid two utilities (gas and electric), the cap was 2.5%.
- 1974 – Rent increase capped at 3%.

Exceptions to Annual Allowable Increases. Landlords could apply for an "extraordinary rent increase,"[163] which was reviewed and decided on by OLTA. The law forbade landlords from applying due to higher taxes that resulted from an increase in property value. The law permitted landlords to collect the increased rent amount while waiting for OLTA's decision, with any denied increase remitted to tenants.

Sunset Date. The rent control system was set to end on October 31, 1975 (two years).

Data Collection and Reporting. Landlords must provide monthly reports of existing and new rents to OLTA. OLTA reported summary findings to the Council every six months.

---

[161] Montgomery County Council, Legislative Intent, Bill 39-75 (accessed from County archives) Bill 39-73 was not available from County archives; OLO Report 90-5**;** LaBarbara Bowman, 2-Year Rent Lid is Voted, The Washington Post, September 19, 1973; Alice Bonner, Montgomery Rents Climb up to 54%, December 22, 1973.

[162] Montgomery County Council, Legislative Intent, Bill 39-75 (accessed from County archives)

[163] Extraordinary Rent Increase as defined by Bill 39-73 "shall mean an increase in rent as authorized by Chapter 29-52 of this Chapter." Sec. 29-50. Definitions.

BILL 39-75: COUNCIL EXTENDS RENT CONTROL BUT BEGINS DECONTROL[164]

Historical Backdrop. In 1974, the County experienced a decrease in apartment construction linked to land use policies, the national energy shortage, high cost of borrowing money, cost of labor and materials, rent control, and the sewer moratorium.[165] During the same time period, OLTA received 96 extraordinary rent increase applications for increases between nine and 25%.[166] By Fall 1975, OLTA and the County Executive recommended ending the rent regulations; instead, the Council extended the system for two years while adopting decontrol policies and eliminating constraints from the sewer moratorium.[167]

Organization and Enforcement. No change from Bill 39-73. OLTA and COLTA implemented and enforced the law.

Property Type Exemptions. The law exempted:

- Landlords who own three or fewer units;
- All new construction (no certificate of occupancy as of Feb. 1974);
- Rehabilitated units coming onto the market;
- Vacant units after June 1976;
- Single-family, semi-detached, and townhouses not rented since 1971. After June 30, 1976, rent regulations would no longer apply to these buildings which were located outside of a centrally managed housing community.;
- All federally assisted housing units and HOC properties; and
- Rental units located in facilities providing treatment.[168]

Allowable Annual Increase. The Council set caps for two years. Direct utility payments factored into rent increases.[169]

- 1975 – Rent increase could not exceed 5%. If a tenant directly paid either gas or electric utilities, the rent cap was set at 4.5%. If the tenant paid both gas and electric, the cap was 4.3%.
- 1976 – Rent increase could not exceed 3.1%.

Exceptions to Annual Allowable Increase. The law kept an "extraordinary rent increase" exception but amended the process due to the administrative burden on OLTA. Exceptions include:

- **Single-family homes rented to existing tenants**. Rent increases were capped at 3% of the base rent charged.[170]

---

[164] OLO Report 90-5; Montgomery County Council Bill 39-75 (accessed from County Archives)
[165] Donald P. Baker, Tenant Groups Rally to Battle Rents, The Washington Post, December 9, 1974.
[166] *Ibid*.
[167] Joe Green, End of Rent Controls, The Washington Post, September 5, 1975
[168] Bill 39-75. §29-49
[169] Bill 39-75, $29-51; §29-53
[170] Bill 39-75, $29-52

- **Vacant Units**. Prior to June 30, 1976, rent for vacant units could not exceed the highest rent for a comparable unit in the same facility. After 1976, rent control will no longer apply due to voluntary action of the tenant or on part of the landlord due to nonpayment of rent.[171]
- **Renovations to units rented to existing tenants**. Total costs must exceed $500, and the landlord must receive OLTA's approval to pass-through the charges. The pass-through was calculated based on the cost of the improvement and its useful life. If the increase and the allowable annual percentage added together exceeded 10%, the landlord must request an extraordinary rent increase.[172]
- **Extraordinary Rent Increases**. Landlords must apply 60 days prior to the effective date of the increase and participate in a pre-hearing, OLTA-led meeting with the tenant. Requested increase amounts could be collected and placed into rent escrow accounts. As part of the process, the law required landlords to provide:
    - Anticipated expenses, including taxes and utilities for the following year;
    - Actual operating revenue by category;
    - Current and proposed rent schedule for each affected unit;
    - Fee schedule and income for facility for prior three years;
    - Vacancy rates for each type of dwelling unit for prior three years;
    - Loss of potential annual gross revenue for prior three years that resulted from daily vacancies;
    - Turnover as a percentage for prior three years;
    - Anticipated turnover; and
    - A list of all effective lease agreements by unit.

  Any application would be denied if the landlord had outstanding citations, orders, or notices of existing housing code violations. Code enforcement was required to submit a written report to OLTA.[173]

Sunset Date. The sunset date was December 31, 1977.[174]

Data Collection and Reporting. In addition to monthly rent data collected from landlords, OLTA issued reports to the Council and County Executive every six months. Further, OTLA conducted an analysis of the ability of County tenants to pay various levels of rent and financial impact to tenants of basic, pass-through, and extraordinary rent increases. The study focused on the supply housing and rent stabilization, rent increase, and rent inequities that may exist in the County.[175]

---

[171] Bill 39-75, $29-58
[172] Bill 39-75, $29-51
[173] Bill 39-75, $29-57
[174] Bill 39-75, $29-74
[175] Bill 39-75, Sec. 29-70

Bill 35-77: County Ends Rent Control and Adopts Voluntary Rent Guidelines (VRG) as a Decontrol Mechanism[176]

Historical Backdrop. In the DC region in the 1970s, Montgomery County had the highest rents and lowest vacancy rates.[177] Based on data, OLTA determined controls could end when the vacancy rate was above 4%, placing renters in a competitive position.[178] Further, the County tracked units that became unregulated due to vacancy (beginning July 1976). [179] By December 1977, half of the 44,000 previously controlled units would be unregulated simply through vacancy. Rent increases for decontrolled vacant units averaged 9.2%, with a 12% average in Bethesda-Chevy Chase.[180]

Organization and Enforcement. The law stripped OLTA and COLTA of their authority to rollback unjustified rent increases. However, OLTA continued to monitor all proposed and actual rent increases via data collection. OLTA investigated all increases more than the VRG and referred cases to COLTA.[181] Penalties (with fines up to $1,000) were for violations focused on notice, registration, and data collection requirements, rather than rent increases.[182]

Property Type Exemptions. There were no exemptions for notice, registration, or data collection requirements, including new or vacant units. However, the law exempted properties from the VRG:

- Landlords who own three or fewer units;
- Vacant units;
- All new construction;
- Rehabilitated units coming onto the market after January 1, 1976;
- Single family, semi-detached, and townhouses which were located outside of a centrally managed housing community;
- All federally assisted housing units, Section 8 housing, and HOC properties; and
- Rental units located in facilities providing treatment[183]

Allowable Annual Increases. VRG increase set at 65% of a composite index, comprised of most recent CPI and retail price index for fuel and utilities for the Washington Metro Region. Guidelines changed quarterly with CPI. Guidelines for 1977-1978 were 6.1%. The law encouraged landlords to hold rent increases to the lowest level possible.[184]

Exceptions to Annual Allowable Increases. Since VRG were voluntary the law did not enumerate any exceptions.

---

[176] OLO Report 90-5; Montgomery County Council Bill 35-77 (accessed from County Archives)
[177] Carla Hall, Gleason Seeks Voluntary Restraints to Replace County Rent Control, The Washington Post, November 11, 1977.
[178] Bill 35-77, Sec. 29-47; Robert Meyers, Montgomery Apartment Owners Get Okay on Rent Increases, October 28, 1976
[179] Nancy L. Ross, Decontrol vs. Control: The Rent Dilemma: D.C. Rents Increase by 20%, The Washington Post, May 21, 1977.
[180] *Ibid*.
[181] Bill 35-77, Sec. 29-53
[182] Bill 35-77, Sec. 29-49
[183] Bill 35-77, Sec. 29-53
[184] Bill 35-77, Sec. 29-53

Sunset Date. The VRG expired on January 31, 1980.[185]

Data Collection and Reporting. The law centralized rental housing data collection. Landlords were required to provide data to OLTA monthly until six months after the sunset date of the VRG, then every three months after. The data was used to ascertain the supply and availability of rental housing. Landlords who failed to comply with data collection requirements could be fined and/or imprisoned. The table below lists data collected.

Table 3-1. Data Point Collected with Implementation of the Voluntary Rent Guidelines[186]

Monthly Data Submitted by Landlords • Facility location • Structure type • Year built • Units by bedroom size • Number of units by bedroom size which were re-rented during the month • Number of vacant days applicable to those units • The rent charged for each rental unit • Rent charged for each re-rented unit prior to vacancy • New turnover rent charged for each re-rented unit
Aggregate Data Available at the County's Request • Description of utilities • Actual monthly utility costs • Available amenities (e.g., air-conditioning, wall to wall carpet, dishwasher, patio/balcony) • Actual operating expenses by category • Actual operating revenues by category • Schedule of any other fees and income • Tenant rent/income ratio for prospective tenants

[185] Bill 35-77, Sec. 29-53
[186] Bill 35-77, Sec. 29-51

Bill 18-79: County Reinstates Partial Rent Control System[187]

Historical Backdrop. Multiple County policies impacted policy decisions made in Bill 18-79. These include:

- **County adopted policies to spur development**. Apartment construction in the County increased due to County provision of sewer access and low-interest loans for projects that provided subsidized units. Within three weeks of starting this program, the County had eight developer applications for 11 projects totaling 1,800 units.[188]
- **County halted condo conversions**. Additionally, between 1971-1980, the County lost 9,700 apartments to condo conversions. In response, the Council enacted a 90-day moratorium to halt conversions.[189]
- **County found certain landlords are violating the spirit of the Voluntary Rent Guidelines**. OLTA monitored compliance with the VRG (6.1%, 1978). Memos from County Executive Gilchrist show that "the [VRG] have been effective in most cases. [He was] also convinced, however, that some additional legislation is needed to prevent excessive and unwarranted rent increases."[190] The rent stabilization law was amended.

Organization and Enforcement. OLTA and COLTA regained authority to investigate extraordinary rent increases and order rent rebates.[191]

Property Type Exemptions. The only change from Bill 35-77 was the addition of any unit with a monthly rent of $600 to the list of exempted properties (March 1979).[192]

Allowable Annual Increases. The law changed how the VRG was calculated – it went from 65% to 100% of CPI. For 1979, the VRG was 7.6%. Two control measures were added:

- **Extraordinary Rent Increase**. Any increase of 10% or more would be considered an "extraordinary rent increase." This would trigger an immediate investigation by OLTA of all increases within the rental complex. If unjustified, OLTA could roll back the increase.
- **Vacant Property Exemption**. Generally, vacant units were exempt from the VRG. However, this exemption did not apply whenever a vacancy occurred after a rent increase of more than 10% or when a landlord took unilateral action, without good cause, causing a unit to be vacated.

Exceptions to Annual Allowable Increases. No change from Bill 35-77.

---

[187] OLO Report 90-5; Montgomery County Council Bill 18-79 (accessed from County Archives).
[188] Carla Hall, Montgomery County: Construction Spurred, July 20, 1978
[189] Robin Reisig, Montgomery Halts Conversions to Condominiums, The Washington Post, July 21, 1979.; Kathryn Tolbert, The Rent Riddle: Montgomery: Nice Place to Buy But You Can't Afford to Rent There, The Washington Post, April 30, 1981
[190] Office of the County Executive, Memorandum – Rent Stabilization Legislation, March 1, 1979. (accessed from County Archives)
[191] Bill 18-79, §29-58 and §29-59
[192] Bill 18-79, §29-54

Sunset Date. The VRG and modified rent control system expired on January 31, 1981.[193]

Data Collection and Reporting. No change from Bill 35-77.

End of Temporary Rent Control Measures, Continuation of the VRG

In 1981, the County Executive, majority of the Council, OLTA, landlords and developers sought to move away from regulation and end temporary control measures. The Council, weighing condo conversions, high inflation, and stalled construction, sought to extend the partial control system for two years. They proposed Bill 55-80, which encouraged landlords to keep rents at the VRG and to not exceed 10%.

The County Executive vetoed this bill. The County maintained the VRG as a measure to guide rent increases in the County. To aid renters, the County continued a hardship rental assistance program (provided qualifying renters with a fixed dollar amount to cover rent increases above 10%).

The VRG expired in 1981, however, the County continued to issue the VRG, even though there was no legal requirement to do so. Because the VRG expired, OLTA no longer had enforcement authority to review or modify rent increases. OLTA continued its monthly monitoring of rents/landlords and quarterly reporting to the Council to ensure continued monitoring of the rental market. In 1982, OLTA collected data that showed only 7% of rent increases in the County exceeded the VRG. Data showed reported increases were the highest in Silver Spring.

In 1991, OLO released a study of the County's Rent Stabilization law. While the report made several recommendations, three focused on data and the VRG.

Simplify the data maintenance and collection responsibilities. OLO recommended moving to annual reporting requirements. Annual reports would replace quarterly reports on rent increases, plus an annual report on rent levels and vacancy rates.

Improve collection of turnover rent data. OLTA monthly rent increase form required the collection of holdover and turnover rent data. However, in practice, turnover data was not consistently reported and OLTA staff did not routinely follow-up to collect the absent data.

Amend law to include County's current practice of issuing the VRG. OLO found the VRG served as a benchmark for reasonableness. Landlords and owners acknowledged at the time the VRG was one of many factors examined when making rent increase decisions. Further, OLO found based on anecdotal evidence that on occasion the VRG may have a moderating influence on individualized rent increase decisions.

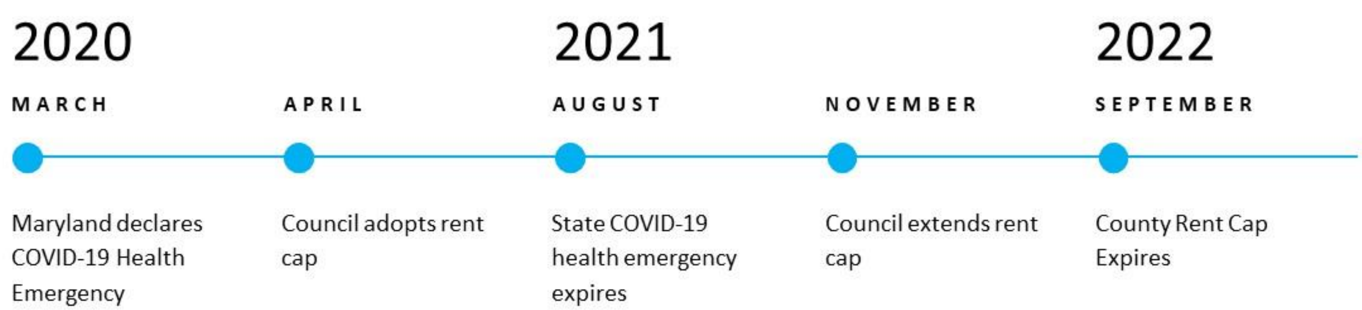
Sources: Montgomery County Council Bill 55-80; Kathryn Tolbert, The Rent Riddle: Montgomery: Nice Place to Buy but You Can't Afford to Rent There, The Washington Post, April 30, 1981; Ronald D. White, Montgomery Rent Rises Kept Under 15%, The Washington Post, February 18, 1982. Montgomery County Office of Legislative Oversight, Report No. 90-5

[193] Bill 35-77, Sec. 29-53; Notice requirements for rent increases continued.

B. Montgomery County Rent Regulations: 2020-2022

On March 5, 2020, Governor Hogan declared a state of emergency after confirmed COVID-19 cases in Maryland.[194] As one of many policies adopted to help County residents during the pandemic, the County capped rent increases beginning in April 2020. The cap was extended in 2021 and expired in 2022.[195]

COUNTY RENT REGULATIONS: 2020-2022



OLO Summary Observations:

- The County used the VRG to calculate the rent cap. The cap applied to existing tenants only.
- The cap did not afford landlords the opportunity to apply for any exceptions to the cap, including for financial hardship.
- There were two key differences from the rent measures enacted in the 1970s: (1) OLTA relied on tenant complaints to identify problematic rent increases and (2) data collection and reporting requirements were not expanded.

---

[194] Maryland – Coronavirus State Actions, National Governors Association, Actions through July 31, 2020.

[195] Governor Hogan Announces End of COVID-19 State of Emergency, MD Department of Agriculture, June 15, 2021; Ally Schweitzer, Montgomery County Caps Rent Increases through May 2022, DCist, November 4,2021. Briana Adhikusama, County Officials Cap Residential Rent Increases at 2.6% During the Pandemic, April 24, 2020, MoCo 360.

Compliance and Reporting. Unlike County law which required monthly reporting from 1973 to 1991, the expedited bills did not expand landlord reporting requirements. County law continued to require collection of point-in-time data gathered by the Annual Rental Facility Occupancy Survey. This data source does not provide real-time data on rent levels and changes across the County. To evaluate compliance, DHCA/OLTA relied on tenant-filed complaints alleging rents above the cap. Once a complaint was filed and verified, DHCA/OLTA staff report that they would order the landlord to roll back the rent increase if it exceeded the cap and fell within the effective dates of the legislation. DHCA/OLTA worked with community partners to share information and notify the public about the cap. Due to the data lag and complaint-based procedures, DHCA/OLTA lacked capacity to contemporaneously evaluate rent increase trends and COVID rent cap compliance.[196]

DHCA/OLTA Authority. Chapter 29, Landlord-Tenant Relations of the County Code outlines DHCA's authority to investigate complaints that allege a violation of County law and is required to work to bring a landlord and tenant to a mutual agreement to resolve a complaint. If DHCA cannot help a landlord and tenant to negotiate a mutual agreement, DHCA can refer the complaint to COLTA, which has an adjudication process. COLTA has the authority to order corrective action, assign remedies, and refer cases to the County Attorney if a landlord fails to comply with an order. Violations of Chapter 29 can result in a Class A Violation if the landlord does not comply with a Commission order. Regarding rent regulations, outside of authority to review notice requirements, DHCA/OLTA currently does not have authority to review rent increases under existing law.[197]

County law did not alter DHCA/OLTA's enforcement authority during the COVID-19 emergency. As outlined in Chapter 29, the DHCA director can "initiate investigations and conciliations of any alleged or apparent violation of this Chapter."[198] However, as noted above, outside of tenant complaints, staff had limited data and staff to initiate an investigation. OLTA staff tracked complaints in a spreadsheet, but had insufficient resources – staff and time – to enforce the law. In comparison, during the 1970s, effectiveness of County rent regulations depended not only on the authority afforded to OLTA to proactively investigate rent increases, but also on monthly data collected to understand trends and outliers. The COVID-era rent cap laws did not effectively combine these efforts to trigger the full scope of authority afforded to DHCA by Chapter 29.

Penalty for Exceeding the Rent Cap. Under Chapter 29, COLTA has enforcement authority to order corrective action, assign remedies, and refer cases to the County Attorney. The COVID-era rent caps are included in this process. However, DHCA reported that staff did not institute any penalties for landlords who violated the caps. A full review of DHCA's process during this time would be required to understand (1) legal authority of program staff to order landlords to comply with the rent cap; (2) actions that occurred after landlords were notified of rent cap violations; and (3) whether violations were referred to the Commission for fines or corrective actions.

Exceptions for Landlords. The County did not afford landlords any opportunity to seek an exemption from the law, including for financial hardship.

---

[196] Montgomery County Code, Sec. 29-51-56; OLO stakeholder interviews
[197] *Ibid*.
[198] Montgomery County Code, Sec. 29-6.

The table below outlines key provisions of Expedited Bills 18-20 and 30-21 that capped rents during the COVID-19 pandemic.

Table 3-2. Key Bill Provisions

Bill	Sunset Date	VRG	Applies To	Data Collection & Reporting	Rent Increase Exemptions	Penalty For Exceeding VRG Cap*
18-20E	11/15/21	2.6%	Existing tenants only	No additional reporting required	None	Remedies exist in law; unknown if used
30-21E	8/15/22	1.4%	Existing tenants only	No additional reporting required	None	Remedies exist in law; unknown if used

*VRG stands for voluntary rent guidelines; Voluntary rent guidelines set at 0.4% (2022) and 5.8% (2023)
Source: Montgomery County Code Section 29-55; Council Packet for Expedited Bills 18-20 and 30-21.

C. Current Rent Regulations in Montgomery County

Since the early 1980s (and outside the COVID-19 pandemic), Montgomery County has not re-adopted a rent control system[199] - annual rent increases are determined at the landlord's discretion.[200] The County continues to annual the VRG to help guide landlords.[201]

Organization and Enforcement. Under the County Code, the County Executive must issue the VRG no later than March first of each year. DHCA and OLTA administer landlord-tenant programs and services in the County.[202]

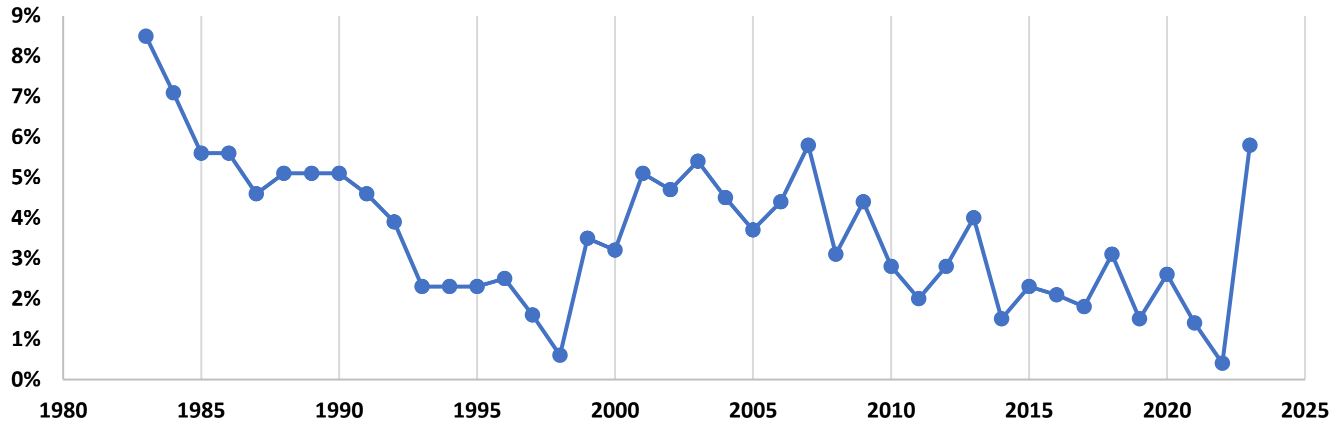
Property Type Exemptions and Landlord Exceptions. None.

Allowable Annual Increases. The VRG is based on the rental component of the CPI for All Urban Consumers (CPI-U) for the Washington Metropolitan area, updated annually.[203] The chart below shows the VRG since 1983. For 2023, the VRG is set at 5.8%.

---

[199] The exception being the City of Takoma Park. See Case Studies for a description of the City's rent control program.
[200] Montgomery County Department of Housing and Community Affairs, Landlord-Tenant Handbook.
[201] Montgomery County Code §§29-51-55.
[202] §§29-51-54.
[203] §29-53; DHCA Voluntary Rent Guidelines.

Chart 3-1. Montgomery County Voluntary Rent Guidelines, 1983-2023
Source: OLO; DHCA



Complaint Process. DHCA encourages landlords to hold rent increases at the lowest level possible.[204] Under the code, DHCA may "review any rent increase that appears to be excessive and encourage the landlord to reduce, modify, or postpone the increase."[205] OLTA staff stated that in practice their authority is very limited if someone files a rent increase complaint. OLTA can discuss the increase with the landlord and advocate for the tenant. However, staff review is limited to ensure the landlord provided proper notice of the increase and the form contained required information. DHCA works with community partners to tell tenants to file a complaint or email for documentation with the understanding that there is no law to enforce. [206]

Data Collection and Reporting. Beginning in the 1970s, the County required collection of rental housing data. DHCA/OLTA are required to annually collect data to evaluate the supply and availability of rental housing. All properties, including new construction and vacant units, subject to County law must comply with data collection requirements. Properties located in municipalities may participate but are not required to provide data to DHCA. Failure to provide required data can result in a civil penalty of $1,000.

[204] Sec. 29-53.
[205] Sec. 29-53
[206] Stakeholder interviews. The County Code requires that landlords provide a 90-day notice of proposed rent increases. The notice must contain old and new rent, effective date of increase, the voluntary rent guideline, notice that the tenant may ask the department to review any rent increase that the tenant considers excessive, and other information deemed useful.

Table 3-3. Data Collected by DHCA[207]

Annual Data Submitted by Landlords

- Facility location, including zip code
- Structure type
- Year built
- Units by bedroom size
- Number of units by bedroom size which were re-rented during the month
- Number of vacant days applicable to those units
- The rent charged for each rental unit
- Rent charged for each re-rented unit prior to vacancy
- New turnover rent charged for each re-rented unit

Aggregate Data Available at the County's Request

- Description of utilities that are included in the rent
- Actual monthly utility costs (gas, electric, heating, fuel, trash removal, and water/sewer)
- Available amenities (e.g., air-conditioning, wall to wall carpet, dishwasher, patio/balcony)
- Actual operating expenses by category
- Actual operating revenues by category
- Schedule of any other fees and income
- Tenant rent/income ratio for prospective tenants

Source: Montgomery County Code

[207] §29-51

Chapter 4. Renters and Renter-Occupied Housing Units in Montgomery County

The Council requested that OLO analyze data from DHCA's rental housing survey and tenant complaints to understand recent and historical trends in the rental market. That analysis is available in Chapter 5. To provide context and background for that information, this chapter summarizes data on the Montgomery County rental market from the U.S. Census Bureau.

As described in Chapter 5, the DHCA rental housing survey is the most detailed source of information on rents in Montgomery County. However, it lacks information on the demographics of renters, has historically excluded single-unit rental units (single-family homes, condominiums, and accessory dwelling units), and has a low response rate in certain municipalities. U.S. Census Bureau data on renter-occupied housing units therefore offers a more complete picture of the universe of rental housing and longer-term trends in Montgomery County. This chapter is organized as follows:

- **Section A** examines demographic characteristics of renter households in Montgomery County based on U.S. Census Bureau data; and
- **Section B** describes data from the U.S. Census Bureau on the physical characteristics of rental housing units in Montgomery County.

OLO found that Black or African-American and Hispanic or Latino households are overrepresented among renter households, and White households are underrepresented. Numerous inequities created and/or supported by government drive racial disparities in wealth and homeownership.

A. Renters in Montgomery County

This section describes data on renter households in Montgomery County as compared with owner households from the U.S. Census Bureau's American Community Survey. The table below displays characteristics of *households* for 2017-2021, and shows that:

- About 335,000 people resided in renter-occupied housing units;
- The median household income ($72,000) for renter households was less than half of that ($151,000) for owner households; and
- Two-thirds of renter households had household incomes less than $100,000.

Table 4-1. Renter and Owner Households in Montgomery County, 2017-2021

Household Characteristics	Renter-occupied units		Owner-occupied units	
	#	%	#	%
Occupied housing units	**132,562**		**250,746**	
Total Population in Housing Units	334,776		714,238	
Median Household Income (dollars)	$72,005		$150,775	
Household Income				
Less than $50,000	46,205	35%	29,399	12%
$50,000 to $99,999	41,372	31%	46,749	19%
$100,000 to $149,999	23,789	18%	48,554	19%
$150,000 or more	21,196	16%	126,044	50%
Size of Household				
1-person household	44,832	34%	49,011	20%
2-person household	37,659	28%	81,891	33%
3-person household	20,025	15%	43,866	17%
4-person household	16,617	13%	47,526	19%
5-or more person household	13,429	10%	28,452	11%
Children under 18 related to householder present		**34%**		**35%**

Source: U.S. Census Bureau, American Community Survey 5 Year Estimates, 2017-2021, Tables S2501, S2503, B25008, B25009, B25012

The following table displays demographic characteristics of *householders* in renter-occupied and owner-occupied housing units. A householder is the person or people under whose name the housing unit is owned or rented, or the designated member of a married couple if they jointly rent or own the unit. The data show that:

- Slightly over one-third of renter householders were non-Hispanic White, compared with 58% of owner householders;
- Three in 10 renter householders were Black or African American, two in 10 were Hispanic or Latino, and over one in 10 were Asian;
- Renter householders were younger overall than owner householders, with three in 10 renter householders under the age of 35 compared with one in 14 owner householders, but over one in four renter householders were over the age of 55; and
- Half of renter householders moved into their units between 2015 and 2018 and an additional one in five moved into their units in 2019 or later.

Table 4-2. Renter and Owner Householders in Montgomery County, 2017-2021

	Renter-occupied units		Owner-occupied units	
	#	%	#	%
Occupied Housing Units	**132,562**		**250,746**	
Race of Householder				
American Indian and Alaska Native	338	0%	871	0%
Asian	16,164	12%	38,876	16%
Black or African American	39,801	30%	29,020	12%
Native Hawaiian and Other Pacific Islander	87	0%	115	0%
White	53,744	41%	157,143	63%
Some other race	13,787	10%	12,461	5%
Two or more races	8,641	7%	12,260	5%
Hispanic or Latino Origin of Householder				
Hispanic or Latino origin	24,868	19%	30,121	12%
White alone, not Hispanic or Latino	46,612	35%	145,294	58%
Age of Householder				
Under 35 years	40,317	30%	17,220	7%
35 to 44 years	31,098	24%	40,954	16%
45 to 54 years	23,527	18%	57,003	23%
55 to 74 years	27,134	20%	105,709	42%
75 years and over	10,486	8%	29,860	12%
Year Householder Moved Into Unit				
Moved in 2019 or later	26,687	20%	12,163	5%
Moved in 2015 to 2018	66,263	50%	45,568	18%
Moved in 2010 to 2014	21,900	17%	40,498	16%
Moved in 2000 to 2009	12,658	10%	70,311	28%
Moved in 1990 to 1999	3,250	3%	42,890	17%
Moved in 1989 or earlier	1,804	1%	39,316	16%

Source: American Community Survey 5 Year Estimates, 2017-2021, Table S2502

Demographic Trends. American Community Survey Data show the following demographic trends among renters for the period from 2010 to 2021:

- The population in renter-occupied units increased by 78,000 people or 30% (compared with an increase of 32,000 or 5% for the population in owner-occupied units);
- The percentage of renter householders that were non-Hispanic White decreased from 43% to 35% (for owner householders this percentage decreased from 65% to 58%); and
- The median household income for renters increased by 32% in nominal dollars, or 6% when adjusting for inflation (the median owner household income increased by 4% in inflation-adjusted dollars).[208]

[208] ACS 5-Year Estimates, Tables B25008, B25119, and B25010

Montgomery County Planning Department's 2020 Housing Needs Assessment

The Montgomery County Planning Department's 2020 Housing Needs Assessment offers additional insights into demographic trends impacting the housing market. In particular, the report notes that:

> Since 2010, household growth in MoCo has been concentrated in households at the lowest and highest end of the income distribution. These trends could be due to various factors, including existing households increasing their income or lower income households moving to the county. These trends imply that there is demand for housing across the income spectrum, with a particularly growing need for affordably priced housing.[1]

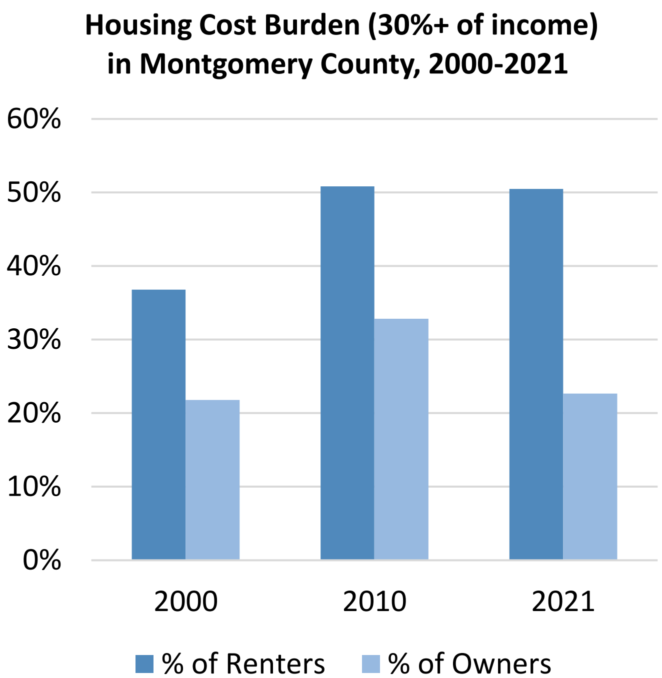
The report also examined gaps between supply and demand for rental housing that is affordable (meaning gross rent is no more than 30% of income) for different income levels in 2018 compared with 2014. Income levels are based on the Area Median Income (AMI), which was $117,200 for a family of four in 2018. It showed:

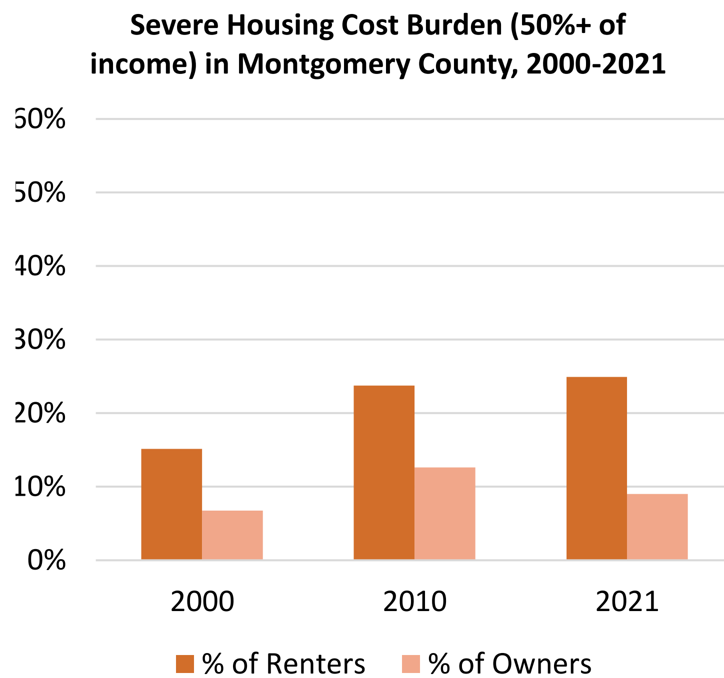
- An **excess supply** of rental housing units for households with incomes above 50% or more of the AMI in both 2014 and 2018;
- A **shortage** of nearly 25,000 units for households with incomes below 50% of AMI in 2018; and
- A **worsening trend** for households with incomes below 65% of AMI as supply decreased by over 5,000 units between 2014 and 2018.

Finally, the report used data from Zillow and the Federal Reserve to examine homeownership affordability between 2010 and 2018. This analysis found that the household income required to purchase a median priced home has exceeded the County's median income since 2012 and this gap has widened since then. The County's homeownership rate declined from 69% in 2009 to 65% in 2018. This trend is similar to regional trends.

Housing Cost Burden. U.S. Census data also include information on the percentages of renters and owners that are cost burdened (meaning they spend at least 30% of their incomes on housing) or severely cost burdened (meaning they spend at least 50% of their incomes on housing).

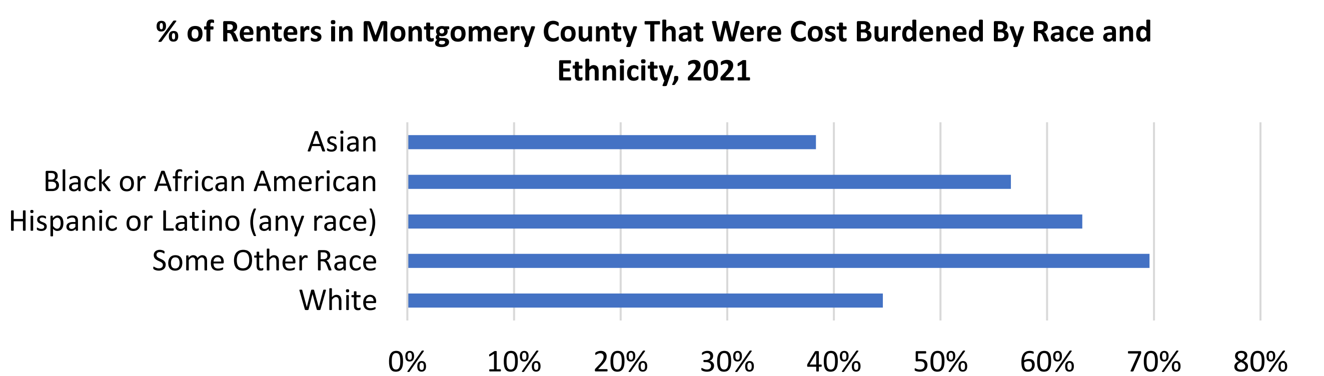
As shown in the charts below, the percentages of both renters and owners that were cost burdened and severely cost burdened increased significantly between 2000 and 2010. However, between 2010 and 2021, these percentages declined for owners but remained flat or increased for renters. In 2021, one in four renter households in Montgomery County were severely cost-burdened.





Sources: American Community Survey, 2010 and 2021 5-Year Estimates, and 2000 Decennial Census

The data also show stark disparities by race and ethnicity in cost burden among renters: 45% of White renters and 38% of Asian renters were cost burdened in 2021, compared with 63% of Black or African American renters, 57% of Hispanic or Latino renters, and 70% of renters of "some other race".[209]



Racial Inequities. As shown in the sections above, renter householders are disproportionately Black or African American and Hispanic or Latino, while owner householders are disproportionately White.

[209] American Community Survey, 2021 1-Year Estimates, Table S0201

Black or African American and Hispanic or Latino renter households are also disproportionately cost burdened. Numerous inequities, created and/or supported by government, drive racial disparities in wealth and homeownership:

- President Andrew Johnson's 1865 decision to rescind his promise to grant 40 acres of land to each formerly enslaved Black person who fought in the Civil War, forcing four million people to rent the farmland of their previous masters;[1]
- Seizures of Black-owned land by White landowners who took advantage of racially-discriminatory legal systems in the post-Civil War era;[1]
- Racially discriminatory underwriting guidelines (redlining) created by the FHA that resulted in 98% of federally-insured home loans between 1934 and 1962 going to White households;[1] and
- Persistent inequities in lending, education and labor markets in the present-day that disadvantage Black, Indigenous and other People of Color.[1]

In a 2021 article for Bethesda Magazine, Eugene Meyer described the following history of housing discrimination in Montgomery County in the twentieth century:

> Racial covenants and redlining restricted Black access to most established and new subdivisions. Chevy Chase covenants that began appearing in the 1920s and 1930s declared that "no part of the land hereby conveyed shall ever be used, occupied by, sold, demised, transferred, conveyed unto, or in trust for, leased, or rented, or given to any negro or negroes, of any person or persons of negro blood or extraction, except that shall not be held to exclude partial occupancy of the premises by domestic servants of the grantee, his heirs and assigns."
>
> Also excluded were "any person of the Semitic race including Armenians, Jews, Hebrews, Persians, and Syrians." Jews and Blacks were barred from buying in tony neighborhoods like Kenwood, Mohican Hills and Sumner. In the greater Silver Spring area, 47 subdivisions had racial covenants. Even after the Supreme Court ruled covenants unconstitutional in 1948, they remained on residential deeds and honored in spirit if not in law. Roland Barnes, the Black principal of then new Travilah Elementary School, filed a suit, which he ultimately lost in the Supreme Court, after developers in 1962 refused to sell him a house in the Seven Locks Meadows subdivision.
>
> Most Black residents were confined to small enclaves such as Lyttonsville, which lacked paved roads and indoor plumbing until the 1960s; water came from a spring where Rosemary Hills Elementary School now stands or from a spigot on Brookville Road, for which users paid the Washington Suburban Sanitary Commission (WSSC) $50 a year. "We had outhouses and pumps, and not everybody had a phone," Pat Tyson recalled in a 2002 interview. "The streets were dirt roads with no street lights, and it was just

gravel and dirt." North Woodside, across the Talbot Avenue railroad bridge from Lyttonsville, was off-limits to Blacks; they could live there only as domestics. "For the purpose of sanitation and health," a 1923 deed read, "the buyers shall not sell or lease said land to anyone of the race whose death rate is higher than that of the white race."

Developer E. Brooke Lee, celebrated as the father of modern Silver Spring and even today by the WSSC on its website as "an esteemed Montgomery County politician," saw open housing as a threat. "Since law-enforced opening of homes and home communities is only aimed at White owned homes and White occupied communities," he wrote in the Bethesda-Chevy Chase Advertiser in March 1967, "the law-enforced open housing statutes are Anti-White laws."[1]

B. Characteristics of Rental Housing in Montgomery County

This section describes the physical characteristics of renter-occupied housing units in Montgomery County as compared with owner-occupied units based on data from the U.S. Census Bureau's American Community Survey. As shown in the following table:

- Montgomery County had approximately 133,000 renter-occupied housing units during the five-year period from 2017 to 2021, accounting for 35% of the County's occupied housing units;
- The majority (62%) of renter-occupied units, about 82,000, were in multi-family structures with 10 or more units, while 23% were in single-family detached or attached structures; and
- Over three out of 10 renter-occupied units were constructed between 1980 and 1999, and another three out of 10 units were constructed between 1960 and 1979.

Table 4-3. Occupied Housing Units in Montgomery County, 2017-2021

Unit Characteristics	Renter-occupied units		Owner-occupied units	
	#	%	#	%
Total Occupied Housing Units	**132,562**		**250,746**	
Units in Structure				
1, detached	14,438	11%	169,517	68%
1, attached	16,147	12%	54,014	22%
2 apartments	1,363	1%	551	0%
3 or 4 apartments	3,946	3%	1,649	1%
5 to 9 apartments	14,865	11%	3,474	1%
10 or more apartments	81,621	62%	21,269	9%
Mobile home or other type of housing	182	0%	272	0%
Year Structure Built				
2020 or later	142	0%	301	0%
2010 to 2019	15,274	12%	12,328	5%
2000 to 2009	15,514	12%	23,727	10%
1980 to 1999	41,540	31%	81,618	33%
1960 to 1979	39,858	30%	71,972	29%
1940 to 1959	16,484	12%	47,389	19%
1939 or earlier	3,750	3%	13,411	5%
Bedrooms				
No bedroom	8,529	6%	1,161	1%
1 bedroom	39,949	30%	6,372	3%
2 or 3 bedrooms	73,781	56%	110,465	44%
4 or more bedrooms	10,303	8%	132,748	53%

Source: American Community Survey 5 Year Estimates, 2017-2021, Table S2504

Trends in Rental Housing Units. Data from the American Community Survey show the number of renter-occupied housing units in Montgomery County increased by over 24,000 units, or 22% between 2006-2010 and 2017-2021. In contrast, the number of owner-occupied housing units increased by less than 6,000 units, or 2%, over the same time period.[210] As a result, the percentage of occupied housing units in the County that were renter-occupied increased from 31% to 35% during this period. The Planning Department's 2020 Housing Needs Assessment also noted the following trends in rental units:

- From 2000-2018, numbers of two- and three-bedroom rental units increased significantly while numbers of studios and one-bedroom units decreased or saw smaller increases; and
- From 2010-2018, much of the growth in larger two- and three-bedroom rental units was driven by conversions of townhomes and single-family detached homes to rentals.

[210] ACS 5-Year Estimates, Table S2502

Chapter 5. Rents in Montgomery County

The Montgomery County Department of Housing and Community Affairs' (DHCA) issues rental housing licenses for condominiums, accessory apartments, single-family properties, and multi-family properties in the County (outside of the municipalities of Gaithersburg, Rockville and Takoma Park). The County Code also charges DHCA with annually collecting data from all licensed rental units in Montgomery County, including within all municipalities. In addition, within DHCA, the Office of Landlord-Tenant Affairs (OLTA) investigates complaints relating to landlord-tenant relations.

This chapter responds to the Council's request to analyze recent and historical trends in the County rental market, based primarily on data from DHCA's annual survey of landlords for the period from 2014 to 2022. It also summarizes limited data on rent increases in 2022 and 2023. It is organized as follows:

- **Section A** describes background on DHCA's Annual Rental Facility Occupancy Survey;
- **Section B** describes numbers of responses and response rates to the survey for 2014-2022;
- **Section C** examines data on rents and rent changes from DHCA's survey for 2014-2022; and
- **Section D** summarizes data on rent increases in 2022 and 2023 based on tenant complaints, tenant outreach by CASA, and data from the U.S. Census Bureau's Household Pulse Survey.

DHCA's survey has some important limitations, including the historical exclusion of single-unit rentals (single-family homes, condominiums and accessory dwelling units) from the survey as well as some data quality issues. An important note is that, in response to the COVID-19 pandemic, the County capped rent increases effective between April 2020 and August 2022. Data from the 2022 survey, which include rents as of April 1, 2022, do not reflect increases that took effect after the cap expired in May 2022 (for rent increases effective starting in August 2022). Nonetheless, DHCA's survey is the most detailed source of information on rents in Montgomery County; in particular, it represents the only source of systematic County-level data on the rent increases faced by individual existing tenants. Key findings from this chapter include:

- From 2015 to 2022, the median rent change for existing tenants was below the applicable Voluntary Rent Guidelines (which was a mandatory rent cap from April 2020 to May 2022);
- Available data suggest that 17% of units reported in 2021 and 26% of units reported in 2022 were not compliant with the County's rent cap (before its expiration); and
- Limited data indicate that between June 2022 and April 2023, one in three renters in the Washington, DC metropolitan area have received rent increases of more than $100, and one in eight have received rent increases of more than $250.

A. DHCA Annual Rental Facility Occupancy Survey Background

This section describes what data the law requires DHCA to collect and provides an overview of current collection and analysis practices. However, there are two key issues with the data collection:

- Historically, DHCA has not collected all the data required by law because it did not include single-unit rentals (single-family homes, condominiums, and accessory dwelling units);
- DHCA does not have a practice of imposing fines allowed by law on landlords that fail to report data as required by law; and
- Staff report concerns about the validity of certain questions on the questionnaire and response rates to those questions.

1. Code Requirements

Section 29-51 of the County Code, last amended in 2016, requires the County Executive to annually collect data from landlords of licensed rental housing and to analyze it in order to, "measure the supply and availability of rental housing, as well as other operating characteristics." The Code requires that the Executive establish a centralized data collection process to, "minimize the burden for landlords," and that the survey form be "designed to minimize the repeated reporting of unchanged information, while maintaining an accurate data base." The Code requires landlords to report the following information:

- The location of each rental facility, including the zip code;
- Structure type;
- Year built;
- Distribution of units by standard bedroom sizes;
- The number of units by bedroom size that were re-rented during the month;
- The number of vacant days applicable to those units;
- The rent charged for each rental unit;
- The rent charged for each re-rented unit before vacancy; and
- The new turnover rent charged for each re-rented unit.

The Code also requires landlords to "maintain records" on some additional items (utilities, amenities, expenses, revenues, and tenant incomes) that must be made available to the County on request. The Code also permits the County to impose a penalty of up to $1,000 for each violation of the above provisions. In addition, the Code requires DHCA to publish data from the survey on all rental housing consisting of two or more dwelling units on the County's website.

2. Data Collection and Analysis Practices

The County Government's process for conducing the Annual Rental Facility Occupancy Survey includes the following phases:

- **January-March**: DHCA staff prepare the online survey questionnaires and mail notices to landlords with information about how to complete the survey online;
- **April**: The online survey opens;
- **Variable**: DHCA sends reminders, warnings or notices of violation to landlords that have not responded to the survey;
- **September:** the survey is closed; and
- **September - October**: CountyStat staff analyze data collected from the survey.[211]

Prior to 2022, DHCA sent the questionnaire to landlords of multi-family rental properties. DHCA did not send the questionnaire to landlords of rental units in single-family homes (attached or detached) or condominiums, and these landlords did not report. In 2022, DHCA piloted a "Single Unit" survey for landlords of single-family and condominium rental units. DHCA implemented this survey for all landlords of licensed single units in 2023. At the time of writing, staff reported there were 9,691 rental units in condominiums and 19,008 single-family rental properties.

Enforcement. DHCA staff report they have not historically imposed fines on landlords that fail to report data as required by the County Code due to lack of staff capacity. DHCA did not provide data to OLO on numbers of notices of violation issued to landlords that did not respond to the survey. In 2023, DHCA began making rental license renewals for properties that fall under its jurisdiction conditional upon being compliant with the survey. However, properties located in the municipalities of Gaithersburg, Rockville, and Takoma Park do not fall under DHCA's jurisdiction for rental licensing; therefore, they are not subject to non-renewal of the rental licenses if they do not respond to the survey.

Data Collected. Copies of the 2023 Multifamily and Single Unit questionnaires are available in Appendix C. In summary, the multi-family questionnaire includes fields regarding:

- Property characteristics (address, units, year built) that are pre-populated based on the information in DHCA's database;
- The name and contact details of the person preparing the survey;
- Information about the types of leases, standard security deposits, and recent renovations;
- Annual increases in expenses as percentages in each of the following categories: administration, utilities, taxes, and repair/maintenance;
- Services and utilities provided and the shares paid by the landlord and the tenant;

[211] Since 2020, the timeline for analysis has been extended due to staffing constraints.

- "Special needs" served including subsidy programs and accessibility for persons with disabilities;
- The last date of a radon inspection;
- The presence of a mercury regulator; and
- Unit-level information for all units as of April 1 including the unit number, number of bedrooms, the date when the current tenant moved in (occupancy date), the total rent (including tenant payments and subsidy payments), whether the unit was vacant, the number of days the unit was vacant, and whether the unit was occupied by an owner or employee.

The unit-level information can be entered manually, or landlords may upload a spreadsheet with this information. Staff report that because many landlords submit their questionnaires later in the year (up until September), they often erroneously report data for the time period during which they are completing the questionnaire, rather than data for April 1 as the questionnaire states. In addition, it is important to note the survey does not ask landlords to identify concessionary rent rates (rent discounts) that may be temporary or to identify units subject to rent restrictions (e.g. Low-Income Housing Tax Credit or LIHTC rent-restricted units) or that receive subsidies (e.g. Housing Choice Vouchers, previously known as Section 8 vouchers).

OLO heard feedback from staff that there are concerns about the validity and lack of response to facility-level questions on the survey about annual increases in expenses, services and utilities and associated fees, and "special needs" (subsidy programs and accessibility). Data from landlords on annual percentage increases in administration, utilities, taxes, and repair/maintenance expenses are difficult to interpret because landlords do not have to specify what share of their expenses fall into each category. The section of the questionnaire requesting information on "special needs" may be unclear to some respondents.

Data Analysis. CountyStat staff analyze data from the DHCA survey. In the past, CountyStat staff has examined trends in average and median rents for rental units by bedroom size and unit status (holdover versus turnover units). CountyStat has not typically analyzed data from the survey, leases, standard security deposits, recent renovations, property expenses, and services and programs available to tenants. OLO heard concerns from staff in different departments that the County lacks sufficient staff capacity to analyze data from the survey. For example, when the County implemented its rent cap in response to the COVID-19 pandemic, staff did not have capacity to use the survey data in order to assess compliance with the rent cap.

Proposed Real-Time Data Collection System. DHCA staff suggest that the County should replace the Annual Rental Facility Occupancy Survey with a requirement that for rent increases to go into effect, landlords must register all rents and rent increases with DHCA via a proposed database and portal on DHCA's website. Such a database would ideally be integrated with DHCA's licensing and housing code enforcement databases and would facilitate enforcement of rent regulations, annual licensing, and compliance with the housing code. It could serve a consumer protection function by enabling tenants to determine if the rent increase they have received aligns with that which their landlord submitted to DHCA and whether their landlord has met licensing and housing code requirements to increase the rent. Staff assert that it would also increase the quality and quantity of data on rental housing in the County and provide easily accessible, real-time data on rent levels and increases across the County, as compared to the point-in-time data gathered by the Annual Rental Facility Occupancy Survey.

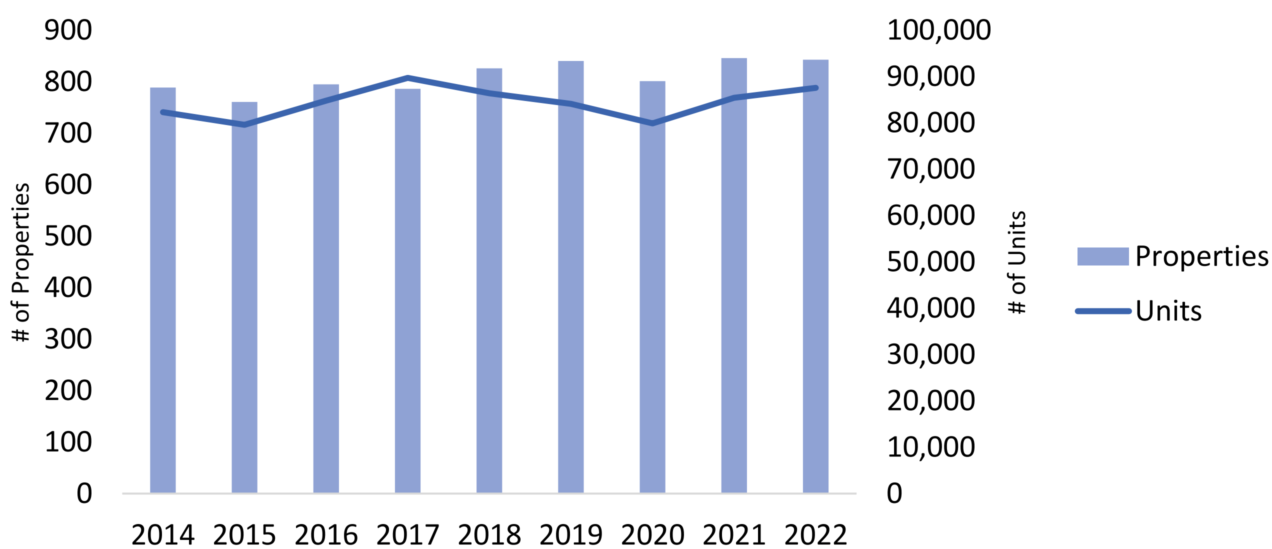
B. Numbers of Responses, Unit Characteristics, and Response Rates

Executive Branch staff provided OLO with unit-level data from DHCA surveys conducted annually during the nine-year period from 2014 to 2022, along with a dataset listing multi-family rental properties in Montgomery County. Staff reported that data from before 2014 are not available. This section describes the survey response numbers and rates.

Numbers of Responses. The dataset provided by DHCA identifies properties by their rental license numbers. The dataset includes 1,208 unique license numbers over the nine-year period. Of note, multiple license numbers may represent the same property during different time periods if the property changed ownership. The table below displays the number of unique properties (based on their license numbers) and housing units reported in each survey year, and shows that:

- The number of properties reporting data increased by 7% over the nine-year period, 789 in 2014 to 843 in 2022; and
- The number of units for which data were reported increased by 6%, from 82,347 in 2014 to 87,539 in 2022.

Chart 5-1. DHCA Survey Responses: Properties and Units By Year, 2014-2022



Unit Characteristics. The table below displays the number of units reported by respondents each year by property type. It shows that garden apartment properties accounted for the largest percentage of units each year. However, during the nine-year period, high-rise and mid-rise properties accounted for increasing percentages of units. As noted above, DHCA's survey was limited through 2022 to multi-family rental properties and did not include units in condominiums and single-family homes.

Table 5-1. Units Reported by Property Type, 2014-2022

Property Type	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total	**82,347**	**79,590**	**84,772**	**89,716**	**86,381**	**84,099**	**79,901**	**85,410**	**87,539**
Garden Style (1-4 stories)	63%	63%	62%	61%	59%	56%	56%	55%	52%
High-rise (9+ stories)	30%	30%	32%	32%	33%	36%	34%	34%	35%
Mid-rise (5-8 stories)	4%	4%	3%	4%	5%	5%	7%	8%	9%
Mixed Structure Types	2%	2%	1%	2%	2%	2%	2%	1%	2%
Townhouse	1%	1%	1%	1%	1%	1%	1%	1%	1%

The table below displays the percentages of units reported by bedroom number. It shows that overall, two-bedroom and one-bedroom units accounted for similar percentages of reported units (between 41% and 45% each).

Table 5-2. Units Reported by Number of Bedrooms, 2014-2022

# of Bedrooms	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Units	**82,347**	**79,590**	**84,772**	**89,716**	**86,381**	**84,099**	**79,901**	**85,410**	**87,539**
0	5%	5%	5%	5%	5%	5%	5%	5%	5%
1	41%	42%	42%	42%	42%	42%	43%	44%	43%
2	45%	45%	45%	45%	44%	44%	44%	44%	45%
3	8%	8%	8%	8%	8%	8%	8%	7%	7%
4	0.3%	0.3%	0.3%	0.4%	0.4%	0.3%	0.3%	0.3%	0.3%

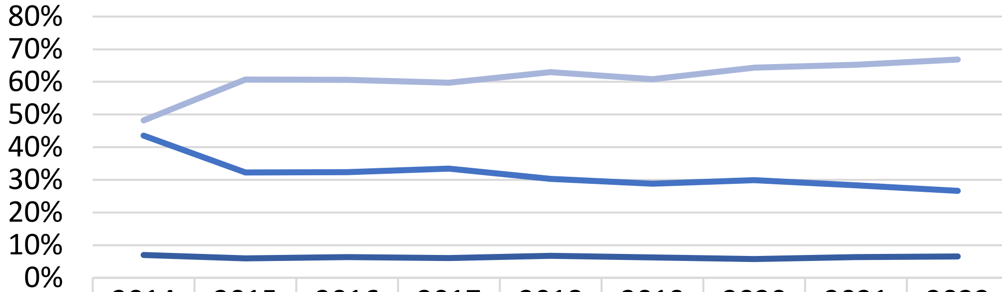
The next chart displays percentages of reported units that were "holdover," "turnover," or "vacant" in each survey year. The questionnaire asks landlords to provide the occupancy date for each unit, or the date the current tenant moved in. The occupancy date serves to determine whether the same tenant occupied that unit in the current survey year and the previous survey year. If the occupancy date is before April 1 of the previous year, then the unit is considered a **holdover** unit. On the other hand, if the occupancy date is after April 1 of the previous year, the unit is considered a **turnover** unit. Units that landlords reported to be **vacant** on April 1 are also identified as such. The chart shows that from 2015 to 2022:[212]

- The percentage that were holdover units increased from 61% to 67%;
- The percentage that were turnover units decreased from 32% to 27%; and

[212] As shown in Chart 5-2, reported holdover and turnover rates were significantly different for the 2014 survey year compared with every other year, signaling likely data quality issues.

- The vacancy rate remained flat between 6% and 7% of reported units.

Chart 5-2. Holdover, Turnover and Vacancy Rates For Reported Units By Year, 2014-2022



	2014	2015	2016	2017	2018	2019	2020	2021	2022
Holdover	48%	61%	61%	60%	63%	61%	64%	65%	67%
Turnover	44%	32%	32%	33%	30%	29%	30%	28%	27%
Vacant	7%	6%	6%	6%	7%	6%	6%	6%	6%

2022 Response Rates. In order to calculate a response rate for DHCA's 2022 survey, OLO compared the properties that responded and the units for which data were provided to a DHCA property dataset that lists multi-family rental properties in the County as of 2022. This dataset includes properties that:

- Had current rental licenses and fall under the jurisdiction of DHCA;
- Were "unlicensed" with DHCA due to failure to complete the survey, pay a fee or fail to comply with requirements related to lead paint;
- Had licenses or license renewals pending with DHCA;
- Are located in the municipalities of Gaithersburg, Rockville, or Takoma Park, referred to as "Survey Only" (these do not fall under DHCA's jurisdiction for rental licensing but are required to report data under the County Code); or
- Were in DHCA's system but did not have active licenses.[213]

The table below displays total properties and units in DHCA's property dataset alongside survey data for 2022. It shows that for active properties that fall under DHCA's jurisdiction (including licensed, unlicensed, and pending properties), the response rate was 92% of properties and 93% of units. However, among "Survey Only" properties (located in the municipalities of Gaithersburg, Rockville and Takoma Park), the response rate was 64% for properties and 63% for units. As a result, the overall response rate for active properties was 84% for properties and 87% for units. CountyStat reports a similar response rate of 86% of properties for the 2021 survey.

[213] Includes properties categorized as "inactive," "eliminated," "new application," "potential," and "condemned".

Table 5-3. 2022 Survey Response Rates by Licensing Category

	Properties			Units		
	Total	**2022 Survey**	**Response Rate**	**Total**	**2022 Survey**	**Response Rate**
DHCA Active	**689**	**633**	**92%**	**78,825**	**73,186**	**93%**
Licensed	513	511	100%	59,833	58,607	98%
Unlicensed	88	37	42%	8,660	4,479	52%
Pending	88	85	97%	10,332	10,100	98%
Survey Only*	**296**	**190**	**64%**	**21,106**	**13,337**	**63%**
Total Active	**985**	**823**	**84%**	**99,931**	**86,523**	**87%**
DHCA Inactive	*362*	*12*	*3%*	*31,496*	*878*	3%

*Refers to properties located in the municipalities of Gaithersburg, Rockville and Takoma Park.
Note: OLO was unable to match eight license numbers from the 2022 survey data with the license numbers in DHCA's property dataset. The 2022 survey numbers in this table exclude these properties that could not be matched.

As described on page 72, DHCA did not survey landlords of single-unit rentals (single-family homes, condominiums or accessory dwelling units) before 2023. As noted in Chapter 4, data from the U.S. Census Bureau's American Community Survey show that the County had approximately 133,000 occupied rental units from 2017 to 2021. Therefore, the 2022 DHCA survey captured 62% of total occupied units.[214]

The following table lists 2022 response rates for units by location, based on the zip code of the property. It shows that properties with Gaithersburg zip codes had the lowest response rates of 65%, followed by Rockville (80%) and Montgomery Village (84%). Of note, some properties with Rockville, Gaithersburg, or Takoma Park zip codes are located outside the boundaries of the respective municipalities and therefore do fall under the jurisdiction of DHCA for rental licensing.

[214] This calculation excludes vacant units reported through the DHCA survey

Table 5-4. Response Rates for Units by Location

City (based on zip code)	Active Units	2022 Survey	Response Rate
Silver Spring	39,398	37,190	94%
Rockville	18,610	14,915	80%
Gaithersburg	13,600	8,894	65%
Bethesda	8,639	8,052	93%
Germantown	7,338	6,593	90%
Takoma Park	3,575	3,234	90%
Chevy Chase	3,317	3,413	103%
Montgomery Village	1,278	1,069	84%
Kensington	972	952	98%
Clarksburg	724	724	100%
Derwood	587	587	100%
Burtonsville	522	523	100%
Potomac	444	444	100%
Olney	397	396	100%
Damascus	378	266	70%
Sandy Spring	139	139	100%
Other	12	10	83%

C. Rents and Rent Changes From 2014 to 2022

This section summarizes DHCA survey data on reported rent amounts and rent changes. As noted above, DHCA's survey asks landlords to provide data for the total rent (including tenant payments and any subsidy payments) for each unit on the property as of April 1 of the survey year. It is important to note the data presented in this section have some limitations and potential inaccuracies, as detailed below (see page 80 for further details on data quality issues and adjustments made by OLO):

- Some rent data may be inaccurate due to data entry errors by landlords;
- While the survey is intended to collect data that reflect rents on April 1 of the reporting year, some properties report data for later times of the year (through September);
- When a property changes ownership, their license number changes, and as a result this analysis cannot track rent changes for tenants when the properties they live in change ownership;
- DHCA's questionnaire does not ask landlords to identify concessionary rent rates,[215] meaning that some rents and rent changes may be reflective of temporary discounts given to residents (such as to attract new tenants) and the subsequent increase when that discount ends;
- The survey questionnaire does not specify whether "rent" includes any additional monthly fees charged to the tenant, and the dataset does not include unit-level information on additional

[215] Landlords can use rent concessions to incentivize new tenants to sign a lease or existing tenants to renew a lease.

fees (or changes to fees) charged by landlords such as amenity fees, pet fees, transaction fees, late payment fees, additional fees for month-to-month leases, or utility fees paid to the landlord; and

- The dataset includes properties that participate in subsidy programs (e.g., Housing Choice Vouchers) or are otherwise rent-restricted (e.g., Low Income Housing Tax Credit properties), as well as properties that provide significant additional services such as assisted living facilities, and the dataset does not identify these properties and therefore does not allow for filtering.

Data Quality and OLO Adjustments and Exclusions

Executive Branch staff provided OLO with a dataset with unit-level data collected from surveys conducted each year from 2014 to 2022. The dataset contains 793,095 entries, each of which includes data for one rental housing unit for one survey year. During its analysis, OLO identified several data quality issues and heard concerns from Executive Branch staff about the accuracy of data. Where possible, OLO attempted to address the identified issues. However, the data presented in this chapter likely include data that were entered incorrectly. Data quality issues include:

- Staff report some properties report data as late as September, and are likely reporting data that is current as of their reporting date, not April 1 (reporting dates are not captured);
- 28,179 cases of duplicate entries for the same unit and rent amount for the same survey year (OLO removed duplicate entries);
- 8,189 cases (of which 4,485 were from the 2019 survey) where the same unit number was associated with two different entries from the same year with different rent amounts (OLO removed these from its analysis of rents and rent changes);
- 14,221 out of 50,549 entries for vacant units listed the rent as $0, rather than the “street rent” or the rent that would be offered to a prospective tenant as directed in the questionnaire (OLO excluded these entries from rent data on vacant units);
- 2,728 entries coded as “holdover” units based on occupancy date where the same unit was coded as vacant in the previous survey year (these units are excluded from holdover data);
- Data entry errors or omissions in occupancy dates (OLO coded as “Unknown” with regards to whether they are turnover or holdover units 8,085 entries with missing occupancy dates or occupancy dates before 1930 or after 2022);
- A lack of information in the dataset on whether units are subsidized or rent-restricted, including units that appear to exclude the portion of the rent paid by subsidy programs in some years but not in others (OLO included these rents as listed in its analysis);
- A lack of information in the dataset on properties where the rent includes significant additional services, such as in assisted living or continuing care retirement communities (OLO included these rents as listed in its analysis);
- 757 entries associated with 21 unique license numbers that could not be matched with a licensee in DHCA’s database (these are excluded from property type summary and geographic data);
- Data entry errors or inaccuracies in the rent that is listed, such as negative numbers and very high amounts (+$10,000) that are inconsistent with advertised rents for the property (OLO excluded 78 entries listing negative rent amounts or rents above $10,000); and
- An unknown number of entries with unit numbers in different formats than the entry for the same unit in previous years (OLO was unable to include in its analysis rent change data where unit numbers were not entered consistently from the previous year).

Rents in 2022. This section describes reported rents during 2022, the most recent survey year. The table below displays average and median (also known as the 50th percentile) rents as well as the 10th, 25th, 75th and 90th percentile rents by the number of bedrooms.[216]

Table 5-5. 2022 Rents Reported by Number of Bedrooms

Bedrooms	Average	Median	Percentiles			
			10th	25th	75th	90th
All Unit Types	**$1,759**	**$1,625**	**$1,210**	**$1,402**	**$1,925**	**$2,392**
Efficiency	$1,463	$1,427	$1,040	$1,237	$1,616	$1,814
One	$1,609	$1,515	$1,125	$1,300	$1,790	$2,131
Two	$1,865	$1,680	$1,351	$1,515	$2,032	$2,526
Three	$2,182	$1,970	$1,520	$1,788	$2,327	$2,981
Four	$2,134	$2,165	$1,056	$1,418	$2,598	$3,170

* Excludes units where the reported rent was $0, a negative number or over $10,000

As shown in the table above, the average rent sometimes differs significantly from the median rent. Average rents can be skewed by *outliers*, or data points that are significantly lower or higher than the rest of the data points. As such, OLO considers the median and other percentiles more useful statistics for summarizing rents across the County than the average. As noted on page 80, the dataset includes the types of units described below that may include extreme outlier rent amounts:

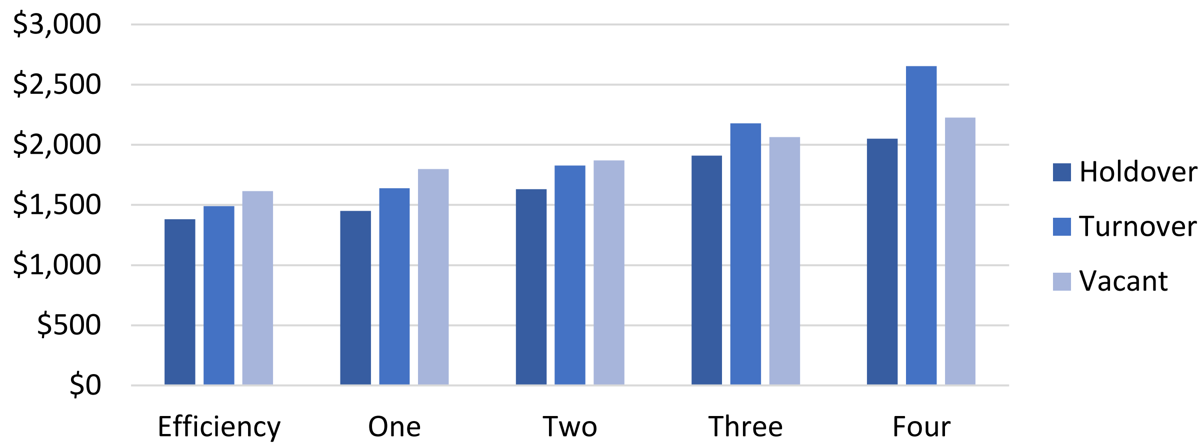
- Units that are subsidized or rent-restricted, particularly if the landlord excluded the portion of the rent paid by subsidy programs like Housing Choice Vouchers from the reported rent; and
- Properties where the rent includes significant additional services, such as in assisted living or continuing care retirement communities.

The chart on the following page displays median rents for 2022 by the number of bedrooms and the status of the unit (holdover, turnover or vacant). The chart shows that holdover units had the lowest median rents for all unit types. Vacant units had the highest median rents for efficiency, one-bedroom, and two-bedroom units, while turnover units had the highest median rents for three- and four-bedroom units.[217]

[216] The "percentiles" refers to the rent at which the specified percentage of units in the category reported lower rents. For example, the 10th percentile refers to the rent amount at which 10% of units reported a lower rent. In the case of one-bedroom units, 10% of units had reported rents below $1,125. Rents between 25th and the 75th percentiles (sometimes referred to as the "interquartile range") offer an indication of the range of typical rents, whereas the 10th and the 90th percentiles indicate rents that are less typical.

[217] For 2022, only 12 four-bedroom units with rent information (over $0) were reported to be vacant.

Chart 5-3. Median Rents By Number of Bedrooms and Unit Status, 2022



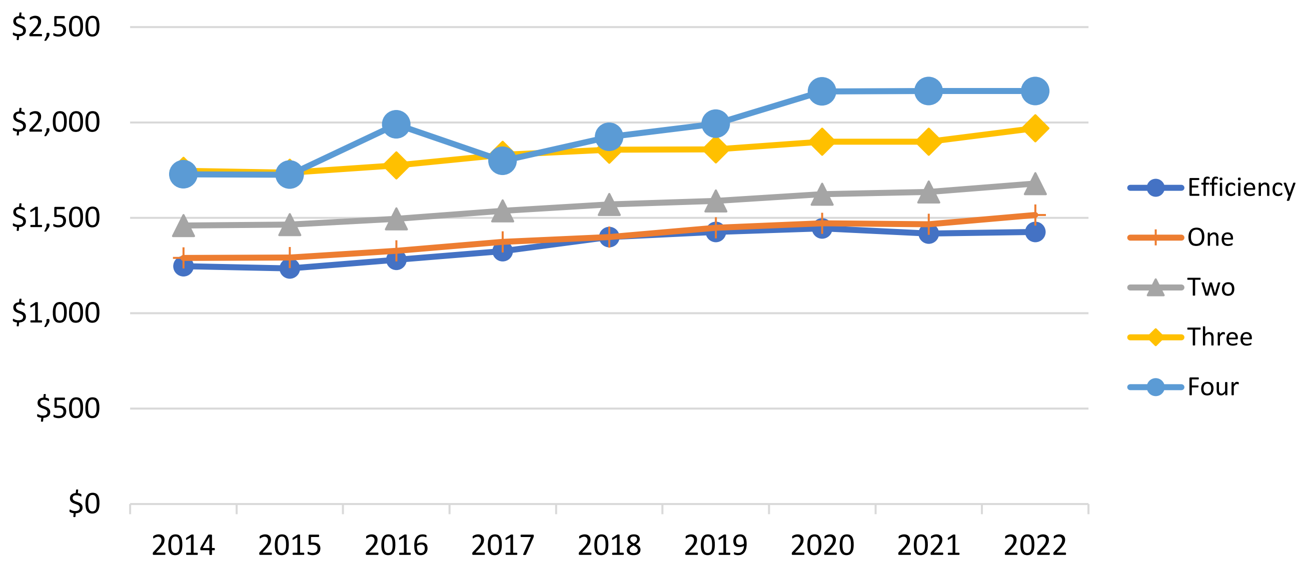
The following table displays median rents for one-bedroom and two-bedroom units by city (based on the zip code in which the property is located). The table shows that one-bedroom and two-bedroom units in Chevy Chase and Potomac had the highest median rents, and Takoma Park and Sandy Spring had the lowest median rents. Some of the data below (e.g. median one-bedroom rents for Olney) reflect the presence of subsidized or rent-restricted units, particularly if the landlord may have reported only the amount that the tenant pays and excluded the subsidy amount (or vice versa).

Table 5-6. Median Rent by City, 2022

City (based on zip code)	One Bedroom		Two Bedroom	
	# Units	Median Rent	# Units	Median Rent
Chevy Chase	1,759	$1,939	1,038	$2,713
Potomac	198	$1,948	162	$2,563
Bethesda	3,828	$1,906	2,958	$2,291
Rockville	6,243	$1,657	6,454	$1,999
Clarksburg	166	$1,695	423	$1,956
Derwood	272	$1,519	236	$1,758
Gaithersburg	3,913	$1,445	4,005	$1,655
Kensington	395	$1,641	307	$1,646
Olney	143	$480	197	$1,641
Silver Spring	14,855	$1,465	16,184	$1,632
Burtonsville	111	$1,401	331	$1,622
Germantown	2,117	$1,414	3,803	$1,621
Damascus	76	$1,105	141	$1,474
Montgomery Village	524	$1,226	449	$1,450
Takoma Park	1,528	$1,155	1,228	$1,350
Sandy Spring	70	$1,172	44	$1,288

Trends in Median Rents. The chart below displays trends in median rents by number of bedrooms.[218] It shows that median rents for efficiency, one-bedroom, two-bedroom and three-bedroom units each increased by about $200 in total. However, when adjusted for inflation, median rents for one-bedroom units were about equal in 2022 dollars to median rents in 2014. Median rents for efficiencies and two- and three-bedroom units were 2% to 4% lower in inflation adjusted dollars in 2022 than they were in 2014, reflecting average annual decreases of 0.2% for efficiencies and two-bedroom units and 0.5% for three-bedroom units.

Chart 5-4. Median Rents By Number of Bedrooms, 2014-2022 (nominal dollars)



Comparing DHCA Survey Data to Other Data Sources
Two additional sources offer data on trends in rents in Montgomery County: the American Community Survey (ACS) and CoStar. The ACS is a national annual survey of a sample of households conducted by the U.S. Census Bureau. The ACS includes rent data on all renter-occupied housing units, including single-unit rentals. CoStar is a national real estate analytics firm that surveys larger apartment buildings about asking rents for vacant units. Each source of data covers a different universe of rental units and is available for different time periods.
In comparing DHCA's data on trends in median rents in Montgomery County to ACS and CoStar data, OLO found that each of these sources presents a slightly different picture of trends in rents in Montgomery County. However, for the period from 2014 to 2021, each showed an average annual increase in average or median rents of about 2% in nominal dollars (not adjusted for inflation) or 0%-1% in inflation-adjusted dollars. These similarities indicate that data from the DHCA survey are reliable for understanding overall trends in the rental market. More detailed information on ACS and CoStar data on rent trends is available in Appendix C.

[218] Because of the relatively small number of four-bedroom units (about 300 reporting per year), the data on four-bedroom units may be less reliable than that for other unit types.

Rent Changes. The above section describes trends in median rents for different unit types. In contrast, this section examines the percentages by which rents changed from year to year at the unit level. For this analysis, OLO matched data for individual units with data for the same units from the previous year, and then calculated the percentage change in the rent for each matched unit. Of note, the data presented in this section may exclude changes to additional fees (e.g. parking fees, amenity fees, month-to-month fees, or HOA fees) if the landlord did not include these fees in the rents they reported. Furthermore, previous year data were not available for every year or unit for this analysis because:

- Data from prior to 2014 are not available, so the first year for which rent change data are available is 2015;
- Some properties did not report in every year;
- If a property changed ownership, that property would be associated with a new license number and was not matched through this process; and
- Some landlords reported unit numbers in different formats from one year to the next, which prevented OLO from matching the unit numbers.

The table below displays the percentage of units with rent data for which previous year data were available, by unit status. In general, previous year data were most available for holdover units, and least available for vacant units.

Table 5-7. Percentage of Reported Units with Previous Year's Data, 2015-2022

Unit Status	2015	2016	2017	2018	2019	2020	2021	2022
Holdover*	91%	80%	63%	85%	81%	82%	78%	80%
Turnover	81%	67%	60%	80%	81%	72%	67%	72%
Vacant	85%	56%	38%	75%	75%	71%	73%	64%

* Excludes entries of units categorized as "holdover" where the entry for that unit for the previous year marks it as vacant

The next table displays the average, median, and middle range (meaning the range between the 25th to the 75th percentiles) rent changes in dollars (not adjusted for inflation) for one- and two-bedroom units. It shows that from 2015 to 2022, the median rent increase for one- and two-bedroom units ranged from \$0 to \$25. Across all survey years, the middle range (the 25th to the 75th percentiles) of rent changes for two-bedroom apartments was \$0 to \$50, meaning that three-quarters of rent changes were \$50 increases or below.

Table 5-8. Rent Changes in Dollars (nominal), 2015-2022

Survey Year	One Bedroom Average	One Bedroom Median	One Bedroom Middle Range	Two Bedroom Average	Two Bedroom Median	Two Bedroom Middle Range
All	$15	$1	$0 - $41	$18	$11	$0 - $50
2015	-$2	$0	$0 - $14	$0	$0	$0 - $20
2016	$29	$15	$0 - $43	$15	$20	$0 - $49
2017	-$8	$20	$0 - $49	$17	$25	$0 - $55
2018	$15	$12	$0 - $46	$12	$15	$0 - $50
2019	$32	$20	$0 - $51	$33	$25	$0 - $70
2020	$20	$16	$0 - $52	$34	$22	$0 - $65
2021	$1	$0	$0 - $33	$5	$0	$0 - $38
2022	$31	$12	$0 - $36	$31	$19	$0 - $37

The following table displays median rent increases by year and unit status (holdover, turnover or vacant). The median (or 50th percentile) rent change is the percentage change in rent at which half of units were at or had a higher percentage change in rent, and half of units were at or had a lower percentage change in rent. The table also displays the County's Voluntary Rent Guidelines (VRG) for the prior year.[219] The VRG is based on the rental component of the Consumer Price Index for the Washington Metropolitan Area. It takes effect in February of each year and applies to existing (holdover) tenants.

Of note, in response to the COVID-19 pandemic, the County capped rent increases to the VRG between April 2020 and May 2022 (effective August). Data from the 2022 survey are based on April 1 rents and do not reflect increases that took effect after the cap expired in August 2022. The table shows that:

- Median rent increases for holdover, turnover, and vacant units ranged from 0% to 2.6% from 2015 to 2022; and
- The median rent increase for holdover tenants was below the VRG in each of the eight years.

[219] The DHCA survey asks landlords to report rents in effect on April 1. Landlords are permitted to raise the rent once every 12 months. As a result, the rents reported on April 1 reflect rent increases that would have taken effect during the prior 12 months. Each year, the new VRG takes effect in late February. As such, the VRG in effect for the majority of that period is the prior year's VRG (for 2022 survey data, the VRG in effect for most of the prior 12 months is the 2021 VRG).

Table 5-9. Median Percentage Rent Increases by Survey Year and Unit Status

Survey Year	VRG (prior year)	Holdover	Turnover	Vacant	All Units
2015	1.5%	0.0%	0.0%	0.0%	0.0%
2016	2.3%	1.6%	0.0%	2.0%	1.3%
2017	2.1%	2.0%	0.0%	2.2%	1.8%
2018	1.8%	1.4%	0.0%	0.0%	1.0%
2019	3.1%	1.5%	1.9%	1.8%	1.6%
2020	1.5%	1.5%	1.0%	1.2%	1.5%
2021	2.6%*	0.0%	0.0%	0.0%	0.0%
2022	1.4%*	0.5%	2.6%	1.9%	1.3%

* In response to the COVID-19 pandemic, the County capped rent increases for existing tenants to the VRG from April 2020 to August 2022. For all other time periods, there was no requirement for landlords to limit rent increases to the VRG.

The next table displays the middle range of rent changes – meaning the range between the 25th and 75th percentiles, or the middle 50% – by survey year and unit status. The table shows that:

- Turnover units showed relatively large rent changes (increases and decreases) compared with holdover units; and
- Vacant units showed larger increases than both holdover units and turnover units (note that for vacant units, the rent listed is the "street rent," meaning the rent offered to a prospective tenant).

Table 5-10. Middle Range of Rent Changes (25th Percentile to the 75th Percentile) By Survey Year and Unit Status

Survey Year	VRG (prior year)	Holdover Units	Turnover Units	Vacant Units	All Units
2015	1.5%	0.0% - 1.6%	0.0% - 0.0%	0.0% - 3.7%	0.0% - 1.5%
2016	2.3%	0.0% - 3.0%	-5.0% - 3.8%	0.0% - 9.0%	0.0% - 3.0%
2017	2.1%	0.0% - 3.5%	-5.2% - 3.8%	-0.6% - 8.3%	0.0% - 3.6%
2018	1.8%	0.0% - 3.0%	-5.2% - 3.5%	0.0% - 5.7%	0.0% - 3.1%
2019	3.1%	0.0% - 3.5%	0.0% - 4.2%	0.0% - 7.8%	0.0% - 3.9%
2020	1.5%	0.0% - 3.4%	-2.0% - 5.3%	0.0% - 7.3%	0.0% - 3.9%
2021	2.6%	0.0% - 2.5%	-6.3% - 3.3%	-1.4% - 2.8%	0.0% - 2.6%
2022	1.4%	0.0% - 1.4%	-0.3% - 9.5%	0.0% - 9.6%	0.0% - 2.5%

The next table displays numbers of units by their status and percentage rent changes (for units where the previous year's data were available). The table shows that:

- Among holdover units, 38% had no change in their rent;

- Among turnover units, over a third showed rent decreases from the previous year;
- Nearly a quarter of holdover units showed increases of 2% to under 5%; and
- About 5% of holdover units showed double digit rent increases, accounting for about 1,100 to 2,700 units per year.

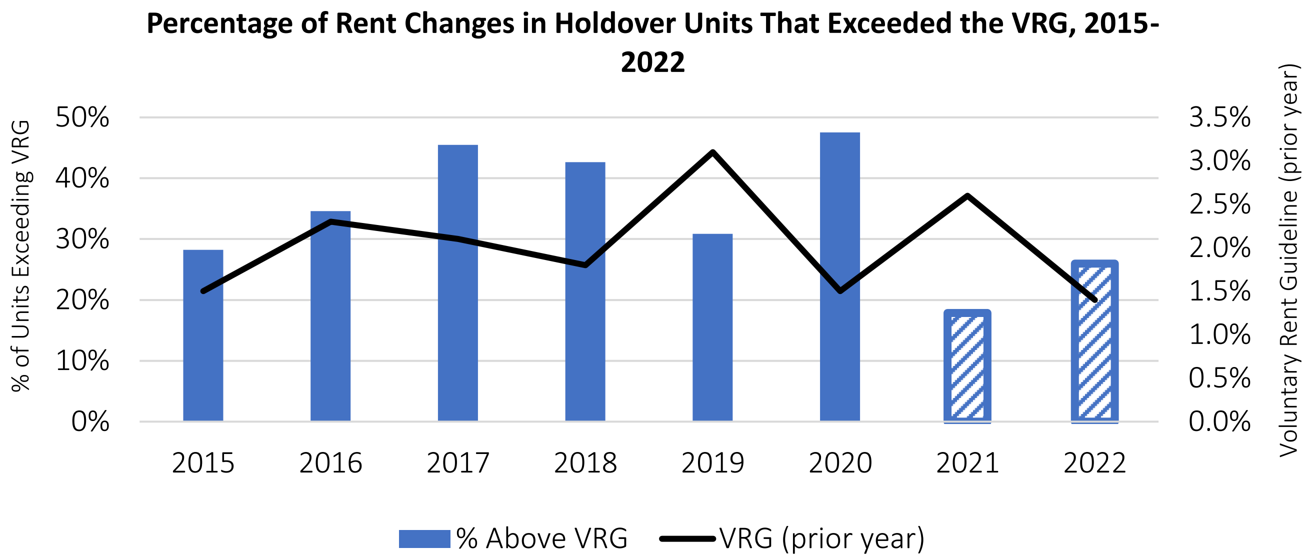
Table 5-11. Numbers of Units By the Percentage By Which Their Rent Changed From the Previous Year

Rent Change	2015	2016	2017	2018	2019	2020	2021	2022	All Years	
Holdover Units	**43,941**	**41,360**	**33,363**	**45,971**	**40,159**	**41,795**	**43,410**	**46,420**	**336,419**	**100%**
Decrease (any size)	2,871	3,053	3,320	3,054	5,109	3,303	3,702	3,359	27,771	8%
No change (0%)	25,988	12,646	6,865	15,290	12,232	14,087	22,235	19,109	128,452	38%
Increase under 2%	5,804	8,329	5,891	10,600	5,805	7,306	4,936	16,145	64,816	19%
2% to < 5%	6,581	13,068	13,136	11,696	9,803	11,156	8,152	4,333	77,925	23%
5% to < 10%	1,588	2,485	2,507	3,019	4,516	4,249	2,146	1,459	21,969	7%
10% to < 20%	598	877	906	1,379	1,533	1,017	1,650	1,293	9,253	3%
20% to < 50%	357	388	530	695	722	433	408	469	4,002	1%
50% or more	154	514	208	238	439	244	181	253	2,231	1%
Turnover Units	**20,875**	**18,318**	**17,805**	**20,741**	**19,029**	**17,029**	**16,137**	**16,831**	**146,765**	**100%**
Decrease (any size)	4,984	7,275	7,629	8,995	3,589	5,337	7,159	4,309	49,277	34%
No change (0%)	11,462	2,585	1,861	2,525	3,920	2,453	2,459	1,816	29,081	20%
Increase under 2%	1,264	2,089	2,008	2,531	2,408	1,934	1,392	1,858	15,484	11%
2% to < 5%	1,409	2,743	2,645	2,698	5,018	2,817	1,989	2,384	21,703	15%
5% to < 10%	941	1,978	1,886	2,168	2,453	2,438	1,646	2,399	15,909	11%
10% to < 20%	536	1,049	1,255	1,265	1,032	1,485	1,168	2,734	10,524	7%
20% to < 50%	199	316	408	443	454	462	265	1,221	3,768	3%
50% or more	80	283	113	116	155	103	59	110	1,019	1%
Vacant	**1,617**	**2,433**	**1,827**	**3,387**	**3,085**	**2,460**	**2,891**	**2,380**	**20,080**	**100%**
Decrease (any size)	224	544	486	808	503	472	801	335	4,173	21%
No change (0%)	762	463	249	1,024	846	639	1,092	724	5,799	29%
Increase under 2%	129	200	149	226	231	226	183	147	1,491	7%
2% to < 5%	151	307	289	410	449	311	278	347	2,542	13%
5% to < 10%	132	379	282	427	444	381	256	257	2,558	13%
10% to < 20%	139	291	240	339	320	302	206	306	2,143	11%
20% to < 50%	74	164	73	122	221	106	64	195	1,019	5%
50% or more	6	85	59	31	71	23	11	69	355	2%

Rent Increases for Holdover Units Above the VRG/Rent Cap. The following chart displays the percentages of rent changes for holdover units for each year that were at or below the prior year's

VRG (since each survey covers increases from the prior 12 months). The chart examines holdover units because the VRG and the rent cap that was in place from 2020 to 2022 only apply to existing tenants, not to turnover or vacant units. It shows that:

- For the 2017, 2018 and 2020 survey years, more than 40% of rent changes exceeded the VRG; and
- For the 2021 and 2022 survey years, which cover periods during which the County's rent cap was in effect (prohibiting landlords from raising the rent above the VRG) 17% and 26% of units, respectively, had rent changes above the VRG, lower than all other survey years.

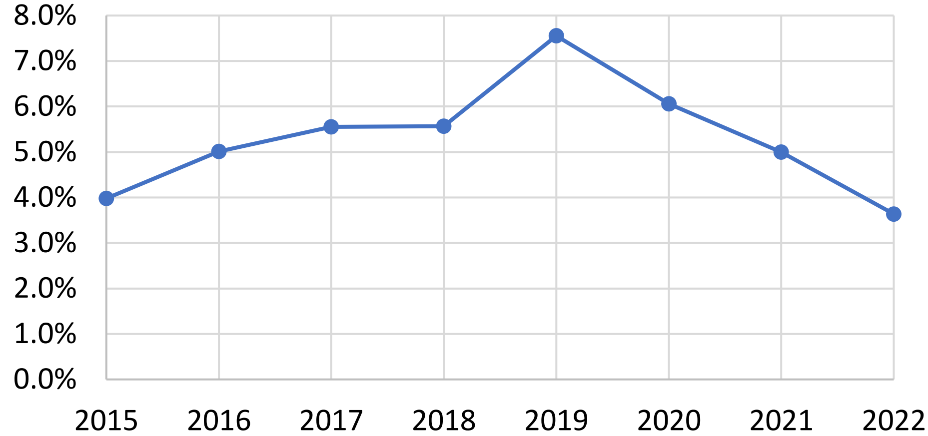


* This chart excludes units in the municipalities of Gaithersburg, Rockville and Takoma Park, which in some cases had different guidelines or limits for rent increases.

The next chart displays the trend in the 90th percentile of rent changes for holdover units. At the 90th percentile, 90% of units experienced a rent change below that percentage, and 10% of units experienced a rent change above that percentage. Therefore, the 90th percentile offers an indication of the upper end of rent increases faced by existing tenants. The chart shows that:

- Rent increases at the 90th percentile ranged from 4% in 2015 to 7.6% in 2019; and
- In 2021 and 2022, rent change percentages at the 90th percentiles were 5% and 3.6%, respectively, meaning that 10% of rent increases were above these levels (the County's rent cap limited rent increases to 2.6% and 1.4% in these years)

Chart 5-6. Trend in the Upper End of Rent Increases Faced By Tenants (90th Percentile For Holdover Units)



Finally, the following table compares median rent changes by city in 2021 and 2022 for cities with at least 1,000 units reporting. It also displays the percentage of increases that exceeded the VRG, which was a mandatory rent cap in those years. It shows that:

- Median increases were similar across cities (between 0% and 1% in both years);
- In 2021, Gaithersburg, Rockville, and Bethesda had the highest percentages of units (38%, 32% and 20%, respectively) with increases that exceeded the VRG/rent cap; and
- In 2022, Germantown had the highest percentage of units, 45%, that exceeded the VRG/rent cap.

Table 5-12. Median Rent Changes for Holdover Units and Percentages of Changes Exceeding VRG by City, 2021 and 2022

City (based on zip code)	2021			2022		
	Units	Median	% Exceeded VRG*	Units	Median	% Exceeded VRG*
Silver Spring	18,883	0%	14%	20,643	1%	25%
Rockville	6,935	0%	32%	8,537	0%	22%
Gaithersburg	5,456	1%	38%	4,835	1%	26%
Germantown	3,460	0%	10%	3,124	1%	45%
Bethesda	3,327	0%	20%	3,748	1%	22%
Takoma Park	2,345	0%	7%	2,315	1%	27%
Chevy Chase	1,177	0%	14%	1,257	0%	13%

* These columns exclude units in the municipalities of Gaithersburg, Rockville and Takoma Park, which in some cases had different guidelines or limits for rent increases.

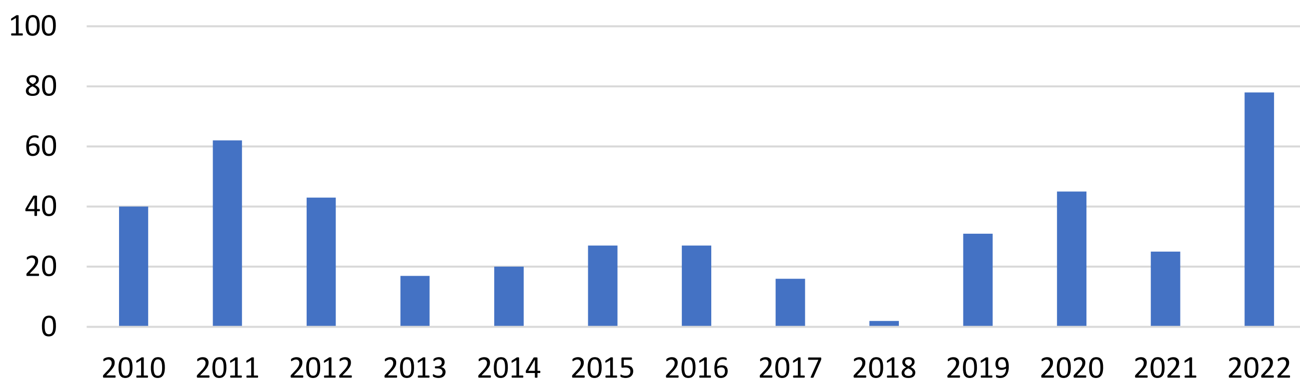
D. Recent Data on Rent Increases for Existing Tenants

As noted above, the 2022 DHCA survey data represent rents as of April 1 of that year and therefore do not reflect increases that took effect after the County's rent cap expired in May of 2022 (allowing rent increases above the cap to take effect starting in August 2022). This section describes two sources of limited data on rent increases in 2022 and 2023: tenant complaints to DHCA regarding rent increases, and data from the U.S. Census Bureau's Household Pulse Survey.

1. Tenant Complaints to DHCA Regarding Rent Increases

Complaints to DHCA about rent increases following the lifting of the rent cap offer some information on tenant experiences after the County lifted the rent cap in May of 2022 (affecting rent increases that could take effect starting in August of 2022). The following table displays rent increase complaints from 2010 to 2022. It shows that DHCA received 78 rent increases in 2022, more than any other year since 2010.

Chart 5-7. Number of Rent Increase Complaints By Year, 2010 - 2022



DHCA reports that rent increase complaints spiked in June of 2022, immediately after the County's rent cap expired. From July of 2022 to April 2023, DHCA has received an average of eight rent increase complaints per month, which translates into 96 complaints over a year. Unfortunately, complaint data are of limited utility for understanding broader trends in the rental market for the following reasons:

- The overall number of annual complaints is very low (100 complaints represents about one tenth of one percent of the County's estimated 104,000[220] renter occupied housing units);
- DHCA's approach to rent increase complaints shifted from discouraging tenants from filing complaints about rent increases they did not have the authority to reverse or reduce before the COVID-19 pandemic to proactively encouraging rent increase complaints after the County capped rent increases in response to the COVID-19 pandemic; and

[220] Excludes renter-occupied units in Gaithersburg, Rockville and Takoma Park

- DHCA worked with community organizations to encourage tenant complaints about rent increases when the rent cap was in place to promote compliance with the law, as well as after the rent cap expired in order to create a record of rent increases.

Therefore, trends in the numbers of complaints are likely to reflect the impact of other factors in addition to trends in the rental market.

2. CASA Outreach

CASA is a nonprofit organization that provides services, community organizing, and advocacy for immigrant and working-class communities. In 2022, CASA conducted outreach to 12 multi-family properties in Gaithersburg, Germantown, Rockville, Silver Spring, and Wheaton/Aspen Hill and spoke with 1,179 households in those properties. In seven of the 12 properties, CASA received information from some residents about rent increase notices. The examples included rent increases for 12-month leases ranging from 4.7% to 10% (in an additional property CASA received a report of a 35% increase for a month-to-month lease). Separately from its in-person outreach efforts, CASA received information from tenants in five additional properties in Derwood, Rockville, Gaithersburg, and Wheaton reporting increases for 12-month leases ranging from 3.6% to 11%.

3. U.S. Census Bureau Household Pulse Survey Data on Rent Changes in the Washington, DC Metropolitan Area

The U.S. Census Bureau's Household Pulse Survey is an online survey conducted over specified two-week periods throughout the year, intended to collect data on the impacts of the COVID-19 pandemic. Since June 2022, the Household Pulse Survey has included questions on rent increases experienced by households. While data are not available at the County level, national, state, and metropolitan area level data can offer insights into national and regional trends in rent increases in almost real time.

The table below displays percentages of renter households reporting different amounts of rent increases over the previous 12 months, for the surveys conducted between June 2022 and April 2023. Data for the Washington, DC metropolitan area are broadly similar to that for Maryland and the United States. For context, $100 represents a 6% increase over the 2022 median rent of $1,625 reported in DHCA's survey. For the Washington, DC metropolitan area:

- Two in five respondents reported no change in their rent;
- Over one in three respondents reported rent increases above $100;
- One in eight respondents reported increases of $250 or more; and
- One in twenty respondents reported their rent increased by more than $500.

Table 5-13. Change in Rent Over the Last 12 Months, Reported June 1, 2022-April 10, 2023

Change in Rent	DC Metro	MD	US
No change	40%	43%	38%
Decrease	2%	2%	2%
Less than $100	16%	20%	19%
$100-$249	21%	17%	22%
$250-$500	8%	6%	8%
More than $500	5%	4%	4%
Paid no rent or did not report	8%	8%	8%

Chapter 6. Findings

Rent regulations legally establish when and by how much landlords[221] can increase rent in a 12-month period on residential properties. At the beginning of the COVID-19 emergency and for the first time since 1981, in April 2020 Montgomery County instituted emergency rent caps limiting how much landlords could raise rents in a year. Following the expiration of the rent cap in September 2022, the public conversation has continued about local rent regulation systems and their impacts.

The County Council requested this Office of Legislative Oversight (OLO) report to gather more information about the design and implementation of existing rent regulation systems in other jurisdictions, research findings on the social and economic impacts of rent regulations, and data on renters, rental housing, and the rental market in Montgomery County. This chapter presents OLO's findings on:

- Overview of rent regulations in the United States;
- Research findings on rent regulations;
- Rent regulations in Montgomery County;
- Montgomery County data on renters and rental units;
- Montgomery County data on rents; and
- Rental property data collection.

Overview of Rent Regulations in the United States

Finding #1. Jurisdictions design rent regulations to reflect individual community and policy goals.

Currently in the United States, approximately 200 local jurisdictions, two states (California and Oregon), and the District of Columbia have rent regulations. Decisions on the structure of these systems reflect the needs of renters and landlords/property owners in a community. The next table provides brief descriptions of rent regulation policy components and examples for each.

[221] A landlord (typically responsible for renting units and overseeing operation of a rental property) and the landowner (the person who owns a rental property) may be the same person or different people. For simplicity, OLO uses the term "landlord" to refer both, which is often the term used by researchers.

Common Components of Rent Regulations

Component	Overview	Examples
Legislative Intent	Jurisdictions adopt rent regulations to achieve specific policy goals	Promote housing stability and diversity; prevent large rent increases
Program Management	Jurisdictions authorize powers to implement and enforce regulations	Authority shared between governments and appointed commissions or rests solely with government or commission
Enforcement	Penalties may be imposed for failing to abide by rent laws	Fines up to $1,000/violation; imprisonment from 90 days to six months; roll back unjustified rent increases
Property Type Exemptions	Regulations define types of rental housing excluded from regulations	New construction; single family homes; public housing; religious facilities; etc.
Allowable Annual Increase	All regulations limit how much landlords can increase rent for a tenant in a 12-month period	Flat percent increase; Variable increase (CPI-U%, CPI-U% + Percent, or CPI-W)
Exceptions to the Allowable Annual Increase	Jurisdictions permit the landlord to increase rent above the allowable annual limit	Vacancy; fair return; property tax increase; additional lease occupants; capital improvements, substantial rehabilitation, voluntary agreement; etc.

Finding #2. OLO examined how state and local jurisdictions define annual rent increases. Methods for calculating increases ranged from flat percentage increases, to limits set at the CPI or a fraction of it (some with caps of 3%-10%), to limits based on the CPI plus an additional percentage.

The allowable annual rent increase is the limit placed on how much landlords can raise rent during a 12-month period. Jurisdictions use a variety of methods to create guidelines for allowable annual rent increases. Most jurisdictions use a measure based on the Consumer Price Index (CPI).

- **Flat Percentage**. St. Paul, MN and Prince George’s County, MD were the only jurisdictions that cap rent increase at a set percentage (set at 3% for both areas). Landlords must apply for an exception to increase rent above three percent.
- **CPI**. Most jurisdictions reviewed use the Consumer Price Index for All Urban Consumers (CPI-U%). CPI-U is based on spending patterns of all urban families and is calculated for various

geographic areas.[222] Washington, DC uses a subset of CPI-U, known as the Consumer Price Index for Urban Wage and Clerical Workers or CPI-W.[223]

- **CPI + Percentage**. The three state-level jurisdictions reviewed – Oregon, California, and Washington, DC – use CPI plus a set percentage to determine allowable rent increases.
- **Cap on CPI Increase**. To account for volatility in CPI measures, some state and local jurisdictions establish a maximum percentage, ranging from 3% to 10%, which rent increases cannot exceed (Newark, NJ; California, Oakland, CA; Los Angeles County, CA; and Washington, DC).

Finding #3. Rent regulations do not exist in a vacuum, nor are they stagnant policies. Rather, jurisdictions routinely review and adjust policies to meet the needs of renters and landlords.

Jurisdictions routinely review and revise rent regulations as economic conditions change (e.g., inflation, construction pipeline) or policy gaps are discovered. Overwhelmingly, these adjustments are based on tenant or landlord/developer first-hand accounts or complaints. The table below shows changes in rent regulations for some jurisdictions across the country in past two years.

Recent Policy Adjustments for Selected Jurisdictions

Jurisdiction	Reason for Change	Amendment Under Consideration or Approved
Oregon	Double digit rent increases	Existing law limited increases to 7% plus CPI. Lawmakers considering stricter rent laws including lowering and capping CPI and expanding covered property types.
California	Decrease number of properties considered new construction	Existing state law prohibits local jurisdictions from including single-family homes/condos as covered properties. Proposed move to a 15-year rolling window rather than fixed dates.
St. Paul (MN)	Decline in building permits	Initial law was a universal policy with no exemptions, including for new construction or an exceptions process. Amended to allow landlords to increase rent at vacancy and included

[222] U.S. Bureau of Labor Statistics, CPI-All Urban Consumers (Current Series), U.S. Department of Labor, Frequently Asked Questions; U.S. Social Security Administration, CPI for Urban Wage and Clerical Workers.
[223] To be included in this subset more than one-half of a family's income must be earned from clerical or hourly wage occupations. CPI-W represents about 32% of urban families. The federal government also uses CPI-W to adjust Social Security and Supplemental Security Income benefits. Ibid.

Jurisdiction	Reason for Change	Amendment Under Consideration or Approved
		property type exemptions for new construction and affordable housing.
Portland (ME)	Increase at vacancy capped (5%)	A ballot measure would allow landlords to increase rent on vacated units without restriction if the tenant left voluntarily.
Washington (DC)	Highest annual increase since 1982	The City Council attempted to introduce an emergency bill that would cap increases to the rate of inflation. This measure did not receive support from the Mayor's Administration; however, the Council is still considering reducing the cap on rent increases.
Prince George's County (MD)	Select landlords circumvented the rent cap	The Council closed the gap that allowed landlords to terminate existing leases for the purpose of increasing rent. Additionally, the Council changed the law to require landlords to follow a specific process to claim an exemption.
Mount Rainier (MD)	Redefined Annual Increase	The city amended the law to move from the broad definition of CPI-U to cap annual increases to a cap on annual increases based on a subset population: CPI-U for the Silver Spring-Rockville-and Frederick geographic area.

Research Findings on Rent Regulations

Finding #4. The body of empirical research on rent regulation systems is limited in size. Researchers advise caution on extrapolating research findings on rent regulations to other jurisdictions with different economies, housing markets, and/or rent regulation systems.

Most jurisdictions with rent regulations do not publish robust data that would describe the local economic impacts of the regulations. Researchers emphasize that every jurisdiction has unique economies, housing markets, and regulatory systems that will shape the outcomes of a rent regulation system. While research studies describe the different components of the rent regulation system(s) being studied (e.g., annual rent cap, vacancy control/decontrol, types of buildings included), researchers generally do not attribute specific research findings to any single system component[224] but to the system as a whole, necessitating caution in making comparisons among study findings. In addition, the body of research that analyzes the economic impacts of rent regulations is small.

[224] Some research studies do focus on single components of regulation systems but that approach is limited. See, e.g., Allan D. Heskin, Ned Levine, Mark Garrett, "The Effects of Vacancy Control: A Spatial Analysis of Four California Cities," *Journal of the American Planning Association*, (2000).

Consequently, researchers recommend that jurisdictions understand the current status of their own local or regional economies and housing markets when discussing rent regulations.

Finding #5. Much historic opposition of economists and researchers to rent regulations stems from perceived negative impacts of controls on the housing market from World War II-era rent caps. Current rent regulation systems differ significantly from WWII-era systems.

First Generation rent regulation systems (instituted during World War II) had strict "rent control" – the federal government placed strict ceilings on residential rents that landlords could not exceed. Research on first generation rent controls "led to a widely held set of views that rent control would, in fact, produce a set of adverse impacts in local housing markets, including a decline in maintenance of housing, a decline in the production of new housing, and rent increases in the portion of the housing stock not controlled."[225] Research on second generation rent regulation systems (instituted in the 1970s onward) has shown that system design significantly impacts outcomes, and various design features may lessen the chance of seeing unintended negative economic impacts from rent regulations.

Finding #6. Research shows that rent regulations may result in two key positive outcomes for renters: (1) rents in rent-regulated units are typically lower than in non-regulated housing in the same area and (2) people living in regulated units live in them longer compared to people in non-regulated units, increasing housing stability.[226]

Regulation systems that permit smaller annual rent increases or that include vacancy controls (which govern whether or how much a landlord can raise rents between tenants) result in lower rents in regulated units compared to non-regulated units. Further, research overwhelmingly shows that renters in regulated units will live in them longer than renters in non-regulated units, which is one component of housing stability ("The extent to which an individual's customary access to housing of reasonable quality is secure").

Some research has also shown that non-regulated units are slightly more affordable in areas with rent regulations. However, other research has shown that rent regulation systems that allow landlords to easily remove housing from the rental market (e.g., converting rental housing to condominiums) has reduced the supply of rental housing in an area, leading to increases in rents in non-regulated units.

[225] Goetz p3.
[226] See Chapter 1 for citations to the research that includes the quotations in this finding.

Finding #7. Extensive research has identified many positive economic, educational, and mental and physical health outcomes for people who experience housing stability.[227]

Research has shown that housing stability has many positive impacts and outcomes for those who experience it.

- **Family Economics**. Research indicates that rent regulations are effective at maintaining below-market rent levels and moderating rent increases compared to non-regulated housing. Lower rents lessen the housing burden for families and provide predictability to rent increases.

- **Education**. Housing stability leads to higher educational achievements for children. Multiple studies have found changing homes and schools negatively impacts children's educational outcomes including performance in reading and math, grade repetition and high school graduation rates.
- **Adult Health**. A large body of research documents the impacts of housing instability on adults' health. Some examples include: (1) people who moved for financial reasons in the past three years were more than twice as likely to be in poor or fair health and report anxiety attacks and almost twice as likely to report depression; and (2) "compared to housing secure individuals, adults who felt worried or stressed about their ability to pay their rent or mortgage were three times more likely to report mental distress and were almost 50 percent more likely to have trouble sleeping."

- **Children's Health**. One study found that "Children of families that have missed a rent payment in the last year are more likely to be in poor health and are at higher risk of developmental delays than their stably housed peers." Further, frequent moves have been linked to increased risk of depression for children.

Finding #8. The benefits of rent regulation systems accrue to renters who live in rent regulated units and are not limited to low-income renters or others at increased risk for housing instability.[228]

Research shows in general that renters under rent regulations "tend to be older, lower-income, more headed by single-mothers, and more commonly people of color. However, this is not at the exclusion of younger, wealthier, whiter renters." In rent regulation systems, the tenant who happens to live in a rent regulated unit receives the benefits, independent of whether they are at higher risk for housing insecurity.

[227] Ibid.
[228] Ibid.

One researcher asserts that support for rent regulations would collapse if limited to low-income tenants, comparing rent regulation programs to Social Security and Medicare: “Social Security and Medicare are available to everyone in part because if the government means-tested and limited senior aid to those truly in need—which is what economists would prefer—political support would collapse.”

Finding #9. Research findings show that rent regulation systems may impact residential rental markets, with the possibility of some unintended negative economic impacts. The design of a regulatory system will impact the outcomes.

Research on rent regulations has examined whether several predicted (though unintended) negative economic impacts are actually seen in jurisdictions with rent regulations, described below. Where researchers have found that data shows negative economic impacts, they note some system designs to potentially minimize negative outcomes.

Impacts on New Construction

Numerous researchers examining rent regulation systems have concluded that data show these systems do not negatively impact new construction because jurisdictions typically have designed systems to exempt new construction from regulation – either for a period of time (e.g., 15 years) or permanently. New construction is one of the most common exemptions from rent regulation systems.

Impacts on the Existing Rental Housing Market

Several researchers have found that rent regulation systems led to a reduction in the supply of existing rental housing in an area when landlords converted their rental properties to other uses not subject to rent regulations. Examples include converting rental units into condominiums, property owners moving into a unit in jurisdictions that exempt properties if owners live there, and demolishing properties and building new construction. Researchers note that jurisdictions can include design features in a system to lessen the potential impact on existing rentals, such as restrictions on condominium conversions or government right of first refusal to purchase rental housing that comes up for sale.

Impacts on Maintenance

Some researchers have found higher levels of maintenance issues in rental housing in jurisdictions with rent regulations compared to jurisdictions without, leading to recommendations to include either incentives or penalties in rent regulation systems to mitigate potential negative outcomes. One study found that an increase in issues associated with ‘chronic aesthetic problems’” (e.g., peeling paint, holes in walls, loose railings), but not with major issues such as heating, plumbing, and electrical systems. A different study of different jurisdictions found increased plumbing deficiencies in jurisdictions with rent regulations compared to jurisdictions without.

Impacts of Vacancy Controls

One study found that rents in rent regulation systems with vacancy controls were lower than rents in systems without vacancy decontrol or areas with no rent regulation system. The same study, however, found that jurisdictions with vacancy control saw a decline in the supply of rental units while similar jurisdictions with no vacancy control saw an increase in the rental housing supply.

Impacts on Rents in Non-Regulated Units

Research findings vary on how rent regulations impact rents in non-regulated units in the same jurisdiction. Researchers examining rent regulations in New Jersey jurisdictions found “minimal – if any – impact of rent control on median rents in New Jersey cities.” Research on rent regulations in San Francisco, however, found that rents in non-regulated units increased somewhat because landlords removed rental units from the market, reducing overall housing supply and driving up prices.

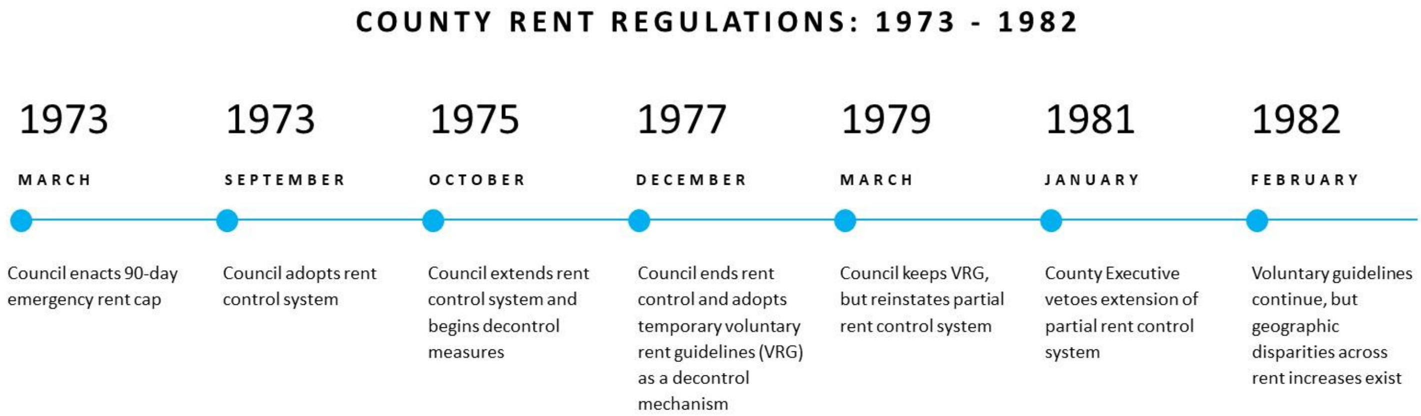
Rent Regulations in Montgomery County

Finding #10. Montgomery County enacted and extended rent regulations twice during times of economic uncertainty and poor market conditions for renters.

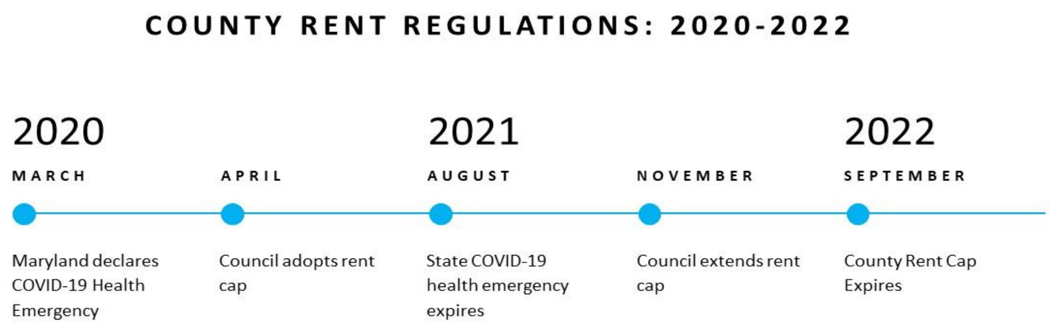
OLO examined the history of rent regulations and found that the County regulated rent during two periods: 1973-1981 and again from 2020-2022.

- In 1971, due to high inflation, President Nixon enacted wage and price controls, including rent regulations. Controls extended for 17 months and expired in 1973. When federal rent control ended, the Council responded by implementing local regulations; it was the first jurisdiction in the DC area to enact a rent control system. Over time, these policies underwent multiple, significant changes. Controls ended in 1981.
- In March 2020, Maryland Governor Hogan declared a state of emergency after confirmed COVID-19 cases in Maryland. As one of many policies adopted to help County residents during the pandemic, the Council capped rent increases beginning in April 2020. The cap was extended in 2021 and expired in 2022.

Timeline No. 1



Timeline No. 2



Finding #11. The County designed the Voluntary Rent Guidelines (VRG) in 1977 as a temporary decontrol mechanism to help renters adjust to market conditions and market rate rents. The policy has remained relatively unchanged in the past 40+ years.

Economic and construction conditions in the County improved in 1977, resulting in a transition from a rent control system to market rents ("decontrol"). The Council established the Voluntary Rent Guidelines (VRG) (based on change in CPI) as a way to convey to landlords the County's view of appropriate annual rent increases as the County removed rent control. The County continued to release the VRG on an annual basis despite not being legally required to do so past 1981. In 1991, the Council permanently incorporated the VRG into the County Code.

Finding #12. The County's COVID-era rent caps were not supplemented with real-time data collection on rent trends, increased staffing, or existing Code authority to trigger the full scope of enforcement authority afforded to DHCA by the Chapter 29- Landlord-Tenant Relations of the County Code.

Rent regulation systems are easy to enact, but complex to manage and enforce. Without mandating real-time, consistently reported, and accessible rental data, a jurisdiction's ability to measure compliance and track rents is limited. In the 1970s, the Council provided DHCA Office of Landlord and Tenant Affairs (OLTA) with authority to enforce rent controls. The County Code required:

- DHCA/OLTA to collect monthly rental data on holdover (existing renter stays in the unit) and turnover (existing renter vacates unit and a new renter moves in) rent increases; this lasted until 1991, when the Council decreased the frequency to an annual reporting requirement.
- Using monthly data, OLTA could proactively examine and rollback unjustified rent increase; complaints were not required for investigation. The Council stripped OLTA /COLTA of this authority over rent increases with adoption of the Voluntary Rent Guidelines in 1977. During the COVID-19 pandemic, however, DHCA staff report that OLTA did, in practice, require landlords to roll back rent increases that violated the rent cap (when notified by the tenant).

Currently, OLTA relies on tenant complaints regarding rent increases but still has no legal authority to mandate changes to rent increase. When a tenant files a complaint, because of existing code requirements, review is limited to ensuring the landlord provided proper notice of the rent increase. Prior to COVID, DHCA did not encourage tenants to file complaints. However, since the pandemic, DHCA works with community partners to tell tenants to file a complaint for documentation purposes, but with the understanding that DHCA has no authority to enforce the VRG.

Finding #13. Jurisdictions with rent regulations often link rental registration, fee payments, and code compliance to a landlord's ability to increase rent annually (or apply for an exception to a rent cap). Because the County's VRG policy is not mandatory, there is no ability to connect these requirements.

One method to monitor and enforce rent regulations used by many jurisdictions is to utilize local rental registration requirements and code compliance to ensure the landlord meets basic legal requirements.

- Several jurisdictions link the ability to increase rents annually to rental registry requirements, fees, and housing code. If these requirements are not met, the landlord cannot increase rent.
- Some jurisdictions link the ability to request an exception to rental registration requirements, fee payment, or housing code compliance - if a landlord is out of compliance with any of these requirements, the request will not be approved.

Currently, the County Code requires OLTA to annually collect data to evaluate the supply and availability of rental housing. OLTA can fine landlords and rescind rental licenses for failing to respond to the survey. However, since the VRG is not mandatory, any rent increases cannot be linked to registration requirements. These procedures are siloed within their own programs.

Montgomery County Data on Renters and Rental Units

Finding #14. Approximately 335,000 people lived in renter-occupied housing units in Montgomery County in 2021. The median household income ($72,000) for renter households was less than half of that ($151,000) for owner households.

The table below displays characteristics of households for 2017-2021 and shows that about 335,000 people resided in renter-occupied housing units. Two-thirds of renter households had household incomes less than $100,000.

Renter and Owner Households in Montgomery County, 2017-2021

Household Characteristics	Renter-occupied units		Owner-occupied units	
	#	%	%	#
Occupied housing units	**132,562**		**250,746**	
Total Population in Housing Units	334,776		714,238	
Median household income (dollars)	$72,005		$150,775	
Household Income				
Less than $50,000	46,205	35%	29,399	12%
$50,000 to $99,999	41,372	31%	46,749	19%
$100,000 to $149,999	23,789	18%	48,554	19%
$150,000 or more	21,196	16%	126,044	50%
Size of Household				
1-person household	44,832	34%	49,011	20%
2-person household	37,659	28%	81,891	33%
3-person household	20,025	15%	43,866	17%
4-person household	16,617	13%	47,526	19%
5-or more person household	13,429	10%	28,452	11%
Children under 18 related to householder present	**34%**		**35%**	

Source: U.S. Census Bureau, American Community Survey 5-Year Estimates, 2017-2021, Tables S2501, S2503, B25008, B25009, B25012

Finding #15. Montgomery County had approximately 133,000 renter-occupied housing units during the five-year period from 2017 to 2021, accounting for 35% of the County's occupied housing units.

The table below displays data on the physical characteristics of renter-occupied housing units in Montgomery County as compared with owner-occupied units. The majority (62%) of renter-occupied units, about 82,000, were in multi-family structures with 10 or more units, while 23% were in single-family detached or attached structures.

Occupied Housing Units in Montgomery County, 2017-2021

Unit Characteristics	Renter-occupied units		Owner-occupied units	
	#	%	#	%
Total Occupied Housing Units	**132,562**		**250,746**	
Units in Structure				
1, detached	14,438	11%	169,517	68%
1, attached	16,147	12%	54,014	22%
2 apartments	1,363	1%	551	0%
3 or 4 apartments	3,946	3%	1,649	1%
5 to 9 apartments	14,865	11%	3,474	1%
10 or more apartments	81,621	62%	21,269	9%
Mobile home or other type of housing	182	0%	272	0%
Year Structure Built				
2020 or later	142	0%	301	0%
2010 to 2019	15,274	12%	12,328	5%
2000 to 2009	15,514	12%	23,727	10%
1980 to 1999	41,540	31%	81,618	33%
1960 to 1979	39,858	30%	71,972	29%
1940 to 1959	16,484	12%	47,389	19%
1939 or earlier	3,750	3%	13,411	5%
Bedrooms				
No bedroom	8,529	6%	1,161	1%
1 bedroom	39,949	30%	6,372	3%
2 or 3 bedrooms	73,781	56%	110,465	44%
4 or more bedrooms	10,303	8%	132,748	53%

Source: American Community Survey 5 Year Estimates, 2017-2021, Table S2504

Finding #16. The number of renter-occupied housing units in Montgomery County increased by over 24,000 units (22%) between 2010 and 2021. In contrast, the number of owner-occupied housing units increased by less than 6,000 units (2%) over the same period.

Data from the American Community Survey show the percentage of occupied housing units in the County that were renter-occupied increased from 31% to 35% between 2010 and 2021. The Planning Department's 2020 Housing Needs Assessment also noted the following trends in rental units:

- From 2000-2018, numbers of two- and three-bedroom rental units increased significantly while numbers of studios and one-bedroom units decreased or saw smaller increases; and
- From 2010-2018, much of the growth in larger two- and three-bedroom rental units was driven by conversions of townhomes and single-family detached homes to rentals.

The Montgomery County Planning Department's 2020 Housing Needs Assessment offered the following insights into demographic trends impacting the housing market:

> Since 2010, household growth in MoCo has been concentrated in households at the lowest and highest end of the income distribution. These trends could be due to various factors, including existing households increasing their income or lower income households moving to the county. These trends imply that there is demand for housing across the income spectrum, with a particularly growing need for affordably priced housing.[1]

Finding #17. In Montgomery County, Black or African-American and Hispanic or Latino households are overrepresented among renter households, while White households are underrepresented.

The table below displays numbers and percentages of renter and owner householders in Montgomery County by their race and ethnicity. It shows that slightly over one in three renter householders were non-Hispanic White, compared with 58% of owner householders. Further, three in 10 renter householders were Black or African American, two in ten were Hispanic or Latino, and over one in 10 were Asian.

Renter and Owner Householders in Montgomery County, 2017-2021

Householder Characteristics	Renter-Occupied units		Owner-Occupied Units	
	#	%	#	%
Race of Householder				
American Indian and Alaska Native	338	0%	871	0%
Asian	16,164	12%	38,876	16%
Black or African American	39,801	30%	29,020	12%
Native Hawaiian & Other Pacific Islander	87	0%	115	0%
White	53,744	41%	157,143	63%
Some other race	13,787	10%	12,461	5%
Two or more races	8,641	7%	12,260	5%
Hispanic or Latino Origin of Householder				
Hispanic or Latino origin	24,868	19%	30,121	12%
White alone, not Hispanic or Latino	46,612	35%	145,294	58%

Numerous inequities, created and/or supported by government, drive racial disparities in wealth and homeownership, including:

- President Andrew Johnson's 1865 decision to rescind his promise to grant 40 acres of land to each formerly enslaved Black person who fought in the Civil War;
- Seizures of Black-owned land by White landowners who took advantage of racially discriminatory legal systems in the post-Civil War era;
- Racially discriminatory underwriting guidelines (redlining) created by the federal Fair Housing Administration; and
- Persistent inequities in lending, education and labor markets in the present-day that disadvantage Black, Indigenous and other People of Color.

In Montgomery County in the twentieth century, redlining and racial covenants excluded Black or African American as well as Jewish people from living in neighborhoods in Chevy Chase, Bethesda, and Silver Spring. Most Black residents lived in small communities, such as Lyttonsville, that lacked paved roads and running water.

Montgomery County Data on Rents

Finding #18. Data from DHCA's 2022 Annual Rental Facility Occupancy Survey showed that the median rent in Montgomery County as of April 1 was $1,625.

The table below displays reported rents during 2022, the most recent survey year. The table below displays average and median (also known as the 50th percentile) rents as well as the 10th, 25th, 75th and 90th percentile rents by the number of bedrooms.[229]

2022 Rents Reported by Number of Bedrooms

Bedrooms	Average	Median	Percentiles			
			10th	25th	75th	90th
All Unit Types	**$1,759**	**$1,625**	**$1,210**	**$1,402**	**$1,925**	**$2,392**
Efficiency	$1,463	$1,427	$1,040	$1,237	$1,616	$1,814
One	$1,609	$1,515	$1,125	$1,300	$1,790	$2,131
Two	$1,865	$1,680	$1,351	$1,515	$2,032	$2,526
Three	$2,182	$1,970	$1,520	$1,788	$2,327	$2,981
Four	$2,134	$2,165	$1,056	$1,418	$2,598	$3,170

* Excludes units where the reported rent was $0, a negative number or over $10,000

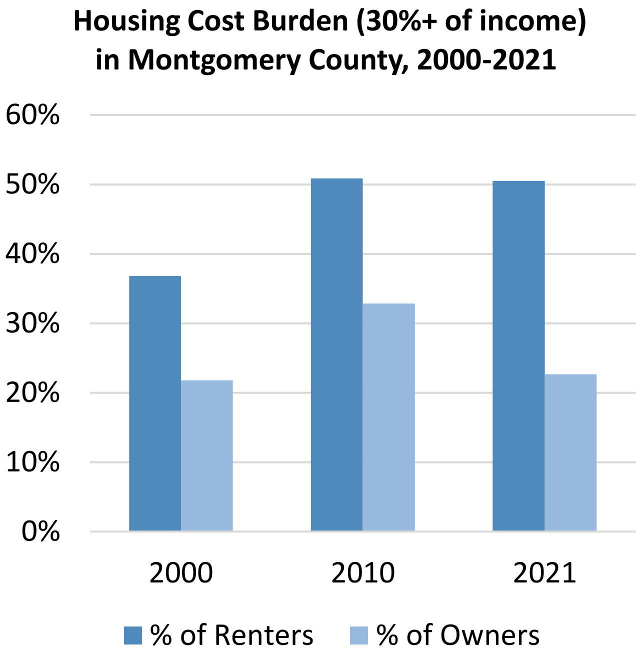
As shown in the table above, the average rent sometimes differs significantly from the median rent. Average rents can be skewed by *outliers*, or data points that are significantly lower or higher than the rest of the data points. As such, OLO considers the median and other percentiles more useful statistics for summarizing rents across the County than the average.

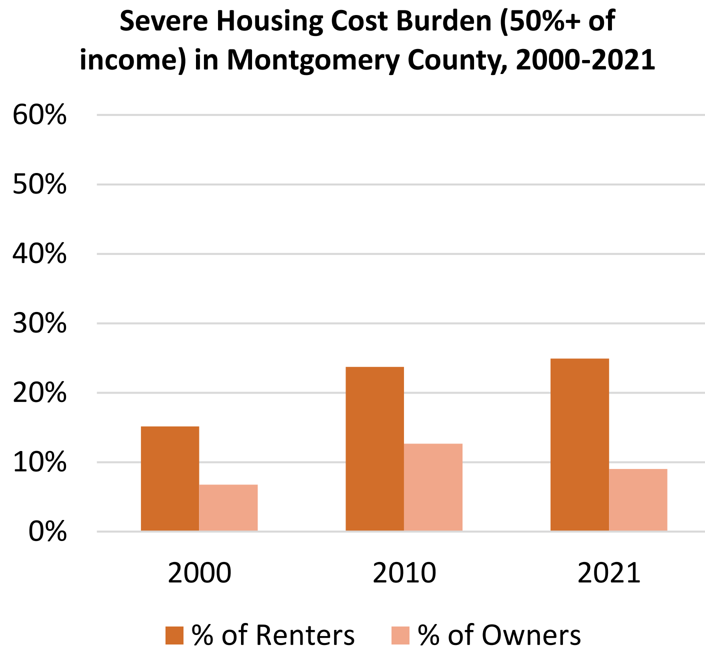
Finding #19. In 2021, half of Montgomery County renters paid at least 30% of their incomes in rent, and nearly a quarter paid at least 50% of their incomes in rent.

Data from the U.S. Census Bureau's American Community Survey include information on the percentages of renters and owners that are cost burdened (meaning that they spend at least 30% of their incomes on housing) or severely cost burdened (meaning that they spend at least 50% of their incomes on housing). The following charts show that the percentages of both renters and owners that were cost burdened and severely cost burdened increased significantly between 2000 and 2010.

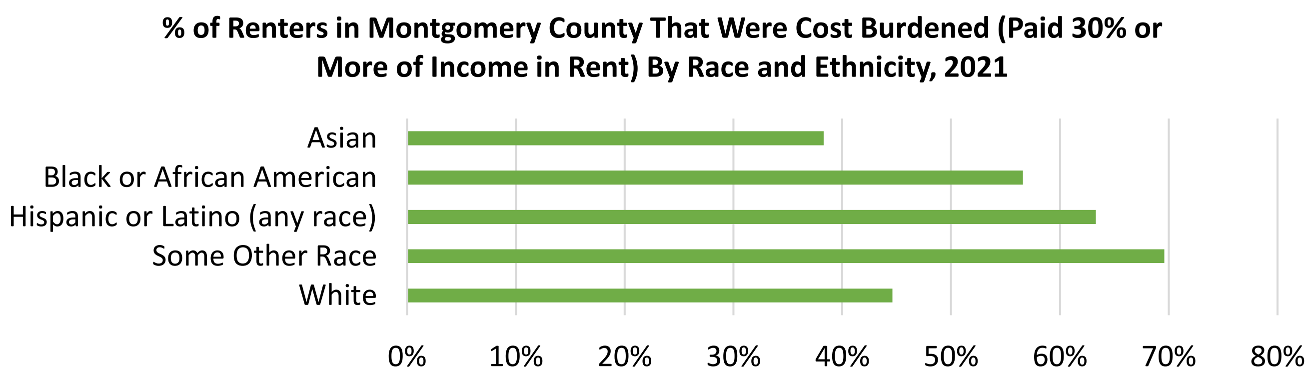
[229] The "percentiles" refers to the rent at which the specified percentage of units in the category reported lower rents. For example, the 10th percentile refers to the rent amount at which 10% of units reported a lower rent. In the case of one-bedroom units, 10% of units had reported rents below $1,125. Rents between 25th and the 75th percentiles (sometimes referred to as the "interquartile range") offer an indication of the range of typical rents, whereas the 10th and the 90th percentiles indicate rents that are less typical.

However, between 2010 and 2021, these percentages declined for owners but remained flat or increased for renters.



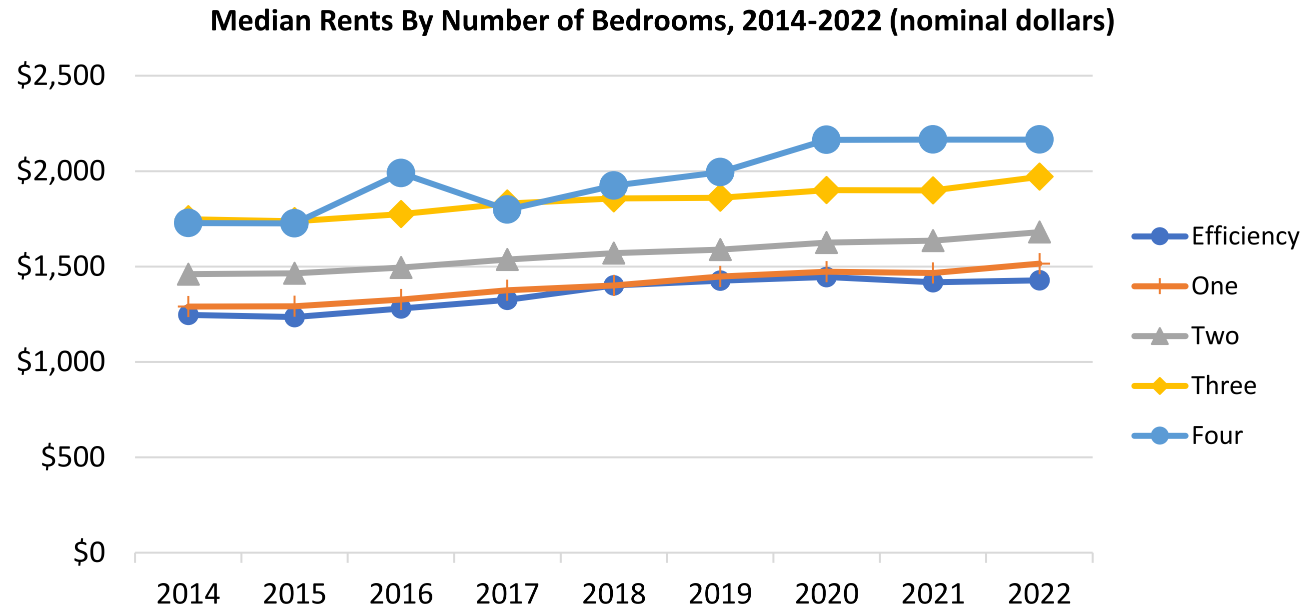


The data further show stark disparities by race and ethnicity in cost burden among renters, as shown in the chart below.



Finding #20. DHCA data show median rents in Montgomery County increased by about $200 between 2014 and 2022, but this increase disappears when adjusting for inflation.

The chart below displays trends in median rents by number of bedrooms.[230] It shows that median rents for efficiency, one-bedroom, two-bedroom and three-bedroom units each increased by about $200 in total. However, when adjusted for inflation, median rents for one-bedroom units were about equal, in 2022 dollars, to median rents in 2014. Median rents for efficiencies and two- and three-bedroom units were 2% to 4% lower in inflation adjusted dollars in 2022 than they were in 2014, reflecting average annual decreases of 0.2% for efficiencies and two-bedroom units and 0.5% for three-bedroom units.



Finding #21. Most rent changes for holdover units from 2015 to 2022 were below 2%, but some renters experienced large increases.

OLO analyzed data on rent changes in individual units for holdover (the tenant moved in prior to the date of the last survey), turnover (the unit turned over since the last survey), and vacant units. OLO found that median rent increases for holdover units ranged from 0% to 2% from 2015 to 2022. OLO also found that the median rent increase for holdover tenants was below the VRG in each of the eight years (the VRG does not apply to turnover or vacant units).

---

[230] Because of the relatively small number of four-bedroom units (about 300 reporting per year), the data on four-bedroom units may be less reliable than that for other unit types.

The next table displays the numbers of holdover units by percentage rent changes (for units where the previous year's data were available). The table shows that:

- Among holdover units, 38% had no change in their rent;
- About 5% of holdover units showed double digit rent increases, accounting for about 1,100 to 2,700 units per year.

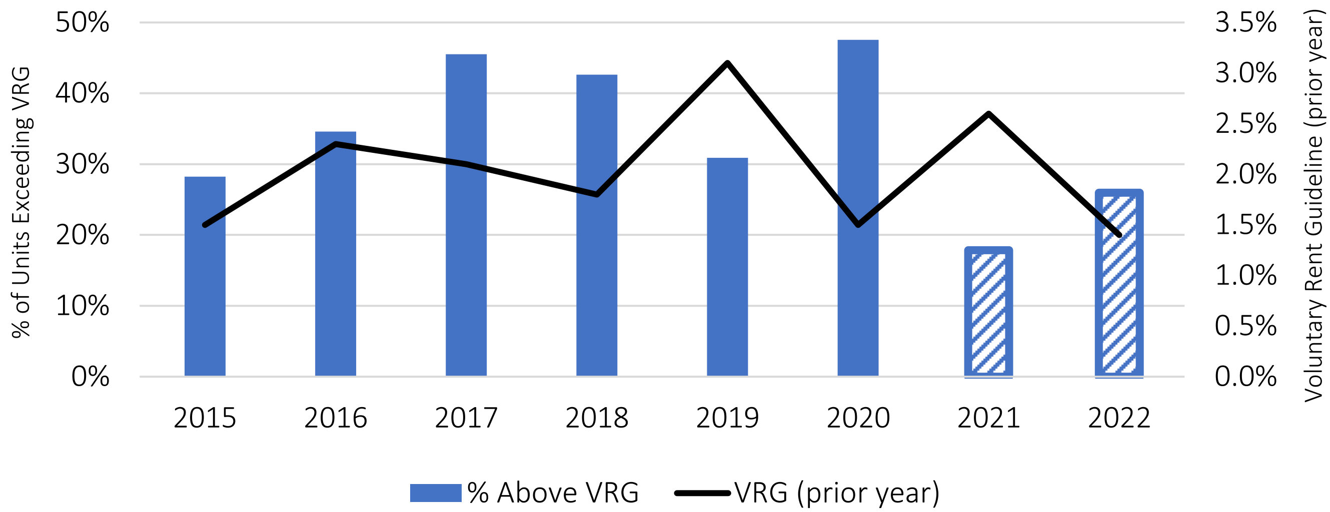
Numbers of Units By the Percentage By Which Their Rent Changed From the Previous Year

Rent Change	2015	2016	2017	2018	2019	2020	2021	2022	All Years	
Holdover Units	**43,941**	**41,360**	**33,363**	**45,971**	**40,159**	**41,795**	**43,410**	**46,420**	**336,419**	**100%**
Decrease (any size)	2,871	3,053	3,320	3,054	5,109	3,303	3,702	3,359	27,771	8%
No change (0%)	25,988	12,646	6,865	15,290	12,232	14,087	22,235	19,109	128,452	38%
Increase under 2%	5,804	8,329	5,891	10,600	5,805	7,306	4,936	16,145	64,816	19%
2% to < 5%	6,581	13,068	13,136	11,696	9,803	11,156	8,152	4,333	77,925	23%
5% to < 10%	1,588	2,485	2,507	3,019	4,516	4,249	2,146	1,459	21,969	7%
10% to < 20%	598	877	906	1,379	1,533	1,017	1,650	1,293	9,253	3%
20% to < 50%	357	388	530	695	722	433	408	469	4,002	1%
50% or more	154	514	208	238	439	244	181	253	2,231	1%

Finding #22. Available data suggest that 17% of units with reported data in 2021 and 26% of units with reported data in 2022 did not comply with the County's rent cap.

The following chart shows the percentages of holdover units each year where the annual rent change exceeded the prior year's Voluntary Rent Guidelines, as the VRG and the rent cap that was in place from 2020 to 2022 only applied to existing tenants, not to turnover or vacant units. It shows that for the 2021 and 2022 survey years, which cover periods during which the County's rent cap was in effect (prohibiting landlords from raising the rent above the VRG), rent increases in 17% and 26% of units, respectively, exceeded the VRG.

Percentage of Rent Changes in Holdover Units That Exceeded the VRG, 2015-2022



* This chart excludes units located in the municipalities of Gaithersburg, Rockville and Takoma Park, which in some cases were subject to different rent increase guidelines or limits.

Finding #23. Limited data indicate that between June of 2022 and April 2023, one in three renters in the Washington, DC metropolitan area have received rent increases of more than $100, and one in eight have received rent increases of more than $250.

Since June of 2022, the U.S. Census Bureau's Household Pulse Survey has included questions on rent increases experienced by households. The table below displays percentages of renter households reporting different amounts of rent increases over the previous twelve months, for the surveys conducted between June 2022 and April 2023. These data were not available on the county level.

Change in Rent Over the Last 12 Months, Reported June 1, 2022-April 10, 2023

Change in Rent	DC Metro	MD	US
No change	40%	43%	38%
Decrease	2%	2%	2%
Less than $100	16%	20%	19%
$100-$249	21%	17%	22%
$250-$500	8%	6%	8%
More than $500	5%	4%	4%
Paid no rent or did not report	8%	8%	8%

Rental Property Data Collection in the County

Finding #24. The County Code requires landlords to annually report data for every rental unit. In 2022, DHCA received data for only 62% of estimated occupied rental units through its annual survey.

Section 29-51 of the County Code, last amended in 2016, requires that landlords report data on their properties/rental units and that the County Executive annually collect and analyze the data. The Code also permits the County to impose a penalty of up to $1,000 on landlords for noncompliance. However, two issues have limited compliance with this law:

- Prior to 2023, DHCA did not ask for data from landlords of "single unit" rentals (attached or detached single-family homes, condominiums, or accessory dwelling units).
- DHCA staff report that due to lack of staff capacity, they have not historically imposed fines on landlords that fail to report data.

In 2022, DHCA piloted a "Single Unit" survey for landlords of single-family and condominium rental units. In addition, in 2022 DHCA began making rental license renewals for properties that fall under its jurisdiction conditional upon being compliant with the survey. However, properties located in the municipalities of Gaithersburg, Rockville and Takoma Park do not fall under DHCA's jurisdiction for rental licensing; therefore, they are not subject to non-renewal of the rental licenses if they do not respond to the survey.

In 2022, the overall response rate to DHCA's survey for active multi-family properties in DHCA's database was 84% for properties and 87% for units. However, when considering all occupied rental units including single-unit rentals, as estimated by the U.S. Census Bureau's American Community Survey, the 2022 DHCA survey captured 62% of total occupied units.

Finding #25. Concerns exist about the quality of data collected through DHCA's survey, as well as staff capacity to analyze the data.

During its analysis of DHCA's survey data for 2014-2022, OLO identified several data quality issues and heard concerns from Executive Branch staff about the survey questionnaire and the accuracy of data. These issues and concerns include:

- While the survey is intended to collect data that reflect rents on April 1 of the reporting year, some properties report data for later times of the year (through September);

- The survey questionnaire does not specify whether "rent" includes any additional monthly fees charged to the tenant, and the dataset does not include unit-level information on additional fees (or changes to fees) charged by landlords such as amenity fees, pet fees, transaction fees, late payment fees, additional fees for month-to-month leases, or utility fees paid to the landlord;
- A lack of information in the dataset on whether units are subsidized or rent-restricted, including units that that appear to exclude the portion of the rent paid by subsidy programs in some years but not in others;
- Duplicate entries with different rent amounts for the same unit in the same survey year;
- Landlords reporting the same unit numbers in different number formats in different years, which means that data for these units cannot be linked to compare rents over time;
- Data from landlords on annual percentage increases in administration, utilities, taxes and repair/maintenance expenses are difficult to interpret because landlords do not have to report actual dollars spent in each category, precluding any comparison of the size of the increases to the budget categories or to the budget as a whole; and
- The section of the questionnaire requesting information on "special needs" does not clearly identify the information being requested.

Finding #26. DHCA's annual survey is the only source of systematic county-level data on rent increases faced by individual existing tenants. Despite the data issues identified above, trends in the usable data from DHCA's survey are consistent with trends from other county-level data on rents.

OLO identified three main sources of data on rental housing in Montgomery County: DHCA's survey, the American Community Survey (ACS), and CoStar. The ACS is a national annual survey of a sample of households conducted by the U.S. Census Bureau that is used to produce annual estimates of average and median rents. CoStar is a national real estate analytics firm that collects information on rents for vacant units in larger apartment buildings. DHCA's survey is the only data source that offers unit-level data on rents for existing tenants or that provides the ability to track rent increases at the unit level for existing tenants.

In comparing DHCA's data on trends in median rents in Montgomery County to ACS and CoStar data for the period from 2014 to 2021, each showed an average annual increase in average or median rents of about 2% in nominal dollars (not adjusted for inflation) or 0% in inflation-adjusted dollars. These similarities indicate that data from the DHCA survey are likely reliable indicators of trends in the rental market.

Chapter 7. Recommendations

Based on the findings in Chapter 6, the Office of Legislative Oversight offers four recommendations for Council consideration, detailed below.

Recommendation #1. In the process of evaluating establishment of a rent regulation system in Montgomery County, the Council should consider the potential impacts of several types of program design options.

Jurisdictions design rent regulation systems to limit property owners' ability to increase annual residential rents beyond an established limit while balancing owners' needs to operate and maintain the property at a profit. Systems across the United States include common components, which vary significantly from jurisdiction to jurisdiction.

And while the body of empirical research on the impacts of rent regulation systems is small, studies have shown that the design of systems can impact program outcomes. However, given the limited scope of the empirical research, researchers' cautions on extrapolating research findings to other jurisdictions, and the unique conditions of Montgomery County's real estate market, OLO advises that a variety of interrelated factors will shape the outcomes from a rent regulation system in the County. The information on empirical research summarized in Chapter 1 and the design of systems in other jurisdictions described in Chapter 2, nonetheless, do provide useful guidance on considerations in system design.

Among other features, OLO recommends that the Council affirmatively consider the program design features described below in its consideration of a rent regulation system.

- **New Construction**. Exempt new construction from rent regulations for a period of time to avoid inhibiting development of new rental housing.
- **Renter Protections**. Maryland state law currently does not allow local jurisdictions to enact "just cause" eviction laws. Evaluate the possible impacts of implementing a rent regulation law without the ability to implement stricter eviction protections for renters.
- **Property Exemptions**. Consider the policy reasons for including or excluding different types of rental housing in rent regulations and make affirmative decisions based on desired program outcomes.
- **Code Compliance**. Given the potential for rent regulations to have a negative impact on rental housing maintenance, consider policy reasons for tying property licensing and annual rent increases to properties' compliance with building, fire, housing, and other applicable codes to provide landlords incentive to properly maintain rental properties.

- **Other**. Based on recent experiences in other jurisdictions, identify program designs that could minimize the possibility of landlords significantly increasing rents or evicting tenants before a rent regulation program goes into effect.

Recommendation #2. Should the Council create a rent regulation system, it should ensure that DHCA has the authority, data, and resources to monitor and enforce it.

At the outset of the COVID-19 pandemic, the Council introduced and enacted Expedited Bill 18-20 in April 2020, which prohibited landlords from raising residential rents above the County's Voluntary Rent Guidelines. Analysis for this OLO report of data from DHCA's Annual Rental Facility Occupancy Survey revealed that for units for which data were reported, rent increases for 17% of units in 2021 and 26% of units in 2022 exceeded the cap established by the Council before the cap expired in August 2022.

Chapter 29, Landlord-Tenant Relations of the County Code outlines DHCA's authority to investigate complaints that allege violations of County law. DHCA currently does not collect or have access to real-time data to proactively identify and investigate potential violations, but rather, receives notice of potential violations through a complaint-based system.

DHCA is required to help landlords and tenants reach mutual agreement on resolutions to disputes. If agreement cannot be reached, DHCA can refer the disputes to the Commission on Landlord-Tenant Affairs, which has enforcement authority. DHCA/OLTA staff report that OLTA did, in practice, order landlords to roll back rent increases that violated the pandemic rent cap if OLTA received notice of a legitimate violation.

In contrast, when the Council implemented rent regulations in the 1970s, the County Code provided DHCA/OLTA with enforcement authority, real-time data collection authority, and resources to analyze and understand rent trends:

- Until 1991, DHCA/OLTA collected monthly rental data on holdover (existing renter stays in the unit) and turnover (existing renter vacates unit and a new renter moves in) rent increases.
- Using these monthly data, OLTA/COLTA could proactively examine and rollback unjustified rent increase; complaints were not required for OLTA to initiate an investigation.

The COVID-era rent cap laws did not expand DHCA's data collection authority beyond its annual survey, which impeded DHCA's ability to proactively identify rent cap violations in real time and use its full investigative authority under Chapter 29.

Should the Council establish a rent regulation system, OLO recommends that the Council include the following components:

- **Enforcement Authority.** Ensure that DHCA has the necessary authority, staffing, resources, and infrastructure to effectively oversee a program and monitor and ensure compliance.
- **Data collection**. Modernize DHCA's technology systems to **increase the quality and quantity of data collection on rental housing in the County and provide easily accessible, real-time data on rent levels and changes across the County, as compared to the current point-in-time data gathered by the Annual Rental Facility Occupancy Survey.**
- **Fee Structure.** Evaluate the ongoing County Government costs to implement a rent regulation system and establish fees to subsidize implementation**.**

Recommendation #3. The Council should establish a framework for periodically reviewing detailed data on the rental housing market to assess conditions and review and adjust policies, including allowable percentage rent increases, to meet the needs of renters and landlords.

Rental housing is a growing sector in Montgomery County and impacts the lives of residents in numerous ways. The percentage of occupied housing units in the County that were renter-occupied increased from 31% to 35% between 2010 and 2021. Approximately 335,000 people lived in renter-occupied housing units in Montgomery County in 2021. OLO's review of case studies found that jurisdictions routinely review and revise rent regulations as economic conditions change (e.g., inflation, construction pipeline) or policy gaps are discovered.

The Council should establish a framework for periodic (e.g., every three years), in-depth reviews of data on the rental housing market on a regular basis to examine the functioning of the market, renter experiences, and impacts of County policies that affect the rental market. As part of this review, the Council should review the percentage rent increases allowed by any rent regulation system that it establishes.

Recommendation #4. If the Council does not expand DHCA's authority to collect residential rent data in real time, it should request that the County Executive address and remedy the challenges and limitations associated with the Department of Housing and Community Affair's Annual Rental Facility Occupancy Survey.

Section 29-51 of the County Code, last amended in 2016, requires the Director of the Department of Housing and Community Affairs annually to collect, analyze, and publish housing data for rental dwelling units in the County. The law requires all landlords to report the data according to the process established by the Director and authorizes fines up to $1,000 for landlords who do not comply.

DHCA collects these data through its Annual Rental Facility Occupancy Survey. The data from the survey are the only source of systematic County-level data on rent increases faced by individual existing tenants in Montgomery County. As detailed in Chapter 5, the dataset provided to OLO for analysis contains 793,095 entries, each of which includes data for one rental housing unit for one survey year. During its analysis, OLO identified several data quality issues and heard concerns from Executive Branch staff about the data collection process and accuracy of the data. Examples include:

- Historically, DHCA has not collected all the data required by law because it did not include single unit rentals (single-family homes, condominiums and accessory dwelling units) in the survey. DHCA requested data from these landlords for the first time in 2023;
- In 2022, DHCA received data for 93% of units in multi-family properties but only 62% of estimated occupied rental units because it did not request data for single-unit rentals;
- DHCA does not have a practice of imposing fines allowed by law on landlords that fail to report data as required by law;
- The survey questionnaire does not specify whether "rent" includes any additional monthly fees charged to the tenant, and the dataset does not include unit-level information on fees or changes to fees charged by landlords such as amenity fees, pet fees, transaction fees, late payment fees, additional fees for month-to-month leases, or utility fees paid to the landlord;
- DHCA's survey questionnaire asks landlords to provide certain data points, including data on operating expenses, that have limited value due to low response rates and challenges with interpreting responses based on how questions are asked in the survey; and
- Concerns exist in the Legislative and Executive branches about the quality of data collected through DHCA's survey, as well as staff capacity to analyze the data.

If the Council does not expand DHCA's authority to collect residential rent data in real time, OLO recommends that the Council ask the County Executive to address and remedy these challenges and limitations in DHCA's survey and reporting processes. Steps could include:

1. **Working with an expert in survey methodology to revise DHCA's Annual Rental Facility Occupancy Survey questionnaires to improve the quality of data collected going forward.**
2. **Increasing staff capacity to improve data collection, quality, and analysis.**
3. **Establishing a consistent process for issuing notices of violation and citations (fines) to landlords.**