



CITY OF HYATTSVILLE



Rent Stabilization Ordinance
September 16, 2024

Draft Rent Stabilization Ordinance

Tonight's Discussion on the Draft Rent Stabilization Ordinance

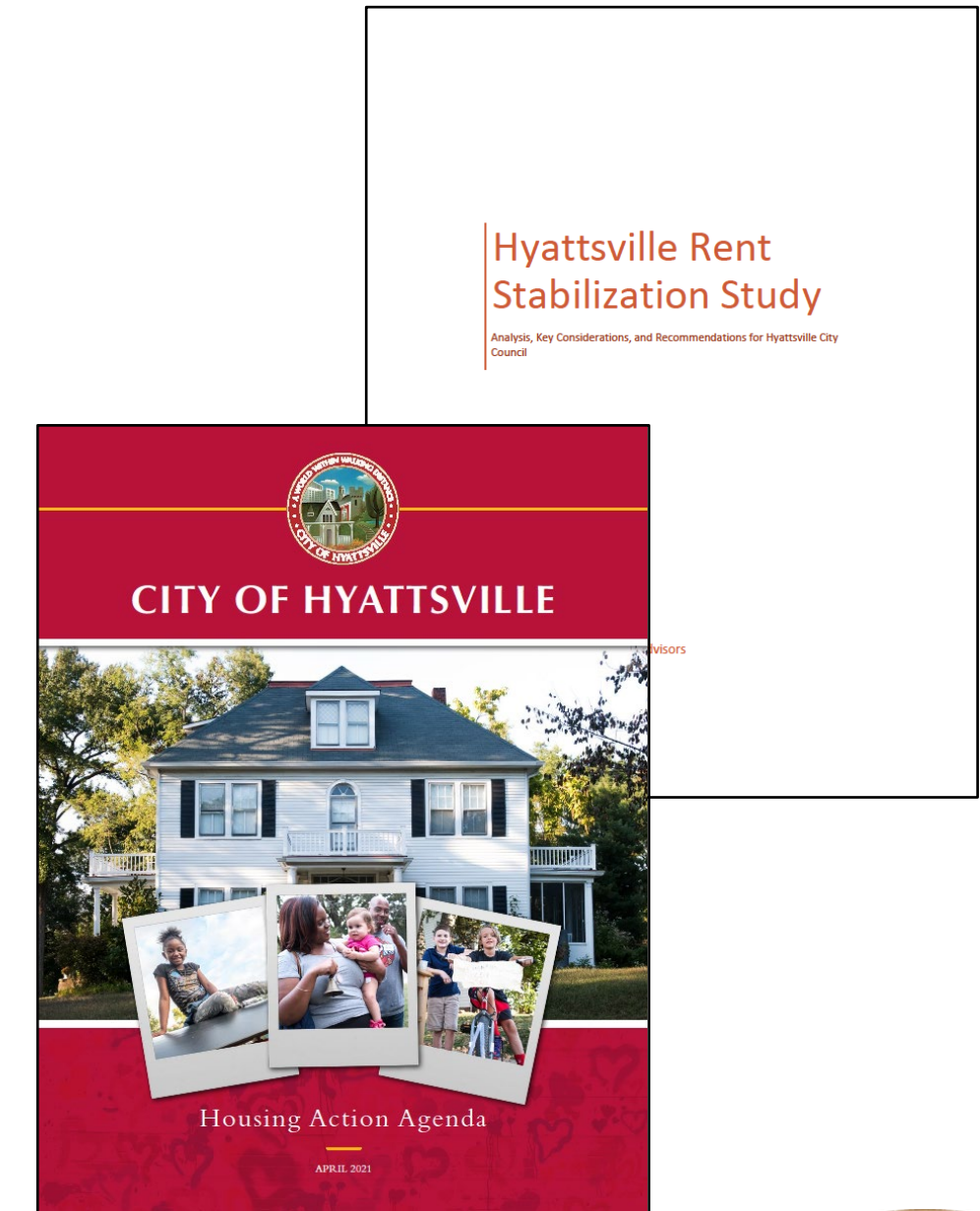
- Introduction and Background
- Ordinance Overview
- Comparison with Prince George's County legislation
- Implementation Items
- Timeframe and Next Steps



Draft Rent Stabilization Ordinance – Introduction

Discussion Item on Rent Stabilization Ordinance

- **Background:** Rent stabilization is one of four tools identified as a City priority in the 2021 Housing Action Plan and followed up with the 2023 Rent Stabilization Study. City Council directed the City’s Attorney to draft a rent stabilization Ordinance.
- **Definition & Rationale:** Rent stabilization helps tenants remain in their homes by reducing monthly rent increases that are set lower than market-rate (increases). As tenants pay less in rent, they are better able to remain in their homes and for a longer periods.
- **Regional Context:** Prince George’s County passed its Rent Stabilization Bill (CB-055-2024) in July and Montgomery County adopted a comparable bill in 2023 and has begun implementation.



Draft Rent Stabilization Ordinance - Components

Definitions: A list of terms that are used throughout help affected stakeholders better understand key sections and facilitate implementation. These include terms such as “apartment”, “landlord”, “rent”, and “tenant”.

Rental Registry: This allows landlords to submit rent information to the City as part of its current licensing function. Rent information contained in the Rental Registry would be available to the public.

Application of Rent Stabilization: Covers rent increases, notices, and reporting of rent information. This section also identifies the City Administrator to create and adopt Administrative Regulations to support Ordinance implementation.



Draft Rent Stabilization Ordinance - Components

Exemptions to the Ordinance:

- Rental properties that are less than 15 years old
- Rental properties with 4 or fewer units
- Units in a licensed care facility
- Units in an assisted living facility and nursing homes
- Units in tax exempt 501 (c)(3) organizations to provide temporary shelter
- Short term leasing for less than 30 days; motels, Airbnb's, and bed & breakfasts
- An accessory apartment with less than 4 units
- Individual condominium units up to 4 owned and rented by 1 owner

Results in 2,749 of 4,772 licensed rental units covered by the Ordinance (58%).



Draft Rent Stabilization Ordinance - Components

Exemptions that may be applied for:

1. Rental properties that are affordable by governmental agreement; where not less than one-half of the units are affordable to low- and moderate-income households. **Why is "not less than one-half" the threshold?**
2. Renovated or reconfigured rental properties or combined units not eligible for exemption.

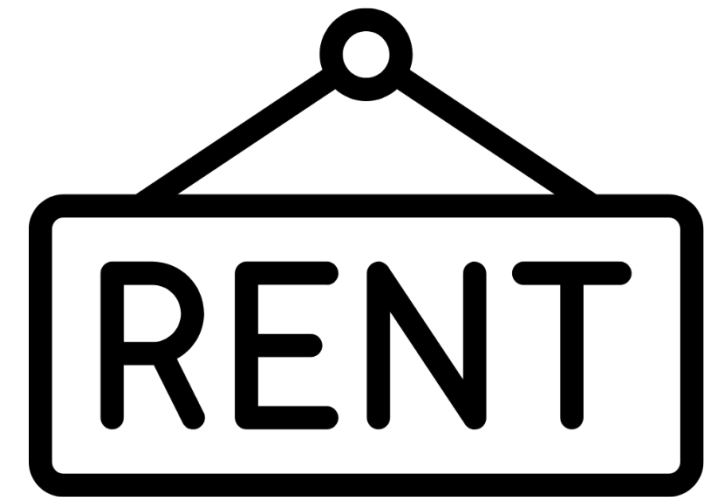
The draft Ordinance also provides language to describe when the exemption ends (termination of exemption) and how the rents will be set to commence (and continue at a rent stabilized rate).



Draft Rent Stabilization Ordinance - Components

Rents for certain units – Discontinued, Renovated, Reconfigured, or Consolidated:

1. Discontinued, vacant/not rented, units will “bank” rents at the stabilized rate for up to 5 years. If the unit is discontinued for 5 or more uninterrupted years, then the new rent may be the market rent (i.e. not banked at the rent stabilized rate).
2. Renovated or reconfigured rental properties or combined units not eligible for exemption. Rents must be “banked” at the rent stabilized rate if the renovation, reconfiguration or consolidation results in a 10% or less change in floor area (of the unit). If the percentage is greater than 10%, the rent can be increased above the “banked” rent at the stabilized rate by the percentage increase or decrease of the change in the floor area. **Why is 10% the threshold?**



Draft Rent Stabilization Ordinance - Components

Annual Rent Increases: 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, rounded to the nearest number; begins on January 1 of each year. Rents may only be increased 1 time/year. There are also considerations for “Fair Return Rent Increases” and vacant units. **Why round the CPI-U to the nearest number?**

Banking of Annual Rent Increases: Applies to vacant units and allows the landlord, for a unit not exempt from the Ordinance, to increase the rent by the MAARI/annual rent increase, for each year the unit is vacant.

Annual Reporting Requirements: Landlords must submit a report covering the previous year’s rent record for each unit covered by the Ordinance. The City will set the due date for these reports as it creates the Administrative Regulations.



Draft Rent Stabilization Ordinance - Components

Rent Increases – Fair Return Petitions: Gives landlords the right to petition the City to raise rents above the MAARI. It also defines standards and metrics for the information needed to submit a fair return petition and includes the limits of rents to be allowed above the MAARI. Items to be considered include the property's net operating income (NOI), gross income, and the full range of operating expenses (utilities, administration, management fees and more).

Process to Consider Petitions and Requests: A landlord submits the Fair Return Petition with the City's Arbitrator. The Arbitrator considers the petition and then issues a ruling within 90 days of receiving the petition. The City will then inform the landlord of the allowable rent increase. The landlord would then inform the affected tenants of this increase. The Ordinance also defines and describes process if the petitions were completed with errors, in bad faith, as well a landlord's right to an appeals process.

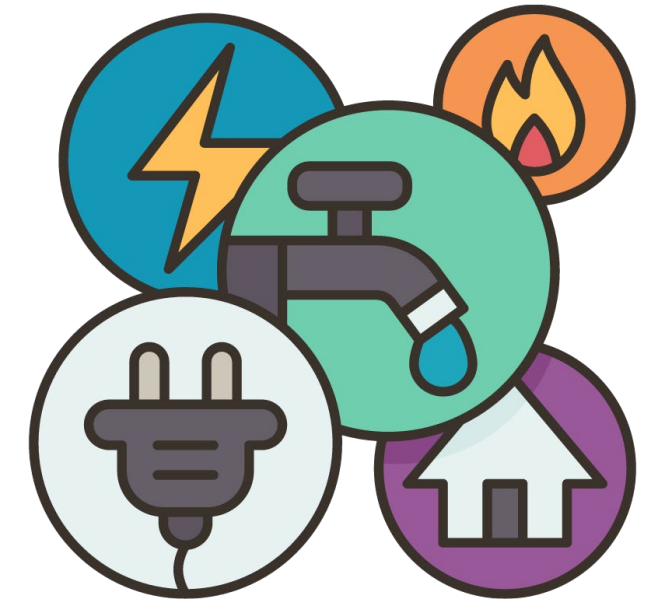


Draft Rent Stabilization Ordinance - Components

Fees: Are charges for services or products that are provided by the landlord, but not included in the rent. Allowed fees include leasing, late fees, and fees due to government mandates. Optional fees, such as extermination fees, parking, storage, internet access and fees for pets may be declined by tenants.

The landlords must provide written notices to tenants of all fees. They should be assessed on a uniform basis and will be further defined and described in the Administrative Regulations.

Utilities: Are charges to tenants for electricity, gas, water, and trash collection that is billed individually (metered/counted and billed at the unit level) and are not part of the rent. Transfers of utilities and their payment from the landlord to tenants may only be permitted as defined and described in the Ordinance and the Administrative Regulations. Written notice of utility transfers must be given to all affected tenants.



Draft Rent Stabilization Ordinance - Components

Violations and Penalties:

- Operating a rental property without a City License
- Failure to obey the City Arbitrator's ruling
- Failure to file a report or submit a false, incomplete or inaccurate rent report
- Charging or attempting to charge an illegal fee
- Failure to vacate an unsafe building or unit

Violations are considered a municipal infraction, subject to fine.

Enforcement:

The City may take several actions to enforce or correct the above violations, including revoking a rental license, applying to the appropriate Court, seek to collect costs or other charges in taking Court action.

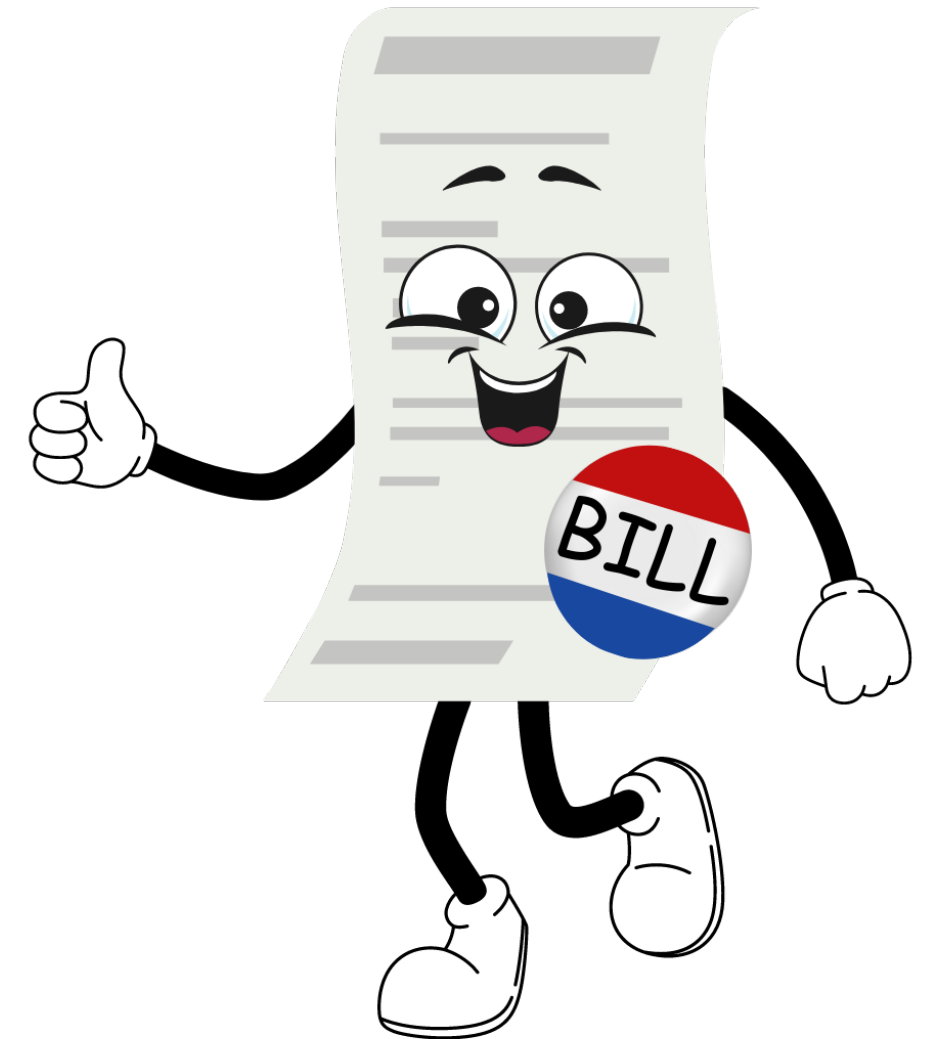


Draft Rent Stabilization Ordinance - Components

Administrative Regulations:

The City will create Administrative Regulations that further define and describe information contained in the Ordinance. Additional work will focus on the following Sections discussed above:

- Fair Return Petitions and Requests
- Process to Consider Petitions and Requests
- Fees and Utilities
- Notifications
- Annual Reporting

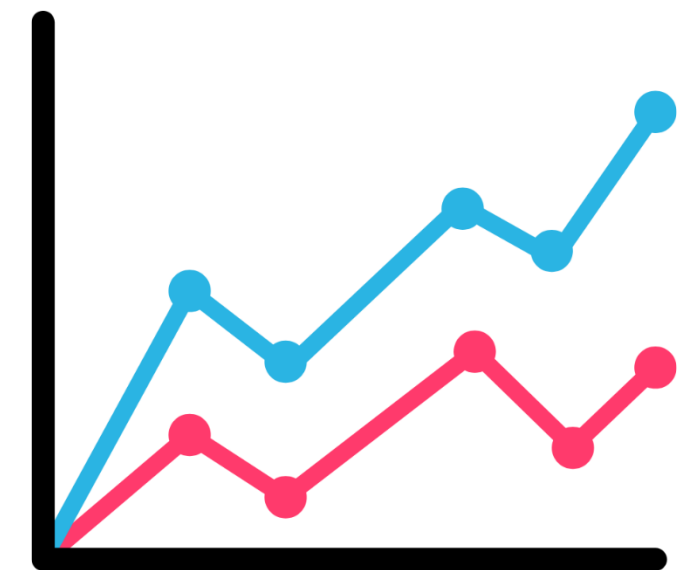


Draft Rent Stabilization Ordinance - Context

Two key differences between County's adopted Bill (CB-055-2024) and City's draft Ordinance:

Rent: City's draft Ordinance has lower rents (CPI-U vs lesser of CPI-U + 3% or 6% (current CPI-U = 3.4%)). The difference is an estimated 'savings' of approximately \$470/tenant household/year.

Exemptions: City's draft Ordinance has a rolling date of rental units built 15 years or less vs County's Bill has a fixed date of rental units built after 2000. The difference means that the City's draft Ordinance includes 504 more rental units (i.e. those units built after 2000 and older than 15 years).



Draft Rent Stabilization Ordinance - Context

Next Steps – Prince George’s County

New Rents Effective October 17, 2024, through July 1, 2025

Updated Frequently Asked Questions (FAQs) to be developed (not available as of September 16, 2024)

Department of Permits, Inspection, and Enforcement (DPIE) to enforce New Rents

DPIE Director authorized to adopt Rent Stabilization Regulations

Department of Housing and Community Development and Office of Community Relations (OCR) to assist DPIE on outreach and education efforts

DPIE to publish Regulations by January 1, 2026, and they become effective on February 1, 2026.



Rent Stabilization Ordinance – Implementation Steps

Anticipated roles for City staff:

Housing – Organizing and coordinating the Rent Stabilization program; hiring and contracting with appropriate staff

Licensing – Establish portal of entry for Rent Stabilization information (Rental Registry and process)

Code Enforcement – Rent Stabilization enforcement role; also, inspection of units during petition process (work with County for part of this function?)

Information Technology (IT) – Identify and purchase needed system to accommodate RS information and analysis (opportunity to partner with the County)

Communications – Overseeing and supporting staff outreach and engagement efforts

Finance – Updating licensing and, as needed, permit fee structure and program budgeting and expenses



Draft Rent Stabilization Ordinance – Implementation Steps

Anticipated/identified resource needs:

- New housing, code, and permitting staff (2-3 FTEs) – Implementing the program
- Consulting – Arbitrator-Right to Fair Rent Petitions, software development, and program development
- Computer Systems – Software and information input process/systems
- Communications – Overseeing and supporting staff outreach and engagement efforts; preparing educational material and community meetings
- Attorney fees – Advising and reviewing materials during preparation and as needed during Right to Fair Rent Petitions and other adjudication matters

Estimated cost: \$239,500 (FY 25 Budget)

Anticipated revenue source: Rental Licensing Fee (increase)



Draft Rent Stabilization Ordinance – Implementation Steps

Anticipated staff tasks/post adoption:

Complete internal staff preparations

Hire staff and consultant(s) -program support, IT systems, Arbitrator/Right to Fair Rent Petitions and communications

Write and publish Rent Stabilization Administrative Regulations

Continue education and outreach to tenants and landlord

Implement Ordinance in cooperation and consistent with Prince George's County's implementation timeline



Draft Rent Stabilization Ordinance – Implementation Steps

Questions highlighted earlier:

Exemptions: why is one-half the threshold?

Rents for certain units: why is 10% the threshold for increase or decrease in floor area?

MAARI: why round the CPI-U to the nearest whole number



Draft Rent Stabilization Ordinance – Timeframe

Recommended Timeframe:

September 16, City Council meeting:

- Discussion of draft Ordinance
- Community and stakeholder outreach and engagement
- Additional questions to consider/address

October 21, City Council meeting:

- First Reading of updated draft Ordinance
- Community and stakeholder outreach and engagement
- Update(s) to draft Ordinance, if needed and answers to questions raised earlier

November 4:

- Second Reading of updated draft Ordinance
- City Council consideration/vote



Draft Rent Stabilization Ordinance - Discussion & Questions

