Economic Impact Statement

Office of Legislative Oversight

BILL 51-20 Landlord-Tenant Relations – Window Guards

SUMMARY

The Office of Legislative Oversight (OLO) anticipates that enacting Bill 51-20 would create short-term costs for landlords. While the costs would be partially offset by benefits to certain businesses and workers, OLO anticipates Bill 51-20 would have a net negative economic impact on the County.

BACKGROUND

If enacted, Bill 51-20 would require landlords of multifamily dwelling units to install and maintain window guards (i.e., physical barriers attached to windows to prevent occupants from falling out) in every unit where a child of age 10 or younger occupies the dwelling or at the request of a tenant.[1] However, landlords would not be required to install window guards to ground-floor windows or windows in which the guard would cause violations of fire safety or egress requirements.[2] Landlords would be required to notify tenants about the requirement and prohibited from charging tenants for the installation and maintenance of the window guards.[3] The Department of Housing and Community Affairs (DHCA) would be required to establish the safety standards for the window guards and responsible for enforcement. Violations of the requirements would be classified as Class A violations under Section 29-8.[4]

Analysts from Montgomery County Planning and OLO estimate that between 5,000 and 6,000 rental apartment units above the ground floor are leased by households that have a child under the age of 10. The majority of rental units that would require window guard installations—approximately 75%—would be in low-rise buildings. The estimated number of rental apartment units is based on the number of Montgomery County Public School (MCPS) elementary school children known to live in rental apartments. That known number of children was manipulated to arrive at an estimate of all children below the age of 10 in rental units by:

- Using Census data to adjust from total children to households that contain children.
- Using CoStar data to estimate the number of low-rise apartment buildings that are on a ground floor, and thus to which this bill is not applicable.
- Using Census data to estimate the number of toddlers and infants who are too young to attend public school but live in rental apartment buildings.

This process indicates that there are between 7,000 and 8,000 rental apartment units above the ground floor that are leased by households that have children under the age of 10 throughout the entire County. These estimates must be adjusted to reflect geographic exemptions from the Bill 51-20. In particular, the window guard requirement would not apply to municipalities, such

[1] Montgomery County Council, Bill 51-20, Landlord-Tenant Relations – Window Guards, Introduced on December 8, 2020, 1 and 2. See bill in Introduction Staff Report, https://apps.montgomerycountymd.gov/ccllims/DownloadFilePage?FileName=2689_1_12108_Bill_51-2020_Introduction_20201208.pdf.
[2] Ibid.
[3] Ibid, 3.
[4] For details on Class A violations, see Montgomery County Code, Section 29-8, Enforcement procedure, https://codelibrary.amlegal.com/codes/montgomerycounty/latest/montgomeryco_md/0-0-0-14663.

as Rockville and Gaithersburg, that have not opted into Chapter 29 of the Montgomery County Code. Using the proportion of units subject to the Department of Housing and Community Affairs (DHCA) enforcement to the total number of rental units in the County (approximately 74%), analysts arrived at the estimate—between 5,000 and 6,000—of the number of renter households/rental units (assuming one household per unit) that would be affected by Bill 51-20.

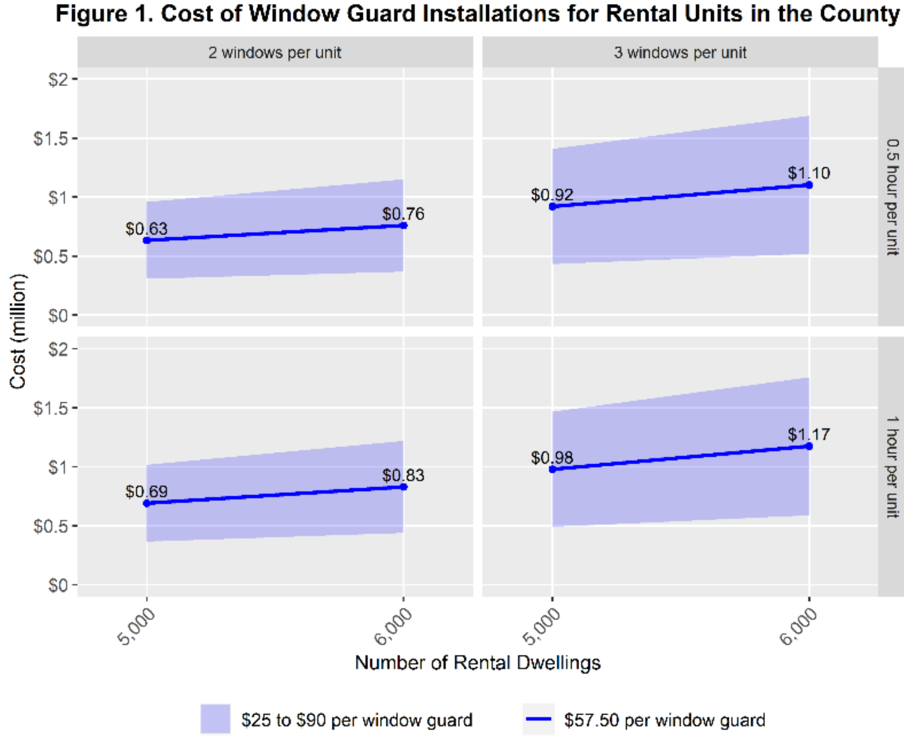
METHODOLOGIES, ASSUMPTIONS, AND UNCERTAINTIES

The economic impacts of enacting Bill 51-20 would occur through creating economic costs for landlords of affected units. OLO determined a forecast range for installing the window guards. The range is based on the number of renter households with children (between 5,000 and 6,000) and the following assumptions:

- **Number of Windows Per Unit:** A review of floor plans for a (non-random) sample of rental units in the County suggests that an average of 2 or 3 windows per dwelling unit may require window guard installation.
- **Price Per Window Guard:** A review of "window guards for children" on Amazon indicated that depending on length, width, and other specifications, the range of possible prices for each window guard is between $25 and $90, with a midpoint of $57.50.
- **Labor Cost Per Unit:** Occupational wage estimates from the Maryland Department of Labor indicate that the median hourly wage for maintenance and repair workers in 2019 was $23.13.[5] To install the window guards, OLO assumes that it would take 1 hour per dwelling unit at a labor cost of $23.13 or 0.5 hours at a labor cost of $11.57.

Figure 1 presents separate estimates of the total cost of installing window guards in 5,000 and 6,000 dwelling units, based on the number of windows and labor hours assumed in each model. As indicated in the figure, the total cost of installation at $57.50 per window guard is projected to range between $630,000 to $1,170,000, depending on the number of dwelling units that require window guards, windows that require covering, and labor hours needed to perform the installations.

Figure 1. Cost of Window Guard Installations for Rental Units in the County



There are several factors that create uncertainty around the forecasted range of costs. First, the average number of windows that would require window guards would depend on how many windows in the affected dwelling units that are exempt from the regulation due to fire safety or egress requirements. Second, the average price of window

[5] Maryland Department of Labor, Maryland Occupational Employment and Wage Estimates 2019, https://www.dllr.state.md.us/lmi/wages/2415001007/49-9071.htm.

guards may depend on bulk purchasing by landlords, supply disruptions caused by the Covid-19 pandemic, or other factors. Third, the average labor cost associated with installing the window guards would depend on how many landlords rely on in-house maintenance staff on salary or outside labor paid for on an hourly basis.

VARIABLES

The primary variables that would affect the economic impacts of Bill 51-20 are:

- Number of dwelling units that require window guards;
- Average number of windows per dwelling unit;
- Average price of window guards;
- Percentage of window guards purchased by local distributors;
- Average labor costs; and
- Percentage of costs passed onto tenants.

IMPACTS

WORKFORCE ▪ TAXATION POLICY ▪ PROPERTY VALUES ▪ INCOMES ▪ OPERATING COSTS ▪ PRIVATE SECTOR CAPITAL INVESTMENT ▪ ECONOMIC DEVELOPMENT ▪ COMPETITIVENESS

Businesses, Non-Profits, Other Private Organizations

OLO believes that Bill 51-20 would have negative economic impacts on the private organizations that own and manage rental properties in the County.[6] The estimated $630,000 to $1,170,000 in total costs would be distributed among the owners of rental properties. Because approximately 75% of renter households with children are in low-rise apartment buildings, the total costs would disproportionately fall on owners of these buildings, relative to owners of high-rise rental properties. These costs would increase operating costs for owners of rental properties at the time of purchase and installation of window guards. Holding all else equal, the increase in operating costs would reduce business incomes. While Bill 51-20 would not allow landlords to charge tenants for the window guard installations, the change in law could not prevent landlords from passing the cost onto tenants in the form of higher rents. The extent to which landlords could do so would mitigate the increase in operating costs and loss of income.

The overall economic impact to the County would be *modestly* offset by gains to local businesses that would install and distribute windows. The offset would be modest because all manufacturers and some distributors of the window guards purchased by landlords would be based outside the County and some portion of the properties would rely on their own maintenance staff for the installation of window guards, as opposed to contracting out to third-party businesses. For these reasons, OLO believes Bill 51-20 would have a net negative impact on private organizations in the County.

OLO does not expect Bill 51-20 to have impacts on the Council's other priority indicators, particularly taxation policy, property values, private sector capital investment, economic development, or competitiveness.

[6] For the Council's priority indicators, see Montgomery County Council, Bill 10-19 Legislative Branch – Economic Impact Statements – Amendments, Enacted on July 30, 2019, Montgomery County, Maryland, 3.

Residents

OLO believes that Bill 51-20 would have negligible economic impacts on renter households in the County. Renters would incur a portion of the costs from installing the window guards, if landlords pass down some of or all the costs in the form of higher rents. The costs would be negligible even if landlords distribute the entire costs to all tenants in their properties over the mid-term, meaning after the expiration of current leases and signing of new leases. To illustrate, given that 75% of renter households with children are in low-rise properties, OLO assumes that owners of low-rise buildings would incur 75% of the total costs presented in **Figure 1** above. If these owners were to eventually pass on these costs to renters in their units (44,163 units in low-rise buildings in the areas affected by the bill),[7] the total per unit rental increase would range from $11 to $20. When distributed over a year-long lease, the monthly rent increase would be between $0.92 and $1.67. Based on these assumptions, rent increases would be even smaller for units in high-rise properties.

OLO does not believe Bill 51-20 would impact residents in terms of the Council's other priority indicators.

QUESTIONS FOR CONSIDERATION

OLO has recently produced economic impact statements for three bills (Expedited Bill 50-20, Bill 51-20, and Bill 52-20) related to rental housing and landlord responsibilities. All three are likely to have a negative economic impact on landlords. Should the Council desire more economic analysis, OLO suggests conducting an examination of the aggregate economic impact of these bills.

WORKS CITED

Maryland Department of Labor. Maryland Occupational Employment and Wage Estimates 2019. https://www.dllr.state.md.us/lmi/wages/2415001007/49-9071.htm.

Montgomery County Council. Bill 10-19, Legislative Branch – Economic Impact Statements – Amendments. Enacted on July 30, 2019. Montgomery County, Maryland.

Montgomery County Council, Bill 51-20. Landlord-Tenant Relations – Window Guards. Introduced on December 8, 2020.

CAVEATS

Two caveats to the economic analysis performed here should be noted. First, predicting the economic impacts of legislation is a challenging analytical endeavor due to data limitations, the multitude of causes of economic outcomes, economic shocks, uncertainty, and other factors. Second, the analysis performed here is intended to *inform* the legislative process, not determine whether the Council should enact legislation. Thus, any conclusion made in this statement does not represent OLO's endorsement of, or objection to, the bill under consideration.

CONTRIBUTIONS

Stephen Roblin (OLO) drafted this economic impact statement.

[7] Figure provided by Motgomery County Planning Department.