

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 658

(Senator Peters, *et al.*)

Budget and Taxation

Rules and Executive Nominations

Political Subdivisions - Government Imposed Restrictions on Income Producing
Real Property - Fiscal Impact Study

This bill requires the governing body of a local government to request a fiscal impact study from the Governor prior to enacting an ordinance or regulation that imposes rent restrictions or affordability requirements on rental or leased residential property. The bill does not apply to (1) the cities of College Park or Takoma Park; (2) a proposed rent restriction applicable only to government-owned residential property; or (3) to a proposed rent restriction that is a condition of participation in a specified affordable housing program.

The bill applies prospectively.

Fiscal Summary

State Effect: To the extent local governments propose rent restrictions or affordability requirements, State expenditures increase minimally to conduct the required studies. Any such impact is delayed until FY 2011 at the earliest; however, the timing cannot be predicted.

Local Effect: Local government implementation of rent restrictions or affordability requirements may be delayed by as long as one or more years due to the study requirement.

Small Business Effect: Potential minimal.

Analysis

Bill summary: Based on a competitive bid process, the Governor must contract for a fiscal impact study to be performed by a State agency or a division of a State institution of higher education that has appropriate expertise and is not physically located geographically within the local government requesting the study. The reasonable costs for the study must be included in the Governor's next fiscal year budget request for the appropriate agency or higher education institution. The entity completing the study must submit its findings to the Governor, the Senate Budget and Taxation and House Ways and Means committees, and the governing body of the local government requesting the study.

Current Law/Background: College Park and Takoma Park are the only two incorporated municipalities in the State with rent stabilization programs. Takoma Park's law, in effect since 1980, subjects all landlords owning two or more rental units to annual percentage guidelines for rent increases. Takoma Park's rent stabilization allowance is established on an annual basis, and is calculated using 70% of the Consumer Price Index (CPI). Effective July 1, 2008 through June 30, 2009, residential landlords in Takoma Park cannot increase the rent on occupied units more than 4.7% per year. Owner-occupied group homes, accessory apartments, landlords owning one rental unit in Takoma Park, and properties used for treatment of illnesses are exempt from local rent stabilization laws.

The City of College Park's Housing Plan, approved in June 2003, establishes a rent ceiling for residential property. The rent ceiling prohibits a landlord from charging a monthly rent for that exceeds the fair market rent level established by the Department of Housing and Urban Development for the Washington Metropolitan Statistical Area for a four-bedroom unit; or 1% of the property's assessed value for property taxes in a given year, whichever is greater. College Park's rent stabilization allowance is effective July 1 of each year and is based on 100% of CPI, or 1% of the property's assessed value for property taxes.

Chapter 419 of 2007 established the Task Force to Study Rent Stabilization for the Elderly in Prince George's County. The task force reviewed the rent stabilization laws of the District of Columbia and other local governments and municipal corporations; considered the impact of current rent levels on senior citizens in Prince George's County; and recommended possible statutory or regulatory changes to the Prince George's County Council. The task force reported to the Prince George's County Council on November 1, 2007.

Additional Information

Prior Introductions: None.

Cross File: HB 916 (Delegate Holmes) - Environmental Matters.

Information Source(s): Cities of College Park and Takoma Park, Maryland Municipal League, Department of Business and Economic Development, University System of Maryland, Department of Human Resources, Department of Budget and Management, Department of Legislative Services

Fiscal Note History: First Reader - March 4, 2009
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