

Takoma/Langlely Crossroads

sector plan



Appendix 3 Diversity

Takoma/Langley Crossroads Study Area Demographics

The Takoma/Langley Crossroads (TLC) Study Area as defined for compiling demographic characteristics is a broader locale than the proposed sector plan and SMA (see map). The study area lies northeast of the City of Takoma Park and spans small portions of Montgomery and Prince George's Counties with 70 percent of the TLC population living in Prince George's. Six U.S. Census tracts define the area from which demographic characteristics detailed in the 2000 U.S. Census are drawn.

Summary Findings

- Takoma Park is home to a disproportionately large share of the County's low and moderate income residents.
- The discrepancy between the 2004 incomes of households in single-family structures (\$86,250 median income) and households in multifamily structures (\$33,545 median income) is large.
- The percent of Takoma Park renters who pay more than 30 percent of their income for housing is high (42.7 percent), but this is not much different than from the County as a whole (40.7 percent). Cost burdens for renters appear to be higher in Wards 4 and 6.
- Most 2007 Takoma Park home buyers and refinancers are paying more than 30 percent of their income for housing.
- The average market rents in Takoma Park are far lower than average rents in Montgomery County, and even lower than rents in Wheaton and Silver Spring.
- Takoma Park renters are more likely to stay in their apartments than renters in other parts of the County, which contributes to neighborhood stability.

Population

In 2000, approximately 29,000 people lived in this area. Between 1990 and 2000, the population gained approximately 3,350 people, a 13 percent increase across the decade.

The Takoma/Langley Crossroads area may be characterized as a growing, vibrant community of primarily young families with children, especially toddlers (41 percent) and a significant portion of unrelated individuals sharing housing (13 percent). This area has strong minority and immigrant communities where over half of the population is Hispanic, three out of five residents are foreign born, and one third arrived in the United States during the 1990s. About 80 percent of the area's foreign-born population was born in Latin America.

Half of the residents speak Spanish and approximately 11,800 people, 45 percent of the area's population, rate their English speaking skills as less than "very well." With such a large immigrant community it is not unusual to see a striking divergence in educational attainment. Among adults age 25 years and over, only 56 percent are high school graduates or higher compared to 90 percent of Montgomery County residents and 85 percent of Prince George's population. Moreover, 26 percent of these adults have less than a 9th grade education.

Just over 14,000 residents or two-thirds of the working age population are in the labor force. The typical occupations of the residents differ from what characterizes the two counties. The range of occupations in the area is almost evenly split among service, management and professional, and construction sectors as contrasted with the concentration of the two counties' workforce in managerial/professional occupations.

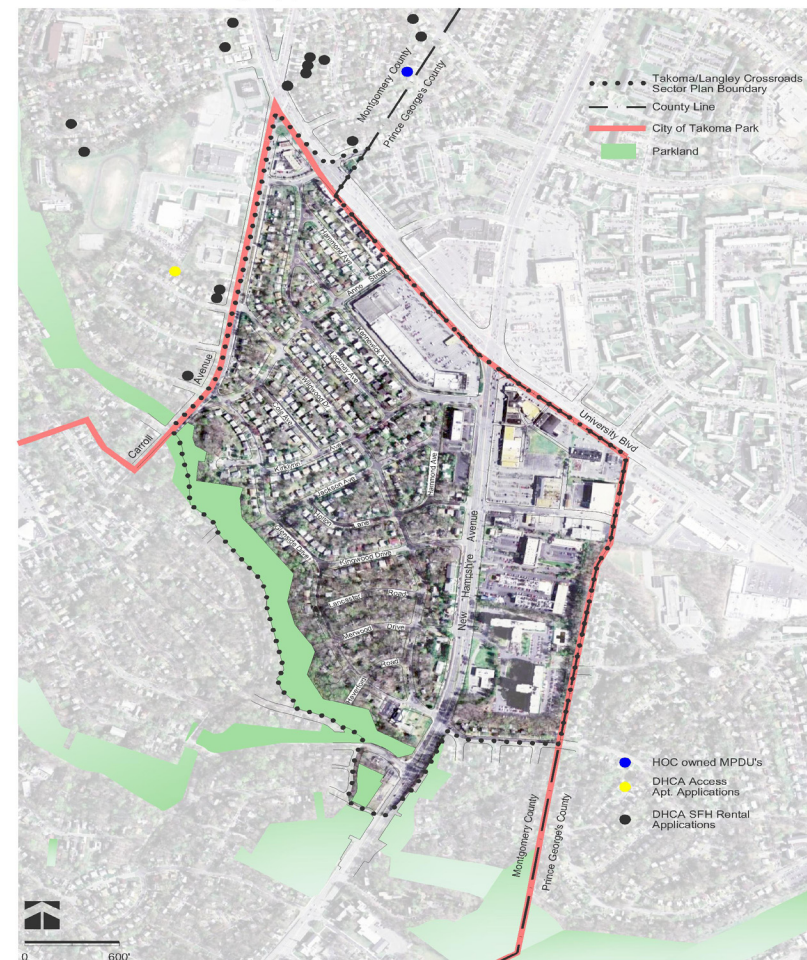
With 26 percent of the area's employed residents holding service jobs and another 21 percent in construction (both sectors well above the County levels), only 22 percent are employed in management or professional occupations compared to 57 percent in Montgomery County and 39 percent in Prince George's. The commuting patterns in the TLC area also differ from the habits found at the County level. Less than half of employed TLC residents drive alone to work compared to County rates in the high sixties. One quarter of workers carpool and about 20 percent take public transportation.

Housing

The 2000 U.S. Census reported 9,150 housing units in the TLC area of which 64 percent are multifamily units. One-third of the units are in buildings with 10 or more units and 24 percent are in structures with five to nine units. About 27 percent (2,463 units) are single-family detached. Over half of the housing is post-World War II vintage and very few structures were built after 1990. While most households rent (68 percent), the population is not as transient as might be expected; almost half of the population lived in the same residence five years prior to the 2000 U.S. Census.

Rent is cheaper in the study area with 70 percent of renter households paying less than \$750 per month compared to only one quarter of Montgomery County renters and half of the renters in Prince George's County. The majority of homeowners, 63 percent, are paying a less than \$1,500 monthly mortgage compared to one third of homeowners in Montgomery County and half in Prince George's. While most households in Takoma/Langley Crossroads have relatively low housing costs regardless of tenure, more than one quarter of the households are exceeding the affordable housing benchmark by spending more than 35 percent of their household income on housing costs.

Affordable Housing Applications



Income

The median income in the study area, whether measured by overall household, tenure, or race/ethnicity, is generally half of Montgomery's and three-quarters of Prince George's estimates. The Crossroad's median 1999 household income of just under \$41,000 contrasts with Montgomery County's median, \$71,551, (which ranks in the top 10 counties in the nation) and Prince George's median, \$55,256, (one of the nation's highest median income of a majority minority county).

The prevalence of relatively low rent apartments in the area provides a more affordable housing option for those with limited incomes. The area's lower income reflects the hurdles confronting the area's high percentage of immigrants with insufficient English language speaking skills and limited educational attainment and subsequently, a workforce predominately in lower paying service and construction sectors. The poverty rates for individuals (13.9 percent) and families (9.7 percent) in the area are at least double the rates found in the counties. About 4,100 people and 631 families in the area lived below poverty level in 1999.

Takoma/Langley Crossroads 2000 Demographic Profile

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Population & Housing Totals	Takoma/ Langley Crossroads	% change	Montgomery County	Prince George's County		
2000 total population	29,085	13.0%	873,341	801,515		
1990 total population	25,740		757,027	729,268	<i>During the 1990s, 3,345 additional people and less than 80 new housing units drove TLC's average household size up from 2.96 to 3.28 in 2000.</i>	
2000 total housing units	9,151	0.9%	334,632	302,378		
1990 total housing units	9,073		295,723	270,090	<i>TLC's population increased 13% falling into the mid-range of the growth rates experienced by the Counties.</i>	
Average household size	3.28		2.66	2.74		
Race & Hispanic Origin*	TLC	%	M.C.	P.G.		
Total population	29,085	100.0%	873,341	801,515	<i>TLC is a majority Hispanic/Latino area differing from the multi-diversity characterizing Montgomery County and the black majority defining Prince George's County.</i>	
Not Hispanic or Latino:	14,059	48.3%	88.5%	92.9%		
White	2,929	10.1%	59.5%	24.3%		
Black or African American	8,529	29.3%	14.8%	62.2%		
Asian & Pacific Islander	1,627	5.6%	11.3%	3.9%		
Other	974	3.3%	2.9%	2.5%		
Hispanic or Latino:	15,026	51.7%	11.5%	7.1%		
White	7,492	25.8%	5.3%	2.7%		
<i>*A person of Hispanic/Latino origin may be of any race.</i>						
Place of Birth & Citizenship	TLC	%	M.C.	P.G.		
Total population	29,085	100.0%	873,341	100.0%	<i>With a majority foreign-born population (58%) as well as a high concentration of recent immigrants, the TLC area has a significant number of people who are not U.S. citizens and many of whom are long term residents who remain non-citizens.</i>	
Native born:	12,239	42.1%	73.3%	86.2%		
Born in state of residence	4,990	17.2%	22.5%	23.1%		
Born in other state in the U.S.	6,994	24.0%	49.4%	61.8%		
Native; born outside the U.S.	255	0.9%	1.4%	1.2%		
Foreign born:	16,846	57.9%	26.7%	13.8%		
Naturalized U.S. citizen	3,834	13.2%	11.5%	5.3%		
Not a U.S. citizen	13,012	44.7%	15.2%	8.4%		

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Born in state of residence	4,990	17.2%	22.5%	23.1%	
Born in other state in the U.S.	6,994	24.0%	49.4%	61.8%	
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Not a U.S. citizen	13,012	44.7%	15.2%	8.4%	
Age	TLC	%	M.C.	P.G.	
Total population	29,085	100.0%	873,341	801,515	
< 5	2,648	9.1%	3.5%	3.7%	<i>The majority of residents, 62%, are young adults under 35 and children in contrast to both Counties where typically people are age 35 years and older.</i>
5 to 17	5,279	18.2%	9.5%	10.0%	
18 to 34	10,222	35.1%	21.4%	28.1%	
35 to 64	9,467	32.5%	42.0%	39.4%	
65+	1,469	5.1%	11.2%	7.7%	<i>Only a low percentage of TLC residents (5%) are elderly.</i>
Median Age	28.0		36.8	33.3	

Takoma/Langley Crossroads 2000 Demographic Profile

Educational Attainment	TLC	%	M.C.	P.G.	
<i>Population, age 25+</i>	17,069	100.0%	594,034	503,698	
Less than 9th grade	4,389	25.7%	4.4%	4.7%	<i>Among TLC's adults age 25+, only 56% have at least a high school education compared to a minimum of 85% in both Counties.</i>
9th to 12th grade, no diploma	3,046	17.8%	5.3%	10.4%	
High school graduate	3,587	21.0%	14.5%	27.3%	
Some college, no degree	2,267	13.3%	16.7%	25.0%	<i>About one quarter of those age 25+ have less than a 9th grade education far higher than the 5% found in both Counties.</i>
Associate's degree	530	3.1%	4.6%	5.5%	
Bachelor's degree	1,840	10.8%	27.1%	16.9%	
Graduate degree	1,410	8.3%	27.5%	10.2%	
Employment	TLC	%	M.C.	P.G.	
<i>Employed civilian population, age 16+</i>	13,340	100.0%	458,824	399,355	<i>Two thirds of the working age population are in the labor force.</i>
Management & professional	2,987	22.4%	56.6%	38.9%	<i>Range of occupations in TLC is almost evenly split among service, management & professional, construction, and sales sectors contrasted to each county's concentration of the workforce in management/professional and sales.</i>
Service	3,430	25.7%	11.5%	14.8%	
Sales and office	2,629	19.7%	22.0%	29.0%	
Farming, fishing, & forestry	30	0.2%	0.1%	0.1%	
Construction, extraction, & maintenance	2,838	21.3%	5.2%	8.2%	
Production, transportation, & material moving	1,426	10.7%	4.6%	9.0%	
Unemployed	986	4.5%	2.2%	4.1%	
Household Type	TLC	%	M.C.	P.G.	
<i>Total households</i>	8,844	100.0%	324,565	286,610	
<i>Family households:</i>	6,350	71.8%	69.1%	69.1%	<i>While families are most common in all areas, the mix of family type differs. TLC has a lower percentage of married-couples, higher percentage of single householder with no spouse, and a higher incidence of extended families.</i>
With own children under 18 years	3,643	41.2%	35.0%	35.3%	
Married-couple family	3,715	42.0%	55.2%	44.0%	
With own children under 18 years	2,240	25.3%	27.7%	21.4%	
Single householder, no spouse present	2,635	29.8%	13.9%	25.1%	<i>Almost half of the households have at least one child, while elderly living alone or with family are found in only 13% of the homes.</i>
With own children under 18 years	1,403	15.9%	7.3%	13.9%	
<i>Nonfamily households:</i>	2,494	28.2%	30.9%	30.9%	
Householder living alone	1,611	18.2%	24.4%	24.1%	
Householder 65 years and over	349	3.9%	7.7%	4.9%	

Takoma/Langley Crossroads 2000 Demographic Profile

Income	TLC	%	M.C.	P.G.	
<i>Total households</i>	8,844	100.0%	324,940	286,650	
Less than \$15,000	976	11.0%	6.2%	8.0%	<i>The median income in TLC, whether measured by overall households, tenure, or race/ethnicity, is generally half of the estimates for Montgomery and three-quarters of Prince George's Counties.</i>
\$15,000 to 24,999	1,260	14.3%	5.6%	8.1%	
\$25,000 to \$34,999	1,476	16.7%	7.5%	11.2%	
\$35,000 to \$49,999	1,850	20.9%	12.7%	16.9%	
\$50,000 to \$74,999	1,735	19.6%	20.3%	23.5%	
\$75,000 to \$99,999	877	9.9%	15.3%	15.3%	<i>TLC's lower income is associated with limited adult educational attainment of a significant portion of residents and subsequently a work force predominately in lower paying service and construction jobs.</i>
\$100,000 to \$149,999	534	6.0%	17.4%	12.7%	
\$150,000 to \$199,999	80	0.9%	7.4%	3.0%	
\$200,000 or more	56	0.6%	7.6%	1.3%	
<i>1999 Median Household Income</i>	\$40,731		\$71,551	\$55,256	<i>A high percentage of TLC residents, 14%, live in poverty which is double and triple the rates found at the County level.</i>
<i>Persons living below poverty level</i>	4,134	13.9%	5.4%	7.7%	
Number of Units in Structure	TLC	%	M.C.	P.G.	
<i>Total housing units</i>	9,151	100.0%	334,632	302,378	
1, detached	2,463	26.9%	51.2%	50.2%	<i>With only 27% of the housing stock being detached single-family dwellings, this is almost half the rate found at the County level.</i>
1, attached	668	7.3%	17.9%	15.0%	
2 to 4	865	9.5%	1.9%	2.8%	<i>The most common type of multi-family structure has 5 to 9 units- this is not a housing option typically found in the counties.</i>
5 to 9	2,155	23.5%	5.4%	9.2%	
10 to 19	1,618	17.7%	8.9%	14.3%	
20 or more	1,382	15.1%	14.5%	8.0%	
Mobile home	0	0.0%	0.2%	0.5%	
Tenure	TLC	%	M.C.	P.G.	
<i>Total households</i>	8,844	100.0%	324,565	286,610	<i>Majority of households (68%) are renter occupied.</i>
Owner occupied	2,843	32.1%	68.7%	61.8%	<i>Only one-third of area's housing is owner-occupied, which is almost half the typical ownership rate found in the Counties.</i>
Renter occupied	6,001	67.9%	31.3%	38.2%	
Year Householder Moved into Unit	TLC	%	M.C.	P.G.	
<i>Total households</i>	8,844	100.0%	324,565	286,610	
1999 to march 2000	2,015	22.8%	18.9%	20.2%	<i>Majority of households were relatively new to TLC with 59% of the households having moved into the unit within 5 years of the 2000 U.S. Census.</i>
1995 to 1998	3,223	36.4%	29.3%	29.8%	
1990 to 1994	1,424	16.1%	17.3%	17.3%	
1980 to 1989	1,125	12.7%	18.5%	15.9%	
1970 to 1979	518	5.9%	8.4%	9.5%	
1969 or earlier	539	6.1%	7.5%	7.3%	

Affordable Housing Programs-Community Toolkit

Montgomery County

- Density Bonus: Workforce Housing and Moderately Priced Dwelling Unit (MPDU) requirement

Housing Opportunities Commission

- Housing Initiative Fund: flexible loans and grants to help create and preserve affordable housing for Montgomery County's families, singles, seniors and people with special needs
- Closing Cost Assistance Loan
- First Trust Mortgage Purchase Program: below market mortgage financing to the general public
- American Dream Down Payment Initiative Program (ADDI): assists low and moderate income first time homebuyers with purchasing a home

City of Takoma Park

Programs to Promote Homeownership

- Tenant Opportunity to Purchase Law: gives tenants the right to match a third party contract if a rental property is being sold
- Tenant Capacity Building Program: community organizers who help organize tenants and tenant associations to purchase their rental property or to assign their rights to a non-profit developer
- Revolving Loan Fund: is available to tenant associations who are purchasing their rental properties and have pre-development costs. Loan is paid back to the City at the time of closing
- First Time Home Buyer Classes: in English and Spanish
- Foreclosure Prevention Classes and Counseling
- Financial Literacy Classes

Programs to Help Maintain Affordable Rental Housing

- Rent Stabilization Law: regulates the annual rent increases (100 percent of the consumer price index) available to multifamily rentals and individually owned condominium units (see page 33)
- Rental Housing Licensing and Inspection Program: annual inspections conducted by the Montgomery County Code Enforcement Division
- Landlord Certification Classes: any landlord owning rental property in Takoma Park must take this class every three years to maintain his/her license to rent
- Partnerships with Housing Agencies and Organizations: maintain and foster partnerships with State, County, and non-profit housing entities so that properties being sold can be purchased by those having an interest in maintaining affordable rental units in the City
- PILOTS: Payment in Lieu of Tax agreements to encourage housing non-profit organizations to purchase and renovate older rental properties to be maintained as affordable rental units
- Home Improvement Programs: City promotion of County single-family and multifamily rehabilitation loan programs

Programs to Assist Tenants

- Landlord-Tenant Relations Law: Takoma Park has its own law and offers mediation services and an administrative hearing process (Commission on Landlord-Tenant Affairs) when landlord-tenant complaints need adjudication
- Housing Code Enforcement Complaint Program: tenants having complaints of repairs in their rental units may contact County inspectors to verify a problem. Violation notices are sent to landlords and enforcement actions may follow
- Emergency Assistance Program: City maintains a contract with a local non-profit organization that administers and distributes donated funds from community residents to those in financial distress

City of Takoma Park Rent Stabilization Policy

Chapter 6.20 RENT STABILIZATION*

6.20.010 Application of rent stabilization--Scope, rent increases, notification requirements, annual reporting.

6.20.020 Buildings exempted from rent stabilization without application for exemption.

6.20.030 Rental facilities granted partial exemption from rent stabilization without application for exemption.

6.20.040 Rental facilities and rental units exempt from rent stabilization pursuant to an application for a grant of exemption.

6.20.050 Establishment of base rent for certain units.

6.20.060 Annual rent increases.

6.20.070 Banking of authorized annual rent increases.

6.20.080 Annual reporting requirements.

6.20.090 Rent increases pursuant to a fair return petition.

- Prior history: Prior code §§ 6-500--6-505 as amended by Ords. 2700, 2716, 2732, 1985-49, 1986-43, 1986-44, 1987-27A, 1987-33, 1987-45, 1988-9, 1989-51, 1990-40, 1992-2, 1992-9, 1992-26, 1995-43, 1997-9, 1999-38, 1999-40, 2003-7, 2006-31 and 2007-28.

6.20.010 Application of rent stabilization--Scope, rent increases, notification requirements, annual reporting.

A. Application of Rent Stabilization. The provisions of this chapter shall apply to all residential rental units except as provided in Sections 6.20.020 through 6.20.040.

B. Rents—Rent Increases, Frequency and Notification Requirements.

1. Rent Increases. Rent increases shall be limited to the rent increase amounts authorized by this chapter for regulated rental units.

2. Frequency of Rent Increases. Rents for any individual rental unit may not be increased more often than permitted by this chapter.

3. Notice of Rent Increases. Notification of any rent increase authorized by this chapter shall be provided in writing to the tenant at least 2 months prior to the date the rent increase is to take effect.

C. Reporting of Rents. Landlords must file an annual rent report with the Department on a form prescribed by the Department in accordance with Section 6.20.080. (Ord. 2007-40 § 1 (part), 2007)

6.20.020 Buildings exempted from rent stabilization without application for exemption.

A. Scope of Exemptions. The provisions of this chapter shall not be applicable to the following:

1. Any unit in a licensed facility, the primary purpose of which is the diagnosis, cure, mitigation and treatment of illnesses;
2. Any unit in a facility owned or leased by an organization exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code, the primary purpose of which is to provide temporary sanctuary or shelter for qualified clients, provided that the organization has notified the clients residing in the facility of the temporary nature of their housing at the inception of their residence;
3. Any owner-occupied group house;
4. Religious facilities such as churches, synagogues, parsonages, rectories, convents and parish homes;
5. Transient facilities such as hotels, motels, tourist homes, and bed and breakfast facilities; and
6. School dormitories.

(Ord. 2007-40 § 1 (part), 2007)

6.20.030 Rental facilities granted partial exemption from rent stabilization without application for exemption.

A. Scope of Exemptions. The provisions of this chapter shall not be applicable to the following rental facilities except as provided in subsections (B) and (C) of this section:

1. Any building on a lot that contains only one dwelling unit; and
2. Any accessory apartment for which the Montgomery County Planning Board has granted a special exception.

B. Frequency of Rent Increases. The rents for rental facilities and rental units described in subsection (A) of this section may be increased only once within a 12-month period.

C. Notification Requirements. Notification of any rent increase for rental units described in subsection (A) of this section shall be provided in writing to the tenant at least 2 months prior to the date the rent increase is to take effect. (Ord. 2007-40 § 1 (part), 2007)

6.20.040 Rental facilities and rental units exempt from rent stabilization pursuant to an application for a grant of exemption.

A. Grant of Exemption. The Department shall, upon application of the owner, grant an exemption from this chapter for the following rental units and rental facilities:

1. Rental units leased to tenants assisted under Federal Tenant Based Assistance Programs under 42 U.S.C. Sections 1437f and 11403 et seq. or similar federally funded rent subsidy program. However, this exemption shall apply only for so long as the rent demanded does not exceed the authorized Payment Standard, which, for purposes of this subsection, is the maximum monthly rental assistance potentially available to an assisted household before deducting the household share of income paid for rent and utilities as established by the Montgomery County Housing Opportunities Commission or successor agency.

2. Any rental facility that is subject to a regulatory agreement with a governmental agency that controls the rent levels of one or more rental units so that they are available only to low and moderate income tenants.

3. Newly Constructed Rental Units. For a period of 5 years after the issuance of a rental license, any newly constructed rental units first offered for rent after July 1, 2006.

a. Newly constructed rental unit shall mean any rental unit constructed that results in a net gain in the number of rental units at a property over the number of rental units at the property as of July 1, 2006, plus any rental units already added to the property, provided that the size of an existing rental unit or the indoor common areas of the rental facility is not reduced. The reconfiguration, renovation, change in description, or change in identification of a rental unit shall not result in a newly constructed rental unit.

b. Replacement rental units not exempt.

i. The maximum allowable rents applicable to pre-existing rental units shall be applicable to rental units that replace those units.

ii. A rental unit is a replacement rental unit unless the unit is a newly constructed rental unit as defined in subsection (A)(3)(a) of this section.

iii. If a replacement rental unit is smaller than the unit it replaces, the maximum allowable rent for the replacement unit shall be reduced by a percentage equal to the reduction in size of the unit.

4. All rental units in a building with 2 dwelling units in which the owner occupies one or more of the units as his or her principal residence, provided that the owner occupancy by the current owner or successive owners has been continuous and bona fide for a period of at least 24 months at the time a petition for an exemption is filed.

B. Termination of Exemption.

1. Exemptions granted pursuant to subsections (A)(1) and (A)(4) of this section shall expire after one year or when the conditions entitling the facility to an exemption cease to exist, whichever shall first occur. The exemptions are renewable annually upon re-application. Upon the termination of an exemption, the rental unit shall be subject to all of the provisions of this chapter.

2. Exemptions granted pursuant to subsection (A)(2) of this section shall expire upon the termination of the agreement with the governmental agency entitling the rental facility to the exemption.

C. Rents upon Termination of Exemption.

1. For rental facilities and rental units receiving an exemption pursuant to subsections (A)(1) and (A)(2) of this section, upon the termination of the exemption, the base rent for the units and the reference point from which the rent ceiling shall be adjusted in accordance with this chapter shall be the allowable rent for each unit at the time the exemption commenced plus the annual rent stabilization allowance for each year that the unit was exempt.

2. For rental facilities and rental units receiving an exemption pursuant to subsections (A)(3) and (A)(4) of this section, upon the termination of the exemption, the base rent for the units and the reference point from which the rent ceiling shall be adjusted in accordance with this chapter shall be the rent for each unit set forth in the most recent annual rent report preceding the expiration of the exemption. For any units not rented when the exemption period terminates, the base rent shall be the rent charged when the unit is first rented to a tenant. If the actual rent paid by a tenant differs from the rent stated in the report or the lease, then the actual rent shall be the base rent.

D. Frequency of Rent Increases. The rents of occupied rental units exempt from rent stabilization under this section may be increased once within any 12-month period.

E. Notice of Rent Increases. For rental units receiving an exemption pursuant to subsections (A)(2), (A)(3) and (A)(4) of this section, a landlord shall

not increase or attempt to increase the rent for any rental unit without having first given the tenant living therein at least 2 months' written notice of the increase.

F. Annual Rent Reports. Landlords must file annual rent reports for all rental units that are exempt from rent control under this section. (Ord. 2007-40 § 1 (part), 2007)

6.20.050 Establishment of base rent for certain units.

A. Reset of Base Rent for Owner-Occupied Condominiums. When the owner or successive owners of a condominium unit occupies the unit for at least 24 consecutive months as his or her principal residence, then the owner may charge market rent for the unit when the owner next rents the unit to a tenant. The rent the owner charges the tenant shall establish the base rent for the unit until the owner again occupies the unit for at least 24 consecutive months. If the actual rent paid by the tenant differs from the rent stated in the lease, then the actual rent paid by the tenant shall be the base rent.

B. Rents Following Sale of a Condominium Unit. The owner of a condominium unit that purchases a condominium unit in a bona fide arms length transaction may charge market rent for the unit when the owner first rents the unit to a tenant after purchasing the unit. The rent the owner charges the tenant shall establish the base rent for the unit until the owner occupies the unit for at least 24 consecutive months. If the actual rent paid by the tenant differs from the rent stated in the lease, then the actual rent paid by the tenant shall be the base rent.

C. Establishment of Base Rent for Rental Units Not Subject to Rent Stabilization on July 1, 2007. For rental units that were not subject to rent stabilization on July 1, 2007, that become subject to rent stabilization pursuant to Ordinance No. 2007-40, the base rent shall be the rent charged for the unit when the unit is first rented to a tenant after July 1, 2007. If the actual rent paid by the tenant differs from the rent stated in the lease, then the actual rent paid by the tenant shall be the base rent. (Ord. 2007-40 § 1 (part), 2007)

6.20.060 Annual rent increases.

A. Annual Rent Stabilization Allowance.

1. The Department shall calculate an annual rent stabilization allowance and provide notice of the allowance to all landlords. The rent stabilization allowance shall equal the percentage increase in the Consumer Price Index-All Urban Consumers all items, Washington-Baltimore (Series ID: CUURA311SAO) from March in the preceding year to March in the current year. The CPI shall be the CPI published as of March in each year.

2. At any point during any 12-month period, commencing on July 1st of each year, the rent of a unit may be increased over the rent charged as of June 30th by the annual rent stabilization allowance.

3. Annual rent stabilization allowances that a landlord does not assess to the current tenant may be set aside and implemented in accordance with Section 6.20.070 when the unit becomes vacant.

B. Frequency of Rent Increases for Occupied Rental Units.

1. Only one rent increase pursuant to subsection (A)(1) of this section shall be permitted within a 12-month period.

2. During the pendency of a fair return petition to increase rents above the rent stabilization allowance, rent increases up to the rent stabilization allowance may be taken in accordance with subsection (B)(1) of this section. If an additional rent increase pursuant to a petition is subsequently approved by the Commission, the rent increase may be taken pursuant to the terms and the conditions of the Commission's administrative decision and final order.

C. Frequency of Rent Increases for Vacant Rental Units. The rent for vacant rental units may be increased by the annual rent stabilization allowance prior to the leasing of the rental unit in accordance with subsection (A) of this section.

D. Notice of Annual Rent Increases.

1. A landlord shall not increase or attempt to increase the rent for any occupied rental unit without having first given the tenant living therein at least 2 months' written notice of the increase.

2. Notice of a rent increase shall be in the form and manner prescribed by Department regulations. (Ord. 2007-40 § 1 (part), 2007)

6.20.070 Banking of authorized annual rent increases.

A. Banking of Unused Rent Stabilization Allowances Authorized After 1992. Notwithstanding the provisions of Section 6.20.060, a landlord may increase the rent for a vacant rental unit by the actual dollar amount of any annual rent stabilization allowances which were not charged to the tenant vacating the rental unit (hereinafter "unused rent stabilization increases"). Such increase may be taken if the rental unit became vacant as a result of a voluntary termination of the tenancy by the tenant or a termination of the tenancy by the landlord for cause. This rent increase may be in addition to any rent stabilization allowance increase that the landlord may impose on or after 12 months from the date of the last rent stabilization allowance increase for that rental unit.

B. Banking of Unused Rent Stabilization Allowances Authorized Prior to 1992.

1. Before a landlord may increase the rent for a vacant rental unit by the amount of any unused rent stabilization increases for any year or years prior to February 1, 1992, the landlord must submit verifiable documentation to the Department showing that the unused rent stabilization increases were not previously charged to the rental unit. Examples of verifiable documentation are rent ledgers, copies of leases, and rent reports.

2. The Department must approve such documentation in writing before the landlord may increase the rent for a vacant rental unit by the amount of any unused rent stabilization increases for any year or years prior to February 1, 1992. The required documentation must be submitted 60 days in advance of the date of the proposed rent increase and must include the name and contact information of the tenant vacating the affected unit. (Ord. 2007-40 § 1 (part), 2007)

6.20.080 Annual reporting requirements.

A. Reporting Requirements. On or before September 30th of each year, each landlord shall complete and submit to the Department a rent report for the 12-month period ending on the preceding June 30th on a form provided by and in the manner prescribed by Department regulations.

B. Penalty for Failure to Comply with Reporting Requirements. Failure to file a complete or accurate rent report by September 30th of each year

shall constitute a violation of this chapter unless an extension of time for good cause is granted by the Department. (Ord. 2007-40 § 1 (part), 2007)

6.20.090 Rent increases pursuant to a fair return petition.

A. Fair Return Rent Increase. Landlords have a right to petition for a rent increase in order to obtain a fair return. A fair return rent increase is intended to protect tenants from unwarranted rent increases, while allowing rent levels which provide landlords with a fair return.

B. Standards for Rent Increases Pursuant to a Fair Return Petition.

1. Fair Return. Fair return is defined as base year net operating income adjusted by 70% of the percentage increase in the Consumer Price Index (CPI) from the base year until 2007, and 100% of the percentage increase in the CPI since 2007.

2. Base Year. The landlord may select any of the following as the base year when petitioning for a fair return rent increase:

- a. 1979, unless the property contains 4 or fewer dwelling units;
- b. 1987, if the property contains 4 or fewer rental units;
- c. 1990;
- d. 2000.

3. Current Year. The current year shall either be the calendar year or the fiscal year (July 1st to June 30th) immediately preceding the date that the application is filed.

4. Current Year CPI. If the current year is a calendar year, the current year CPI shall be the annual CPI for that year. If the current year is a fiscal year, the current year CPI shall be the CPI for December within the 12-month period including the fiscal year.

5. Net Operating Income. Net operating income equals gross income minus operating expenses.

6. Base Year Net Operating Income. The base year net operating income may be calculated, at the landlord's option, to equal 40% of the gross income of the rental facility in 1990.

7. Gross Income. Gross income is the annual scheduled rental income for the property based on the rents and fees (other than fees that are reimbursed by the tenants) the landlord was permitted to charge at the time of the application.

8. Operating Expenses. Operating expenses means all reasonable operating and maintenance expenses.

- a. Operating expenses shall include, but not be limited to, the following:
 - i. Utilities paid by the landlord, unless these costs are passed through to the tenants;
 - ii. Administrative expenses, such as advertising, legal fees, accounting fees, etc.;

- iii. Management fees, whether performed by the landlord or a property management firm;
It shall be presumed that management fees increased by the percentage increase in the CPI between the base year and the current year, unless the level of management services either increased or decreased during this period. Management fees shall not exceed 6% of gross income unless the landlord demonstrates by a preponderance of the evidence that a higher percentage is reasonable.
 - iv. Payroll
 - v. Amortized cost of capital improvements; An interest allowance shall be allowed on the cost of amortized capital expenses; the allowance shall be equal to the interest the landlord would have incurred had the landlord financed the capital improvement with a loan for the amortization period of the improvement, making uniform monthly payments, at an interest rate equal to the Federal Reserve Board bank prime loan rate as of the date of the initial submission of the petition plus 2% per annum.
 - vi. Maintenance related material and labor costs, including self-labor costs computed in accordance with the regulations adopted pursuant to this section;
 - vii. Property taxes;
 - viii. Licenses, government fees and other assessments; and
 - ix. Insurance costs.
- b. Reasonable operating and maintenance expenses do not include the following:
- i. Expenses for which the landlord has been or will be reimbursed by any security deposit, insurance settlement, judgment for damages, agreed-upon payments or any other method;
 - ii. Payments made for mortgage expenses, either principal or interest;
 - iii. Judicial and administrative fines and penalties;
 - iv. Damages paid to tenants as ordered by COLTA or the courts;
 - v. Depreciation;
 - vi. Late fees or service penalties imposed by utility companies, lenders or other entities providing goods or services to the landlord or the rental facility;
 - vii. Membership fees in organizations established to influence legislation and regulations;
 - viii. Contributions to lobbying efforts;
 - ix. Contributions for legal fees in the prosecution of class-action cases;
 - x. Political contributions for candidates for office;
 - xi. Any expense for which the tenant has lawfully paid directly or indirectly;
 - xii. Attorney's fees charged for services connected with counseling or litigation related to actions brought by the City under City regulations or this title, as amended. This provision shall apply unless the landlord has prevailed in such an action brought by the City;
 - xiii. Additional, expenses incurred as a result of unreasonably deferred maintenance; and
 - xiv. Any expense incurred in conjunction with the purchase, sale, or financing of the rental facility, including, but not limited to, loan fees, payments to real estate agents or brokers, appraisals, legal fees, accounting fees, etc.
- c. When an expense amount for a particular year is not a reasonable projection of ongoing or future expenditures for that item, said expense shall be averaged with other expense levels for other years or amortized or adjusted by the CPI or may otherwise be adjusted, in order to establish an expense amount for that item which most reasonably serves the objectives of obtaining a reasonable comparison of base year and current year expenses.

C. Rent Increase Petition Based on Fair Return Standard.

1. Form of Petition. Whenever a landlord proposes a rent increase of more than the amount permitted by Section 6.20.060 of this chapter, the landlord shall file a petition with the Commission on a form provided by the Department.

2. Required Submission of Income and Expense Information. The landlord shall be required to submit income and expense information for the 2 years prior to the current year with the petition.

3. Petition Restrictions. Petitions filed pursuant to this section must address an entire rental facility. The landlord filing a petition must own the rental facility for the entire current year.

4. Adjustments to Petition--Base Year Net Operating Income.

a. Adjustment of Base Year Net Operating Income by Commission. It may be determined that the base year net operating income yielded other than a fair return, in which case the base year net operating income may be adjusted. In order to adjust the base year net operating income, the Commission must make at least one of the following findings:

1. Base year net operating income was abnormally low due to one of the following factors:

(A) The landlord made substantial capital improvements which were not reflected in the base year rents and the landlord did not obtain a rent adjustment for these capital improvements;

(B) Substantial repairs were made due to exceptional circumstances; or

(C) Other expenses were unreasonably high, notwithstanding prudent business practice.

ii. Base year rents did not reflect market transaction(s), due to one or more of the following types of circumstances:

(A) There was a special relationship between the landlord and tenant resulting in abnormally low rent charges (such as a family relationship);

(B) The rents had not been increased for 5 years preceding the base year;

(C) The tenant lawfully assumed maintenance responsibilities in exchange for low rent increases or no rent increases; or

(D) Other special circumstances which establish that the rent was not set as the result of an arms-length transaction.

b. Establishment of a New Base Year Net Operating Income--Prior Year Petitions. The net operating income, income, and expenses, determined to be fair and reasonable pursuant to a prior petition for a fair return rent increase, shall constitute the base year income, expenses, and net operating income in the new petition.

5. Consideration of Fair Return Petition by Commission.

a. Issuance of a Decision by the Commission. The Commission shall, in good faith, endeavor to issue its preliminary administrative decision ruling on the request within 90 days of the review or hearing on the petition. Upon its determination of the rent increase to be granted to the landlord, the Commission shall issue a decision in accordance with Section 6.24.120 of this chapter and furnish a copy of the decision to the landlord.

b. Rejection of Petition.

i. The Commission shall not consider the landlord's fair return petition:

- (A) Until the properly completed petition form, including required supporting documentation, has been submitted to the Commission;
 - (B) When the landlord has not properly registered the rental property with the City and/or when the landlord has outstanding fees or fines with the Department;
 - (C) When the landlord has not filed required rent reports for the 3 years prior to the filing date of the petition, provided that the Commission may, at its discretion, waive the above requirement for good cause shown; or
 - (D) When the landlord has failed to comply with a final order of the Commission concerning any rental unit owned by the landlord in the City.
- However, the failure to comply with an order of the Commission shall not constitute a basis to decline to consider the landlord's request if the order has been appealed to the Circuit Court and no decision has been rendered on appeal.
- ii. If the Commission declines to consider the landlord's request, it shall provide a written explanation for its action.

6. Ceiling on Fair Return Adjustments.

- a. Fair Return Rent Increases on Occupied Rental Units. Fair return rent increases shall not exceed 15% in any 12-month period. If the Commission awards a fair return rent increase greater than 15%, then the landlord may impose the remainder of the increase in subsequent years in increments not to exceed 15%.
- b. Fair Return Rent Increases on Vacant Rental Units. If the Commission determines that a rental unit requiring an increase of more than 15% is vacant or if the unit becomes vacant before the required rent increase has been taken in full, the Commission shall allow the required increase for that unit to be taken in one year or upon the vacancy of that unit, provided the unit became vacant as a result of a voluntary termination by the tenant or a termination of the tenancy by the landlord for cause.

7. Notification Requirements.

- a. Notice of Petition for a Rent Increase. The landlord shall provide written notification to each tenant affected by a proposed rent increase within one week after the filing date of the petition. Such notification shall include a copy of the petition form and a listing of all requested rent increases.
- b. Notice of a Rent Increase Granted Pursuant to a Rent Increase Petition. The landlord shall provide written notice to each affected tenant of the rent increase which has been authorized by the Commission, no less than 2 months prior to the date the proposed increase is to take effect. Said increase shall be contingent on the decision of the Commission becoming final in accordance with Sections 6.24.120 and 6.24.130 of this chapter.

8. Rollbacks--Bad Faith Fair Return Petitions.

- a. Authority to Require Rollback. If, upon consideration of a fair return petition, the Commission finds that the adjusted base year net operating income included in the petition is less than the landlord's actual petition year net operating income and the fair return petition was filed in bad faith, the Commission may require the landlord to roll back the rents charged on the rental units covered by the petition to result in a net operating income equal to the adjusted base year net operating income.
- b. Purpose of Rollbacks. The purpose of the rollback provision in this subsection is to ensure that fair return petitions are filed in good faith, that the landlord reviews the records of the rental property for which rent increases are sought to ensure that a rent increase is justified under this section and to balance both the tenant and the landlord interests in each petition to increase rents above the rent stabilization allowance.
- c. Definition of Bad Faith.

i. Bad faith can be found, but is not limited to, instances in which the landlord:

- (A) Listed expenses for repairs or services never performed;
- (B) Materially misrepresented expenses claimed;
- (C) Knowingly filed a false rent report, in whole or in part; or
- (D) Acted in some manner which is a clear abuse of the petition process.

ii. The following shall not constitute bad faith under this provision:

- (A) Miscalculations and simple mathematical errors; or
- (B) Claims for expenses or other items which are not specifically addressed in this section and which the Commission disallowed, but which could plausibly have fallen within this section.

d. Determination of Bad Faith by Commission. The Commission shall verify the information upon which it makes its findings of bad faith and shall issue a decision clearly stating the basis for its finding. The landlords shall be required to notify all tenants affected by the rent rollback, and, if the landlord was permitted to increase rents by the rent stabilization allowance pending a decision on the fair return petition, all rent increases so collected shall be refunded to the affected tenants within 30 days. If the landlord fails to roll back the rents or fails to refund the rent increases collected, the affected tenants may begin paying the rolled-back rent or may deduct any rent refunds or rollbacks owed the tenants in accordance with subsection (C)(8)(a) of this section.

9. Scope of Commission Authority in Setting Rents. Notwithstanding any other provision of this chapter or regulations instituted pursuant to this chapter, the Commission shall be authorized to take into account any factors which it is required to consider by law and grant whatever rent increase is constitutionally required in order to yield a fair return.

10. Burden of Proof. The landlord shall have the burden of proof in demonstrating that a rent increase should be authorized pursuant to this section. (Ord. 2007-40 § 1 (part), 2007)