



House Bill 1460 – Landlord and Tenant – Investor-Owned Single-Family Rental Property – Landlord Requirements

Position: Unfavorable

The Maryland REALTORS® opposes HB 1460 which authorizes rent control on single-family residential real estate.

Many Maryland REALTORS® act as property managers for mostly single-family detached rentals. They manage these properties for many small landlords who may own a couple properties. These landlords are not typically making a living from these rentals but use the rent payment to supplement their wage income and create equity in the property for their future financial plans.

HB 1460 prohibits a landlord from charging more than the maximum allowable rent established in the bill as well as limiting other mandatory fees.

The REALTORS® are strongly opposed to rent control policies for the following reasons:

- Rent control disincentivizes the creation of rental property thereby hurting further the supply-demand imbalance that pushes up rents over the long run.
- Unlike an owner-occupied residence, which is protected from rising property assessments and taxation, rental properties do not receive any protection.
- The longer a rent control policy is in effect, the more difficult it is for landlords to keep up with rising property assessments, utility costs, and, most importantly, maintenance.
- When landlords can no longer keep up with investment in the property, they typically sell the property and convert it to owner-occupied property which worsens the supply-demand imbalance for rentals.

In addition to these general concerns, the REALTORS® oppose the use of the Fair Market Rent (FMR) calculation in the bill. The United States Department of Housing and Urban Development (HUD) calculates their fair market rents based on the 40th percentage of gross rents for regular, standard-quality units. Sometimes these rents are calculated using Metropolitan Statistical Areas (MSA) which are broad geographic areas with varying degrees of property values or Small Area Fair Market Rents (SAFMRs) which are zip code based geographic areas. But even with SAFMRs, property values can differ greatly within a single zip code. Also, FMRs may not include all charges such as lawn care, trash removal, cable etc.

There are also problems using the last sales price of a property. Similar properties sold at different times will yield vastly different allowable rents. Moreover, the sales price of

those units are not just based on the property itself but also on other factors influenced by the property location.

Finally, the bill creates two additional levels of enforcement authority for single-family rental properties: The Department of Housing and Community Development (DHCD) for public housing and federally or state assisted housing, and the Attorney General for private, non government-assisted housing. These enforcement agencies are also in addition to the existing court process for all rental property. And these enforcement agencies can fine landlords up to \$10,000 under the bill.

Creating more liability and sanctions and greater complexity for single-family property rentals significantly disincentives small landlords. Given that 48% of rental units nationwide are properties with 1-4 units and over 73% of those are owned individually, this bill will negatively impact the supply of these rental properties in Maryland. For these reasons, the REALTORS® recommend an unfavorable report.

**For more information contact lisa.may@mdrealtor.org or
christa.mcgee@mdrealtor.org**