



Local Rent Regulation Overview

Policy Analysis & Market Implications of HB278 & SB355

Presented by Jesseca Hoff
Executive Director

Executive Summary & Literature Review

- Literature review indicates that moderate, second-generation rent control policies do not significantly impact construction when controlling for socioeconomic factors. While it might be impacted, we cannot isolate from other market factors. Research remains mixed.
- Due to the complexity of the housing market, it is difficult to isolate rent control as a singular variable directly impacting multifamily development decisions.
- Various studies document negative impacts such as disinvestment.
- Rent control regulations have been proven to reduce displacement for tenants in units subject to regulation.

Virginia's Proposal (HB 278 & SB 355)

Virginia's proposed legislation classifies as a **rigid framework**, not moderate as described in the literature

HB 278 & SB 355 lack the flexibility of moderate models due to:



3% Fixed Cap



Shorter New Construction Exemptions

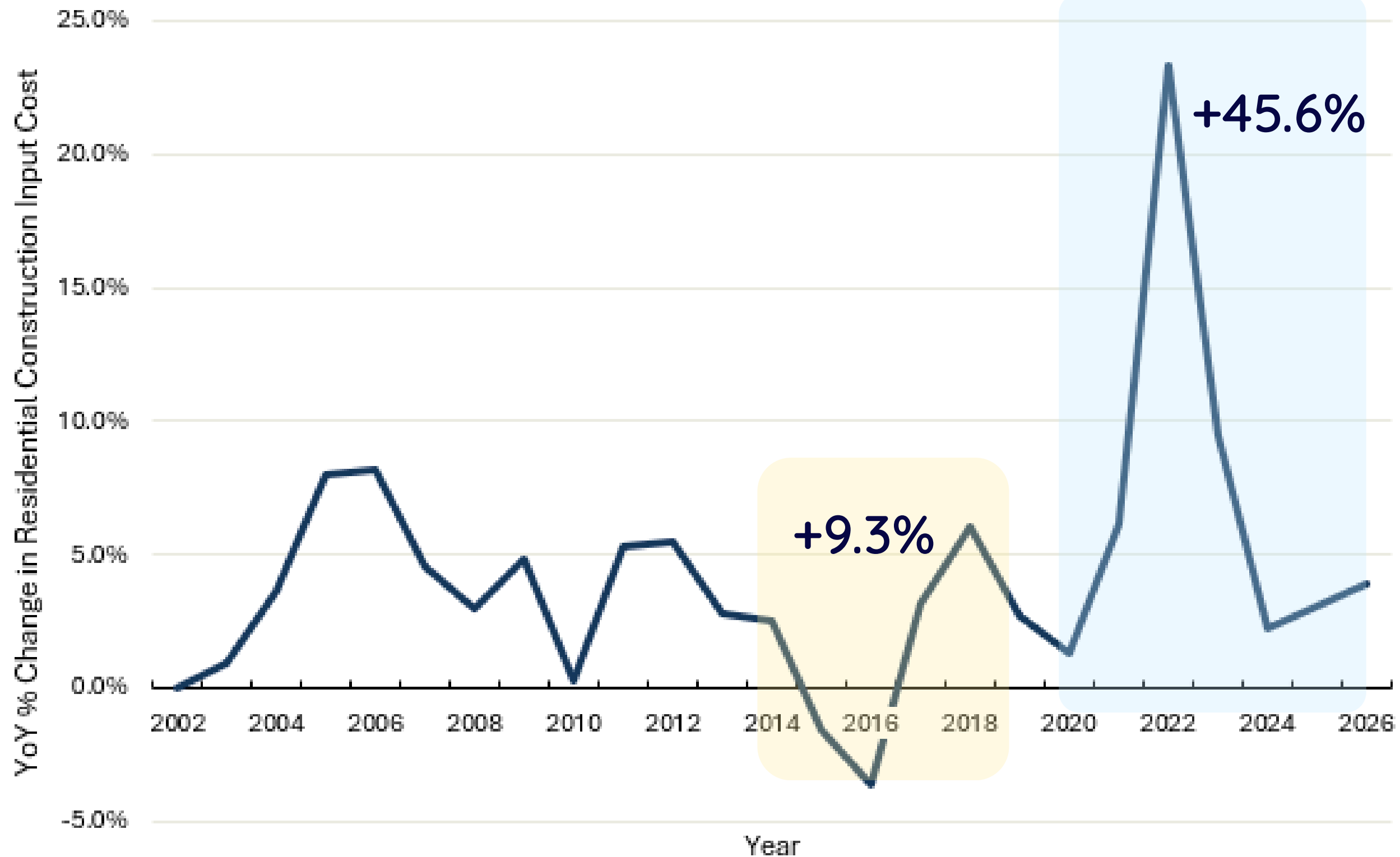


Vacancy Controls



No Housing Provider Exemptions

Rising Construction Costs



Residential construction input costs outpaced standard inflation heavily post-pandemic.

From 2014-2019, prices changed **+9.3%**.

From 2020-2025, material inputs increased **+45.6%**, disproportionately impacting multifamily development.

A Widening Gap

50%

of Renters are Cost-Burdened

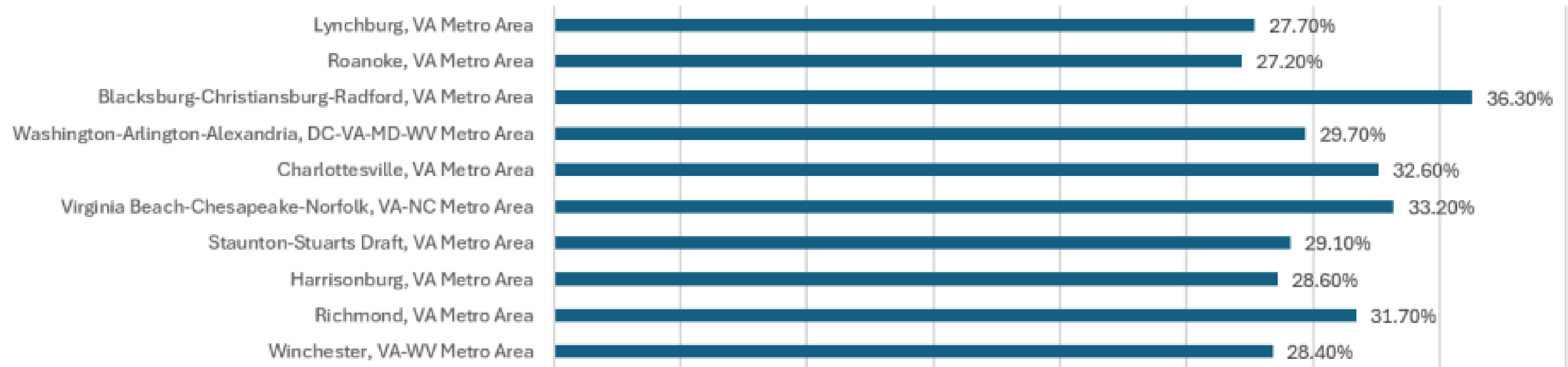
Nationally and across Virginia, housing affordability has deteriorated. In Virginia's largest MSAs (Richmond, Virginia Beach, and Northern Virginia), nearly half of all renters spend more than 30% of their income on housing.

Of those moderately burdened renters, approximately half are severely cost-burdened, spending over 50% of their pre-tax income strictly on housing and utilities.

Cost-Burdened Renter Households

2020-2024 Average Rent-to-Income Ratios in Metropolitan Statistical Areas in Virginia

In 2020-2024, Renters in Blacksburg, Charlottesville, Virginia Beach / Norfolk and Richmond MSAs were Cost Burdened based on Average Rent-to-Income Ratios



Note. Reproduced from USAFacts analysis of U.S. Census American Communities Survey data.

Eviction Report

3.7% 

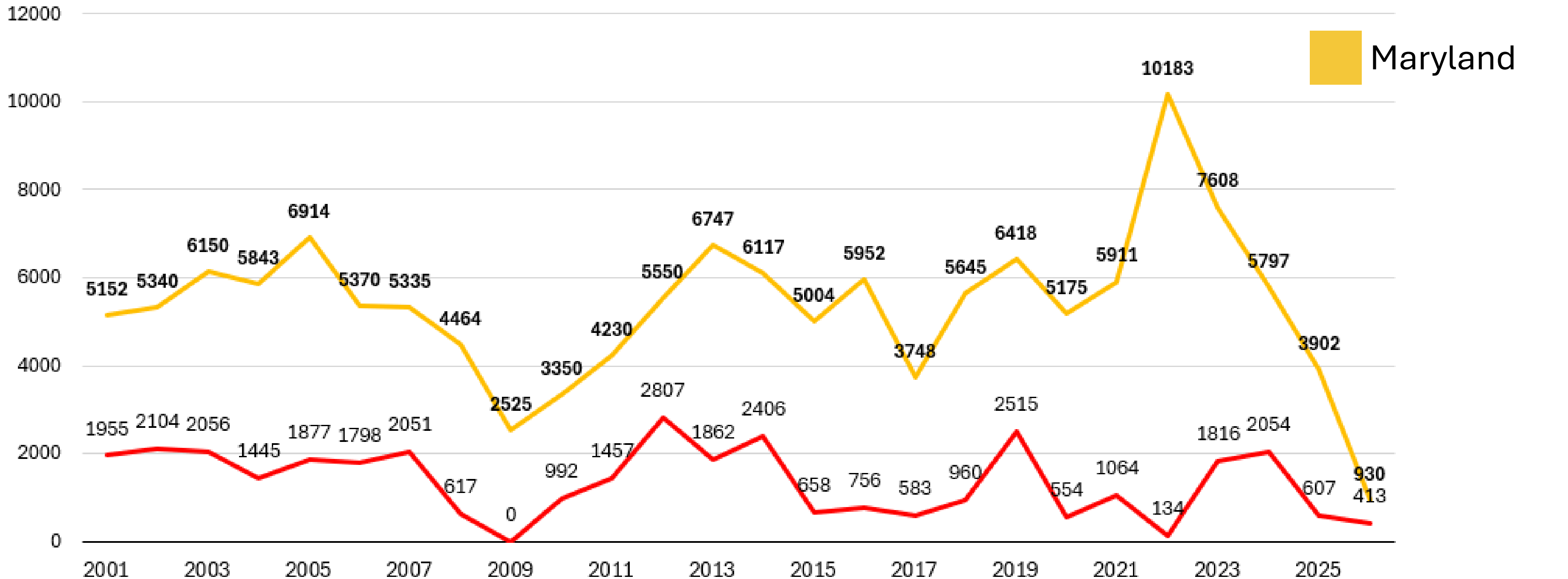
Increase in executed writs of eviction
from July 2023 to June 2025

Generally, Virginia localities report fewer eviction filings currently than before the pandemic.

However, filings in 2025 experienced an increase, rising to around 89% of pre-pandemic levels.

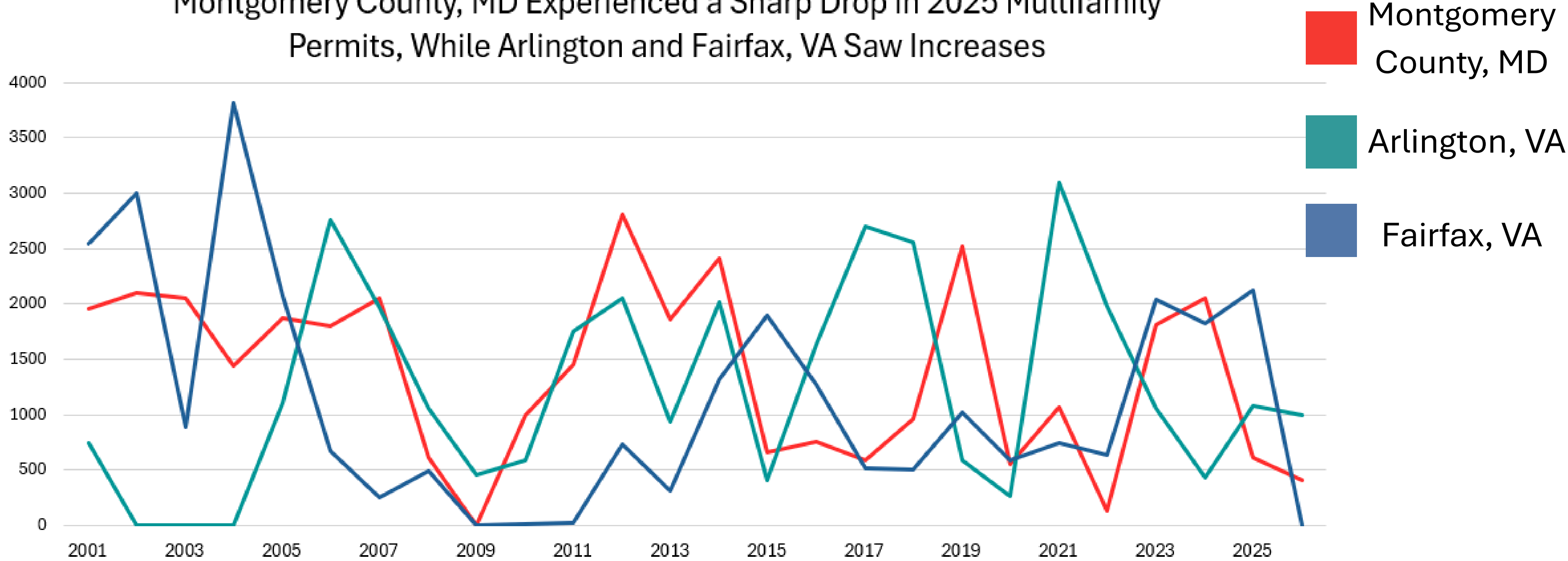
Case Study: Montgomery County, Maryland

Multifamily Permitting in Montgomery County Saw a Decline in 2025, Mirroring Statewide Trends



Multifamily Residential Permitting Trends in 2025:

Montgomery County, MD Experienced a Sharp Drop in 2025 Multifamily Permits, While Arlington and Fairfax, VA Saw Increases



State Comparison Overview

191 Bills

The National Apartment Association (NAA) tracked 191 state rent control-related bills in 2026.

Preemption

Many states preempt local governments from regulating rent through explicit statutory preemption or implicit preemption via the Dillon Rule.

Stricter Standard

Virginia's proposed bills classify as rigid compared to other statewide rent control legislation and most local ordinances. Of the localities studied, it is most similar to St. Paul, Minnesota's

HB 278 & SB 355 Provisions & Considerations



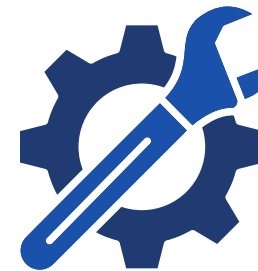
Percentage Rent Cap



Vacancy Controls



Income Formulas



Required Maintenance



Construction Exemptions



Potential Impact on Property Taxes



Provider Exemptions



Local Implementation & Costs



Legal Penalties & Enforcement

HB 278 & SB 355 Provision: % Rent Cap

State	General Rent Cap
California (2019)*	5% + CPI (Max 10%)
New York	*Dependant on rental property classification
Oregon (2019)	7% + CPI (Max 10%)
Washington (2025)	7% + CPI (Max 10%)
Virginia	3% Fixed
Montgomery County, MD	3% + CPI (Max 6%)

3% Fixed Cap

- Establishes a fixed cap on rent increases at a maximum of 3% annually. This differs from other states that tie caps dynamically to the Consumer Price Index (CPI).
- Maximum predictability for tenants, does not vary from year to year
- No inflationary buffer

*California localities can implement rent controls that are stricter than the statewide rent cap. The statewide ordinance establishes a moderate baseline to cover properties not already subject to local rent ordinances. California is a Home Rule state.

HB 278 & SB 355 Provision:

Rent Cap

Impacts on Landlords

- Most difficult for smaller landlords to continue operation
- Larger landlords are more capable of adjusting to the cap, but would still face economic challenges



Resulting Impacts to Local Board

- Greater number of landlord exemption requests
- Unintentional violations of the Fifth Amendment

HB 278 & SB 355 Consideration:

Property Taxes

Virginia municipalities rely on revenue generated by real property taxation

- **Assessed Value Decline:** If rent increases are legally capped at 3% per year, the income potential and thus the assessed value of rental housing, may decline.
- **Valuation Impact:** Rent revenue is a factor in valuing multifamily buildings.
- **Broader Market Effects:** Studies suggest that stricter rent control regulation lessens the value of controlled units as well as nearby uncontrolled units.

According to available data, real estate taxes account for an average of:

51.75%

City Revenue



63.2%

County Revenue



27.9%

Town Revenue



HB 278 & SB 355 Provision:

Income Formulas

The Fair Return on Investment (FROI) provision allows landlords to maintain a reasonable profit and designed to prevent constitutional takings claims. The bills leave the specific standard to local board discretion.

$$NOI = Total Revenue - Operating Costs$$

Maintenance of NOI

Rent-regulated municipalities adjust rents to maintain a landlord's baseline Net Operating Income (NOI), adjusted for inflation.

NOI formula does NOT consider:

- ✗ Debt Structures
- ✗ Administrative Effort
- ✗ Discretionary Application

HB 278 & SB 355 Provision:

State/Locality	Rolling Exemption Limit
California (2019)	15 years
New York	*Dependant on rental property classification
Oregon (2019)	15 years
Washington (2025)	12 years
Virginia	10 years
Montgomery County, MD	23 years

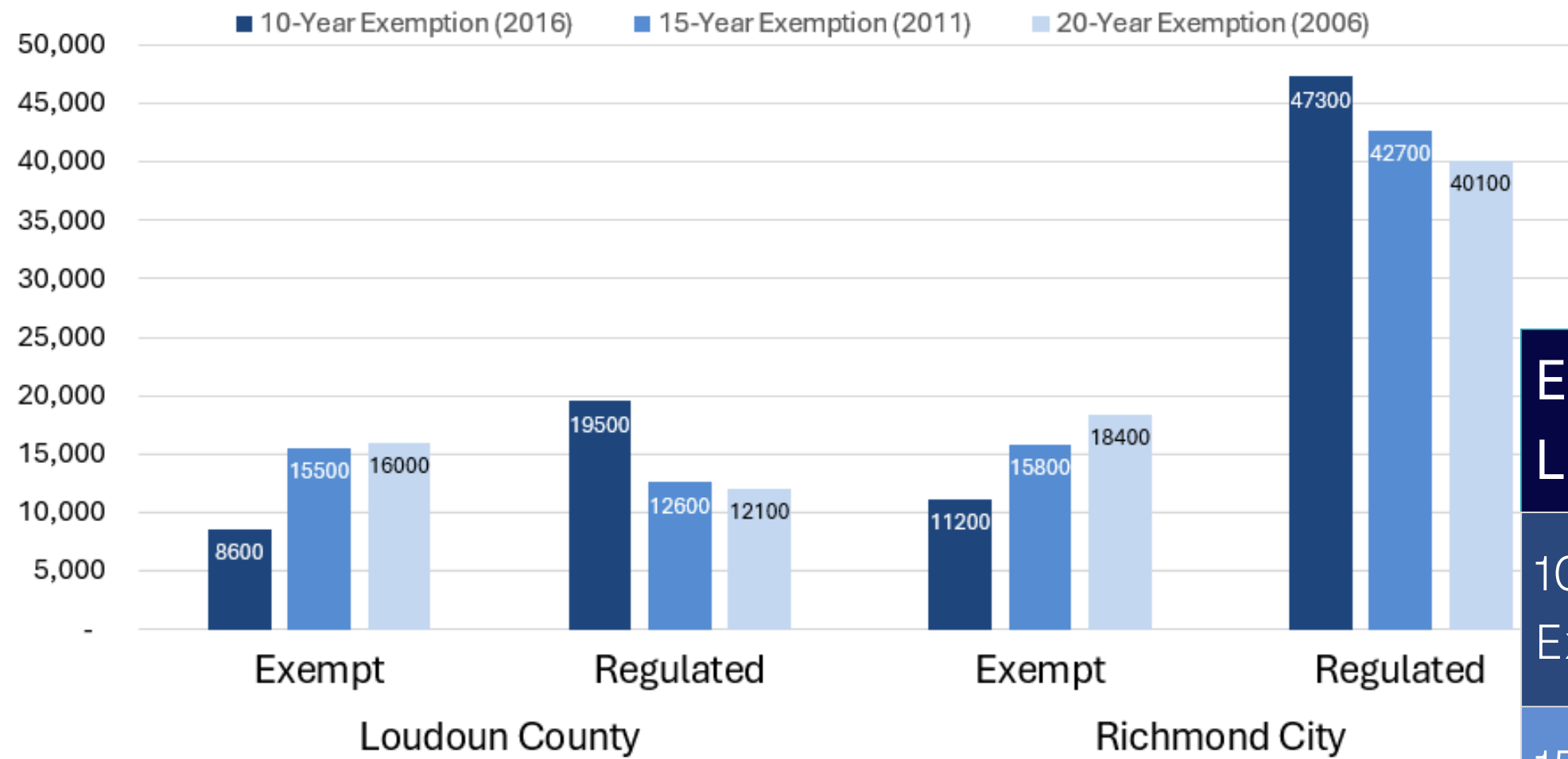
New Construction Exemptions

- Many rent regulation systems exempt properties older than 10 years
- Enacting longer exemption periods may mitigate potentially negative impacts on housing construction
- 10 years = likely majority of units in each locality subject to regulation

HB 278 & SB 355 Provision:

New Construction Rolling Exemption Limit

Estimated Number of Anti-Rent Gouging Exempt & Regulated Multifamily Units by Building Age in Loudoun County & Richmond City



The number of units in Loudoun County & Richmond City with potential to be exempt from anti-rent gouging authority under different new-construction timeframes

Exemption Length	Loudoun County	Richmond City
10-Year Exemption (2016)	30.6% Exempt	19.1% Exempt
	69.4% Regulated	80.9% Regulated
15-Year Exemption (2011)	55.2% Exempt	27.0% Exempt
	44.8% Regulated	73.0% Regulated
20-Year Exemption (2006)	56.9% Exempt	31.4% Exempt
	43.1% Regulated	68.6% Regulated



HB 278 & SB 355 Provision:

Exemptions for Certain Housing Providers

States with Exemptions for Small
Landlords or Affordable Housing Providers



California



(varied language in each state)



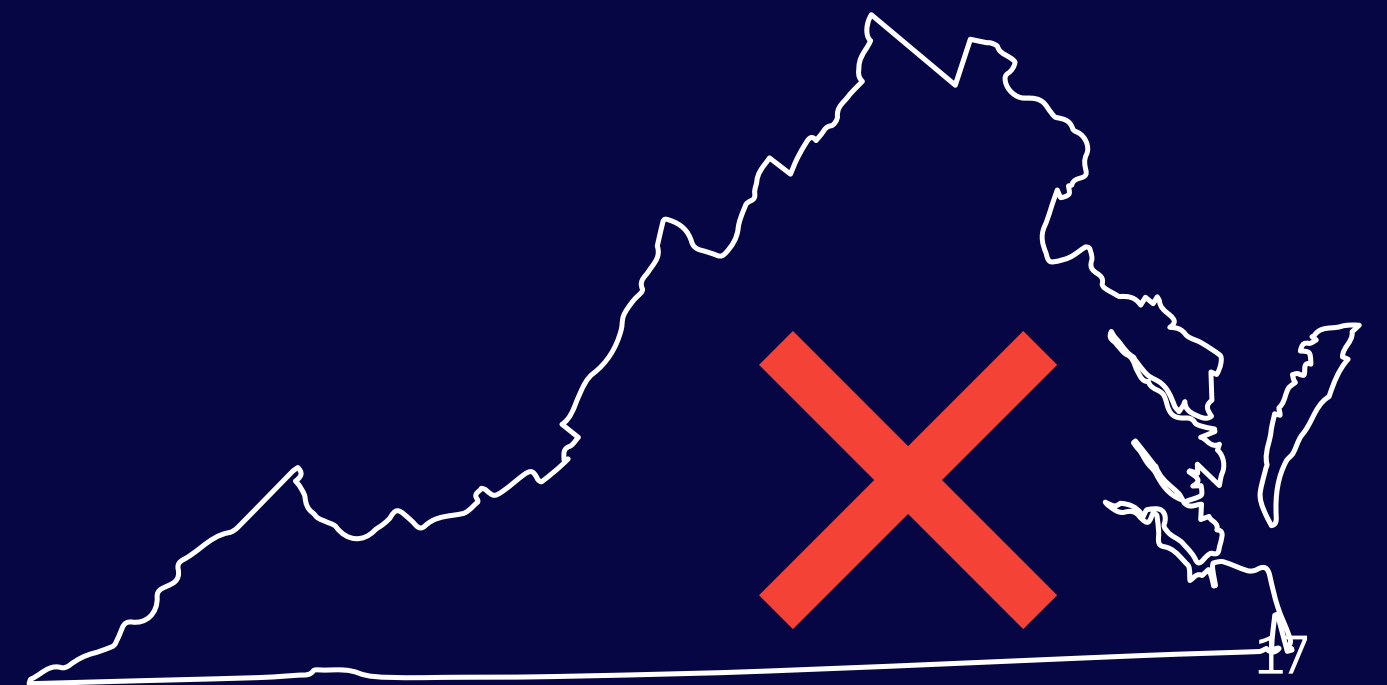
Oregon



Washington



New York

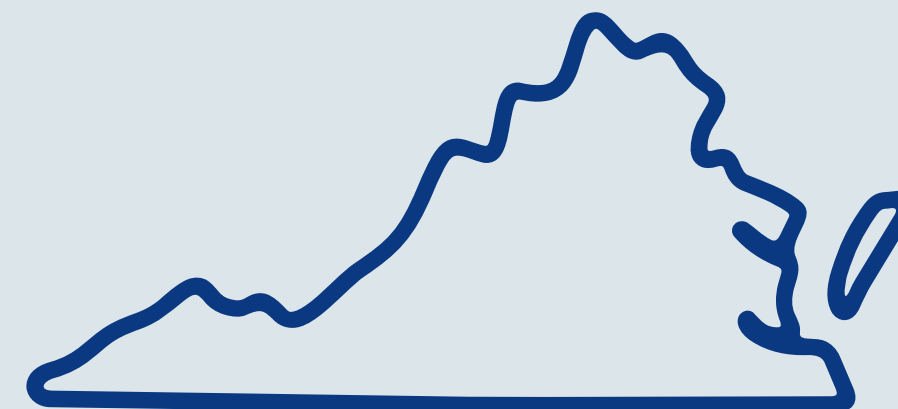


HB 278 & SB 355 Provision:

Vacancy Controls

Vacancy Control

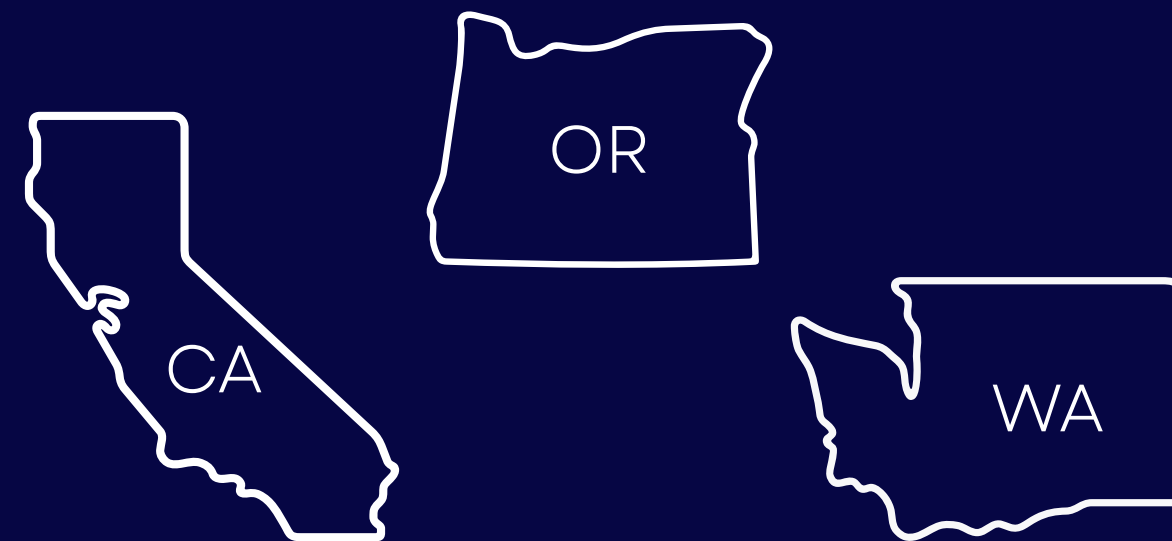
The rent cap stays attached to the unit, even when a tenant leaves.



HB278 & SB355

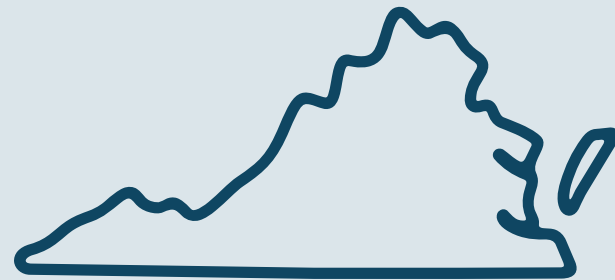
Vacancy Decontrol

The rent cap is attached to the tenant. Under pure decontrol, upon vacancy, landlords can raise rents to market rates before capping it again for the next renter. The states that use this mechanism also require adherence to just-cause eviction provisions.



HB 278 & SB 355 Provision:

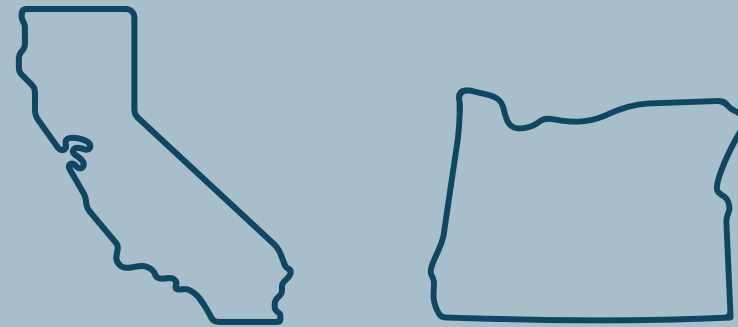
Legal Penalties & Enforcement



Virginia Proposal

Pairs admin arbitration with defensive court rights, increasing accessibility for low-income tenants.

- ✓ Local boards adjudicate tenant penalties
- ✓ Civil penalties are payable to local treasuries.
- ✓ Compliance is a strict prerequisite for eviction possession orders.



California & Oregon Models

Relies heavily on judicial intervention rather than localized administrative oversight.

- ➔ No administrative boards established to set or review rents.
- ➔ Grants tenants a "private right of action."
- ➔ Tenants are required to sue in court for monetary damages.



Montgomery County (Registry Model)

Uses centralized data to proactively enforce and monitor rent control measures

- ➔ Mandatory rent registries track compliance in real-time.
- ➔ Reduces the fact-finding burden on local officials.
- ⚠ Note: Virginia's proposed legislation does not establish a registry.



HB 278 & SB 355 Provision: Required Maintenance & Notice Period

Habitability & FROI

The Maintenance Risk: Studies suggest landlords may delay maintenance to preserve profits under rent caps.

Code Compliance Link: HB278 blocks landlords with code violations from receiving rent-increase exemptions

Flexible Improvements: Boards can grant Fair Return on Investment (FROI) exemptions for capital improvements, offering flexibility.

Administrative Trade-off: Linking exemptions to habitability strengthens enforcement but significantly increases the frequency and burden of local property inspections.

90-Day Notice Period

Legislative Alignment: Requires a minimum 90-day written notice for rent increases, aligning with recently passed 2026 legislation (HB678).

Term Expiration: Notice must be delivered at least 90 days prior to the end of the active rental agreement term.

National Standard: Mirrors standard notice requirements in other rent-controlled jurisdictions nationwide.



HB 278 & SB3 55 Additional Considerations

Local Implementation & Costs

Managing a rent regulation program may require:

- Updating program regulations & standard operating protocols
- Managing a rental unit registry
- Reviewing complaints & mediating landlord-tenant conflicts
- Staffing administrative hearings & reviewing appeals
- Managing program staff, budget & public education
- Producing reports & evaluating the policy periodically
- Coordinating with legal, communications, IT, & building code enforcement staff
- Processing requests for exceptions



HB 278 & SB3 55 Additional Considerations

Estimating Administrative Burden: Full Time Employee (FTE) Requirements Model

4.65

FTEs /Year

Initial Model (Virginia Proposal)

Assumes a higher dispute rate. FTE breakdown:

Policy/Legal = 1.4

Investigations = 2.0

Data/Admin = 1.25

~2.0

FTEs /Year

Recalibrated Model (Montgomery Baseline)

Calculated using Montgomery County's 0.4% dispute rate for 10,000 units.

Montgomery Baseline Assumptions & Formula

(U) Covered Units: 10,000

(A) Admin Factor: 0.075 (4.5 min)

(D) Dispute Rate: 0.4% (4/1,000)

(P) Investigation Processing Time: 30 hrs


Formula: $1500 + 0.2 * [(U * A) + (P * D * U)] + (U * A) + (P * D * U)$


Note. 2,000 hours equals 1 FTE-year. Formula can be described as leadership initial setup time (baseline is 1500 FTE-hours [minimum time required to setup] + 20% * anticipated yearly operational FTE-hours) + data administration and public information officer hours/year, and P*D*U represents the most time consuming portion of the process: investigations, auditing and quasi-judicial functions (e.g., appeals).

HB 278 & SB 355 Additional Considerations:

Compounding Regulations

Local policies can accumulate, creating restrictive systems that financially disincentivize lending and suppress housing supply.

 Zoning SB74 /portland oregon

 **TIF Disruption:** Tax Increment Financing (TIF) relies on property value appreciation to repay public bonds. Rent caps limit income


Permitting & Construction Pauses

St. Paul vs. Minneapolis:
Comparing St. Paul (3% cap) to Minneapolis (no cap) revealed disparities in new construction permitting.

In 2022, a major St. Paul multifamily development paused, with the developer citing rent caps as a reason for the halt in construction.

Incentive Mismatches

Artificially constrained pricing limits natural tenant turnover, leading to inefficient housing distribution.

 **Misallocation:** Tenants are financially incentivized to remain in units that no longer suit their current household size.



HB 278 & SB 355 Considerations:

Rent Regulation as Affordable Housing Preservation

To mitigate a potential displacement crisis, a growing number of jurisdictions are evaluating targeted rent stabilization measures to preserve affordability as federal subsidies expire.

National Expirations (2026-2029)

> 485,000

LIHTC units nationally are projected to reach their 30-year expiration mark

Virginia Expirations (Next 10 Years)

~ 37,000

Established units in Virginia losing their affordability restrictions over the next decade.

Legislative Mitigation Strategies

Rather than applying blanket rent caps across all market-rate properties, some states are designing highly targeted transitional regulations specifically for expiring LIHTC properties.

Michigan and Massachusetts Example: Implements a 3-year rent cap immediately following the expiration of federal affordability requirements

Conclusion

A Highly Restrictive Framework: The provisions in HB278 and SB355 would make it among the strictest rent regulation frameworks in the country.

Potential Market Impacts: If localities enacted this framework, they would likely encounter the notable issues examined in the study, unlike the more moderate frameworks found in other statewide models. However negative impacts have been observed in some moderate frameworks.

The Path Forward: Ultimately, examining rent regulation requires carefully weighing these economic trade-offs and determining exactly what long-term housing outcomes Virginia and its local governments want to incentivize. Rent regulation will help keep tenants in their homes, but will not address the rising costs for all renters or help supply issues.

Thank you!

For more info, visit vhc.virginia.gov.