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HB0551 - Real Property - Residential Leases - Rent Increase Restrictions

Hearing before the House Environment and Transportation Committee,
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Position: SUPPORT (FAV)

Public Justice Center (PJC) is a nonprofit public interest law firm that serves over 600 renters each year. We stand with tenants to protect and expand their rights to safe, habitable, affordable, and non-discriminatory housing. PJC seeks the Committee's Favorable report on HB0551.

Amid scarce affordable rental housing, renters are fortunate to find a home that they can afford. With uncontrolled rent increases, a household's employment, schooling, access to healthcare, or familial and community connections become disrupted. Unpaid rent leads to serial eviction actions, triggering the long-term damage of the "Scarlet E" on their rental histories.

HB0551 helps bring stability to renters' lives. **By capping rent increases in covered properties at 2% annually (in most instances), HB0551 provides a targeted, practicable tool to maintain affordable rents in existing affordable housing stock.** This bill also helps protect renters from retaliatory or punitive rent increases.

Rent restrictions under HB0551 target a **specific class of properties** with these 3 characteristics:

- The property was newly constructed **before 1990**;
- The unit has a rent below \$2,250 per month and not more than 15 percent above the fair market rate as determined by the U.S. Department of Housing and Urban Development; and
- The tenant earns 50 percent of the area median income or less.

Tailored in this way, HB0551 focuses on "Class C" properties that are most likely to be affordable to low-to-moderate-income households and is unlikely to inhibit new development.

For qualifying properties, **HB0551 limits rent increases to 2% each year**, or 1% every six months in the case of a month-to-month rental agreement.

- **For units where the rent is below fair market**, landlords may increase rent by an **additional 4%** in the first year and an additional 1% each following year until the rent reaches the fair market rate.
- During a state of emergency, rent increases for qualifying properties may not exceed 1% each year, or 0.5% every six months (for month-to-month tenancies).

HB0551 effectively stops punitive rent increases

Not all rent increases are routine. Too often, tenants are hit with steep rent increases following their attempts to invoke rights under lease or law. While certain existing statutes provide protection against retaliatory rent increases, these are limited – applying only for 6 months after a specific protected activity, or only if the tenant stays current on their rent.¹ When a renter must decide, for instance, whether to demand mold remediation or HVAC repair, they must weigh the high probability that they will receive a notice of rent increase meant to compel their move-out. HB0551 would prevent this kind of weaponized rent increase.

HB0551 is needed because affordable rentals are and will remain hard to secure

As summarized in the [2020 Maryland Housing Needs Assessment](#), nearly half of all Maryland renter households (335,000 out of 716,000) are “cost burdened,” meaning they pay more than 30% of income on housing.² Among cost-burdened renter households, half are “severely” burdened, paying more than 50% of income toward housing costs.³ Montgomery, Prince George’s, and Baltimore counties and Baltimore City account for almost 70% of Maryland’s severely cost-burdened households.⁴ At the individual level, the cost of rental housing ensures that working families and seniors cannot make ends meet. According to the [National Low-Income Housing Coalition’s Out of Reach 2020 report](#), a worker earning the mean renter wage (\$18.16) can afford only \$944 in monthly rent, well below the state’s fair market rent (\$1,459) for a 2-bedroom rental. A minimum-wage worker would have to work the equivalent of 2.1 jobs (85 hours each week) to afford 1-bedroom unit at fair market rent (\$1,223).

Assuming that “Maryland’s income distribution across households remains largely unchanged over the next 10 years,” the Housing Needs Assessment projects that by 2030, Marylanders “will fall into one of two main income groups: 1) extremely and very low-income households (97,166 households) and 2) moderate- and high-income households (111,620 households).” The report estimates that among extremely and very low-income households, most new households “will face increased competition for a small number of affordable homes and high rates of cost-burden, if affordable units aren’t available” over the course of this decade.⁵ Currently, a scarcity rental housing for very low-income renters (those earning

¹ See Md. Code, Real Prop. art. § 8-208.1; Baltimore County Code § 35-4-201(k); Public Local Law of Baltimore City § 9-9(k).

² National Center for Smart Growth and Enterprise Community Partners, Inc., *2020 Maryland Housing Needs Assessment & 10-Year Strategic Plan* 23 (Dec. 2020), <https://dhcd.maryland.gov/Documents/Other%20Publications/Report.pdf>.

³ *Id.*

⁴ *Id.*

⁵ *Id.* at 19.

50 percent AMI or below) exists in these counties: Montgomery, Baltimore, Howard, Anne Arundel, Prince George's, Wicomico, Charles, Talbot, Harford, Caroline, Dorchester, Somerset, and Calvert (in order from largest to smallest deficits).⁶

Although new construction provides one key solution to unaffordability, we recognize the financial and political impediments to building affordable housing at the level that Maryland needs. In the meantime, Maryland renters live in constant jeopardy of rent hikes. In 2020, the prospect of harmful rent increases in Maryland's housing market, amid a public health crisis, necessitated that localities pass temporary rent increase restriction laws in Baltimore City, Anne Arundel County, Montgomery County, Howard County, and Prince George's County. Since the expiration of those local laws, **rents have jumped in Maryland, [up 9.6 percent](#) year-over-year, as of January 2022.**

Public Justice Center is a member of the Renters United Maryland coalition and asks that the Committee **issue a report of FAVORABLE on HB0551.** If you have any questions, please contact Zafar Shah, shahz@publicjustice.org, (410) 625-9409 Ext. 237.

⁶ *Id.* at 22.