

Memorandum

To: Tracey Douglas, City Administrator
Thru: Jeff Ulysse, Acting CBED Director
From: David Cristeal, Housing Manager
Subject: Draft Rent Stabilization Ordinance
Date: September 12, 2024

Introduction & Background

This draft Rent Stabilization Ordinance is intended to help tenants remain in their homes by reducing monthly rent increases by calibrating them to be lower than market-rate (increases). Rent stabilization is one of four tools that were identified as a City priority in the 2021 Housing Action Plan. This tool would be particularly beneficial to helping low-income tenant families maintain their current housing. However, in its current form, the draft Ordinance would benefit all tenants living in units covered by it.

The City examined the rent stabilization tool in more detail in the 2023 Rent Stabilization Study. The City Council then directed the City's Attorney to draft a rent stabilization ordinance that reflected the Council's desires and many of the study's recommendations. In 2024, the City Council and staff reviewed a first draft of the rent stabilization ordinance and is now ready to discuss the first draft in preparation for future Council action.

Highlights of draft Ordinance

The draft Ordinance, Chapter 97 of the City Code, contains sections that define and describe its key components, and are summarized below (see applicable pages in the draft Ordinance):

- A listing of key definitions that are used throughout the draft Ordinance to help with understanding and facilitate implementation (see pages 2-5).
- The creation of a Rental Registry that allow landlords to submit rent information to the City as part of the Licensing function. Rent information contained in the Rental Registry would be available to the public (see pages 5 and 6).
- Exemptions to the Ordinance (rental units that are proposed to be exempted). Highlight properties that are less than 15 years are exempt and list the other types of properties recommended for exemption. Based on the draft Ordinance, the total number of rental units covered would be 2,749, or 58% of the City's current total licensed rental supply (4,772) (see pages 6 and 7).
- The annual rent increases, the Monthly Allowable Annual Rent Increases (MAARI) shall be based on the Consumer Price Index – Urban (CPI-U) for the DC-MD-VA-WV metropolitan area. Staff recommends that the Ordinance be changed to increase rents effective July 1 of each year using the March-to-March CPI-U and announce the effective rent increase amount by May 1 of each year. This timing is consistent with the 3 neighboring jurisdictions that have or are developing rent stabilization programs. Staff also recommends removing the clause in the draft Ordinance of rounding the CPI-U to the nearest percent (see pages 9 and 10).
- Consideration of rent increases, including those that may be above the draft Ordinance-set level. Sections of the draft Ordinance include fair return petitions, including capital

investments and rent banking. The draft Ordinance also includes appeals process to administrative decisions on whether to approve a requested rent increase (See pages 8 and 9, and 10 through 17). Such rent increases will also be further defined and described in forthcoming administrative regulations.

- Descriptions of allowable fees and utilities (pages 17 through 20). These are charges for services or products that are provided by the landlord or property owner, but not included in the rent. All allowable fees, other charges and utilities will also be further defined in forthcoming administrative regulations.
- Description of violations, penalties, and enforcement, including inspections and fees for violations (see pages 21 and 22). Some of these are consistent with the City's current practices currently carried out by its Office of Code Compliance. If necessary, these too will be further defined and described in forthcoming administrative regulations.
- The draft Ordinance, consisting of 22 pages, is also included in this City Council Agenda packet of information.

When the City requested that the Attorney draft a rent stabilization ordinance, the County was also conducting its own study and developing draft legislation. In addition, its Temporary Rent Stabilization program was to sunset this fall. In response, the County Council passed a Permanent Rent Stabilization bill to address tenant and community concerns over future rent increases. Because of the overlapping policy interests (legislation also covers the City of Hyattsville), staff have included the County's adopted legislation, CB-055-2024, in this Agenda package. The key differences below are important to highlight as the City considers its own, stand-alone, rent stabilization program.

City of Hyattsville draft Ordinance and Prince George's County legislation - Rent Stabilization Programs – Summary Comparison and Key Differences

On July 16, 2024, the Prince George's County Council passed its version of rent stabilization legislation. Like the City, the County had been considering rent stabilization and completed a consultant authored study and parallel public engagement process. The legislation that resulted from the study and engagement process takes effect in 2 phases. The first phase, defining the new allowable rents, will begin on October 17, 2024. The second phase, detailing how the legislation will be implemented, will begin on February 1, 2026. When comparing the County's adopted legislation to the City's draft Ordinance, there are two primary areas of divergence that are summarized below.

1. Rents – The City's draft Ordinance and County's adopted Bill have different rent increase formulas. The City's draft Ordinance limits rent increases to the CPI-U and the County's adopted Bill limits rent increases to the lesser of the CPI-U +3% or 6%. Under the City's draft ordinance, based on current, 2024 rents, tenants would save more money than the County's adopted legislation. The estimated average value saved by Hyattsville tenant households is just under \$470/year, or collectively, nearly \$1.3 million/year, using a March 2023 to March 2024 CPI-U of 3.4%¹. This calculation was made comparing the difference between the County's lesser of CPI-U +3% or 6% and

¹ Staff estimate using CoStar 2024 data for licensed Hyattsville apartments using the draft Ordinance's definitions of covered rental units.

the City's CPI-U, 3.4%. So long as the CPI-U remains below 6%, the City's Ordinance would save tenants more money than the County's Bill².

2. Exemptions – Most of the exemptions between the City' draft Ordinance and the County's adopted Bill are the same or similar. However, there is one notable departure: the County's legislation exempts all rental units built after 2000. The City's draft Ordinance exempts rental units 15 years or newer. Here is the consequence of this difference:

- Under the County's legislation, an estimated 2,245, or 47%, of 4,772 the City's licensed rental units would be covered.
- Under the City's draft ordinance, 2,749, or 58%, of the same number of licensed rental units would be covered (or a net difference of 504 rental units).
- Under the County's legislation, the number of rental units covered would likely remain the same.
- Under the City's draft Ordinance, the number of rental units covered would increase as rental developments of 5 or more units built after 2010 cross the 15 year – old threshold (i.e. by the end of 2027, 639 more rental units would be added to the total).

Implementation – The County's legislation will be enforced by its Department of Permits, Inspection, and Enforcement (DPIE). Staff from the Department of Housing and Community Development (DHCD), who facilitated the rent stabilization process, anticipate that a new separate staff team will be created to implement their program. County DPIE staff will, between now and February 1, 2026, write regulations that describe how rent stabilization will be implemented and enforced. Montgomery County, MD followed, a comparable process, adopting rent stabilization legislation in 2023, writing implementation regulations, creating a 9-person staff team, upgrading their computer and software systems, and educating/engaging tenants and apartment owners over the past year.

Staff recommends that the City take up to 18 months to prepare for implementation if the Rent Stabilization Ordinance is adopted by the City Council. This time would be needed to hire staff and create RFPs to bring on consultant(s), draft administrative regulations, educate tenants and landlords and other stakeholders, develop the necessary software and systems and work out any logistic matters prior to full Ordinance launch. This timing would also be consistent with the County's timeframe and allow the City to collaborate on possible areas that the County will support thereby reducing redundancy and costs. Housing staff have been in contact with County Housing staff and have reached out to County DPIE staff for information on their process, including enforcement during this time of post-legislative adoption and pre-full implementation (i.e. new rents for all Prince George's County will become effective on October 17, 2024, through June 30, 2025). The list below describes the recommended implementation steps.

Next Steps & Process

- Staff will conduct community engagement and outreach in two phases, a pre- and post-adoption of the Ordinance.

² In the last 10 years, the CPI-U only exceeded 6% once, in 2022 when it was 7.3% (Source: Bureau of Labor Statistics; 10 Year Historical Data – 2014-2024).

- The recommended schedule of City Council meetings that allows for a reasonable amount of time for community feedback on the draft Ordinance:
 - 1) Discussion – September 16
 - 2) First Reading – October 21
 - 3) Second Reading and vote – November/December 2024

Ordinance Implementation

- Staffing plan. The staffing plan will need to be developed and will describe new and other City staff involved. The staff will also need to evaluate license fee increases, hire a consultant(s) and evaluate and/or develop software to manage the increased information that will be collected annually and as needed.
- Creating implementation regulations. These would be developed with stakeholder input and brought back to the City Council for consideration.
- Communications and outreach. City staff will create materials and conduct outreach to tenants and landlords/property owners to inform them about the Ordinance and answer questions that will likely arise. In person and on-line sessions will be held and the City's website will contain Ordinance and related materials. The staff will need to develop FAQ's and publish notices of events/training session(s).
- Relationship to Prince George's County's recently passed legislation and enforcement. City staff will work with County DPIE staff to share relevant information and consider areas to collaborate on. They may be able to take lead on things such as the rent registry, inspections, arbitration etc. Staff will also continue conversations with Takoma Park staff on their experiences as its scale and number of rental units under rent stabilization program comparable to the City's.
- Recommended timeline. Staff believes that the City will need up 18 months to get a rent stabilization program fully operational. This timeline is based on peer feedback, the 2023 Rent Stabilization study, initial staff assessment of current capabilities and workload, and consistent with the Prince George's County's implementation timetable.
- Reporting on implementation progress. The City will provide updates on progress toward full implementation and will then produce an annual report after the end of the first year of operations.