



Rent Stabilization Overview

Department of Housing and Community Affairs (DHCA)

- **Bill 15-23, Landlord-Tenant Relations – Rent Stabilization**
 - Enacted by County Council on July 18, 2023, signed into law by County Executive on July 23, 2023.
 - Executive Regulations were approved by the County Council on July 23, 2024
- **Purpose:**
 - Establish protections against rent increases above a threshold for certain rental units;
 - Set the base rental amount for certain rental units;
 - Provide exemptions from rental increase restrictions for certain units;
 - Permit certain rental increases to fund capital improvements;
 - Permit certain rental increases to achieve fair returns;
 - Require landlords to submit annual rent and other data for certain units; and
 - Generally amend County law concerning rents and landlord-tenant relations.

- The annual rent increase allowance is the lesser of the consumer price index for Urban Wage Earners (CPI-U) for the Washington Metropolitan Statistical Area, plus 3% or 6%. **(CPI-U + 3% ≤ 6%)**
- 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.
- **Effective July 23, 2024, to June 30, 2025, the CPI-U is 3.3%, so the maximum rent increase allowance is 6%.**
- All lease renewals for the rent-stabilized units effective July 23, 2024, and later must be amended or voided to comply with the rent stabilization law.
 - If the notice is amended, the landlord may keep the original effective date of increase.
 - If the notice is voided, the landlord must allow a new 90-day period for a new notice.

- **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:
 - 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 our 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

- At lease renewal, a landlord may not increase the rent of a regulated unit by more than:
 - Base rent (amount currently paid for the unit); plus
 - Rent increase allowance (CPI-U +3% or 6%); plus
 - Any banked amount; and
 - The total increase may not exceed 10% of the base rent
- **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 must contain a 2-year lease renewal offer.
 - Notice must list the current rent, the new rent, the percentage of increase, and the effective date of the proposed increase.
 - For the comprehensive list of the notice requirements, please see the OLTA handbook.

- **Vacant and Previously Vacant Units**

- Units vacant after the regulation effective date, July 23, 2024: the landlord can increase rent up to the banked rent amount or to no more than the base rent at the time the unit became vacant plus any allowable increase.
 - Example:
 - A tenant paying \$1200 moves out of their unit on August 1, 2024.
 - The landlord would like to rent the unit to a new tenant with a lease starting August 15, 2024.
 - The allowable rent increase for July 23, 2024 – June 30, 2025, is 6% (6% of \$1200 is \$72).
 - The landlord may charge up to \$1272 in rent for the new lease.
- Units vacant prior to the regulation effective date, July 23, 2024: the landlord may set the base rent upon the unit's return to the market. After the unit is leased, rent for the subsequent lease or lease renewal must follow the regulation.
 - 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, the landlord may set the new base rent at their discretion.
 - All following rent increases must comply with the rent stabilization regulation.

- A landlord may not increase rent by any amount while the property is designated Troubled or At-Risk.
- The current Troubled and At-Risk property designation list is in effect until the new list is issued on September 1, 2024.
- 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.
- The new Troubled and At-Risk property designation list will be available on September 1, 2024.
- If your property was designated as Troubled or At-Risk between July 23, 2024, and September 1, 2024, you cannot increase rents on any lease renewals during this period. The lease term renewed during this period will remain unchanged, with no increase until the lease expires.
- If your property achieved a compliant status on September 1, 2024, you may increase the rents on lease renewals according to the rent stabilization regulation on all leases after that date.

- 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 (as defined in COMCOR 29.40.01.02(a)) that meets DHCA approval;
 - Submit two quarters of maintenance logs under COMCOR 29.40.01.04(k)(3); and
 - A reinspection of the property under COMCOR 29.40.01 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 under COMCOR 29.40.01 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.

A unit is exempt from rent control 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

- 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

- How does a capital improvement affect rent?
 - A surcharge does not take effect until after the capital improvements 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.
- Tenant Notification
 - A landlord must notify affected tenants by first-class and electronic mail within 5 days of filing a Capital Improvement Petition. If approved, the landlord must notify tenants and distribute a copy of the decision through first-class and electronic mail within 5 days of the Director's approval.

- **Fair Return Application**

- Landlords have a right to a fair return on their rental property. If the net operating income is not maintained due to higher operating expenses, they may petition for a rent increase above the annual rent increase allowance.
- A landlord may not petition for a fair return increase if they have a banked amount for any of their units.
- An approved fair return rent increase must be implemented within 12 months of the date of issuance or at the lease renewal, whichever is later. If the increase is more than 15%, the landlord must spread it out over consecutive years.
- A landlord must notify affected tenants by first-class and electronic mail within 5 days of filing the Fair Return Application. If approved, the landlord must notify tenants and distribute a copy of the decision through first-class and electronic mail within 10 days of the Director's approval.

- **Substantial Renovation Exemption**

- 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.
- A landlord must notify affected tenants and provide a copy of the application through first-class and electronic mail within 5 days of filing the application. If a landlord receives a preliminary approval, they must notify tenants and distribute a copy of the decision through first-class and electronic mail within 10 days of the Director's approval.
- Once approved, the exemptions must be implemented within 12 months of the approval, but no earlier than the expiration of the current lease, if any, for that rental unit.

- **Application Fee:** No more than the landlord's actual cost for a credit check and other relevant expenses for the application. (MD Code Sec. 8-213).
- **Pet Fee:** Refundable pet deposit up to \$300 and a \$25 monthly pet fee per pet. The pet deposit must be returned in full within 45 days after the end of the tenancy unless pet-related damages occur. DHCA will increase the maximum allowable deposit and monthly pet fee annually by CPI-U.
- **Lost key Fee:** May not exceed more than the cost of the actual duplication costs plus \$25.
- **Lock Out Fee:** May not exceed \$25. DHCA will increase the maximum allowable fee annually by CPI-U.
- **Secure Storage (accessible by tenant only):** No fee allowed for storage located within, attached to, or associated with a unit.
- **Internet or Cable Television:** If a tenant opts in for service, the fee must not exceed the actual cost to the landlord divided by the number of rental units in the property.
- **Motor Vehicle/Motorcycle Parking Fee:** For an existing parking fee, a landlord cannot increase the fee by more than the CPI-U and no more than once in 12 months. If a landlord has not charged a parking fee before, they must apply to DHCA to do so. The new parking fee cannot be more than 10% of the lowest base rent for a regulated unit at the property.
- **Bicycle Parking Fee:** A landlord may charge for bicycle parking under County Code Section 29-35A. A landlord may not collect a bicycle fee if they do charge a fee for motor vehicle parking.

- **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.
- Landlords of units subject to rent stabilization must comply with the set limits on the allowable fee charges by October 21, 2024, 90 days after the law and regulation went into enforcement on July 23, 2024

Thank You

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