



Committee: PHP
Committee Review: At a future date
Staff: Livhu Ndou, Senior Legislative Attorney
Purpose: To receive testimony – no vote expected

AGENDA ITEM #4
October 6, 2026
Public Hearing

SUBJECT

Bill 41-26, Landlord-Tenant Relations – Licensing Procedures and Fees – Accessory Dwelling Unit

Lead Sponsors: Councilmember Friedson and Council President Fani-González

Co-Sponsors: Councilmember Evans, Council Vice President Balcombe, Councilmembers Luedtke, Glass, Stewart, Katz, and Sayles

EXPECTED ATTENDEES

Members of the public

COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

- To receive testimony – no vote expected

DESCRIPTION/ISSUE

Bill 41-26 will remove the owner-occupancy requirement for accessory dwelling units (ADUs) and establish a fee waiver for ADUs that comply with certain affordability requirements.

SUMMARY OF KEY DISCUSSION POINTS

- Under current law, in order to obtain a rental license for an ADU, the principal dwelling or ADU must be the primary residence of the applicant. Bill 41-26 will remove that owner-occupancy requirement.
- Bill 41-26 will exempt all building permit-related fees, the annual DHCA license fee, and other application fees for ADUs that charge rent affordable to households earning 65 percent or less of the area median income for a period of at least 10 consecutive years, in agreement with and as determined by the Department of Housing and Community Affairs (DHCA).
- A Planning, Housing, and Parks (PHP) Committee worksession is tentatively scheduled for October 26, 2026.

This report contains:

Staff Memorandum	Pages 1-2
Bill 41-26, as introduced	© 1
Racial Equity & Social Justice (RESJ) Impact Statement	© 6
Climate Assessment	© 13

*The Fiscal Impact Statement was not available from the Office of Management and Budget at publication of this staff report.

*The Economic Impact Statement was not available at the time of publication of this staff report. It can be found at the below address when available: [Racial Equity and Social Justice, Economic, and Climate Impact Statements - Office of Legislative Oversight- Montgomery County, Maryland \(montgomerycountymd.gov\)](https://montgomerycountymd.gov/Racial-Equity-and-Social-Justice-Economic-and-Climate-Impact-Statements-Office-of-Legislative-Oversight-Montgomery-County-Maryland)

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MEMORANDUM

October 1, 2026

TO: County Council

FROM: Livhu Ndou, Senior Legislative Attorney

SUBJECT: Bill 41-26, Landlord-Tenant Relations – Licensing Procedures and Fees – Accessory Dwelling Unit

PURPOSE: Public Hearing

PURPOSE

Bill 41-26, Landlord-Tenant Relations – Licensing Procedures and Fees – Accessory Dwelling Unit, Lead Sponsors Councilmember Friedson and Council President Fani-González, was introduced on September 15, 2026. Co-Sponsors are Councilmember Evans, Council Vice President Balcombe, Councilmembers Luedtke, Glass, Stewart, Katz, and Sayles. Bill 41-26 will:

- (1) remove the owner-occupancy requirement for accessory dwelling units;
- (2) establish a waiver of fees for accessory dwelling units that comply with certain affordability requirements; and
- (3) generally amend the law governing accessory dwelling units.

BACKGROUND

Under current law, in order to obtain a rental license for an ADU, the principal dwelling or ADU must be the primary residence of the applicant. During a public hearing on ZTA 26-06, Accessory Residential Uses - Accessory Dwelling Unit, the Council heard testimony that this requirement reduces the housing supply and reduces the financial viability of creating an ADU by creating hardship for homeowners who may need to relocate. Bill 41-26 will therefore remove the owner-occupancy requirement.

The Council has also heard feedback, including from the RESJ statement for ZTA 26-06, regarding the affordability of ADUs. Bill 41-26 will exempt the annual license fee and other DHCA application fees for ADUs that charge rent affordable to households earning 65 percent or less of the area median income for a period of at least 10 consecutive years, as determined by the Department of Housing and Community Affairs (DHCA). Bill 41-26 will also waive all building permit fees for applications for affordable ADUs, which will be defined as those charging rent

affordable to households earning 65 percent or less of the area median income for a period of at least 10 consecutive years. These fees include fees for building, mechanical, electrical, fire, and Use and Occupancy (U&O) permits. The Planning Department provided the following breakdown of current County fees:

Table 1 Department of Housing and Community Affairs ADU Fees

Type	Fee
Annual License Fee (Does not apply for properties within the incorporated City of Takoma Park)	\$125
Filing Fee (one-time)	\$260
Sign Fee (one-time)	\$230

Table 2 Department of Permitting Services ADU Fees

	New Construction Detached ADU	Alteration Attached ADU	Addition Attached ADU
Building Permit	\$940	\$559	\$113
Mechanical Permit	\$139	\$81	\$139
Electrical Permit	\$403	\$228	\$403
Fire Protection Permit	\$193	N/A	N/A
Land Development (new driveway) if needed	\$420	N/A	N/A
Use and Occupancy	\$117	N/A	N/A
TOTAL	\$2,211	\$867	\$654

A Planning, Housing, and Parks (PHP) Committee worksession is tentatively scheduled for October 26, 2026.

This packet contains:

Bill 41-26, as introduced	© 1
Racial Equity & Social Justice (RESJ) Impact Statement	© 6
Climate Assessment	© 13

*The Fiscal Impact Statement was not available from the Office of Management and Budget at publication of this staff report.

*The Economic Impact Statement was not available at the time of publication of this staff report. It can be found at the below address when available: [Racial Equity and Social Justice, Economic, and Climate Impact Statements - Office of Legislative Oversight- Montgomery County, Maryland \(montgomerycountymd.gov\)](https://montgomerycountymd.gov/legislativeservices/impactstatements/)

Bill No. 41-26
Concerning: Landlord-Tenant Relations –
Licensing Procedures and Fees –
Accessory Dwelling Unit
Revised: 9/10/2026 Draft No. 1
Introduced: September 15, 2026
Expires: December 7, 2026
Enacted: _____
Executive: _____
Effective: _____
Sunset Date: _____
Ch. _____, Laws of Mont. Co. _____

COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

Lead Sponsor: Councilmember Friedson and Council President Fani-González
Co-Sponsors: Councilmember Evans, Council Vice President Balcombe, Councilmembers Luedtke,
Glass, Stewart, Katz, and Sayles

AN ACT to:

- (1) remove the owner-occupancy requirement for accessory dwelling units;
- (2) establish a waiver of fees for accessory dwelling units that comply with certain affordability requirements; and
- (3) generally amend the law governing accessory dwelling units.

By amending

Montgomery County Code
Chapter 8, Buildings
Section 8-24

Chapter 29, Landlord–Tenant Relations
Sections 29-19 and 29-20

Boldface	<i>Heading or defined term.</i>
<u>Underlining</u>	<i>Added to existing law by original bill.</i>
[Single boldface brackets]	<i>Deleted from existing law by original bill.</i>
<u>Double underlining</u>	<i>Added by amendment.</i>
[[Double boldface brackets]]	<i>Deleted from existing law or the bill by amendment.</i>
* * *	<i>Existing law unaffected by bill.</i>

The County Council for Montgomery County, Maryland approves the following Act:

Sec. 1. Sections 8-24, 29-19 and 29-20 are amended as follows:

Sec. 8-24. Application for permit.

(k) Exemptions. An application for a permit for an accessory dwelling unit is exempt from any permit fee under this Chapter if the applicant enters into an agreement with the Department of Housing and Community Affairs under Chapter 29 to charge rent affordable to households earning 65 percent or less of the area median income for a period of at least 10 consecutive years.

* * *

29-19. Licensing Procedures.

* * *

(b) Accessory dwelling unit rental license.

(1) An owner of a lot or parcel in a zone that permits accessory dwelling units must obtain a license to operate an accessory dwelling unit to live in or to rent if:

(A) the owner places a sign provided by the Director on the lot of the proposed accessory dwelling unit within 5 days after the Director accepts an application license. The sign must identify any requested waivers under Section 29-26(b). The sign provided by the Director must remain in place on the lot for a period of time and in a location determined by the Director[.];

(B) [the principal dwelling or accessory dwelling unit is the primary residence of the applicant for an accessory dwelling unit rental license. Evidence of primary residence includes:

- (i) the owner's most recent Maryland income tax return;
- (ii) the owner's current Maryland driver's license; or

(iii) the owner's real estate tax bill for the address of the proposed accessory dwelling unit;]

[(C)] the applicant certifies to the Director that an accessory dwelling unit is not prohibited by any common ownership community governing documents and any common ownership community fees for the dwelling unit are no more than 30 days past due; and

[(D)] (C) the Director finds that:

(i) the accessory dwelling unit satisfies the standards for an accessory dwelling unit in Section 59.3.3.3 and if needed, a Hearing Examiner granted a waiver under Section 29-26; or

(ii) the accessory dwelling unit was approved under Article 59-G as a special exception under the Zoning Ordinance applicable before October 30, 2014 or under 2014 Zoning Ordinance § 59.3.3.3 as a conditional use.

* * *

29-20. Fees.

(a) Except as provided in subsections (b) and (c), the annual license fee per dwelling unit is:

(1) for a Class 1 multi-family rental facility license:

(A) \$44.00 per dwelling unit in an apartment complex or an accessory dwelling unit approved by special exception; and

(B) \$59.00 per dwelling unit for all others;

(2) for a Class 2 single-family rental facility license, \$101.00 per dwelling unit;

(3) for a Class 3 accessory dwelling unit license \$101.00 per unit.

(b) *Fee exemption for an accessory dwelling unit occupied by an individual with disabilities.*

* * *

(c) *[Annual fee] Fee exemption for a rent-free accessory [apartment] dwelling unit.*

(1) A license applicant is exempt from the annual license fee under subsection (a) for an accessory [apartment] dwelling unit if the applicant does not charge rent for the [apartment] accessory dwelling unit.

(2) To qualify for an exemption under this subsection, a license applicant annually must certify, on a form provided by the Director, that the applicant does not charge rent for the [apartment] accessory dwelling unit.

(3) If the Director requests evidence sufficient to verify the information certified under this subsection, the license applicant or licensee must provide such evidence.

(d) Fee exemption for an affordable accessory dwelling unit. A license applicant is exempt from the annual license fee under subsection (a), as well as any filing fee or other application fee, for an accessory dwelling unit if the applicant enters into an agreement with the Department to charge rent affordable to households earning 65 percent or less of the area median income for a period of at least 10 consecutive years as determined by the Department.

[(d)] (e) By method (3) regulation, the Executive may establish annual fees that are:

(1) higher than those specified in subparagraph (a); and

82 (2) in amounts sufficient to pay the costs of administering this
83 Chapter.

Racial Equity and Social Justice (RESJ) Impact Statement

Office of Legislative Oversight

BILL 41-26: LANDLORD-TENANT RELATIONS – LICENSING PROCEDURES AND FEES – ACCESSORY DWELLING UNIT

SUMMARY

The Office of Legislative Oversight (OLO) finds the anticipated racial equity and social justice (RESJ) impact of Bill 41-26 is indeterminate. OLO is uncertain how removing the owner-occupancy requirement for Accessory Dwelling Units (ADUs) and eliminating fees for ADUs that charge affordable rents could impact community members by race and ethnicity and racial and social inequities and disparities in the County. There remain unanswered questions to understand how these changes would impact RESJ in the County.

PURPOSE OF RESJ IMPACT STATEMENTS

RESJ impact statements (RESJIS) evaluate the anticipated impact of legislation on racial equity and social justice in the County. RESJ is a **process** that focuses on centering the needs, leadership, and power of Black, Indigenous, and other People of Color (BIPOC) and communities with low incomes. RESJ is also a **goal** of eliminating racial and social inequities. Applying a RESJ lens is essential to achieve RESJ.¹ This involves seeing, thinking, and working differently to address the racial and social inequities that cause racial and social disparities.²

PURPOSE OF BILL 41-26

Accessory Dwelling Unit (ADU) is a broad term used to describe a smaller, independent residential dwelling unit that shares the same lot as a detached single-family home. ADUs often go by other names such as granny flats, accessory apartments, and English basements.³ ADUs can be a helpful tool to increase rental housing supply and affordability, particularly in space-constrained neighborhoods. ADUs offer flexibility that can be beneficial to homeowners, as they provide an option to bring in a source of rental income. They may also allow homeowners or their relatives to age in place. At the neighborhood level, ADUs can provide a gradual way to increase the number and variety of homes in single-family areas.⁴ Figure 1 in the Appendix illustrates common ADU types.

To obtain a rental license for an ADU, current County law requires the principal dwelling or the ADU to be the primary residence of the applicant.⁵

According to the sponsoring Councilmembers, the purpose of Bill 41-26 is to remove barriers to ADU construction and increase rental housing supply in the County.⁶ If enacted, Bill 41-26 would remove the owner-occupancy requirement for ADUs.⁷

Bill 41-26 would also exempt certain fees for ADUs that charge rent affordable to households earning 65 percent or less of the area median income (AMI) for at least 10 consecutive years, in agreement with and as determined by the Department of Housing and Community Affairs (DHCA).⁸ Table A in the Appendix shows DHCA fees for ADUs that would be exempt through Bill 41-26. Table B in the Appendix shows Department of Permitting Services (DPS) fees that would be exempt through the Bill.

The Council introduced Bill 41-26 on September 15, 2026.

RESJ Impact Statement

Bill 41-26

This RESJIS builds on the one for ZTA 26-06, Accessory Residential Uses - Accessory Dwelling Unit. That analysis found while ADUs can bring diversity in housing supply, there are significant limitations in their ability to advance racial equity in housing outcomes on their own.⁹ For additional background on land use, housing access, and racial equity, please refer to the RESJIS for ZTA 26-06 and OLO Report 2024-11, Racial Equity and Social Justice Policy Handbook: Land Use, Housing, and Economic Development.¹⁰

ANTICIPATED RESJ IMPACTS

To consider the anticipated impact of Bill 41-26 on RESJ in the County, OLO recommends the consideration of two related questions:

- Who would primarily benefit or be burdened by this bill?
- What racial and social inequities could passage of this bill weaken or strengthen?

OLO identified the following groups who would be impacted by Bill 41-26:

Property Owners. The intent of Bill 41-26 is to remove barriers to ADU construction by eliminating the owner-occupancy requirement. Analysis from Montgomery Planning and the Urban Institute show that jurisdictions with some of the nation's highest ADU production rates (Portland, Seattle, and Los Angeles) have removed owner-occupancy requirements.¹¹ This change would benefit property owners by allowing them to rent out both their primary dwelling and ADU if they move.

While removing owner-occupancy requirements may make banks more likely to provide loans for ADU construction,¹² OLO does not expect this Bill to change who is able to finance ADU construction or where ADUs are built. There are no public loan programs for ADUs in the County, and homeowners must rely on home equity line of credit, refinancing, or conventional construction loans that are harder and riskier for low-income homeowners to access.¹³ As such, OLO anticipates that homeowners who can afford to finance ADUs and move without selling their home will primarily benefit from Bill 41-26. Given the demographics of homeowners in Montgomery County (Appendix, Table C), OLO anticipates that White and Asian homeowners will disproportionately benefit from Bill 41-26 because, on average, they have higher incomes and lower rates of housing cost burden than Black and Latinx homeowners. White and Asian property owners could also disproportionately benefit from waived ADU fees if they choose to charge rent affordable to households earning 65 percent or less of the AMI.¹⁴

Removing owner-occupancy requirements would also benefit real estate developers and construction firms, enabling them to build detached single-family homes with ADUs simultaneously.¹⁵ Because over 80 percent of real estate and construction-related businesses are owned by White people in Montgomery County (Appendix, Tables D and E), White-owned businesses could disproportionately benefit from increased ADU construction. Latinx-owned construction businesses are slightly overrepresented compared to their share of the County population, while Asian and Black-owned construction businesses are significantly underrepresented (Appendix, Table D).

Community Members Who Demand Rental Housing. If Bill 41-26 increases the supply of ADU rental units in the County, either market-rate or affordable, there could be downward pressure on rental prices that would benefit all renters. A 2024 OLO report found that eliminating owner-occupancy requirements could especially expand the number of ADU rentals in well-resourced neighborhoods.¹⁶ Existing permitting data suggests that ADUs would likely be added to larger and more expensive lots downcounty in areas such as Bethesda and Chevy Chase (Appendix, Figure 2).

RESJ Impact Statement

Bill 41-26

Of note, differences in household income and rental housing cost burden by race and ethnicity suggest Black and Latinx households could disproportionately be priced out of market-rate ADU rentals in well-resourced neighborhoods (Appendix, Table C). Conversely, if Bill 41-26 increases the number of below-market rate rentals in well-resourced neighborhoods, Latinx and Black households could disproportionately benefit.

Community Members Living Near ADUs. If Bill 41-26 increases the number of ADU rental units in the County, community members living near newly constructed ADUs may be burdened with temporary loud noises from construction, increased traffic, and other impacts associated with increased density. However, OLO is unable to anticipate the impact of this Bill on the location and frequency of ADU construction. As such, OLO is uncertain whether these changes would have any disproportionate impacts on community members by race and ethnicity in the County.

Overall, OLO cannot determine whether this Bill would meaningfully increase the total supply of ADUs or the number of rental units affordable to households earning 65 percent or less of the AMI. Moreover, there remain several unanswered questions to determine how Bill 41-26 could impact RESJ in the County:

1. Given that affluent property owners are the most likely to benefit from ADU development, would this Bill worsen racial disparities in wealth, income, or homeownership in the County?
2. What proportion of ADU owners will set their ADU rents affordable to households earning 65 percent or less of the AMI, creating additional rental opportunities that could disproportionately benefit Black, Latinx, and low-income renters in the County?
3. Will BIPOC community members be able to rent ADUs in well-resourced neighborhoods from which BIPOC community members have historically been excluded?

Taken together, OLO finds the anticipated RESJ impact of Bill 41-26 is indeterminate.

RECOMMENDED AMENDMENTS

The County's RESJ Act requires OLO to consider whether to recommend amendments to bills that could reduce racial and social inequities and advance RESJ.¹⁷ OLO finds the anticipated RESJ impact of Bill 41-26 is indeterminate. As such, OLO does not offer recommended amendments. Instead, OLO offers two policy options for the Council's consideration as companions to this Bill to help improve its potential RESJ impact by lowering the cost of ADU construction for property owners with low incomes or low property values:

- **Adopt incentives to increase low-income property owners' access to low-interest ADU construction loans.** For example, the City of Boston offers support to income-eligible homeowners of one to three units through its [ADU Financial Assistance Program](#). Eligible homeowners can receive a grant of up to \$7,500 to help with soft costs like design and permitting as well as a deferred loan up to \$50,000 with zero percent interest to help cover the cost of ADU construction. OLO anticipates that such incentives could enable more Black and Latinx homeowners to build ADUs as a mechanism to increase property values and wealth.
- **Direct County departments to provide trainings and permit-ready designs that reduce barriers to ADU construction.** Boston's [ADU Financial Assistance Program](#) also pairs homeowners with specialists who provide insight on costs and code requirements for building an ADU and provide support through construction to monitor progress. OLO anticipates that trainings, pre-approved and easy-to-implement designs, and ongoing logistical support could support lower-income Black and Latinx homeowners in pursuing ADU construction.

RESJ Impact Statement

Bill 41-26

CAVEATS

Two caveats to this RESJIS should be noted. First, predicting the impact of bills on RESJ is challenging due to data limitations, uncertainty, and other factors. Second, this RESJIS is intended to inform the Council's decision-making process rather than determine it. Thus, any conclusion made in this statement does not represent OLO's endorsement of, or objection to, the bill under consideration.

APPENDIX

Figure 1. Common Types of Accessory Dwelling Units (ADUs)



Source: C. Kalyandurg, [OLO Report 2024-4: Accessory Dwelling Units](#), February 6, 2024, page 3.

Table A. Department of Housing and Community Affairs ADU Fees

Type	Fee
Annual License Fee (Does not apply for properties within the Incorporated City of Takoma Park)	\$125
Filing Fee (one-time)	\$260
Sign Fee (one-time)	\$230
TOTAL (over ten years)	\$1,740

Source: [Introduction Staff Report for Bill 41-26](#), Montgomery County Council, page 3.

RESJ Impact Statement

Bill 41-26

Table B. Department of Permitting Services ADU Fees

Type	New Construction Detached ADU	Alteration Attached ADU	Addition Attached ADU
Building Permit	\$940	\$559	\$113
Mechanical Permit	\$139	\$81	\$139
Electrical Permit	\$403	\$228	\$403
Fire Protection Permit	\$193	N/A	N/A
Land Development (new driveway) if needed	\$420	N/A	N/A
Use and Occupancy	\$117	N/A	N/A
TOTAL	\$2,211	\$867	\$654

Source: [Introduction Staff Report for Bill 41-26](#), Montgomery County Council, page 3.

Table C. Median Household Income, Homeownership Rate, and Cost Burden Rates in Montgomery County, 2024

Race and Ethnicity	Median Household Income	Homeownership Rate	Homeowner Cost Burden Rate	Renter Cost Burden Rate
White	\$164,638	77%	23%	37%
Asian	\$147,950	71%	26%	37%
Hispanic or Latino origin (of any race)	\$98,644	54%	27%	56%
Black	\$92,979	40%	33%	54%

Source: Median Household Income: [Table S1903](#), 2024 American Community Survey 5-Year Estimates, Census Bureau.

Homeownership and Cost Burden Rates: [Table S0201](#), 2024 American Community Survey 1-Year Estimates, Census Bureau.

Table D. Share of Business Ownership by Race and Ethnicity¹⁸ in Construction, Montgomery County, 2022

Race and Ethnicity of Business Owner	Number of Firms Owned in Construction (NAICS 23)	Percent of Firms Owned in Construction (NAICS 23)	Overall Percent of County Population by Race and Ethnicity
Asian	156	7.5%	15.4%
Black	82	3.9%	18.6%
American Indian or Alaska Native	—	—	0.6%
Pacific Islander	2	—	—
White	1,776	85.1%	42.1%
Hispanic or Latinx (of any race)	556	26.7%	21.0%
Total	2,086	N/A	N/A

Source: OLO Analysis of 2022 Annual Business Survey ([Table AB2300CSA01](#)) and 2024 American Community Survey 5-Year Estimates ([Table DP05](#)).

RESJ Impact Statement

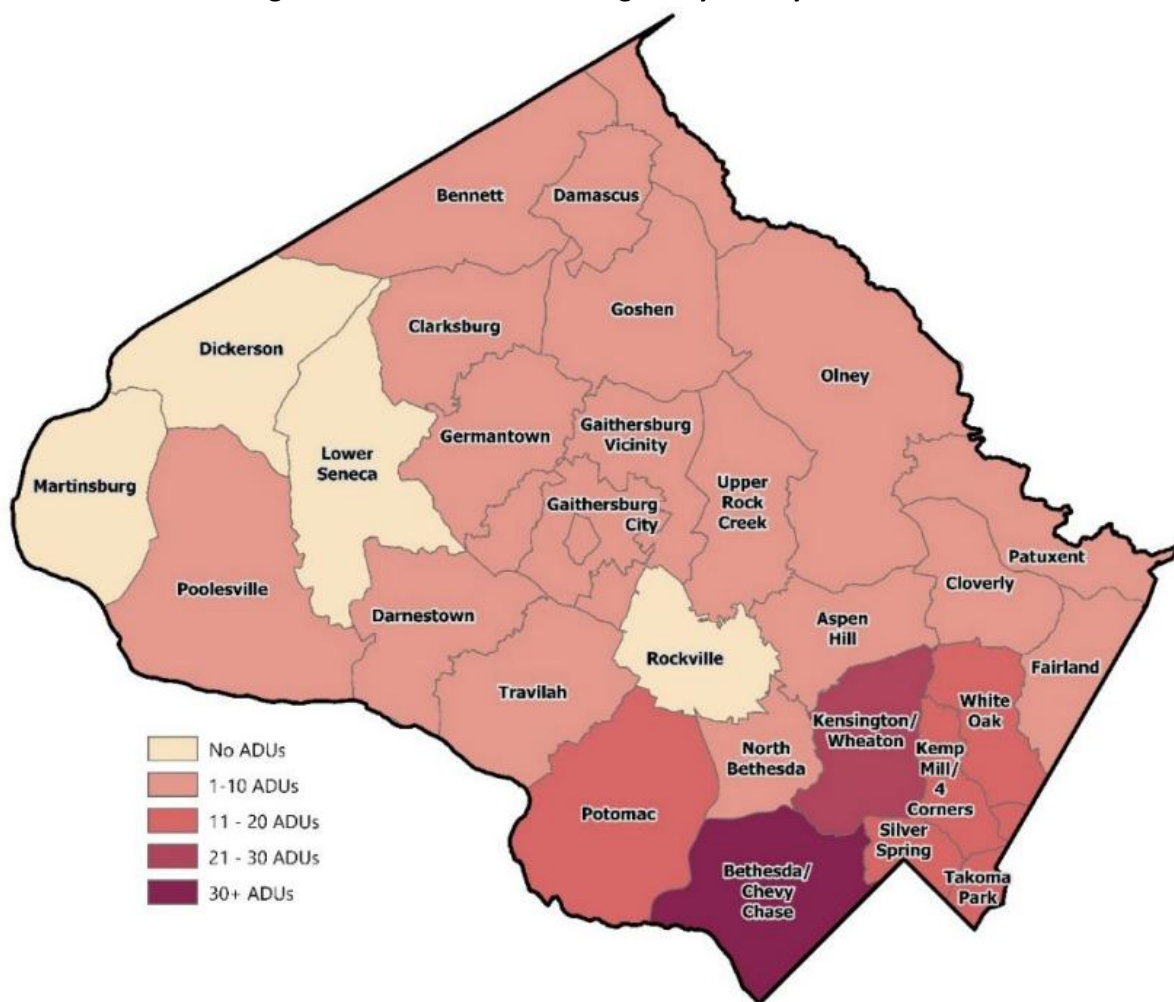
Bill 41-26

Table E: Business Ownership by Race and Ethnicity in Real Estate, Rental, and Leasing, Montgomery County, 2022

Race and Ethnicity of Business Owner	Number of Firms Owned in Real Estate, Rental, and Leasing (NAICS 53)	Percent of Firms Owned in Real Estate, Rental, and Leasing (NAICS 53)	Overall Percent of County Population by Race and Ethnicity
Asian	130	12.4%	15.4%
Black	53	5.1%	18.6%
American Indian or Alaska Native	—	—	0.6%
Pacific Islander	—	—	—
White	861	82.3%	42.1%
Hispanic or Latinx (of any race)	41	3.9%	21.0%
Total	1,046	N/A	N/A

Source: OLO Analysis of 2022 Annual Business Survey ([Table AB2200CSA01](#)) and 2024 American Community Survey 5-Year Estimates ([Table DP05](#)).

Figure 2. ADU Permits in Montgomery County Since 2019



Source: Montgomery Planning analysis of the Department of Permitting Services Permit Data. [ADU ZTA Staff Report](#), page 3.

RESJ Impact Statement

Bill 41-26

¹ Definition of racial equity and social justice adopted from M. Gamblin et al., [“Applying Racial Equity to U.S. Federal Nutrition Programs,”](#) Bread for the World and [Racial Equity Tools](#).

² Ibid.

³ C. Kalyandurg, OLO Report 2024-4: [Accessory Dwelling Units](#), Office of Legislative Oversight, February 6, 2024.

⁴ Montgomery Planning analysis of the Department of Permitting Services Permit Data. [ADU ZTA Staff Report](#), page 3.

⁵ [Introduction Staff Report for Bill 41-26](#), Montgomery County Council, Introduced September 15, 2026, page 1.

⁶ Comments from the Bill sponsor, Councilmember Andrew Friedson, upon introduction. [Council Session September 15, 2026 at 1:46:13](#).

⁷ [Introduction Staff Report for Bill 41-26](#), Montgomery County Council, Introduced September 15, 2026, page 1.

⁸ Ibid.

⁹ [RESJS for ZTA 26-06](#), Office of Legislative Oversight, May 20, 2026.

¹⁰ E. Bonner-Tompkins, J. Peña, & E. Tesfaye, OLO Report 2024-11: [Racial Equity and Social Justice Policy Handbook: Land Use, Housing, and Economic Development](#), Office of Legislative Oversight, June 18, 2024.

¹¹ Montgomery Planning, [Accessory Dwelling Unit \(ADU\) Regulatory Comparison Matrix](#), May 2026.

Urban Institute, [Designing Accessory Dwelling Unit Regulations](#), November 2020, page 11.

¹² “Owner-occupancy requirements can increase risk for banks that provide ADU constructions loans. If a homeowner defaults on a loan and the bank forecloses the property, banks would need to evict ADU tenants because the bank cannot comply with the owner-occupancy requirement.”

CA YIMBY, [AB 976 Owner Occupancy Requirements Factsheet](#), March 2023.

¹³ OLO conversation with Montgomery Planning staff. September 25, 2026.

Montgomery Planning, [Accessory Dwelling Unit \(ADU\) Regulatory Comparison Matrix](#), May 2026.

Of note, Portland, Seattle, and Los Angeles all have public or quasi-public zero percent or low-interest loan programs for ADUs.

¹⁴ For example, property owners would save \$2,701 in waived one-time fees for newly constructed detached ADUs. Over ten years they would save an additional \$1,250 in waived annual licensing fees. Author calculations from Appendix Table A and Table B.

¹⁵ OLO conversation with Montgomery Planning staff. September 25, 2026. Of note, Montgomery Planning staff do not expect this Bill to result in a large number of real estate developers and institutional investors to buy existing single-family detached homes and build ADUs for profit because land costs are so expensive in the County.

¹⁶ C. Kalyandurg, OLO Report 2024-4: [Accessory Dwelling Units](#), Office of Legislative Oversight, February 6, 2024, page 34.

¹⁷ [Bill 27-19, Administration – Human Rights – Office of Racial Equity and Social Justice – Racial Equity and Social Justice Advisory Committee – Established](#), Montgomery County Council.

¹⁸ Race is inclusive of Latinx origin. Estimates for Native American community members are not available for some data points.

Climate Assessment

Office of Legislative Oversight

BILL 41-26: LANDLORD – TENANT RELATIONS – LICENSING PROCEDURES AND FEES – ACCESSORY DWELLING UNIT

SUMMARY

The Office of Legislative Oversight (OLO) anticipates Bill 41-26 will likely have little to no impact on the County's contribution to addressing climate change as it is proposing changes to the licensing procedure and fees for Accessory Dwelling Units (ADUs) in the County which are intended to remove barriers to ADU construction and rental availability. However, OLO is unable to determine how much more ADUs would be produced and occupied due to the proposed changes in rental license procedures for ADUs.

BACKGROUND AND PURPOSE OF BILL 41-26

ADU is a broad term used to describe a smaller, independent residential dwelling unit that shares the same lot as a detached single-family home. ADUs often go by other names such as granny flats, accessory apartments, and English basements.¹ ADUs can be a helpful tool to increase rental housing supply and affordability, particularly in space-constrained neighborhoods. ADUs offer flexibility that can be beneficial to homeowners, as they provide an option to bring in a source of rental income. They may also allow homeowners or their relatives to age in place. At the neighborhood level, ADUs can provide a gradual way to increase the number and variety of homes in single-family areas.² Figure 1 in the Appendix illustrates common ADU types.

To obtain a rental license for an ADU, current County law requires the principal dwelling of the ADU to be the primary residence of the applicant.³

According to the sponsoring Councilmember, the purpose of Bill 41-26 is to remove barriers to ADU construction and increase rental housing supply in the County.⁴ If enacted, Bill 41-26 would remove the owner-occupancy requirement for ADUs.⁵

Bill 41-26 would also exempt certain fees for ADUs that charge rent affordable to households earning 65 percent or less of the area median income (AMI) for at least 10 consecutive years, in agreement with and as determined by the Department of Housing and Community Affairs (DHCA). Table A in the Appendix shows DHCA fees for ADUs that would be exempt through Bill 41-26. Table B shows the Department of Permitting Services (DPS) fees that would be exempt through the Bill.

The Council introduced Bill 41-26 on September 15, 2026.

ANTICIPATED IMPACTS

Research indicates ADUs can increase density in predominantly single-family zoned areas and expand options for smaller, more affordable rentals in housing markets.⁶ The Smart Growth movement, which is an urban planning framework that includes building environmentally sustainable cities and towns, uses ADUs as a tool to increase density in walkable and public-transit-connected neighborhoods.⁷ Further, ADUs, due to their generally smaller square footage, tend to be more energy efficient than single-family homes, especially if built with above-code insulation and weatherizing.⁸ In sum, ADUs can provide an opportunity to increase affordable housing stock with a smaller carbon footprint compared to building larger housing projects.

Analysis from Montgomery Planning show these proposed changes will further align the County with jurisdictions that have some of the highest ADU production rates in the country, including Portland, OR, Los Angeles, CA, and Seattle, WA.⁹ However, OLO is unable to determine how much more ADUs would be produced and occupied due to the proposed changes in rental license procedures for ADUs.

As the Bill proposes changes to regulations intended to remove barriers to ADU construction and rental availability, OLO anticipates Bill 41-26 will have little to no impact on the County's contribution to addressing climate change, including the reduction and/or sequestration of greenhouse gas emissions and community climate resilience.

RECOMMENDED AMENDMENTS

The Climate Assessment Act requires OLO to offer recommendations, such as amendments or other measures to mitigate any anticipated negative climate impacts.¹⁰ OLO does not offer recommendations or amendments as Bill 41-26 is likely to have little to no impact on the County's contribution to addressing climate change, including the reduction and/or sequestration of greenhouse gas emissions and community climate resilience.

CAVEATS

OLO notes two caveats to this climate assessment. First, predicting the impacts of legislation upon climate change is a challenging analytical endeavor due to data limitations, uncertainty, and the broad, global nature of climate change. Second, the analysis performed here is intended to inform the legislative process, not determine whether the Council should enact legislation. Thus, any conclusion made in this statement does not represent OLO's endorsement of, or objection to, the bill under consideration.

PURPOSE OF CLIMATE ASSESSMENTS

The purpose of the Climate Assessments is to evaluate the anticipated impact of legislation on the County's contribution to addressing climate change. These climate assessments will provide the Council with a more thorough understanding of the potential climate impacts and implications of proposed legislation, at the

County level. The scope of the Climate Assessments is limited to the County’s contribution to addressing climate change, specifically upon the County’s contribution to greenhouse gas emissions and how actions suggested by legislation could help increase the County’s community climate resilience.

While co-benefits such as health and cost savings may be discussed, the focus is on how proposed County bills may impact GHG emissions and community resilience.

CONTRIBUTIONS

OLO staffer Kaitlyn Simmons drafted this assessment.

APPENDIX

Figure 1. Common Types of Accessory Dwelling Units (ADUs)



Source: C. Kalyandurg, [OLO Report 2024-4: Accessory Dwelling Units](#), February 6, 2024, page 3.

Table A. Department of Housing and Community Affairs ADU Fees

Type	Fee
Annual License Fee (Does not apply for properties within the Incorporated City of Takoma Park)	\$125
Filing Fee (one-time)	\$260
Sign Fee (one-time)	\$230

Source: [Introduction Staff Report for Bill 41-26](#), Montgomery County Council, page 3.

Table B. Department of Permitting Services ADU Fees

Type	New Construction Detached ADU	Alteration Attached ADU	Addition Attached ADU
Building Permit	\$940	\$559	\$113
Mechanical Permit	\$139	\$81	\$139
Electrical Permit	\$403	\$228	\$403
Fire Protection Permit	\$193	N/A	N/A
Land Development (new driveway) if needed	\$420	N/A	N/A
Use and Occupancy	\$117	N/A	N/A
TOTAL	\$2,211	\$867	\$654

Source: [Introduction Staff Report for Bill 41-26](#), Montgomery County Council, page 3.

¹ C. Kalyandurg, OLO Report 2024-4: [Accessory Dwelling Units](#), Office of Legislative Oversight, February 6, 2024.

² Montgomery Planning analysis of the Department of Permitting Services Permit Data. [ADU ZTA Staff Report](#), page 3.

³ [Introduction Staff Report for Bill 41-26](#), Montgomery County Council, Introduced September 15, 2026, page 1.

⁴ Comments from the Bill sponsor, Councilmember Andrew Friedson, upon introduction. [Council Session September 15, 2026 at 1:46:13](#).

⁵ [Introduction Staff Report for Bill 41-26](#), Montgomery County Council, Introduced September 15, 2026, page 1.

⁶ C. Kalyandurg, OLO Report 2024-4: [Accessory Dwelling Units](#), Office of Legislative Oversight, February 6, 2024.

⁷ FBCI and Smart Growth America, ["Zoned In: Economic Benefits and Shared Prosperity with Form-Based Codes"](#), September 2021; Urban Institute, ["Designing Accessory Dwelling Unit Regulations"](#), November 2020.; C. Kalyandurg, OLO Report 2024-4: [Accessory Dwelling Units](#), Office of Legislative Oversight, February 6, 2024.

⁸ Green Builder, ["ADUs: Sustainable Density"](#), April 10, 2026.

⁹ Montgomery County Council, ["Councilmembers Introduce Bill to Modernize County's Accessory Dwelling Unit \(ADUs\) Policies"](#), September 16, 2026.; Montgomery County Planning, [Accessory Dwelling Unit Regulatory Comparison Matrix](#), May 2026.

¹⁰ Bill 3-22, Legislative Branch – Climate Assessments – Required, Montgomery County Council, Effective date October 24, 2022