Economic Impact Statement

Montgomery County, Maryland

Bill 6-25 Consumer Protection – Defective Tenancies as Deceptive Trade Practices

SUMMARY

The Office of Legislative Oversight (OLO) anticipates that Bill 6-25 would have an indeterminate impact on economic conditions in the County in terms of the Council's priority economic indicators. The Bill would expand the authority of the Office of Consumer Protection (OCP) to investigate and enforce consumer protection laws in landlord-tenant matters. The actual economic impacts of this Bill would depend on its implementation and effectiveness in improving existing processes for addressing tenant complaints. If the policy change improves how tenant complaints are addressed, the Bill would likely affect certain landlords with histories of unresolved housing code violations by increasing their operating expenses associated with providing advertised amenities, completing essential repairs, and meeting compliance requirements. To protect their business incomes, landlords would likely offset these costs by increasing rents. Additionally, County-based maintenance and repair businesses could see increased revenues and incomes from additional contracts.

The Bill would also affect tenants of affected properties. If landlords absorb the costs of required repairs and maintenance, the policy change could help ensure that tenants receive housing that aligns with the rents they have been paying. However, OLO expects most affected landlords to pass these costs onto tenants, likely leading to higher rents and fees that increase household expenses and reduce net household incomes.

Ultimately, OLO lacks sufficient data to estimate the Bill's overall economic impact, given its potentially conflicting effects on certain businesses and residents and uncertainty surrounding OCP's staffing capacity to implement the new law.

BACKGROUND AND PURPOSE OF BILL 6-25

Unfair or deceptive trade practices by landlords—hereinafter "defective tenancies"—include failing to provide advertised amenities, neglecting essential repairs, imposing junk fees, or committing chronic housing violations.[1] Under the County's current consumer protection laws, defective tenancies are excluded under the scope of consumer protection.[2] Instead, tenants may file formal complaints with the Department of Housing and Community Affairs (DHCA) for resolution.[3]

The goal of Bill 6-25 is to "implement stronger protections for renters under the County's consumer protection laws." It aims to do so by expanding OCP's authority to "investigate and enforce consumer protection laws in landlord-tenant matters that may include unfair or deceptive trade practices."[4] Specifically, the Bill would make the following changes to the County's Chapter 11 consumer protection laws:

[1] Introduction Staff Report for Bill 6-25, Montgomery County Council, Introduced February 11, 2025.
[2] Montgomery County Code § 11-5, Consumer Protection, Exemptions from Chapter.
[3] Tenant Rights and Responsibilities, Department of Housing and Community Affairs.
[4] Introduction Staff Report for Bill 6-25, Montgomery County Council, Introduced February 11, 2025.

- Expand the scope of “consumer good or service” to include rental housing and “merchant” to include landlords;
- Remove the current exemption for “defective tenancies or other complaints concerning any condition in rental housing”; and
- Clarify enforcement and penalties.[5]

Bill 6-25, Consumer Protection – Defective Tenancies as Deceptive Trade Practices was introduced by the County Council on February 11, 2025.

INFORMATION SOURCES, METHODOLOGIES, AND ASSUMPTIONS

As required by 2-81B of the Montgomery County Code, this Economic Impact Statement evaluates the impacts of Bill 6-25 on residents and private organizations in relation to Council’s priority economic indicators. In doing so, it examines whether the Bill would have a net positive or negative impact on overall economic conditions in the County.[6]

To evaluate the Bill’s economic impacts on businesses and residents, this analysis identifies multifamily residential properties likely to be affected by examining those with histories of unresolved housing code violations using DHCA data. Additionally, it considers cost pass-through theory and relevant peer-reviewed studies on housing code enforcement cited below. No formal assumptions are made in this analysis.

VARIABLES

The primary variables that would affect the economic impacts of enacting Bill 6-25 are the following:

- Enforcement of County housing and consumer protection laws;
- Rents; and
- Total cost of repairs and maintenance.

IMPACTS

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

Businesses, Non-Profits, Other Private Organizations

OLO anticipates that Bill 6-25 would have mixed impacts on certain private organizations in the County in terms of the Council’s priority economic indicators.

Importantly, the Bill would likely impact certain property owners and managers of multifamily rental properties in the County, if expanding OCP’s authority to include landlord-tenant matters improves existing processes for addressing tenant complaints. However, in discussions with OLO, OCP personnel noted that the agency

[5] Montgomery County Code § 11-5, Consumer Protection, Exemptions from Chapter.
[6] “Sec. 2-81B, Economic Impact Statements,” Montgomery County Code.

currently does not have sufficient staffing to add investigating and enforcing defective tenancies to its scope of work.[7] Therefore, OLO cannot determine whether the Bill would improve existing processes.

If the Bill improves these processes, it will likely affect property owners and managers of multifamily rental properties with histories of unresolved housing code violations. To estimate the number of such properties, OLO relied on DHCA's annual Troubled Properties reports.

Since FY2019, DHCA has published an annual report summarizing inspection findings and code enforcement outcomes for multifamily rental properties in the County. These reports classify properties as "troubled," "at-risk" and "compliant." While "DHCA achieves a high level of compliance from the owners and managers of multifamily rental properties without the need to issue citations to the landlords," the reports identify properties that fail to complete repairs required by DHCA.[8]

Table 1 shows the total number of these properties each fiscal year since FY2019, along with their percentage of the County's approximately 715 multifamily rental properties.[9]

Table 1. Multifamily Rental Properties with Unresolved Code Violations, FY2019–FY2024[10]

Fiscal Year	Properties with Unresolved Repairs	Percentage
2024	90	13%
2023	39	5%
2022	30	4%
2021	20	3%
2020	19	3%
2019	19	3%

If expanding OCP's authority to include landlord-tenant matters improves how tenant complaints are addressed, the data suggests that a minority of multifamily rental properties—between 3% and 13%—would be affected. These properties would likely face higher operating expenses due to the need to provide advertised amenities, complete essential repairs, and meet compliance requirements. All else being equal, higher operating expenses

[7] OLO conversation with Office of Consumer Protection staff on February 14, 2025.
[8] Department of Housing and Community Affairs, "Troubled Properties Report for FY24" (Montgomery County Government, October 1, 2024).
[9] Department of Housing and Community Affairs, "Troubled and At-Risk Properties," accessed March 3, 2025.
[10] Department of Housing and Community Affairs. *Troubled Properties Report*, FY2019–FY2024. Montgomery County Government, October 1, 2024.

would reduce business income. However, landlords would likely offset these costs by increasing rents.[11] Some of these properties may also see their property values increase.[12]

The Bill may also impact businesses in the building maintenance and repair services industry. If expanding OCP's authority to include landlord-tenant matters leads to more landlords completing essential repairs they might have otherwise deferred, County-based maintenance and repair businesses could see increased revenues and incomes from additional contracts.

Beyond these potential impacts, OLO does not expect the Bill to affect private organizations in terms of the Council's other priority indicators.

Residents

OLO anticipates that Bill 6-25 would have mixed impacts on certain residents in the County in terms of the Council's priority economic indicators.

If expanding OCP's authority to include landlord-tenant matters improves how tenant complaints are addressed, the Bill would likely affect tenants of multifamily rental properties with histories of unresolved housing code violations. OLO believes tenants could be affected in several ways.

On the one hand, some landlords who fail to provide promised amenities and maintain housing quality as required by lease agreements are effectively overcharging tenants by charging rents that do not reflect the actual condition of the units. As a result, tenants may be paying more than they should for the quality of housing that they receive, effectively making their housing costs unfairly higher. If landlords do not pass the costs of repairs and maintenance onto tenants, the Bill could help ensure that tenants receive housing that aligns with the rents they pay by requiring landlords to fulfill their contractual obligations.

On the other hand, OLO expects most affected landlords to pass the costs of repairs and maintenance onto tenants. As a result, the Bill would likely increase rents and fees for certain tenants, thereby increasing their nondiscretionary household expenses. All else being equal, this would reduce their net household incomes.

Beyond this potential impact, OLO does not expect the Bill to affect residents in terms of the Council's other priority indicators.

Net Impact

OLO anticipates that Bill 6-25 would have an indeterminate impact on economic conditions in the County in terms of the Council's priority economic indicators. As previously discussed, if the policy change improves how tenant complaints are addressed, the Bill would likely affect certain landlords with histories of unresolved housing code violations by increasing their operating expenses associated with providing advertised amenities, completing essential repairs, and meeting compliance requirements. To protect their business incomes, landlords would likely offset these costs by increasing rents. Additionally, County-based maintenance and repair businesses could see increased revenues and incomes from additional contracts.

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[11] Robin Bartram, "The Cost of Code Violations: How Building Codes Shape Residential Sales Prices and Rents," *Housing Policy Debate* 29, no. 6 (November 2, 2019): 931–46; RBB Economics, "Cost Pass-Through: Theory, Measurement, and Potential Policy Implications" (Report prepared for the Office of Fair Trading, United Kingdom, June 17, 2014).
[12] Bartram, "The Cost of Code Violations."

The Bill would also affect tenants of affected properties. If landlords absorb the costs of required repairs and maintenance, the policy change could help ensure that tenants receive housing that aligns with the rents they have been paying. However, OLO expects most affected landlords to pass these costs onto tenants, likely leading to higher rents and fees that increase household expenses and reduce net household incomes.

Ultimately, OLO lacks sufficient data to estimate the Bill's overall economic impact, given its potentially conflicting effects on certain businesses and residents and uncertainty surrounding OCP's staffing capacity to implement the new law.

DISCUSSION ITEMS

Not applicable

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.

AUTHOR

Stephen Roblin (OLO) prepared this report.