

Overview

- **Bill 15-23, Landlord-Tenant Relations – Rent Stabilization**

- Signed into law by the County Executive on July 23, 2023, and became effective on July 23, 2024, through the approved Executive Regulations.

- **This law:**

- Sets limits to rent increases and allowable fees.
- Prevents Troubled and At-Risk properties (those with significant code violations) from increasing rents at all.
- Identifies special circumstances under which a landlord can exceed their allowable annual rent increase (for example, when they are making major improvements to their property).
- Identifies properties that are exempt from the rent stabilization.

- **Rent Stabilization Eligibility**

- Unless otherwise exempt, all County-licensed residential rental units that are at least 23 years old are rent stabilized under Montgomery County Law.
- A unit is 23 years old on **January 1st** of the 23rd year after the property's '**Year Built**' on the Maryland State Department of Assessments and Taxation (SDAT) website.
- For example, if a building's SDAT record shows 2002 as the year built, it becomes rent stabilized on January 1, 2025.

Annual Rent Increase Allowance

- The annual rent increase allowance is the CPI-U (Consumer Price Index- Urban) plus 3% or a flat 6%, whichever is lower.
- DHCA will publish the allowable rent increase and CPI-U annually. The rent increase remains in effect for 12 months, beginning July 1 and ending June 30 of the following year.
- **From July 1, 2025, to June 30, 2026, the CPI-U is 2.7%, so the maximum rent increase allowance is 5.7%.**

Allowable Rent Increases and Limitations

▪ New Lease or Lease Renewal

- No more than one increase per 12-month period.
- Multi-year Lease: the annual rent increase allowance governing the first year applies to the following lease years. The rent must be the same for the entire lease term.
 - Example:
 - Your current lease ends December 15, 2024 (rent = \$1200)
 - Your landlord sends a notice of rent increase (6%, new rent = \$1272) with the option of a two-year renewal (December 15, 2024 - December 1, 2026)
 - You choose a two-year lease renewal. The rent for the increase of the first year of your new lease applies to the entire lease term.
 - Your rent for the next two years will be \$1272, The landlord is not permitted to increase rent for the second year.
- Unused rent increases allowances may be banked for future increases.
- Banked Amount: the dollar amount of an annual rent increase allowance that a landlord did not use to increase the rent for a regulated unit.
 - Example:
 - Your current rent is \$1200
 - The allowable rent increase is 6%, which is \$72
 - Your landlord decides to only increase rent by 5%, which is \$60
 - The unused \$12 is “banked” for future use

Allowable Rent Increases and Limitations

- Calculating the Rent Increase
 - The landlord can raise the rent by adding the following:
 - The current base rent
 - The annual rent increase allowance
 - Any banked amount (unused increases from past years)
 - BUT the total increase cannot exceed 10% of the current base rent.
- Troubled and At-Risk Properties
 - A landlord may not increase rent by any amount while the property is designated Troubled or At-Risk.

Allowable Rent Increases and Limitations

- **Vacant and Previously Vacant Units**

- **If a unit was vacant before it became regulated:**

- The landlord can set the base rent when the unit is rented again.
 - Example:
 - A tenant paying \$1200 moves out of their unit on July 1, 2024.
 - The landlord would like to rent the unit to a new tenant with a lease starting August 15, 2024.
 - Since the unit became vacant before the regulation's effective date (July 23, 2024), the landlord may set the new base rent at their discretion.
 - All following rent increases must comply with the rent stabilization regulation.

- **If a unit has been vacant for over 12 months, or had no active lease (e.g., used by owner or family), the landlord can raise the rent to:**

- The amount it was when it first became vacant, plus any allowed increases for the years the unit was empty,
 - OR up to the banked amount.
 - Example:
 - Unit was vacant for 12+ months, or had no lease, or was owner/family-occupied.
 - The landlord can increase by the accrued banked rent from the last lease.
 - A previous tenant paid \$1200 and moved out of their unit on August 1, 2024.
 - The unit was vacant for three years and accumulated \$180 from the three missed rent increases.
 - New tenant moves in September 2027.
 - The landlord can increase by \$180 ($\$1200 + \$180 = \1380)

Exemptions

A unit is exempt from rent stabilization if it meets one of the following conditions:

- A newly constructed unit that has been offered for rent for less than 23 years;
- A unit owned by a natural person or the trust/estate of a deceased person who owns 2 or fewer rental units within the County;
- A unit subject to a regulatory agreement with a governmental agency that restricts the unit to low- and moderate-income tenants (LIHTC, AMI restricted units, NOT tenant-based programs like HCVP);
- A unit that has undergone a substantial renovation within 23 years (with DHCA approval);
- A licensed facility where the primary purpose is the diagnosis, cure, and treatment of illnesses;
- A facility owned or leased by a 501(c)(3) nonprofit group if the primary purpose of the organization is to provide temporary shelter for qualified clients;
- Owner-occupied group house;
- A religious facility (church, parsonage, mosque, synagogue, rectory, etc.);
- A transient lodging facility (Airbnb);
- An accessory dwelling unit (ADU);
- A school dormitory; and
- A licensed assisted living facility or nursing home.
- Rental units located in the following municipalities: Cities of Gaithersburg, Rockville, and Takoma Park; Towns of Barnesville, and Laytonsville.

Rent Increases for Regulated vs. Exempt Units

Regulated Units

- Limited to the DHCA published allowable increase: CPI-U + 3% or a flat 6%, whichever is lower.
- The Consumer Price Index in Washington-Arlington-Alexandria area measures how much the prices paid by urban consumers have changed over time.
- A unit's rent may only be increased once per 12-month period. Except for multi-year leases, which must have the same rent for the entire lease term.
 - Example:
 - A unit's rent is increased on January 1, 2025.
 - The tenant moves out when their lease ends on June 2.
 - The landlord may not increase the rent for a new tenant moving in.
 - They must wait until at least January 1st, 2026, to increase.
- Increases can only be applied to a new lease or at the time of renewal. No mid-lease increases are permitted.

Exempt Units

- Permitted to increase rent by any amount, but it is recommended that it be within the Voluntary Rent Guidelines (VRG).
- The VRG is based on the residential rent component of the Consumer Price Index.
- A tenant's rent may only be increased once per 12-month period, but the landlord may increase the rent for a new lease.
 - Example:
 - A unit's rent is increased on January 1, 2025.
 - The tenant moves out when their lease ends on June 2.
 - The landlord may increase the rent for a new tenant moving in.
- Increases can only be applied to a new lease or at the time of renewal. No mid-lease increases are permitted unless it is a multi-year lease.

General Increase Notice Requirements

- Notice of a rent increase must be in writing and delivered by US mail or in person with a signed receipt at least 90 days before the effective date of the rent increase.
- Notice of a rent increase for a lease renewal must contain a 2-year lease renewal offer and include the rent for both years (regulated units may not increase rent for the second year of a two-year lease).
- A rent increase notice must contain the current rent, new rent, percentage of increase, effective date of the proposed increase, and a statement informing the tenant that they may ask DHCA to review any increase they may feel is excessive.

Landlord Petitions and Applications

A landlord may be approved for an exemption or an increase above the allowable rent increase through one of the following:

- **Fair Return:** Landlords may apply for a rent increase above the rent increase allowance if needed to earn a fair return on their property.
- **Capital Improvements:** Landlords can ask for a temporary rent increase surcharge to cover the costs of major renovations that do not include regular maintenance and repairs.
- **Substantial Renovations:** If a landlord renovates a building and the cost is at least 40% of the building's value, they may apply for the substantial renovation exemption. This exemption lasts 23 years.

Fees – Regulated

Type of Fee	Maximum Fee
Application Fee	\$25 or the actual documented cost of credit check and other screening costs.
Pet Fee	Up to \$308.10 refundable pet deposit*. Up to \$25.67/pet/month. *
Lost Key Fee	The actual cost to the landlord, plus \$25.
Lock Out Fee	\$25.67 per lockout*. If a third party is used, the actual charge for the service. The two fees cannot be combined.
Secure Storage	No fee for storage located within, attached to, or associated with a unit.
Internet or Cable Television	The actual cost to the landlord is divided by the number of rental units voluntarily opting in.
Motor Vehicle/Motorcycle Parking Fee	An increase of 2.7% from the current fee. * No new Parking Fee is allowed without DHCA approval.
Bicycle Fees	Cannot exceed the following fraction of any motor parking fee (Section 29-35A): 1.one-sixth, for a secure, fully enclosed bicycle locker; or 2.one-tenth of any other bicycle parking space.

Fees – Exceptions and Implementation

▪ Exceptions

- A landlord may charge fees for optional services that individual tenants choose to enroll in. Such fees are not regulated. Examples of optional fees could include, but are not limited to:
 - Gym membership
 - Swimming pool pass
 - Dog park or pet spa
- An optional service cannot include any service that impacts the entire community.
- A landlord cannot charge a fee for any service required to ensure unit access, maintenance, or lease compliance (must have a fee-free option to pay rent).

▪ Implementation

- New fees cannot be charged during the lease term unless they are for optional services chosen by the tenant.
- Fees can only be increased once every 12 months and require a 90-day written notice.
- Increased or new fees implemented after the building became regulated must be reduced or removed if they do not comply with the regulation.

Rental Housing Portal

- Allows landlords, tenants, and the public to access housing rental information, including information about rent stabilization status, Troubled and At-Risk properties, and rent and fee levels.
- All landlords must register all rents and fees associated with new leases and lease renewals at the time of signing. This requirement applies to both rent-stabilized and exempt units.
- Tenant Resources
 - [Public Rental Portal](#)
 - [Rental Portal User Guide](#)
 - [Portal Training Library](#)

Thank you

For more information, please call MC311 at 240-777-0311.

