Department of Legislative Services

Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1199 (Delegate Grammer)
Environment and Transportation

Real Property - County Rental Property Licenses - Requirements and Limits

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This bill requires each county, by September 30, 2021, to establish a program to license *single-family* dwelling units operated as residential rental properties. Generally, each county must limit the number of rental property licenses that may be issued to no more than 15% of all single-family dwelling units in the county. The bill also (1) requires each county to establish evidentiary guidelines and criteria for issuing licenses and (2) authorizes the imposition of a civil penalty of up to $5,000 for violations of licensing requirements established in accordance with the bill.

Fiscal Summary

State Effect: The bill does not directly affect State finances or operations.

Local Effect: County expenditures, which vary by jurisdiction, increase to comply with the bill's requirements. Potential license fee and civil penalty revenues. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: A "rental property license" is a license issued by a county for the operation of a single-family dwelling unit as a residential rental property.

A county may authorize an owner to rent an unlicensed single-family dwelling unit only:

- to a member of the owner's family;
- if the owner resides at the residential rental property and rents only a portion of the property; or
- if the owner owns, in whole or in part, fewer than four single-family dwelling units operated as residential rental properties.

After reaching the 15% threshold, as specified in the bill, a county may issue a rental property license for a single-family dwelling unit only if the owner demonstrates that the unit was operated by the owner as a residential property before September 30, 2021, and has remained in continuous operation as a residential rental property. The bill clarifies that the latter requirement is not intended to require the owner to demonstrate that a single-family dwelling unit has remained in continuous occupation.

Current Law: Residential rental licensing requirements are not addressed in State statute and vary throughout the State.

For example, Montgomery County generally requires all residential and multifamily property owners to obtain a rental housing license before the property may be rented or advertised for rent. The license is valid for one year. In Baltimore County, before a landlord who owns a building with six or fewer dwelling units may rent a unit, each rental unit must be registered. The applicable license is valid for three years.

In Carroll County, there is no *county* residential rental property license; however, the City of Westminster has established a rental housing license program. A single-family unit in Westminster must be licensed before it can be rented or leased. The license is valid for one year.

Charles and Frederick counties do not have residential rental property licenses. Furthermore, no municipality within either of the counties has an applicable license.

Background: The U.S. Census Bureau's 2018 American Community Survey estimates that, of the 2.2 million occupied housing units in the State, approximately 33% are renter-occupied. The estimates do *not* distinguish between single-family and multifamily dwelling units.

Local Fiscal Effect: County expenditures vary significantly depending on the existing infrastructure for rental licensing, or in some jurisdictions, the lack thereof. In some jurisdictions that already require residential rental licenses, such as Baltimore and Montgomery counties, the bill's requirements can likely be handled using existing resources.

However, in jurisdictions that lack an existing licensing infrastructure, implementing the bill's licensing requirements increases local government expenditures, potentially significantly. For example, Frederick County anticipates the need for seven additional personnel (six inspectors and an administrative assistant) and estimates associated expenditures, including travel and equipment, of a minimum of $585,000 annually beginning in fiscal 2022 (which assumes a start date of July 1, 2021, for the program).

Charles County also anticipates a significant fiscal impact. Specifically, Charles County estimates expenditures of at least $320,000 annually for salaries and ongoing operating expenditures, in addition to $100,000 in the first year to purchase vehicles.

Although the bill does not specifically authorize a licensing fee, this analysis assumes one could be adopted as part of the criteria for issuing licenses. Both Charles and Frederick counties advise that the county will likely adopt a licensing fee. It is assumed that other counties without existing programs will also charge a fee to offset, at least partially, anticipated expenditures. Thus, fee revenues likely increase in these counties. Local revenues also increase to the extent that civil penalties are imposed and collected.

Small Business Effect: The bill may limit the number of properties that a landlord may offer for rent in a jurisdiction.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Anne Arundel, Baltimore, Charles, Frederick, and Montgomery counties; City of Westminster; Maryland Association of Counties; Judiciary (Administrative Office of the Courts); State Department of Assessments and Taxation; U.S. Census Bureau; Department of Legislative Services

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Analysis by: Donavan A. Ham

Direct Inquiries to:
(410) 946-5510
(301) 970-5510