Economic and Fiscal Impacts of Rent Control Legislation in Montgomery County, Maryland

Prepared for
The Apartment and Office Building Association of Metropolitan Washington (AOBA)

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June 19, 2015

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1.0 Executive Summary

The Regional Economic Studies Institute (RESI) of Towson University and BBPC (hereafter jointly referred to as the Research Team) engaged on a project for the Apartment and Office Building Association of Metropolitan Washington (AOBA) to measure the economic and fiscal impacts, if any, that would result from implementation of proposed rent control legislation in Montgomery County (hereafter referred to as Rent Control).

1.1 Summary of Key Findings

Based on the Research Team's findings, Rent Control would result in reductions in the property values of existing multifamily buildings and would in turn significantly decrease County property tax revenues and income tax revenues paid by building owners residing in the County.

Additionally, many planned multifamily and mixed-use projects would not be developed, resulting in further losses of tax revenues and jobs. Specific Montgomery County fiscal impacts from the implementation of Rent Control would likely include the following:

- Estimated annual tax revenue losses of $46.1 million in 2020, increasing to $101.3 million per year by 2025;
- Ten-year total tax revenue losses of $538.5 million; and
- If Montgomery County chooses to offset the direct fiscal impacts of Rent Control with additional taxes, a resulting increase in property tax rates equating to an average of $267 per owner-occupied household in 2025 would only partially mitigate direct tax losses, with no additional benefit for County residents.[1]

In addition to the direct fiscal impacts to Montgomery County, the State of Maryland would likely experience a direct loss of revenue of $327.8 million during the same ten-year period due to unrealized sales tax and income tax. Although these substantial fiscal impacts are highly concerning, arguably more concerning is the overall reduction in economic activity and loss of jobs that would result in the coming decade with the implementation of Rent Control.

The Research Team used an econometric model to measure the economic ripple effects caused by Rent Control, including loss of income, foregone construction projects, and reduced employee migration. By 2025 annual economic impacts would reach the following levels:

- Over 70,900 jobs unrealized,
- Loss of $10.4 billion in County economic output, and
- Loss of $5.4 billion in wages.

Montgomery County previously implemented two rent control ordinances, which were in effect from 1973 to 1977 and again from 1979 to 1981.[2] During this period, sales prices for apartment buildings fell substantially, and essentially no new units were constructed or planned for development, despite very low vacancy rates. In 1980 the City of Takoma Park, an incorporated municipality in the County, implemented its own rent control ordinance that is still in effect

today.[3] Following the expiration of Montgomery County rent control in 1981, County property values increased substantially, while Takoma Park values remained stagnant.

The massive scale of negative economic and fiscal impacts of Rent Control on the County is supported by the findings of theoretical and empirical studies—that rent control policies lead to disincentives for new development and can further exacerbate housing affordability issues.

1.2 Summary of Study Methodology

To determine the potential economic and fiscal impacts associated with Rent Control, the Research Team developed a scenario that allowed for rental rate escalations to occur at the three-year historical market rate changes by ZIP code (hereafter referred to as No Rent Control) obtained from Montgomery County's 2012 Annual Rental Facility Report. This scenario was contrasted with Rent Control, which capped rental rate increases to the forecasted CPI-U for the Baltimore-Washington Metropolitan Statistical Area (MSA).

The Research Team measured the impacts to property income and the resulting property tax losses for the County by calculating the delta between the Rent Control and No Rent Control scenarios. Using data regarding property owners' places of residence, the Research Team also measured the decline in business income taxes.

To capture the widespread ripple effects of Rent Control, the Research Team also measured the impacts in terms of revenues and jobs for current pipeline projects going unrealized in the County. The Research Team calculated revenue impacts by measuring the loss in residential units. The Research Team also measured the fiscal impact of the loss in the non-residential portion of mixed-used projects with a multifamily component. In addition, job impacts were calculated by applying estimates for square footage per employee for each type of commercial component foregone.

The Research Team used these figures as inputs in the REMI PI+ tool to determine the jobs, wages, and output impacts. The REMI PI+ model is a high-end dynamic modeling tool calibrated to Montgomery County that measures how changes in economic activity in a specific industry will create additional changes in government revenues, industry income and sales, employment, and personal income over time.

2.0 Introduction

The Research Team engaged on a project for AOBA to measure the economic and fiscal impacts, if any, that would result from implementation of Rent Control. At present, Takoma Park is the only jurisdiction in Maryland that imposes mandatory limits to rental rate increases.

The effects of rent control have been studied at length, and the general consensus among theoretical and empirical studies is that rent control policies lead to a number of unfavorable outcomes. Such outcomes may include loss of revenues, deteriorating housing stock due to lack of maintenance, disincentives for new development, high administrative costs, and housing affordability concerns.

The analysis in this report utilizes current County-level data and comprehensive economic and fiscal models to measure the impacts of Rent Control. The report will lead with a review of the economic and fiscal impacts to the County as well as financial implications for residents in Sections 3.0 and 4.0. Supporting methodology and evidence for the analysis will be explicitly described in succeeding sections.

2.1 Rent Control Definition

Rent control in the United States dates back to post-World War II and was enacted as an attempt to provide affordable housing opportunities during a particularly high inflationary period and related post-war housing shortage.[4] The standard academic definition of rent control is a government-legislated restriction on rental prices (also referred to as a price ceiling).[5] However, most practical applications of rent control limit the annual increase in rental rates. For instance, in Newark, New Jersey, a rent control ordinance sets limits on rent levels and rent increases on existing units. For occupied units, rents can only be increased by a maximum of four percent.[6] In Takoma Park, rent control is governed by Takoma Park's Rent Stabilization Law. This law caps the rental increase to the increase in the Consumer Price Index for all Urban Consumers (CPI-U)[7] for the Baltimore-Washington metropolitan statistical area (MSA).[8]

2.2 Montgomery County Rent Control and No Rent Control Scenarios

The analysis in this study was framed using two alternate scenarios for a ten-year period beginning in 2015. For the purposes of this report, Rent Control would limit annual increases in rental rates to the increase in CPI-U for the Baltimore-Washington MSA from March in the preceding year to March in the current year. These are the same guidelines currently used in Takoma Park to determine rental rate increase limits.[9]

The alternate scenario of No Rent Control assumes what would have been status-quo activity in the rental market given the current economic climate. This scenario assumes rental rate escalations that occur at the three-year historical market rate changes by unit and ZIP code held constant for the next ten years.

3.0 Economic and Fiscal Impacts

Rent control creates inefficiencies for landlords and renters and has spillover effects outside the rental market. Empirical studies consistently identify rent control policies' most concerning adverse effects: reductions in rental housing maintenance, tenant mobility, rental housing construction, and erosion of fiscal revenues.

Under Rent Control, landlords would be limited in terms of their ability to raise rental rates, which in turn creates economic disincentives to maintain operations and maintenance spending on current properties—disincentives which in turn erode property values.[10] When rent control laws are rigid and inflexible, rental housing values depreciate at an even faster rate.[11] Unfortunately, impacts are not just limited to property owners, as corresponding losses to rental revenues and property taxes "[erode] the tax base and [shift] a tax burden to homeowners."[12]

Rent control also creates a misallocation of existing housing by reducing resident mobility.[13] Renters have little incentive to seek out alternatives to rent-controlled units and the market ceases to self-regulate. Furthermore, rent control significantly dampens new multifamily housing construction because it decreases revenue expectations for developers, owners, and/or investors and impacts bank lending decisions.[14]

Taking these impacts into account, to quantify the change in economic activity within Montgomery County under Rent Control policy, the Research Team calculated the following data for both existing and pipeline multifamily developments:

- Rental revenue income losses,
- Corresponding losses in rental property tax revenue,
- Business income tax revenue losses; and
- Job losses from pipeline projects unrealized.

To estimate the economic and fiscal impacts, the Research Team used the REMI PI+ model. This model is particularly relevant to this type of analysis because it allows for changes in government revenues, industry income and sales, employment, and personal income over time. The model's inter-industry dynamism captures price and wage effects, making the tool more refined compared to other modeling software. Section 3.1 provides a more in-depth overview of the REMI PI+ model.

3.1 Model Overview

The REMI PI+ model is a high-end dynamic modeling tool used by various federal and state government agencies for economic and policy analysis. Utilization of REMI PI+ helps design a sophisticated model that is calibrated to the specific demographic features of the study area. This model enumerates the economic and fiscal impacts of each dollar earned and spent by the following: employees related to the economic events modeled, other supporting vendors (business services, retail, etc.), each dollar spent by these vendors on other firms, and each

dollar spent by the households of the event's employees, other vendors' employees, and other businesses' employees.

REMI PI+ features the ability to capture price effects, wage changes, and behavioral effects through time. Another benefit of the model compared to traditional static input/output models, such as IMPLAN, is that regional constraints are built in to account for limited resources over time. The REMI PI+ model captures the effects occurring between industries and minimizes the potential for double-counting in employment, output, and wages. The ability to capture changes throughout a span of time provides a detailed representation of an economic event over time and its effects on the study area.

3.2 Economic Impacts

Numerous studies enumerate rent control policies' adverse economic effects. These impacts include reductions in rental housing maintenance, rental housing construction, and tenant mobility. For example, rent control policies pose a number of barriers to capital investments and development. The decrease in expected rental revenues by limiting rental rate increases will make some projects economically infeasible for development. Declining net operating income (NOI) will mean less money for maintenance and as buildings deteriorate, will eventually lead to lower appraised values, which will impact lending and underwriting decisions as well as interest rates. This in turn will limit the availability of construction and maintenance funding. As a result, Rent Control will impact the quality and availability of rental housing. Deteriorating housing stock due to owner disinvestment will also complicate the attraction of new residents and retention of existing ones. A decline in development projects and capital investment in existing housing stock will have a significant impact on the construction sector but will also translate to decreased economic activity in other support industries (i.e., retail, food service, accommodations, real estate, and transportation).

Taking all these factors into account and quantifying the County impacts related to these adverse effects, the Research Team applied the calculations and findings (as provided in Section 6.0) to the REMI PI+ model to determine the overall economic and fiscal impacts that Montgomery County would experience if Rent Control were enacted. Figure 1 reports the unrealized jobs, output, and wage impacts.

Figure 1: Economic Impacts Associated with Rent Control in Montgomery County, 2015–2025

Year	Jobs	Output	Wages
2015	-1,020	-$153,465,826	-$47,418,764
2016	-1,708	-$283,363,109	-$82,644,889
2017	-2,800	-$477,381,549	-$141,329,609
2018	-4,592	-$782,439,702	-$242,324,019
2019	-7,558	-$1,271,449,567	-$417,566,110
2020	-20,443	-$3,348,769,020	-$1,163,719,991
2021	-33,707	-$5,403,051,853	-$2,042,601,617
2022	-42,375	-$6,243,572,292	-$2,582,232,718
2023	-51,680	-$8,378,995,380	-$3,553,962,704
2024	-65,349	-$9,815,423,157	-$4,704,454,278
2025	-70,951	-$10,400,005,037	-$5,435,542,733

Sources: REMI PI+, RESI

As reported in Figure 1, under Rent Control, by 2025 the total jobs[15] unrealized would amount to 70,951,[16] with $10.4 billion in unrealized output and $5.4 billion in unrealized wages. As the policy begins to reduce future revenues in the County, economic migration to the County begins to decline. An "economic migrant" is someone who moves to the area due to the economic opportunities that are available. As Rent Control becomes the status quo, the expected net economic migration would decline by nearly 5,000 residents in 2025. These individuals would have contributed to the income tax revenues and additional property tax revenues by migrating to and living within the County.

According to 2011 U.S. Census On the Map data, nearly 426,000 Montgomery County residents were employed, with only a little more than half working outside the county.[17] Under Rent Control, the potential decline in migration of new residents who would have contributed to future fiscal revenues is a concern given the high level of local employment. The retention of high-skilled labor is important as these individuals will tend to contribute more to local spending and fiscal revenues. The Research Team looked at the detailed employment impacts to determine if any losses occurred to jobs with significantly higher wages than average under Rent Control.[18] Figure 2 denotes some of the resident jobs unrealized by 2025 as a result of this decline in economic migration.

Figure 2: Economic Migrants' High-skill Jobs Unrealized, 2025

Sector	Number of Jobs Unrealized
Accounting, tax preparation, bookkeeping, and payroll services	-70
Agencies, brokerages, and other insurance related activities	-35
Business support services; Investigation and security services; Other support services	-114
Computer systems design and related services	-75
Educational services	-42
Hospitals	-62
Legal services	-54
Management of companies and enterprises	-45
Management, scientific, and technical consulting services	-74
Monetary authorities, credit intermediation, and related activities	-235
Offices of health practitioners	-224
Other professional, scientific, and technical services	-44
Outpatient, laboratory, and other ambulatory care services	-54
Real Estate	-575
Securities, commodity contracts, and other financial investments and related activities	-99
Total	**-1,802**

Sources: REMI PI+, RESI

Of those economic migrants moving into the County, 1,802 would have been employed in high-wage professions. These new residents would have contributed to higher fiscal revenues by 2025. Overall, Montgomery County would see significant losses in terms of fiscal revenues based on reductions from property tax revenues, business income tax revenues, income tax revenues of new resident employment, and current resident employment, as shown in Figure 3.

Figure 3: Fiscal Impacts of Rent Control, Montgomery County

Year	Foregone Rental Property Tax Revenues	Foregone Business Income Tax Revenues	Foregone Personal Income Tax Revenues	Total Unrealized Tax Revenues
2015	-$4,110,586	-$707,552	-$253,922	-$5,072,059
2016	-$9,822,716	-$1,571,280	-$455,011	-$11,849,007
2017	-$15,791,972	-$2,237,388	-$732,704	-$18,762,064
2018	-$22,108,213	-$2,929,352	-$1,163,320	-$26,200,884
2019	-$29,628,664	-$3,737,021	-$1,861,277	-$35,226,962
2020	-$38,576,086	-$4,596,956	-$2,878,565	-$46,051,606
2021	-$46,602,682	-$5,502,525	-$3,509,617	-$55,614,824
2022	-$56,410,182	-$6,491,879	-$4,594,623	-$67,496,684
2023	-$66,638,789	-$7,575,405	-$5,668,477	-$79,882,671
2024	-$75,997,732	-$8,729,769	-$6,326,220	-$91,053,721
2025	-$84,725,454	-$9,947,022	-$6,661,676	-$101,334,153
Total	**-$450,413,076**[19]	**-$54,026,150**	**-$34,105,410**	**-$538,544,636**

Sources: REMI PI+, RESI

The full fiscal impact of enacting Rent Control in Montgomery County would amount to a loss of $538.5 million in fiscal revenues by 2025. Overall, the heaviest losses in revenues are attributed to property taxes ($450.4 million), which include direct losses from both existing units and pipeline projects. The business income tax revenues losses, which totaled $54.0 million, account for the loss from potential business income associated with existing rental units and pipeline projects for owners living within the County. The personal income revenue losses generated through the unrealized jobs between 2015 and 2025 (as reported in Figure 1) amounted to a loss of $34.1 million.

The numbers presented in Figure 3 are conservative, as it is feasible that over a ten-year period the operating costs of multifamily housing could increase faster than the CPI-U rate. Given the Research Team's use of a static percentage of costs for the estimated income approach method, the true cost to proprietors may be higher than the estimated percentage. Policies involving increases in hourly wage requirements, paid benefit leave requirements, and outstanding state regulations may increase costs well above the 35 percent of revenues used within this analysis. The increase in maintenance and operating costs to proprietors of multifamily units would compound over time if rents are not able to adjust to meet these costs.[20] This factor could potentially drive down the valuations even further than the estimates in Figure 3. Furthermore, it was not possible to measure potential changes for all revenue streams, including foregone recordation and transfer taxes, which are not included in these revenue loss calculations.[21]

It should be noted that any legislation at the County level will have ramifications for the State as well. Figure 4 reports the associated State of Maryland fiscal revenues unrealized from 2015 to 2025 as a result of Rent Control in Montgomery County.

Figure 4: Fiscal Impacts of Rent Control, State of Maryland

Year	Foregone Property Tax Revenues	Foregone Income Tax Revenues	Foregone Sales Tax Revenues	Foregone Payroll Tax Revenues	Foregone Other Tax Revenues	Total Unrealized Tax Revenues
2015	-$537,960	-$842,475	-$853,163	-$17,184	-$563,145	-$2,813,926
2016	-$1,100,553	-$1,668,853	-$1,528,812	-$30,793	-$1,009,119	-$5,338,130
2017	-$1,660,039	-$2,531,553	-$2,461,846	-$49,585	-$1,624,985	-$8,328,008
2018	-$2,326,458	-$3,647,744	-$3,908,693	-$78,727	-$2,580,002	-$12,541,624
2019	-$3,162,449	-$5,234,202	-$6,253,792	-$125,961	-$4,127,926	-$18,904,330
2020	-$4,177,325	-$7,343,410	-$9,671,826	-$194,806	-$6,384,060	-$27,771,427
2021	-$5,031,089	-$8,883,251	-$11,792,128	-$237,512	-$7,783,603	-$33,727,583
2022	-$6,137,635	-$11,168,484	-$15,437,692	-$310,940	-$10,189,921	-$43,244,672
2023	-$7,276,867	-$13,485,873	-$19,045,784	-$383,612	-$12,571,506	-$52,763,643
2024	-$8,248,994	-$15,200,138	-$21,255,769	-$428,125	-$14,030,245	-$59,163,271
2025	-$9,097,754	-$16,453,067	-$22,382,883	-$450,827	-$14,774,217	-$63,158,747
Total	**-$48,757,123**	**-$86,459,048**	**-$114,592,388**	**-$2,308,072**	**-$75,638,729**	**-$327,755,361**

Sources: REMI PI+, RESI

If Rent Control is implemented in Montgomery County, the State of Maryland would lose $327.8 million in revenues over the next ten years. The heaviest of these losses would occur within sales tax revenues and income tax revenues which amount to $114.6 and $86.5 million, respectively. The column titled “Foregone Other Tax Revenues” includes categories such as gas taxes, beverage taxes, and permitting fees associated with construction and business operations. Losses in this category, estimated using historical data, would exceed $75.6 million by 2025.

4.0 Financial Implication for Montgomery County and Its Residents

The implementation of Rent Control will have serious consequences for Montgomery County, both in terms of the County's ability to maintain current levels of services for its residents and its ability to sustain its strong fiscal position. Therefore, the substantial long-term reduction in revenue represented by Rent Control must be taken very seriously. Increasing tax rates is one strategy to mitigate the impacts of Rent Control, but this would result in increased tax expenditures per household without a corresponding increase in services. Furthermore, legal restrictions on tax revenue increases limit the County's ability to use tax increases to offset unrealized revenue.[22]

Anticipated reductions in revenue will also negatively impact the County's ability to deal with other financial threats, such as litigation or other tax revenue shortfalls. For example, the May 18, 2015, Supreme Court decision in *Comptroller v. Wynne* deemed a portion of the Maryland income tax structure unconstitutional and will reduce Montgomery County revenues by over $50 million per year in fiscal years 2017 and 2018.[23] Although the County has a reserve fund intended to cover budget contingencies, depleting recently accumulated County reserves to fill a revenue gap created by a single event, such as Rent Control, is not consistent with County policy, nor are the reserves sufficient to cover the large and growing reduction in revenue that would result from Rent Control.

Rent Control, in combination with other potential revenue shortfalls, could threaten the County's AAA bond rating, which is the highest rating offered by rating agencies Moody's, Standard & Poor's, and Fitch. This rating, which results in significantly decreased County costs for borrowing money, is neither common nor easily maintained. As indicated in the County's budget memo to the Government Operations and Fiscal Policy Committee, Montgomery County is "only one of 40 counties in the nation—and only one of 23 counties with a population greater than 500,000—to be rated AAA by Moody's, Standard & Poor's, and Fitch."[24] Montgomery County has been able to do so through a combination of conservative fiscal policy, a commitment to maintaining high ratings, and proactive action to mitigate fiscal threats. Implementing Rent Control would be inconsistent with these standards.

Rating agency criteria focus on strong fiscal management, the size of the tax base, and revenue and cash flow trends. The size of the tax base and cash flow trends would be negatively impacted by the implementation of Rent Control. The loss of over half a billion dollars in County tax revenues over the next decade is a substantial threat to the financial stability of Montgomery County—a threat that will continue to build as the negative effects of Rent Control accumulate. While the strong fiscal management that has maintained the County's AAA bond rating may be able to partially mitigate this threat, the choices involved to ease these losses will require tough decisions that will negatively impact taxpayers.

Raising tax rates without corresponding increases in services is a strategy that has been implemented in Montgomery County in the past to mitigate fiscal threats. The 2007–2008

financial crisis resulted in substantial reductions in Montgomery County property values. Due to the lag in three-year-cycle real property assessments, total assessed values plateaued in 2010 and 2011 and saw substantial reductions in 2012 and 2013. To maintain revenues, the County increased total direct real property tax rates by 11.5 percent between 2011 and 2013.[25]

A similar strategy could be employed to partially mitigate the impacts of Rent Control, though long-term continuous increases in tax rates with no corresponding improvement in services are problematic. Furthermore, since the County currently charges the statutory maximum income tax rate of 3.2 percent, income tax losses could not be mitigated through higher rates.[26] The majority of this financial burden would become the responsibility of owner-occupied households, with annual direct impacts reaching an average of $307 per household in 2025, of which $267 could be charged to owner-occupants through increased property tax rates, as shown in Figure 5.

Figure 5: Montgomery County Annual Financial Impacts Per Owner-Occupied Household

Year	Total Owner-Occupied Households	Property Tax Increase Per Household	Income Tax Loss Per Household	Total County Tax Impact Per Household	Additional Property Tax Borne by Commercial Properties
2020	245,492	$122	$19	$142	$8,532,970
2025	247,585	$267	$41	$307	$18,741,139

Sources: BBPC, Montgomery County Department of Finance, RESI, U.S. Census Bureau

These per-household impacts are direct annual revenue losses per owner-occupied household, a portion of which may become a direct burden to these households through property tax rate increases required to partially offset the revenue losses resulting from implementation of Rent Control. In 2025, $267 per owner-occupied household could be charged as additional property tax, while the $41 per household income tax loss could not be retained due to statutory limitations. Commercial properties would also bear some of the property tax cost, which is an additional impact.

Additional revenue reductions will occur for the State of Maryland. Including these State impacts in the figures per household results in 2025 impacts that average $474 per owner-occupied household, as provided in Figure 6.

Figure 6: Annual Financial Impacts Per Household (Direct County and Indirect State Impacts)

Year	Owner-Occupied Household	Renter Household
2020	$219	$80
2025	$474	$171

Sources: BBPC, Montgomery County Department of Finance, RESI, U.S. Census Bureau

Considering that Rent Control does not provide an additional service to residents, the annual burden required of owner-occupied households to partially mitigate negative impacts on County fiscal health would be substantial. While Montgomery County may be able to mitigate some of the direct impacts of Rent Control on real property tax revenues by raising taxes, the long-term effects of Rent Control will greatly exceed the County's capacity to mitigate these losses through increases in property taxes. Higher tax rates for both homeowners and businesses will reduce Montgomery County's competitiveness with surrounding counties, and reductions in construction of new multifamily and mixed-use development projects will result in total economic impacts that include $5 billion in lost wages. Implementation of policies that increase taxes or reduce services to residents will be required to attempt to stabilize the County's financial health. Despite these efforts, the total economic impacts of Rent Control will continue to constrain Montgomery County's economic potential and threaten its financial stability.

5.0 Rental Market Characteristics

The first step in determining the potential fiscal impacts associated with Rent Control is to examine the current stock of multifamily units in Montgomery County. For this task, the Research Team based its rental market analysis on the Annual Rental Facility Report for 2012 published by the Montgomery County Department of Housing and Community Affairs.[27] Findings in this report are based on the annual survey of "all multifamily rental facilities in Montgomery County with twelve or more rental units."[28] The report represents data for approximately 94.0 percent of all units (in buildings with twelve or more units) in the County with a focus on market-rate units and only limited data related to subsidized units.

The Research Team's analysis uses the information from the report for the following three types of lease categories:

- **Holdovers—**Holdovers are renters who sign renewal leases and lived in the unit the previous year.
- **Turnovers—**Turnovers are renters who sign new leases and did not live in the unit the previous year.
- **Vacant—**Vacant refers to units that did not have renters living there in the previous year nor a pending lease in the current year.

The County's rental report contains information regarding the total number of units as well as turnover, vacant, or holdover units by ZIP code for 2012. The sample captured in the report amounted to 58,876 market rate multifamily dwelling units in the County in 2012. Of these units, 36,551 units were renewed, 20,130 consisted of turnovers, and 2,195 units remained vacant.[29] Figure 7 lists the total number of turned over, vacant, or holdover units for 2012. Figure 18 in Appendix A provides this information at the ZIP code level.

Figure 7: Multifamily Unit Totals for Types of Leases, 2012

Type of Lease	Number of Units
Turnover	20,130
Vacant	2,195
Holdover	36,551
Total	**58,876**

Sources: Montgomery County DHCA, RESI

The Research Team then applied the distribution of all units by size as indicated in the Annual Rental Facility Report to determine totals for each size category. Of the 58,876 units in the report, there were 23,545 one-bedroom and 27,030 two-bedroom multifamily units. These two type of units accounted for nearly 86 percent of all multifamily units in Montgomery County. Efficiencies and three-bedroom units amounted to 3,101 and 4,958 units, respectively. Data for four-bedroom apartments were limited within the report. Given the small percentage of these types of multifamily units (0.4 percent), the Research Team excluded these units without significant impact on the results. Detailed findings are provided in Figure 8. For a more detailed look at County distribution Figure 15 in Appendix A provides the information at the ZIP code level.

Figure 8: Multifamily Unit Totals by Size (Excluding 4 Bedroom Units), 2012

Size of Unit	Number of Units
Efficiency/studio	3,101
1 bedroom	23,545
2 bedroom	27,030
3 bedroom	4,958
Total	**58,634**

Sources: Montgomery County DHCA, RESI

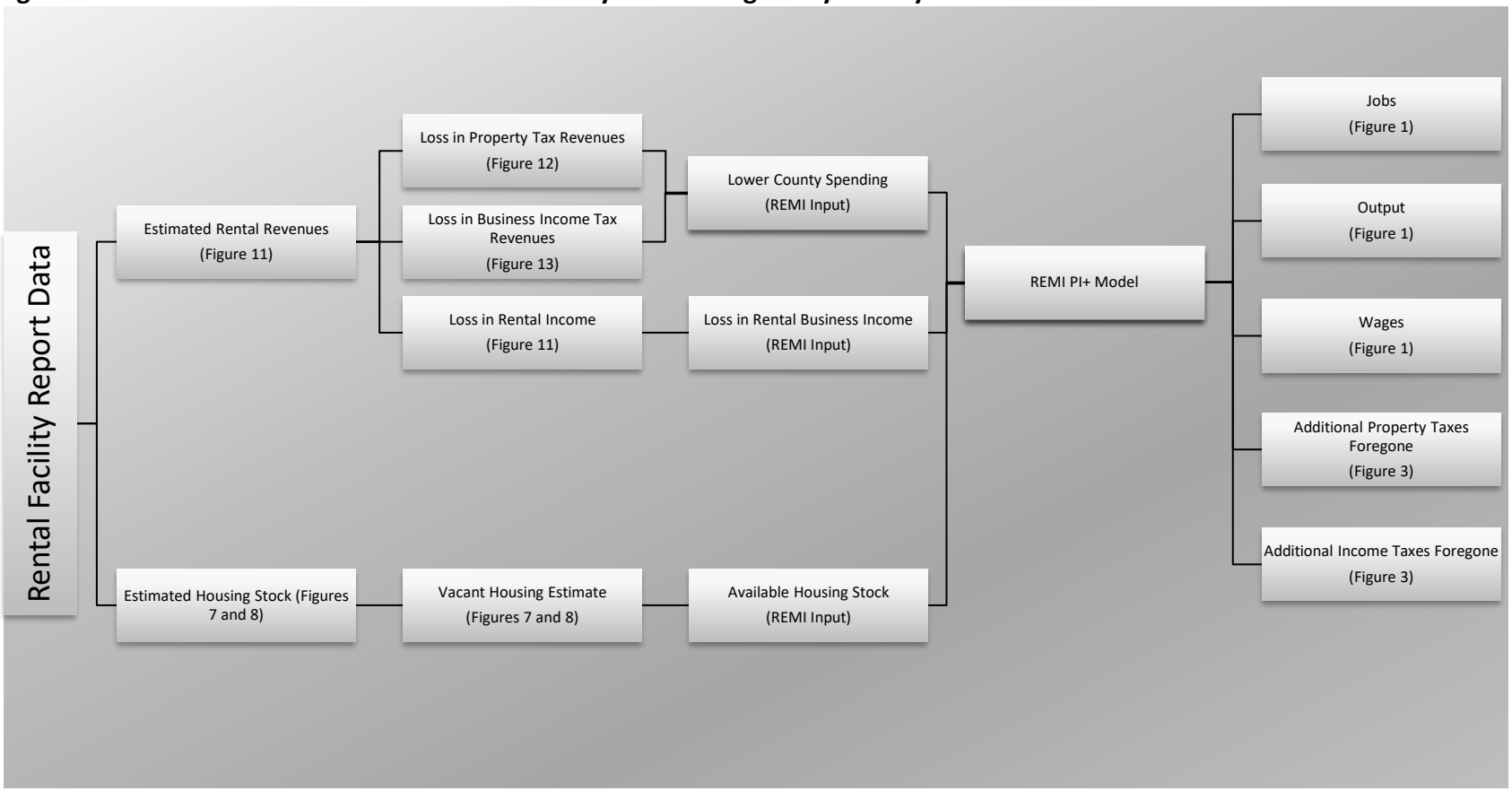
6.0 Impacts Associated with Rent Control

The enactment of Rent Control would have severe fiscal implications for the County. Losses are not just limited to reductions in property income levels and corresponding property tax revenues to the County. Additional variables include lower business income, loss of wages, and population shifts. For example, the Research Team found that the decline in various income levels from potential new residents and diminished housing availability eventually led to a decline in the anticipated population and jobs through 2025. This loss in future residents' income added to the direct loss from current residents.

To estimate the potential impacts of Rent Control in Montgomery County, the Research Team estimated several key components for the analysis. Using a sample size of 58,634 units, the Research Team estimated the loss in potential rental revenues, loss in property tax revenues, and loss in business income tax revenues. Then, using Montgomery County pipeline construction project data, the Research Team estimated the potential loss from a "no-build"

scenario resulting from Rent Control. Under this "no-build" scenario, the Research Team calculated revenue impacts by measuring the loss in residential units (measured at current absorption rates). The Research Team also measured the fiscal impact of the loss in the non-residential portion of mixed-used projects with a multifamily component. Figure 9 provides a flow chart to indicate how the following pieces of data were used within the REMI PI+ model for the analysis.

Figure 9: Variable Flow Chart for Rent Control Analysis in Montgomery County



Source: RESI

The following sections identify the REMI PI+ inputs for the Rent Control impact analysis. Section 6.1 enumerates the calculations and assumptions while the following sections closely examine each of the factors under analysis and their contributions to revenue losses in the County. All the information calculated within this section contributes to the inputs used within the REMI PI+ model to gauge the full impact associated with Rent Control from 2015 through 2025. For more information on the REMI PI+ model, please refer to Section 3.1.

6.1 Calculations and Assumptions

To analyze the long-term impacts of Rent Control, the Research Team examined a full decade of impacts ending in 2025. In addition, the Research team made several calculations and assumptions, as described below.

1. For the purposes of this project, the Research Team assumed that yearly rental increases would be capped to the annual change in CPI-U for the Baltimore-Washington MSA, in accordance with Takoma Park's existing rent control legislation.
2. The Research Team forecasted the CPI-U for the analysis using 10 years of historical data in the CPI-U for the Baltimore-Washington MSA.
3. Property assessments were phased in to reflect a tiered assessment schedule.

6.2 Rental Revenue Income Overview

To determine the loss associated with rental revenue incomes, the Research Team capped the rate of increase for holdovers to the forecasted change in the CPI-U for each year. Figure 10 reports the CPI-U forecast for Montgomery County between 2015 and 2025.

Figure 10: CPI-U Forecast for Montgomery County, 2015–2025

Year	CPI-U
2015	0.2%
2016	1.8%
2017	2.3%
2018	2.1%
2019	1.8%
2020	2.0%
2021	2.0%
2022	1.9%
2023	1.8%
2024	1.8%
2025	1.8%

Sources: BLS CPI-U, RESI

The Research team used turnover rates equivalent to the previous year's holdover rate. Historically, turnover rates are close to the previous year's holdover rate because property owners typically set market rates that are closely tied to the previous year's holdover rate to market their units more effectively. The Research Team used this strategy to account for consumers who have an incentive to compare prices for their current leases. Under this assumption, the previous year's holdover rate would be the new turnover rate in the following year, while the new holdover rate would increase at that year's CPI-U.

A holdover market rate is intended for property owners to not only continue tenancy but also account for further depreciation of the unit and retain market value. Under a holdover lease, the obligation is to account for potential damage in that year as well as the depreciation potential over the next year.[30] The following formula outlines the Research Team's method of

calculating the total potential rental income for a single year. To determine the holdover rate in a given year, the Research Team examined the projected change in CPI-U from the previous year and applied the following formula.

$$holdover\ rate_t = rate_{t-1} + (rate_{t-1} * change\ in\ CPI)$$

Where t is the current year being examined, and, $t - 1$ is the previous year.

With this formula, the Research Team captured the change in potential holdover income from year to year, given historical holdover occupancy rates. To determine the turnover rate in a single year, the Research Team took the previous year's holdover rates and applied those to the historical turnover occupancy rate by ZIP code each year. Once the Research Team calculated both the holdover and turnover rates, the Research Team applied these rates to the units and aggregated to determine the total income for all units to property owners. The Research Team used the following formula to determine the total rental income in a single year.

$$y_t = \sum_{i=1}^{20{,}130} turnover\ income + \sum_{i=1}^{36{,}551} holdover\ income$$

Where i is the unit, y_t is the total income from all units in year t, and t is any year between 2015 and 2025.

Under No Rent Control, rental rate escalations occur at the three-year historical market rate change by unit at the ZIP code level held constant for the next ten years. The Research Team calculated income by adding the turnover income to the holdover income on a yearly basis. Under the Rent Control scenario, the Research Team pegged rates of escalation to the forecasted CPI-U for the Baltimore-Washington MSA each year. The Research Team calculated total revenue income through the sum of the turnover income and holdover income as described in the equation above. The Research Team then totaled the income that properties earned for units occupied during a year for each year under the No Rent Control and Rent Control scenarios. Figure 11 shows the totals by year and differences.

Figure 11: Multifamily Total Property Income by Year—No Rent Control vs. Rent Control

Year	Multifamily Property Income No Rent Control	Multifamily Property Income Rent Control	Loss in Rental Income Revenue
2015	$1,027,328,444	$1,002,498,582	-$24,829,862
2016	$1,069,866,062	$1,014,725,684	-$55,140,378
2017	$1,114,474,546	$1,035,958,671	-$78,515,875
2018	$1,161,136,611	$1,058,337,905	-$102,798,706
2019	$1,209,923,195	$1,078,781,231	-$131,141,963
2020	$1,260,991,496	$1,099,672,158	-$161,319,338
2021	$1,314,440,554	$1,121,342,397	-$193,098,158
2022	$1,370,371,035	$1,142,553,825	-$227,817,210
2023	$1,428,905,398	$1,163,064,397	-$265,841,002
2024	$1,490,191,656	$1,183,840,991	-$306,350,665
2025	$1,554,367,891	$1,205,300,579	-$349,067,312
Total	**$14,001,996,887**	**$12,106,076,420**	**-$1,895,920,467**

Sources: Montgomery County DHCA, RESI

The Research Team found that losses in rental revenue income would grow from a yearly loss of $24.8 million in 2015 to $349.1 million in 2025 under the Rent Control scenario. The Research Team used these data reflecting income generation in the County as the basis for assessment of properties under the property tax changes in Section 6.3.

Figure 12: Average Change in Monthly Rent and Rental Revenue per Unit, Monthly and Annually by Year

Year	No Rent Control Average Monthly Rent[31]	Rent Control Average Monthly Rent	Per Unit Loss in Rental Revenue Monthly (Per Unit)[32]	Per Unit Loss in Rental Revenue Annually (Per Unit)
2015	$1,460	$1,425	-$35	-$423
2016	$1,521	$1,442	-$78	-$940
2017	$1,584	$1,472	-$112	-$1,339
2018	$1,650	$1,504	-$146	-$1,753
2019	$1,720	$1,533	-$186	-$2,237
2020	$1,792	$1,563	-$229	-$2,751
2021	$1,868	$1,594	-$274	-$3,293
2022	$1,948	$1,624	-$324	-$3,885
2023	$2,031	$1,653	-$378	-$4,534
2024	$2,118	$1,683	-$435	-$5,225
2025	$2,209	$1,713	-$496	-$5,953

Sources: Montgomery County DHCA, RESI

To determine the impact per unit, the Research Team used the annual No Rent Control and Rent Control revenues from Figure 11 and divided these totals annually by the number of sample units (58,634). Reviewing Figure 12, the loss per unit over the ten-year period increases from an annual loss in 2015 of $423 to $5,953 in 2025. When reviewing Figure 12 for annualized revenue loss, the average change in rental rate for the County is a conservative estimate for the No Rent Control column due to the variations in the ZIP code level data. The Research Team found that, in some ZIP codes of Montgomery County, the annual rent increases tended to exceed 4 percent escalation, so actual impacts per unit in these areas would be much higher. These areas also have a higher base rent in a single year than some ZIP codes where the demand for housing is lower.

Using information regarding total rental revenues in Figure 11, the Research Team then applied an assessed valuation by ZIP code for the sample to estimate property tax revenue losses. The methodology and results for this analysis are presented in Section 6.3.

6.3 Property Tax Overview

In 2013 the Office for the Inspector General for Montgomery County completed an audit of the Montgomery County Department of Finance on assessment practices for property taxes. To determine property tax revenues, the Maryland Department of Assessment and Taxation's Montgomery County Office used an income approach to determine total property tax dues.[33] This Office arrives at property assessments using the following formula:[34]

$$Assessed\ Value = \frac{(Income - Expenses)}{Capitalization\ Rate}$$

Where, according to the report, the average percentage used to estimate expenses was roughly 35 percent of income.[35] Furthermore, the capitalization rate was approximately 6 to 7 percent in most cases.[36] Applying these assumptions to the total property income revenues in Figure 11 from Section 6.2 the Research Team estimated the potential property tax revenues that Montgomery County would receive under the No Rent Control and Rent Control scenarios for the ten-year study period. Figure 13 denotes these totals.

Figure 13: Multifamily Total Property Tax Revenues by Year—No Rent Control vs. Rent Control

Year	No Rent Control Property Tax Revenues	Rent Control Property Tax Revenues	Loss in Property Tax Revenues
2015	$110,486,234	$109,122,648	-$1,363,586
2016	$117,632,808	$113,220,763	-$4,412,045
2017	$122,484,270	$115,093,422	-$7,390,848
2018	$127,565,437	$117,540,228	-$10,025,209
2019	$132,874,882	$119,944,787	-$12,930,095
2020	$138,425,632	$122,264,948	-$16,160,684
2021	$144,232,759	$124,653,344	-$19,579,415
2022	$150,306,205	$127,060,446	-$23,245,759
2023	$156,657,526	$129,402,664	-$27,254,862
2024	$163,301,895	$131,720,065	-$31,581,830
2025	$170,255,400	$134,090,397	-$36,165,002
Total	**$1,481,369,613**	**$1,291,260,277**	**-$190,109,336**

Sources: Montgomery County DHCA, RESI

In 2025, Montgomery County will experience a $36.2 million decline in multifamily property tax revenues due to Rent Control. The Research Team then added the multifamily annual losses in property tax revenues as one of the inputs to the REMI PI+ model to determine the overall economic impact to Montgomery County as a result of Rent Control. Upon further review of the properties, the Research Team found that a significant share of property owners claimed residency within Montgomery County. Since these owners would ultimately pay their business income tax to Montgomery County, the Research Team calculated the loss from business income tax revenue under the Rent Control as outlined in Section 6.4.

6.4 Business Income Taxes Overview

The Research Team established a share of property owners living in Montgomery County of nearly 62 percent. For non-Takoma Park rental units, this share dropped to 59 percent. Business income represents the share of profitable income taken in by a property owner less their expenses. Therefore, if they reside within Montgomery County, these owners would pay income tax on this income (net expenses).

Using the information provided in Figure 11 of Section 6.2, the Research Team reviewed property income annually by ZIP code. The number of property owners by each ZIP code residing in Montgomery County was determined using property data provided directly to the Research Team by the Maryland-National Capital Parks and Planning Commission. The share of these owners was then applied to the potential share of business income that would be subjected to Montgomery County business taxes. The following formula represents the calculations used in the process of determining business tax liability.

$$z_t = \sum_{i=1}^{25} rental\ income_t * s_i$$

Where z_t is the business income liability for those business owners residing in Montgomery County in year t, i is the ZIP code of reference from the total 25 ZIP codes (excluding Takoma Park) reviewed in this analysis, and, s_i is the share of property owners associated with properties in ZIP code i residing in Montgomery County.

The Research Team then totaled potential business income tax liabilities across ZIP codes and multiplied by the applicable business income tax for Montgomery County in 2015. Figure 14 reports the annual results for the business income tax revenues under the No Rent Control and Rent Control scenarios.

Figure 14: Multifamily Total Business Income Tax Revenues by Year—No Rent Control vs. Rent Control

Year	No Rent Control Business Income Tax Revenues	Rent Control Business Income Tax Revenues	Loss in Business Income Tax Revenues
2015	$13,248,428	$12,928,222	-$320,206
2016	$13,796,993	$13,085,902	-$711,090
2017	$14,372,264	$13,359,723	-$1,012,541
2018	$14,974,018	$13,648,326	-$1,325,692
2019	$15,603,170	$13,911,963	-$1,691,207
2020	$16,261,746	$14,181,372	-$2,080,374
2021	$16,951,025	$14,460,832	-$2,490,194
2022	$17,672,305	$14,734,374	-$2,937,931
2023	$18,427,164	$14,998,878	-$3,428,286
2024	$19,217,512	$15,266,813	-$3,950,698
2025	$20,045,128	$15,543,556	-$4,501,572
Total	**$180,569,752**	**$156,119,962**	**-$24,449,790**

Sources: Montgomery County DHCA, RESI

From 2015 to 2025 Montgomery County would face reduced yearly business income revenue of $0.3 million to $4.5 million, respectively. Using the annualized unrealized fiscal revenues from Figures 11, 13, and 14, the Research Team applied this input to the REMI PI+ model to determine the economic impacts along with unrealized property income and property taxes from pipeline projects as assessed in Section 6.5.

6.5 Impact on Future Development

Impacts to the County are not only limited to existing multifamily units. Another readily cited consequence of rent control is the decrease in construction of new rental housing.[37] For example, in Boston, no new apartments were constructed in a twenty-five year period, until the

rent control ban was passed in 1994.[38] Additionally, a study of rent control policies in Newark, New Jersey, noted that rent control also reduces the incentive to make community-wide capital improvements.[39] In Washington, D.C., the enactment of the Rental Accommodations Act of 1975[40] resulted in the significant decrease in new construction evidenced by the number of multifamily building permits, which fell from 7,263 in the first quarter of 1973 to just 220 in the first quarter of 1976.[41] D.C. revised its rent control policy with the passage of the Rental Housing Act of 1985.[42] [43] Under this act, rentals built after 1975 are exempted from rent stabilization. The exemption has allowed for multifamily construction, which was extremely limited prior to the 1985 exemption. In contrast to building permit activity lows in 1976, activity reached a high of 11,424 in 2012, outpacing single-family permit activity.[44]

To accurately measure the effect on future development, the Research Team developed a two-pronged approach to measure the impact that Rent Control would have on development projects in Montgomery County. The approach considered the following factors:

1. The impact on proposed multifamily housing development (which encompassed both rental and condo units) and
2. The impact on mixed-use projects.

The Research Team relied on pipeline data and project plan information published on the Montgomery County Planning website.[45] Pipeline project information included variables such as date of approval, corresponding master plan, project name, approved number of residential dwellings, and retail space for projects approved as of February 2015.

The Research Team measured the impact of lost multifamily housing development by applying recent absorption rates for both rental and condo units.[46] The analysis included condo units under the assumption that some rental properties already under construction would be converted into condo units. These condo conversions would inevitably have a crowding out effect on existing condo projects, particularly starting in year four of Rent Control. The annual reduction in the ability of the market to absorb new multifamily units would be approximately 869 units per year (rental only) for the first three years and 1,069 units starting in year four (rental plus condo).

To measure the impact on pipeline mixed-use projects, the Research Team estimated that all the proposed mixed-use developments with a multifamily component would not be built during the ten year timeframe of this analysis as long as Rent Control remained in effect. This is not a far-fetched assumption as developers are driven by profit considerations and the ability to secure financing for proposed projects, both of which would be severely limited by Rent Control. Any deviation from expected profits will result in a disincentive to build where potential revenues will be impacted.

The relevant current pipeline mixed-use projects total 5.3 million square feet in non-residential space.[47] The loss of this square footage would equal a loss of 975 construction jobs and an

additional loss of 1,722 jobs from subsequent economic activity associated with these mixed-used spaces over the next ten years.[48] [49]

It is important to note that these estimates are conservative as they do not take into account the impact on additional proposed construction projects that rely on these multifamily dwellings being developed. Examples include new shopping centers, restaurants, or other businesses not directly associated with the mixed used developments analyzed in this section.

6.6 REMI PI+ Model Inputs

Using the data calculated in Sections 6.1 through 6.5, the Research Team used the following data as inputs for the REMI PI+ model for existing and pipeline developments:

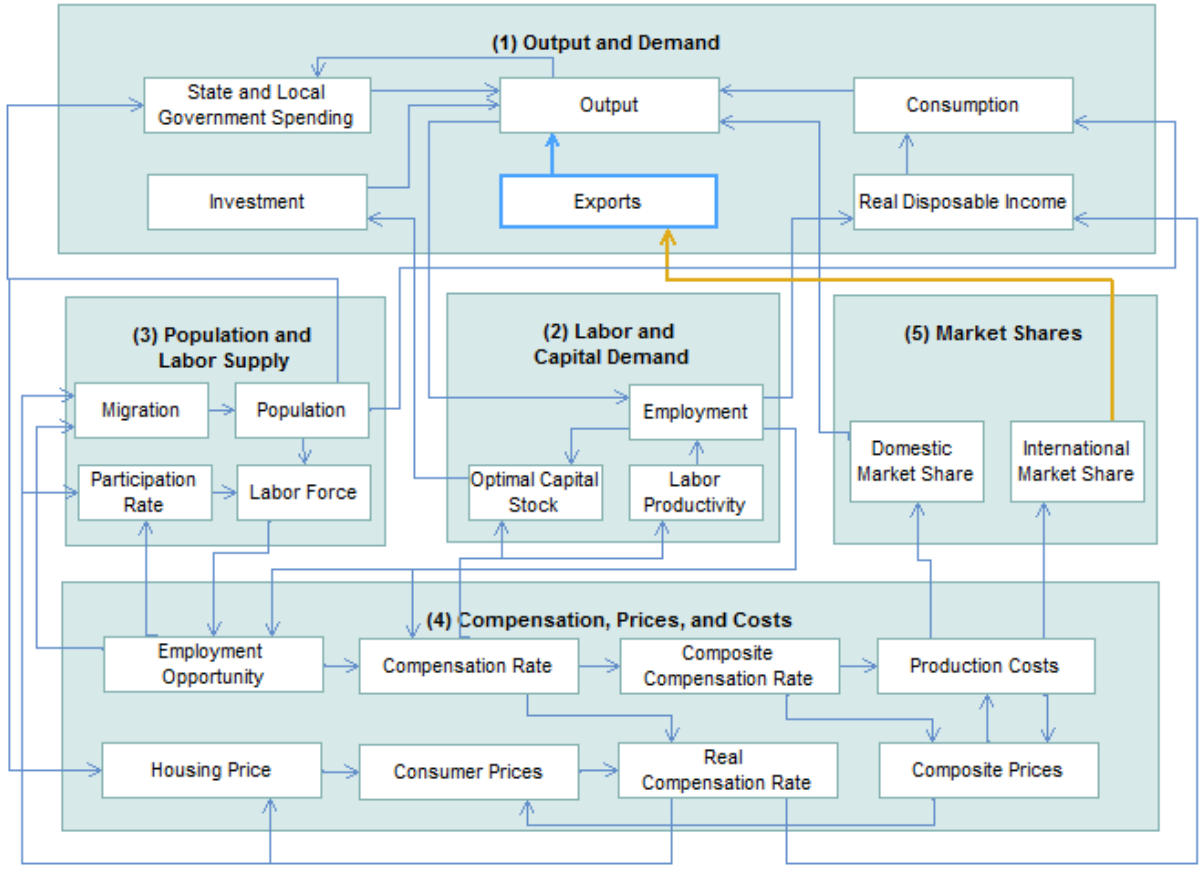
- Loss in property tax revenues;
- Loss in business income tax revenues; and
- Loss in rental revenue income.

The Research Team used these data as the inputs for the REMI PI+ model on an annual basis. The following categories were identified for use within the REMI PI+ model for this analysis.

- Reduction in local government spending (loss in property tax revenues and business income tax revenues);
- Reduction in rental revenue income; and
- Reduction in forecasted jobs associated with mixed used development.

The REMI PI+ model is a dynamic model, meaning what happens in year x will impact year y. Therefore, a loss of available jobs in 2015 may result in a loss of population migration into the County that would have moved there prior to Rent Control. Figure 15 is the dynamic flow chart that shows how variables impact other aspects within the REMI PI+ model.

Figure 15: REMI PI+ Model Dynamic Flow Chart and Model Linkages



Source: REMI PI+

As noted in Figure 15, a reduction in a single variable has several underlying impacts on other variables within an economy. For example, a reduction in State and Local Government spending in Figure 15 will impact output for Montgomery County. The lower output leads to a decline in employment, which leads to lower Compensation Rate and Employment Opportunity. The decline of these two variables can lead to a lower Composite Compensation Rate and Real Compensation Rate. The reduction of the Real Compensation Rate[50] will impact the Real Disposable Income available to households, and the decline in Composite Compensation Rate can impact the Composite Prices within the County. These Composite Price changes will impact the Consumer Prices, which will reduce consumption overall within the County. Finally, the reduction in the output from the household side of the economy then reduces State and Local Tax Spending.

Reviewing the example above, the impact of a rent control policy can have several underlying impacts within an economy. The REMI PI+ model presents the most accurate reflection of impacts when assessing rent control legislation, due to its ability to capture the interwoven

economic environment within Montgomery County. The REMI PI+ tool provides a listing of impacts in the form of jobs, output, wages, and fiscal revenues, as noted in Section 3.0.

7.0 Literature Review and Prior Montgomery County Rent Control Impacts

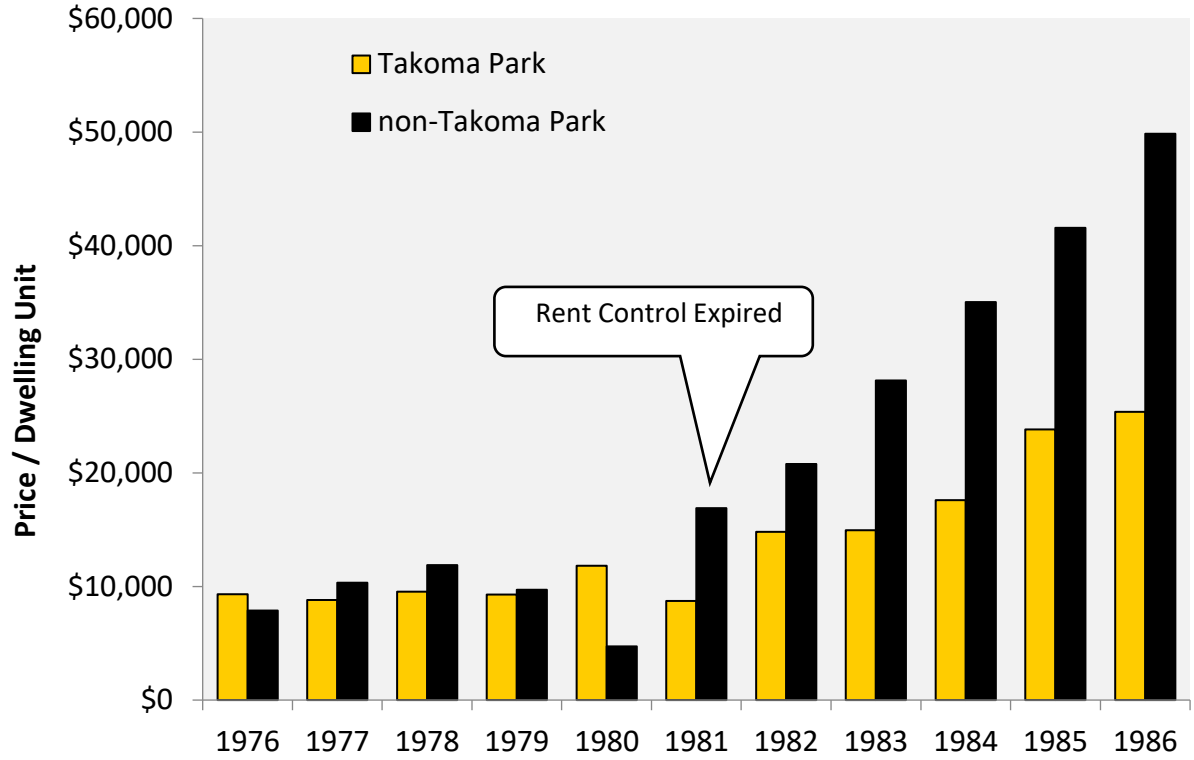
Studies regarding the comprehensive fiscal impacts of rent control policies are limited. However, a study of rent control policies in Newark, New Jersey, calculated fiscal impacts using IMPLAN software.[51] The study calculated impacts resulting from reduced maintenance/capital spending and lower property values resulting from the rent control ordinance. The total fiscal impacts stemming from reduced maintenance capital expenditures for New Jersey showed an overall decrease of $2.2 million in tax revenue, split between income tax (a loss of $0.9 million), sales tax (a loss of $1.0 million), and business tax (a loss of $0.3 million).[52] With respect to decreased property values, lower property values would result in $41.8 million in annual property tax revenues losses.[53]

A study of the rent control deregulation that occurred in Massachusetts in 1994 enumerated the impact on property tax revenues.[54] The removal of rent control policies by state referendum resulted in significant changes in the housing markets of Cambridge, Brookline, and Boston. For example, in Cambridge, the removal of rent control both incentivized the improvement of rental properties (leading to more expensive rent due to the increased quality of the apartment) and increased the value of what had previously been below-market rental units. At the time of the change in policy, the Cambridge assessor office determined that the three-year assessment would increase annual property tax revenues by $4.5 million (nominal dollars), which represents a 9 percent increase in residential property tax revenues and a 3 percent increase in total property tax revenues.[55] The impacts in Boston were expected to be smaller, given the city's vacancy decontrol policies that existed prior to the removal of rent control. The expected increase in residential property tax revenue was at least 2.3 percent, or an increase in total property tax revenue of at least 0.7 percent. This corresponds to an increase in property tax revenues of at least $5 million to $7 million annually.[56]

Although limited, studies that enumerate rent control impact on the fiscal health of cities and counties reflect impacts to existing tax bases through losses in property tax revenues, business taxes, income taxes, and sales taxes (where applicable).

Montgomery County previously enacted two rent control ordinances—one that began in 1973 and was repealed in 1977 as well as one that was enacted in 1979 and expired in 1981.[57] The latter of these ordinances was significantly less restrictive.[58] Nevertheless, by the time rent control expired in 1981, virtually all new development ceased, as there were essentially no new units planned for development, despite an extremely low vacancy rate. In addition, sales prices for apartment buildings had dropped significantly. Figure 16 shows sales prices per unit for apartment buildings in Takoma Park (which implemented its own rent control legislation in 1980 that is still in effect[59]) versus the rest of Montgomery County.

Figure 16: Montgomery County Apartment Building Sales Price Per Unit

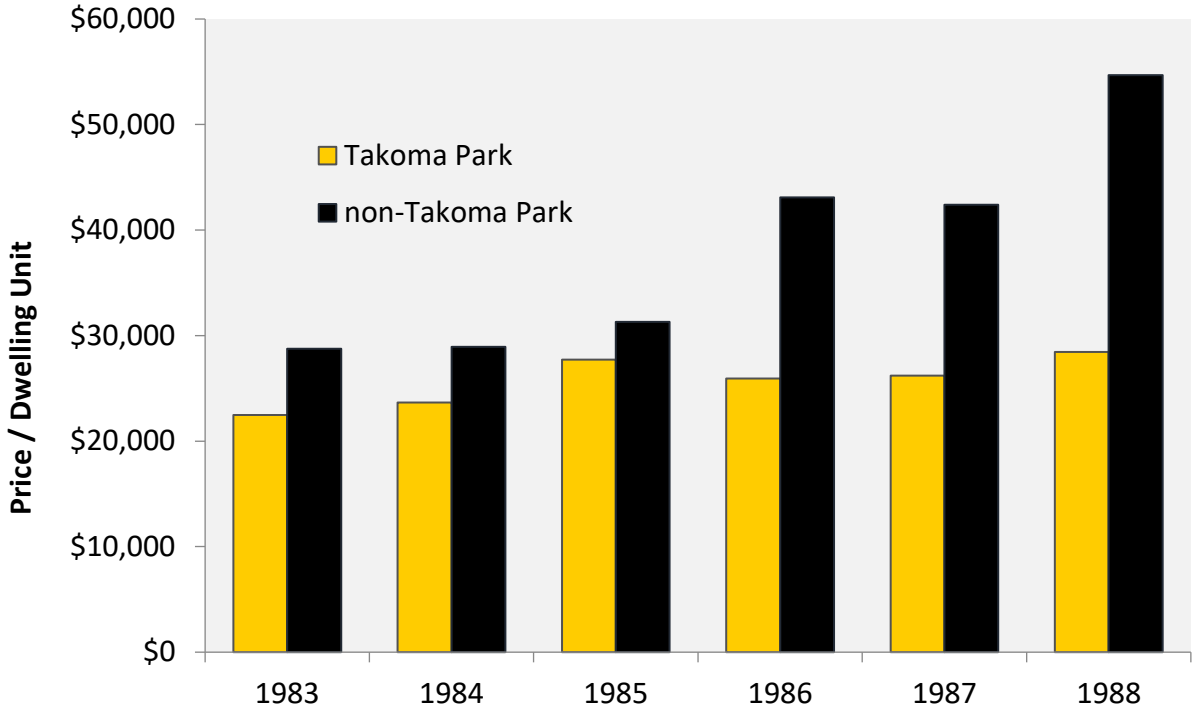


Sources: Montgomery County Planning Department, BBPC

With the implementation of rent control, the sales price for non-Takoma Park units did not keep pace with increased sales in Takoma Park, while the expiration of rent control resulted in the opposite effect. There was an immediate jump in sales prices in the year rent control was repealed, and Montgomery County sales prices climbed at a much higher rate than for Takoma Park units through the mid-1980s.

Assessment values necessarily do not automatically adjust to market changes, and this situation is exacerbated by the three-year cycle of assessments in Maryland. Figure 17 shows a rebound in non-Takoma Park apartment properties beginning in 1986, while there is no such increase in Takoma Park, which continued to operate with rent control legislation.

Figure 17: Montgomery County Apartment Building Assessed Value per Unit



Sources: Montgomery County Planning Department, BBPC

The clear association between implementation of rent control in the past and reductions in apartment building values is consistent with results from other jurisdictions across the country, and the calculated future reductions in values associated with Rent Control (as enumerated in this report).

8.0 Conclusion

As supported by theoretical evidence and the empirical findings in this report, imposing Rent Control would lower the value of multifamily units and thereby would diminish the property tax revenues that Montgomery County would collect. In addition, limiting rental revenues for owners creates disinvestments for multifamily housing renovations and construction as well as for other capital investments. These factors would ultimately impact the availability and quality of multifamily units in the County. In addition, since 62 percent of all multifamily owners live in the County (59 percent for non-Takoma Park units), a portion of current personal business income would go unrealized, further eroding the County's tax base.

The analysis in this report estimates that Rent Control will cause total tax revenue losses to the County of $538.5 million by 2025. These tax revenue losses include the following:

- Property tax revenue losses of $450.4 million,
- Business income tax revenue losses of $54.0 million, and
- Personal Income tax losses of $34.1 million.

Furthermore, Rent Control will have wider economic repercussions among a number of supporting industries. In the long term, ripple effects will not be limited to losses in construction and traditional ancillary industry employment—losses will also extend to higher-income professions. This will further decrease County revenues when these expected jobs go unrealized. As a result, the following total Rent Control impacts will be realized by 2025:

- Over 70,900 fewer jobs,
- $10.4 billion in lost output, and
- $5.4 billion in lost wages.

It is also important to note the risk proposed by Rent Control to the County's fiscal health and the implications of losing such a significant amount of revenue. The loss of over a half a billion dollars in County tax revenues over the next decade is a substantial threat to the financial stability of the County. As a result, County residents will likely bear the costs through increased taxes without any increase in County services. Other options, such as depleting recently accumulated County reserves to fill the revenue gap created by Rent Control, are not consistent with County policy, nor are the reserves sufficient to cover the large and growing reduction in revenue that would result from Rent Control.

The impacts of Rent Control will reach far beyond the rental market through reductions in the ability to provide services, increased taxes, and overall reductions in County economic development. Lost revenue in 2025 would amount to the following:

- An average of $307 per year in County impacts for all owner-occupied households, of which $267 could potentially be retained by the County by increasing property taxes without increasing services;
- An average of $171 per year in County and State impacts for renter households; and
- An average of $474 per year in County and State impacts for owner-occupied households.

As a case study, Takoma Park highlights the negative impact of rent control on the housing market. The city has witnessed essentially no new planned development since the introduction of rent control despite very low vacancy rates. In addition, while Montgomery County property values have increased substantially since the expiration of rent control in 1981, Takoma Park values have remained stagnant.

If the intention of rent control policy is to provide affordable housing options for residents, this type of policy does not achieve that goal, as evidenced by findings from both East Coast and West Coast cities in the United States. Rent control fails as an affordable housing policy because it is not tied to renters' economic needs. An extensive empirical study in Cambridge, Massachusetts, found that "rent control has caused the gradual displacement of a large disadvantaged renter population by younger, higher income, better educated, singles population."[60] In California, "rent control has actually accelerated gentrification" in rent-controlled cities in by driving out the poor and the elderly.[61]

Rent control also affects the efficient allocation of resources by not allowing the market to reach equilibrium. Several factors impact the supply of available housing in rent-control areas: decreases in maintenance spending and the ultimate deterioration and abandonment of properties, lack of new multifamily construction, and lower tenant mobility, to name a few. These supply limitations ultimately result in substantial housing shortages.

Ultimately, as a result of Rent Control, residents, renters, homeowners, businesses, and tax revenues in the County will be adversely impacted. All of the findings enumerated in this report have only undesirable consequences for the fiscal and economic health of the County. Based on these results, the total impacts of Rent Control will constrain Montgomery County's economic potential and threaten its financial stability.

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Appendix A—Detailed Tables for Multifamily Units Under No Rent Control and Rent Control in Montgomery County

Figure 18: Multifamily Unit Totals by ZIP code for Turnover, Vacant, and Holdover, 2012

ZIP Code	Turnovers	Vacant	Holdover
20814	1,274	129	2,098
20815	685	109	2,147
20816	139	12	159
20817	51	12	253
20832	44	5	83
20850	902	89	1,396
20851	430	49	847
20852	2,328	219	3,323
20866	85	20	415
20872	46	3	32
20874	1,590	144	2,107
20876	90	23	502
20877	954	118	2,122
20878	1,837	136	1,691
20879	194	20	331
20886	482	53	882
20895	69	12	221
20901	970	102	1,670
20902	620	74	1,224
20903	623	93	1,760
20904	1,995	221	3,722
20905	12	2	50
20906	1,441	174	3,052
20910	3,056	327	5,388
20912	213	49	1,063
Total	**20,130**	**2,195**	**36,551**

Sources: Montgomery County DHCA, RESI

Figure 19: Multifamily Unit Totals by ZIP code by Unit Type for Turnovers, 2012[62]

ZIP Code	Studio	One Bedroom	Two Bedroom	Three Bedroom
20814	74	521	578	99
20815	40	280	311	53
20816	8	57	63	11
20817	3	21	23	4
20832	3	18	20	3
20850	52	369	409	70
20851	25	176	195	34
20852	135	953	1,055	181
20866	5	35	39	7
20872	3	19	21	4
20874	92	651	721	124
20876	5	37	41	7
20877	55	390	432	74
20878	106	752	833	143
20879	11	79	88	15
20886	28	197	218	38
20895	4	28	31	5
20901	56	397	440	76
20902	36	254	281	48
20903	36	255	282	49
20904	116	816	904	155
20905	1	5	5	1
20906	84	590	653	112
20910	177	1,250	1,385	238
20912	12	87	97	17
Total	**1,167**	**8,237**	**9,125**	**1,569**

Sources: Montgomery County DHCA, RESI

Figure 20: Multifamily Unit Totals by ZIP code by Unit Type for Vacant, 2012

ZIP Code	Studio	One Bedroom	Two Bedroom	Three Bedroom
20814	6	45	66	12
20815	5	38	56	10
20816	1	4	6	1
20817	1	4	6	1
20832	0	2	2	0
20850	4	31	45	9
20851	2	17	25	5
20852	11	76	111	21
20866	1	7	10	2
20872	0	1	2	0
20874	7	50	73	14
20876	1	8	12	2
20877	6	41	60	11
20878	7	47	69	13
20879	1	7	10	2
20886	3	18	27	5
20895	1	4	6	1
20901	5	35	52	10
20902	4	25	36	7
20903	5	32	47	9
20904	11	77	112	21
20905	0	1	1	0
20906	9	60	88	17
20910	16	114	166	31
20912	2	17	25	5
Total	**108**	**762**	**1,112**	**210**

Sources: Montgomery County DHCA, RESI

Figure 21: Multifamily Unit Totals by ZIP code by Unit Type for Holdover, 2012[63]

ZIP Code	Studio	One Bedroom	Two Bedroom	Three Bedroom
20814	105	835	964	183
20815	107	855	987	187
20816	8	63	73	14
20817	13	101	116	22
20832	4	33	38	7
20850	70	556	641	121
20851	42	337	389	74
20852	166	1,323	1,527	289
20866	21	165	191	36
20872	2	13	15	3
20874	105	838	968	183
20876	25	200	231	44
20877	106	844	975	185
20878	84	673	777	147
20879	17	132	152	29
20886	44	351	405	77
20895	11	88	101	19
20901	83	665	767	145
20902	61	487	562	106
20903	88	700	809	153
20904	186	1,481	1,710	324
20905	2	20	23	4
20906	152	1,215	1,402	265
20910	269	2,144	2,476	469
20912	53	423	488	92
Total	**1,825**	**14,541**	**16,787**	**3,178**

Sources: Montgomery County DHCA, RESI

Figure 22: Multifamily Rates per Unit by ZIP code by type for Turnovers, 2012

ZIP Code	Studio	1 Bedroom	2 Bedroom	3 Bedroom
20814	$1,342	$1,722	$2,160	$3,191
20815	$1,510	$1,900	$2,364	$3,278
20816	$1,250	$1,483	$1,952	$2,900
20817	$1,296	$1,575	$1,850	$2,260
20832	$1,273	$1,510	$1,795	$1,860
20850	$813	$1,398	$1,740	$2,079
20851	$1,037	$1,251	$1,464	$1,669
20852	$1,361	$1,512	$1,787	$2,111
20866	$956	$1,209	$1,344	$1,704
20872	$550	$800	$1,283	$1,500
20874	$753	$1,100	$1,300	$1,584
20876	$821	$1,121	$1,260	$1,450
20877	$889	$990	$1,213	$1,423
20878	$925	$1,247	$1,426	$1,734
20879	$943	$1,073	$1,297	$1,688
20886	$961	$1,093	$1,405	$1,642
20895	$1,133	$1,302	$1,465	$1,879
20901	$1,048	$1,139	$1,314	$1,775
20902	$1,024	$1,262	$1,435	$1,775
20903	$1,126	$1,086	$1,245	$1,527
20904	$1,006	$1,130	$1,367	$1,699
20905	$1,043	$1,129	$1,345	$1,675
20906	$1,080	$1,127	$1,322	$1,618
20910	$1,258	$1,532	$1,862	$2,116
20912	$864	$911	$1,066	$1,209
Average	**$1,050**	**$1,264**	**$1,522**	**$1,894**

Source: Montgomery County DHCA, RESI

Figure 23: Multifamily Rates per Unit by ZIP code by type for Holdovers, 2012

ZIP Code	Studio	1 Bedroom	2 Bedroom	3 Bedroom
20814	$1,384	$1,784	$2,255	$3,271
20815	$1,578	$2,012	$2,496	$3,416
20816	$1,288	$1,530	$2,016	$2,987
20817	$1,296	$1,701	$1,998	$2,441
20832	$1,273	$1,578	$1,876	$1,944
20850	$836	$1,447	$1,799	$2,200
20851	$1,075	$1,292	$1,512	$1,721
20852	$1,414	$1,580	$1,869	$2,231
20866	$956	$1,279	$1,414	$1,801
20872	$561	$816	$1,309	$1,530
20874	$753	$1,150	$1,348	$1,633
20876	$821	$1,138	$1,278	$1,450
20877	$918	$1,019	$1,252	$1,464
20878	$925	$1,302	$1,490	$1,819
20879	$943	$1,122	$1,354	$1,688
20886	$999	$1,132	$1,456	$1,696
20895	$1,155	$1,338	$1,494	$1,902
20901	$1,060	$1,173	$1,357	$1,809
20902	$1,055	$1,291	$1,472	$1,816
20903	$1,151	$1,164	$1,306	$1,570
20904	$1,046	$1,182	$1,424	$1,770
20905	$1,043	$1,129	$1,382	$1,709
20906	$1,118	$1,163	$1,322	$1,671
20910	$1,317	$1,613	$1,968	$2,209
20912	$888	$937	$1,097	$1,240
Average	**$1,074**	**$1,315**	**$1,582**	**$1,487**

Source: Montgomery County DHCA, RESI

Figure 24: Multifamily Unit Property Income Totals by ZIP code, 2021–2025, No Rent Control

ZIP Code	2015	2016	2017	2018	2019	2020
20814	$83,604,658	$86,807,619	$90,136,870	$93,597,503	$97,194,820	$100,934,340
20815	$77,894,302	$82,170,622	$86,684,101	$91,448,000	$96,476,327	$101,783,878
20816	$6,544,133	$6,754,558	$6,971,756	$7,195,946	$7,427,354	$7,666,212
20817	$6,749,653	$7,270,208	$7,832,407	$8,439,582	$9,095,330	$9,803,539
20832	$2,588,582	$2,700,461	$2,817,375	$2,939,551	$3,067,224	$3,200,642
20850	$44,392,099	$46,029,023	$47,728,857	$49,494,153	$51,327,575	$53,231,902
20851	$21,396,672	$22,101,803	$22,830,194	$23,582,613	$24,359,854	$25,162,736
20852	$116,594,235	$122,015,754	$127,691,121	$133,632,313	$139,851,880	$146,362,968
20866	$8,100,312	$8,529,039	$8,981,378	$9,458,633	$9,962,179	$10,493,470
20872	$1,001,073	$1,021,095	$1,041,516	$1,062,347	$1,083,594	$1,105,266
20874	$54,787,352	$56,874,049	$59,044,103	$61,300,890	$63,647,926	$66,088,870
20876	$8,557,446	$8,663,948	$8,771,991	$8,881,594	$8,992,782	$9,105,578
20877	$42,170,974	$43,463,783	$44,796,327	$46,169,828	$47,585,550	$49,044,793
20878	$58,220,232	$60,747,737	$63,389,236	$66,149,875	$69,035,035	$72,050,337
20879	$7,835,138	$8,132,537	$8,443,278	$8,767,961	$9,107,212	$9,461,683
20886	$21,273,660	$22,036,009	$22,825,711	$23,643,748	$24,491,138	$25,368,937
20895	$4,987,775	$5,097,666	$5,210,113	$5,325,177	$5,442,922	$5,563,412
20901	$40,740,085	$41,934,599	$43,165,506	$44,433,940	$45,741,068	$47,088,096
20902	$30,722,112	$31,481,545	$32,259,852	$33,057,506	$33,874,989	$34,712,797
20903	$35,471,047	$37,385,380	$39,411,988	$41,557,853	$43,830,405	$46,237,561
20904	$89,916,853	$93,814,209	$97,880,857	$102,124,168	$106,551,833	$111,171,879
20905	$946,720	$961,909	$977,506	$993,522	$1,009,969	$1,026,858
20906	$68,167,081	$69,321,866	$70,514,181	$71,745,245	$73,016,319	$74,328,705
20910	$179,318,307	$188,972,038	$199,148,536	$209,876,256	$221,185,208	$233,107,046
20912	$15,347,942	$15,578,604	$15,919,786	$16,258,407	$16,564,701	$16,889,991
Total	**$1,027,328,444**	**$1,069,866,062**	**$1,114,474,546**	**$1,161,136,611**	**$1,209,923,195**	**$1,260,991,496**

Sources: Montgomery County DHCA, RESI

Figure 25: Multifamily Unit Property Income Totals by ZIP code, 2021–2025, No Rent Control

ZIP Code	2021	2022	2023	2024	2025
20814	$104,821,811	$108,863,214	$113,064,779	$117,432,989	$121,974,597
20815	$107,386,281	$113,300,047	$119,542,615	$126,132,409	$133,088,889
20816	$7,912,759	$8,167,245	$8,429,924	$8,701,061	$8,980,928
20817	$10,568,405	$11,394,459	$12,286,598	$13,250,108	$14,290,699
20832	$3,340,064	$3,485,761	$3,638,013	$3,797,117	$3,963,381
20850	$55,210,034	$57,264,998	$59,399,954	$61,618,200	$63,923,180
20851	$25,992,106	$26,848,839	$27,733,839	$28,648,038	$29,592,402
20852	$153,179,351	$160,315,456	$167,786,402	$175,608,028	$183,796,926
20866	$11,054,037	$11,645,500	$12,269,565	$12,928,034	$13,622,809
20872	$1,127,371	$1,149,918	$1,172,917	$1,196,375	$1,220,303
20874	$68,627,531	$71,267,875	$74,014,033	$76,870,302	$79,841,159
20876	$9,220,003	$9,336,083	$9,453,841	$9,573,301	$9,694,488
20877	$50,548,898	$52,099,248	$53,697,269	$55,344,430	$57,042,246
20878	$75,201,660	$78,495,146	$81,937,215	$85,534,579	$89,294,252
20879	$9,832,059	$10,219,054	$10,623,413	$11,045,917	$11,487,378
20886	$26,278,236	$27,220,168	$28,195,904	$29,206,660	$30,253,694
20895	$5,686,715	$5,812,899	$5,942,034	$6,074,193	$6,209,449
20901	$48,476,265	$49,906,858	$51,381,197	$52,900,646	$54,466,612
20902	$35,571,440	$36,451,437	$37,353,322	$38,277,644	$39,224,964
20903	$48,787,749	$51,489,947	$54,353,721	$57,389,261	$60,607,424
20904	$115,992,683	$121,022,988	$126,271,919	$131,748,999	$137,464,165
20905	$1,044,202	$1,062,012	$1,080,301	$1,099,083	$1,118,371
20906	$75,683,746	$77,082,829	$78,527,388	$80,018,902	$81,558,898
20910	$245,675,152	$258,924,736	$272,892,936	$287,618,921	$303,144,006
20912	$17,221,996	$17,544,316	$17,856,296	$18,176,458	$18,506,671
Total	**$1,314,440,554**	**$1,370,371,035**	**$1,428,905,398**	**$1,490,191,656**	**$1,554,367,891**

Sources: Montgomery County DHCA, RESI

Figure 26: Multifamily Unit Property Income Totals by ZIP code, 2021–2025, Rent Control

ZIP Code	2015	2016	2017	2018	2019	2020
20814	$81,783,290	$82,754,866	$84,477,440	$86,305,508	$87,977,249	$89,678,267
20815	$74,922,385	$75,965,024	$77,599,639	$79,260,316	$80,768,341	$82,345,813
20816	$6,441,870	$6,509,891	$6,642,420	$6,787,195	$6,920,183	$7,053,100
20817	$6,355,995	$6,451,480	$6,592,758	$6,732,994	$6,859,844	$6,994,551
20832	$2,521,454	$2,552,554	$2,606,088	$2,662,343	$2,713,708	$2,766,296
20850	$43,481,427	$43,988,142	$44,900,330	$45,873,158	$46,763,479	$47,666,619
20851	$20,973,590	$21,235,314	$21,681,729	$22,149,387	$22,576,178	$23,013,987
20852	$113,651,055	$114,940,921	$117,312,366	$119,858,308	$122,190,736	$124,547,006
20866	$7,775,646	$7,892,164	$8,064,889	$8,236,474	$8,391,703	$8,556,460
20872	$993,909	$1,002,549	$1,022,310	$1,044,818	$1,065,622	$1,085,896
20874	$53,698,607	$54,293,777	$55,408,963	$56,613,199	$57,717,436	$58,828,951
20876	$8,486,138	$8,615,602	$8,804,962	$8,992,014	$9,161,073	$9,341,173
20877	$41,368,030	$41,900,925	$42,787,609	$43,708,479	$44,547,711	$45,413,332
20878	$57,096,620	$57,651,445	$58,808,286	$60,095,900	$61,282,013	$62,454,070
20879	$7,665,138	$7,757,043	$7,918,804	$8,090,062	$8,246,616	$8,406,150
20886	$20,825,084	$21,079,900	$21,521,280	$21,986,093	$22,410,640	$22,844,714
20895	$4,914,914	$4,983,543	$5,090,860	$5,199,779	$5,298,670	$5,402,181
20901	$40,060,985	$40,542,602	$41,388,506	$42,283,448	$43,101,462	$43,935,410
20902	$30,275,980	$30,654,090	$31,298,616	$31,973,667	$32,589,705	$33,221,733
20903	$34,179,979	$34,645,118	$35,386,940	$36,145,516	$36,835,103	$37,553,434
20904	$87,589,486	$88,666,831	$90,525,336	$92,479,804	$94,264,570	$96,090,970
20905	$936,558	$950,246	$970,922	$991,621	$1,010,371	$1,030,172
20906	$67,515,951	$68,374,801	$69,817,909	$71,321,844	$72,693,211	$74,104,608
20910	$173,636,548	$175,738,251	$179,409,925	$183,287,572	$186,830,907	$190,447,276
20912	$15,347,942	$15,578,604	$15,919,786	$16,258,407	$16,564,701	$16,889,991
Total	**$1,002,498,582**	**$1,014,725,684**	**$1,035,958,671**	**$1,058,337,905**	**$1,078,781,231**	**$1,099,672,158**

Sources: Montgomery County DHCA, RESI

Figure 27: Multifamily Unit Property Income Totals by ZIP code, 2021–2025, Rent Control

ZIP Code	2021	2022	2023	2024	2025
20814	$91,445,970	$93,177,830	$94,852,281	$96,545,985	$98,295,650
20815	$83,966,063	$85,544,138	$87,070,992	$88,629,907	$90,238,661
20816	$7,192,291	$7,329,179	$7,461,468	$7,594,470	$7,731,960
20817	$7,132,043	$7,265,526	$7,394,727	$7,527,313	$7,664,062
20832	$2,820,803	$2,874,133	$2,925,705	$2,977,978	$3,031,966
20850	$48,606,393	$49,527,712	$50,418,421	$51,318,436	$52,248,295
20851	$23,467,389	$23,910,831	$24,339,663	$24,774,620	$25,223,810
20852	$127,003,181	$129,413,237	$131,742,972	$134,093,763	$136,522,883
20866	$8,724,660	$8,887,974	$9,046,047	$9,208,233	$9,375,513
20872	$1,107,362	$1,128,585	$1,149,083	$1,169,515	$1,190,657
20874	$59,989,382	$61,128,896	$62,230,331	$63,340,366	$64,487,544
20876	$9,524,755	$9,702,863	$9,875,273	$10,052,388	$10,235,042
20877	$46,307,709	$47,181,419	$48,026,462	$48,885,163	$49,771,782
20878	$63,687,503	$64,903,468	$66,078,244	$67,254,791	$68,471,559
20879	$8,571,832	$8,734,104	$8,891,002	$9,049,785	$9,213,805
20886	$23,294,878	$23,735,461	$24,161,493	$24,593,128	$25,038,943
20895	$5,508,471	$5,611,980	$5,712,131	$5,814,407	$5,919,950
20901	$44,801,339	$45,649,361	$46,469,313	$47,299,235	$48,156,516
20902	$33,876,234	$34,516,337	$35,135,354	$35,763,241	$36,411,673
20903	$38,292,542	$39,013,054	$39,710,104	$40,420,786	$41,154,303
20904	$97,984,375	$99,837,138	$101,628,749	$103,444,457	$105,319,755
20905	$1,050,429	$1,070,119	$1,089,175	$1,108,693	$1,128,829
20906	$75,564,244	$76,990,814	$78,370,501	$79,771,448	$81,218,063
20910	$194,200,555	$197,875,350	$201,428,609	$205,026,425	$208,742,688
20912	$17,221,996	$17,544,316	$17,856,296	$18,176,458	$18,506,671
Total	**$1,121,342,397**	**$1,142,553,825**	**$1,163,064,397**	**$1,183,840,991**	**$1,205,300,579**

Sources: Montgomery County DHCA, RESI

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[1] Failure to offset fiscal revenue losses would likely affect the County's strong fiscal position and economic outlook—two factors rating agencies heavily rely on when making rating decisions.
[2] Janis Johnson, "Rent Control Law Voted in County," *Washington Post,* March 24, 1979, http://www.washingtonpost.com/archive/local/1979/03/24/rent-control-law-voted-in-county/64bc1ada-3abc-48e0-be27-73feeee07b39/.
[2] Ibid.
[3] City of Takoma Park Ordinance No. 2007-40, accessed June 19, 2015. http://cityclerk-takomapark.s3.amazonaws.com/ordinances/2007/or200740.pdf.
[4] Richard Arnott, "Time for Revisionism on Rent Control?" *Journal of Economic Perspectives* (1995): 100, http://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.9.1.99.
[5] Sacramento Regional Research Institute, "Rent Control Issues and Impacts," (July 2003): 1, http://strategiceconomicresearch.org/AboutUs/CAA_2003.pdf.
[6] Econosult Solutions, "The Economic Impacts of the Rent Control Ordinance Passed on May 20, 2014 by the City of Newark, New Jersey," (September 30, 2014): 3. http://www.econsultsolutions.com/wp-content/uploads/NAOA_Rent_Control_FINAL_10012014.pdf.
[7] CPI-U refers to the consumer price index for all urban consumers. There are two measures of CPI—one for urban consumers and one (CPI-W) for urban wage earners and clerical workers. CPI-U represents nearly 87 percent of the total U.S. population.
[8] "Chapter 6.20 RENT STABILIZATION," *Takoma Park Municipal Code*, March 9, 2015, http://www.codepublishing.com/MD/TakomaPark/?TakomaPark06/TakomaPark0620.html.
[9] Ibid.
[10] Jacqueline Rogers et al, "Takoma Park, MD Rent Stabilization Policy Analysis," 29.
[11] Richard W Ault, "Chapter 3: The Presumed Advantages and Real Disadvantages of Rent Control," 68, accessed April 14, 2015, http://www.walterblock.com/wpcontent/uploads/publications/RentControlMythsRealities.pdf.
[12] Ibid, 69.
[13] Jenkins, Blair, "Rent Control: Do Economists Agree," 77, accessed April 14, 2015, http://econjwatch.org/articles/rent-control-do-economists-agree.
[14] Ault "Chapter 3: The Presumed Advantages and Real Disadvantages of Rent Control," 66.
[15] The total jobs figure represents full-time and part-time employment
[16] Nearly 22,000 jobs of those unrealized by 2025 are associated with the construction industry.
[17] "Montgomery County, MD – All Primary Jobs for Workers Home," U.S. Census Longitudinal Employer-Household Dynamics, accessed May 7, 2015. http://onthemap.ces.census.gov/.
[18] Ibid.
[19] This total represents a sample of 58,634 units.
[20] John C. Moorhouse, "Optimal Housing Maintenance under Rent Control," *Southern Economic Journal,* Vol 39 No 1, July 1972, 104.
[21] Getting an accurate number that is directly attributed to potential transactions and recordation fees is unavailable for this analysis. The number of properties changing management or ownership in the ten-year period under Rent Control could be greater or fewer than those in historical counts. Therefore, any attempt to quantify the tax revenues associated with the transfer and recordation fees in Montgomery County may be under-represented within this analysis.
[22] Montgomery County Charter, Section 305, Approval of the Budget; Tax Levies. Accessed June 11, 2015, http://www.amlegal.com/nxt/gateway.dll?f=templates&fn=default.htm&vid=amlegal:montgomeryco_md_mc.
[23] "Montgomery Council President Leventhal's Remarks on Council's Approval of Fiscal Year 2016 Operating Budget," Montgomery County Council Press Releases and Statements, May 21, 2015, accessed June 8, 2015, http://www.montgomerycountymd.gov/Apps/Council/PressRelease/PR_detailsNew.asp?PrID=14876.
[24] Jacob Sesker, "FY15 Operating Budget: Debt Service" (memorandum to Government Operations and Fiscal Policy Committee, April 17, 2014), 3, accessed June 11,

2015, http://www.montgomerycountymd.gov/Council/Resources/Files/agenda/cm/2014/140421/20140421_GO5.pdf.
[25] Montgomery County Department of Finance, "Comprehensive Financial Report (CAFR)" 2014, accessed May 7, 2015, 206. http://www.montgomerycountymd.gov/Finance/financial.html
[26] Md. Code Tax – General §10-106, accessed June 15, 2015, http://www.mgaleg.maryland.gov/.
[27] Montgomery County Department of Housing and Community Affairs, "Rental Apartment Vacancy Report." 2012. Accessed April 1, 2015. http://montgomerycountymd.gov/DHCA/resources/files/rentalfacilityreport_2012.pdf.
[28] Ibid.
[29] Ibid.
[30] Ira Meislik, "Do You Really Know A "Holdover" Tenant When you See One?" 2012, accessed May 11, 2015. http://www.americanbar.org/content/dam/aba/publishing/rpte_ereport/2012/6_december/rp_meislik.authcheckdam.pdf.
[31] Average escalation for no rent control across all ZIP codes was approximately 4.2 percent. Under rent control, the average escalation is linked to the CPI-U forecasted in Figure 10. However, given the nuances in turnover and holdover rents, the escalation is not equal to the CPI-U change when taking this into account.
[32] N=58,636 for both monthly and annual calculations.
[33] Office of the Inspector General for Montgomery County, "Review of Montgomery County Commercial Property Tax Assessments," January 10, 2013, 5.
https://www.montgomerycountymd.gov/OIG/Resources/Files/PDF/IGActivity/FY2013/mcdof_sdat_final_report_jan_2013.pdf.
[34] Ibid.
[35] Ibid, 6.
[36] Ibid.
[37] Michael P. Murray et al., "Analyzing Rent Control: The Case of Los Angeles," *Rand Corporation* (February 1988): 14, http://www.rand.org/content/dam/rand/pubs/papers/2008/P7363.pdf.
[38] William Tucker, "How Rent Control Drives Out Affordable Housing," Cato Institute, May 21, 1997, http://www.cato.org/pubs/pas/pa-274.html.
[39] Econosult Solutions, "The Economic Impacts of the Rent Control Ordinance Passed on May 20, 2014 by the City of Newark, New Jersey," 17.
[40] Wade Wetherington, "The District of Columbia Rental Housing Act of 1977: The Effect of Rent Control on the Rental Housing Market", 607 (1978),
http://scholarship.law.edu/cgi/viewcontent.cgi?article=2407&context=lawreview
[41] Ault, "Chapter 3: The Presumed Advantages and Real Disadvantages of Rent Control," 67.
[42] DC Official Code §42-3502.05a(2).
[43] "What You Should Know about Rent Control in the District of Columbia," Department of Housing and Community Development, February 2014,
http://dhcd.dc.gov/sites/default/files/dc/sites/dhcd/publication/attachments/Rent%20Control%20Fact%20Sheet%20%28amv%29%2005-22-2014.pdf.
[44]Kathryn Howell, "Multifamily Housing in the Washington, DC Region: Demand and Supply Trends," *Center for Regional Analysis* 13 (February 2014),
http://cra.gmu.edu/pdfs/studies_reports_presentations/Multifamily%20Housing%20in%20the%20DC%20Region_Final.pdf.
[45] Montgomery County Planning, "Pipeline of Approved Development," updated February 2015, accessed April 22, 2015, http://www.montgomeryplanning.org/research/data_library/development_activity_data_center/.
[46] The Research Team calculated the absorption rate using current American Community Survey data.
[47] Montgomery County Planning, "Pipeline of Approved Development."
[48] The Research Team calculated this number using the estimates of the U.S. Green Builders Association for square footage for employee by commercial component: "Building Area Per Employee By Business Type," USGBC, accessed May 11, 2015, http://www.usgbc.org/Docs/Archive/General/Docs4111.pdf.

[49] Using the total square footage, the Research Team estimated costs associated with potential building projects using the 2012 Design and Construction Resources Guide to Construction Costs. This loss was used in REMI PI+ as a loss in construction activity within the region to estimate total jobs forgone due to rent control.
[50] The term "real" reflects the valuation as adjusted for inflation, whereas "nominal" is simply the value paid at a specific point in time. One key point about nominal dollars is that the total dollars spent may be higher, but when adjusted for inflation the value of those dollars may be lesser or greater depending on the change in inflation from one point in time to another. Most economists prefer to report values in real terms as this reflects the valuation of the spending in a given year in current dollar valuations.
[51] Econsult Solutions, "The Economic Impacts of the Rent Control Ordinance Passed on May 20, 2014 by the City of Newark, New Jersey," 16.
[52] Ibid, 19.
[53] Ibid, 20–21.
[54] Henry O. Pollaskowski, "The Effects of Rent Deregulation in Massachusetts," *Manhattan Institute for Policy Research* 3 (June 1997), http://www.manhattan-institute.org/html/cr_3.htm#06.
[55] Ibid.
[56] Ibid.
[57] Janis Johnson, "Rent Control Law Voted in County."
[58] Ibid.
[59] City of Takoma Park Ordinance No. 2007-40.
[60] Rolf Goetze, Ph.D., Rent Control: Affordable Housing for the Privileged, Not the Poor: A study of the impact of rent control in Cambridge, Massachusetts (Cambridge: GeoData Analytics, 1994).
[61] William Tucker, "How Rent Control Drives Out Affordable Housing," Cato Institute, May 21, 1997, http://www.cato.org/pubs/pas/pa-274.html.
[62] Numbers may not sum to the total due to some zip code-level data not reported and the omission of 4-bedroom units.
[63] Thirteen multifamily units fell outside these ZIP codes. These units did not provide sufficient data to be quantified for rates, and the Research Team dropped these units from the analysis. Numbers may not sum to the total for holdovers from the units due to limited data and omission of 4-bedroom units.