



## Rent Stabilization Overview

# 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.
  - Example:
    - A lease ends December 15, 2024 (rent = \$1200)
    - A 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)
    - The tenant chooses a two-year lease renewal. The rent for the next two years will be \$1272. The landlord is not permitted to increase rent for the second year.
- Unused rent increase 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:
    - A tenant's current rent is \$1200
    - The allowable rent increase is 6%, which is \$72
    - The 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
  - A 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.

# 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/owner, or was 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 decedent 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
- 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
- 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.



# Allowable Rent Increases and Limitations

## ▪ 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).
- Notice should correspond with the rent payment cycle.
  - A 90-day notice of rent increase given by a landlord on March 29 (before the rent due date of April 1) would take effect on July 1.
  - A 90-day notice given by a landlord on April 2 (after the rent due date) would not take effect until August 1.
- 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.

# Troubled or At-Risk Properties

- A landlord may not increase rent by any amount while the property is designated Troubled or At-Risk.
- The new Troubled and At-Risk property designation list was published on September 1, 2024, and is in effect until the new list is issued.
- If a property is on the Troubled or At-Risk list as of the effective date of July 23, 2024, when the County Council approved the rent stabilization regulation, the landlord cannot increase the rent.

# Troubled or At-Risk Properties

- If a landlord of a Troubled or At-Risk property meets the following conditions, the Director must change their designation to Compliant.
  - Troubled Properties:
    - Correct all violations and verify with DHCA;
    - Submit a corrective action plan that meets DHCA approval;
    - Submit two quarters of maintenance logs under, and
    - A reinspection of the property that does not result in a designation as Troubled or At-Risk.
  - At-Risk Properties:
    - Correct all violations and verify with DHCA; and
    - A reinspection of the property does not result in a designation as Troubled or At-Risk.
- If the landlord cannot meet the conditions required to remove their Troubled or At-Risk designation, the landlord may submit a fair return application to demonstrate their financial inability to maintain habitability.
  - Fair Return Approval: The landlord may increase rents of regulated units by the amount approved in the application while the property is still designated as Troubled or At-Risk.
  - Fair Return Denial: The landlord is not permitted to increase the rent of regulated units while being designated as Troubled or At-Risk.

# Capital Improvements

- Capital improvements are permanent structural alterations to rehabilitate or improve a housing accommodation and do not include ordinary maintenance and repair.
- A landlord may petition the Director for a limited surcharge to cover the costs of capital improvements.
  - Surcharge: An additional amount temporarily added to the monthly base rent if DHCA approves the Capital Improvement Petition. It is not part of the annual increase or base rent and does not change over the years.
- Examples of capital improvement include, but are not limited to:
  - Replacing a roof or elevator
  - Installing new windows
  - Installing new appliances
  - Repairing HVAC or plumbing system

# Capital Improvements

- **Filing:**
  - The landlord must file a petition, along with supporting documents.
- **Notice to Tenants of Filing:**
  - The landlord must notify affected tenants within 5 days of filing.
- **Petition Processing:**
  - Within 30 days of receipt, DHCA will notify the landlord if the petition is complete or incomplete. If incomplete, the landlord has 10 days to provide the missing information, or the petition may be denied.
- **Preliminary Decisions:**
  - Within 60 days of receiving a complete petition, DHCA will approve or deny with a preliminary decision.
- **Material Change:**
  - Any material changes require a Supplement to be submitted. Within 30 days of receipt, DHCA will approve or deny the Supplement, including any revisions to the recommended surcharge.
- **Final Reconciliation:**
  - Upon completion of the capital improvements, the landlord must file a Final Reconciliation Package with actual costs, supporting documents, and a revised calculation of the surcharge. DHCA will approve or deny the surcharge within 30 days of receipt.
- **Notice to Tenants of Decision:**
  - The landlord must notify affected tenants within 5 days of receipt of the decision.



# Capital Improvements

## ■ Implementation

- A landlord may implement a surcharge for affected units after the CIP is approved, and all renovations are completed.
- For building-wide capital improvements, the surcharge is divided equally among all units, is prorated over at least 96 months, and does not exceed 20% of the base rent.
- For capital improvements that only apply to certain units, the surcharge is divided equally among affected units, prorated over at least 60 months, and does not exceed 15% of the base rent.

## ■ Certificate of Continuation:

- A landlord may request a surcharge extension 90 days before the expiration, documented in a Certificate of Continuation.
- If approved, the landlord must inform affected tenants promptly.
- If a decision is not made before the surcharge's expiration, the landlord can extend it for the specified months requested in the Certificate of Continuation.
- If denied, the landlord must refund the excess surcharge to tenants and cease further collections.

## ■ Other Points:

- An approved surcharge can only be extended once through a Certificate of Continuation.
- Following a denial of a Capital Improvement Petition, the property must wait six months before filing another petition.

# Fair Return

- **What is a Fair Return?**

- Landlords have a right to a fair return on their rental property. If a landlord is experiencing financial hardship, due to a lower net operating income or increased operating expenses, they may petition for a rent increase above the annual rent increase allowance.

- **Application Requirements:**

- All units must be properly registered and licensed with DHCA.
- All banked rents must have been applied to regulated rental units before applying for a fair return.
- Applicant must submit information to demonstrate the rent necessary to obtain a fair return

- **Application Process**

- Landlords are required to inform tenants within 5 business days of applying.
- Within 30 days of receipt, DHCA will notify the landlord if the Application is complete or incomplete. If incomplete, the landlord has 10 days to provide the missing information to avoid denied application.
- Applications must be reviewed, and a decision issued within 60 days of submission receipt.
- Landlord must notify tenants of the decision within 10 business days.
- Any rent increase awarded must be clearly identified in the lease or renewal.

# Fair Return

## ■ Implementation

- An approved Fair Return increase remains in effect for 12 months. An annual rent increase is not permitted for those 12 months, but the landlord may charge a capital improvement surcharge at the same time. Each unit is subject to the same percentage increase.
  - An increase of 15% or less can be assessed within 12 months of the date of issuance or at the lease renewal, whichever is later.
  - For an increase of more than 15%, the landlord must spread it out over consecutive years.
  - If the unit is vacant, a landlord may implement a rent increase of more than 15% in one year or upon the vacancy of the unit, provided the unit became vacant because of voluntary termination by the tenant or a termination of the tenancy by the landlord for just cause.
- Properties with an approved Fair Return application may not apply for another application for at least 24 months post-approval. Properties with a denied application may not reapply for at least 12 months post-denial.

# Substantial Renovation

- **What is Substantial Renovation?**

- A landlord may petition for a 23-year exemption from rent stabilization for an existing building if they conduct substantial, permanent renovations that enhance the building's value and cost at least 40% of the building's value.

- **Application Process**

- **Notice to Tenants of Filing:**

- A landlord must notify all tenants by first-class mail and email within 5 days of applying.

- **Petition Processing:**

- Within 30 days of receipt, DHCA will notify the landlord if the petition is complete or incomplete. If incomplete, the landlord has 10 days to provide the missing information, or the petition may be denied.

- **Preliminary Decision:**

- Within 30 days of receiving a complete petition, DHCA will approve or deny with a preliminary decision. Upon receiving preliminary approval, the landlord must notify affected tenants within 10 business days.

- **Material Change:**

- Any material changes require submitting a Substantial Renovation Application Supplement, which DHCA will approve or deny within 30 days of receipt.

- **Final Reconciliation:**

- Upon completion of the substantial renovations, a landlord must submit a Substantial Renovation Application Reconciliation Package. Within 30 days of receipt, DHCA must notify the landlord of the decision confirming the final approval of the Substantial Renovation Application and effective date.

# Substantial Renovation

- **Does the Renovation Enhance the Value of the Rental Housing?**

- The application is evaluated to determine if a proposed substantial renovation will increase the value of the rental building by considering:
  - The current condition of the rental housing.
  - Whether this condition affects tenants' health, safety, or security.
  - If maintenance or repairs could fix existing issues instead.
  - Whether the proposed renovations are optional or purely cosmetic changes.

- **Implementation**

- The substantial renovation exemption starts when DHCA approves the Substantial Renovation Application Reconciliation Package.
- If the landlord is found in violation of Chapters 8, 26, or 29 of the Code, the exemption begins after the Department confirms that the violations are resolved.
- After the substantial renovation exemption is approved, it must be implemented within 12 months. However, if there are existing tenants in the rental unit, landlords must wait until the current lease term ends before beginning.



# 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.

\* Fee can be increased by CPI-U on an annual basis.

# 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.

## ▪ 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 July 23, 2024, must be reduced or removed if they do not comply with regulation

# Rental Housing Portal

- Allows landlords, tenants, and the public to apply for increases and exemptions as well as access housing rental information, including information about rent stabilization status, Troubled and At-Risk properties, and rent and fee levels, among other information.
- 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.**
- Landlord Resources
  - [County Licensing Process](#)
  - [Landlord Rental Housing Portal Sign In](#)
  - [Rental Portal User Guide](#)
  - [Portal Training Library](#)

# Thank you

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