Office of the County Auditor
Auditor's Analysis

Council Bill No. 44-2023

Introduced: November 6, 2023
Auditors: Diane Zagorski

Fiscal Impact:

As noted in the Administration's testimony, per the Administrator of the Office of Consumer Protection (the Administrator), the Fiscal Year (FY) 2024 impact of this legislation will include personnel costs of approximately $61,000 for a partial year of three full time staff in the newly created Landlord-Tenant Affairs Division within the Office of Consumer Protection (OCP), which is part of the Department of Community Resources and Services. If the new staff are hired at the grade and step noted in the testimony the FY 2025, personnel costs for this new division are estimated to be approximately $288,000. The budget request may be higher if COLA and step increases are requested, as well as ongoing operating costs.

Other FY 2024 start-up and ongoing costs associated with this legislation will include the creation of education materials (up to $7,500), potential consultant services to support implementation (no estimate available), and a full day conference for stakeholders (up to $5,000).

A request for additional appropriations in FY 2024 will not be required because the above noted FY 2024 costs are expected to be covered by current year savings in the OCP's FY 2024 General Fund operating appropriation.

Purpose:

Council Bill 44-2023 will limit the increase in base rent that a landlord can include in a new or renewed lease by an "annual rent increase allowance", which is the lesser of (1) the Consumer Price Index for all Urban Consumers plus 5 percent or (2) a 10 percent increase in base rent. There are several exempted rental unit types, which include developments that have offered their rental units for less than twenty years and a variety of rental units that are owned by certain entities or provide specialized offerings.

Landlords may also apply to increase rent more than the rent increase allowance for:

- An amount that is determined to be necessary for the Landlord to obtain a fair return, or
- A capital surcharge to be imposed on units that have received a capital improvement

Additionally, this legislation sets penalties for landlords that do not comply with the proposed rent stabilization provisions, prohibits landlords from mandating fees for elective amenities, and establishes a work group to study and report on the effectiveness of this legislation by June 30, 2027.

This legislation will remain in effect through December 31, 2027.

<u>Other Comments:</u>

According to OCP, the proposed Landlord-Tenant Affairs Division is expected to continue operating after the expiration of this legislation to assist residents with landlord-tenant issues.

The workgroup will be tasked with evaluating the impact of this legislation and make recommendations to the County Executive and County Council on future policy actions by June 30, 2027.

The Administrator has indicated that approximately 18,000 units that have been offered for more than twenty years, or 67 percent of the County's rental offerings, will become immediately subject to this legislation (before considering exempted units that are owned by nonprofit organizations or financed with affordable housing tax credits).