Montgomery County Council

Committee: PHP
Committee Review: Completed
Staff: Livhu Ndou, Senior Legislative Attorney
Purpose: Final action – vote expected

AGENDA ITEM #18F
November 10, 2026
Action

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

- Rabbiah Sabbakhan, Director, Department of Permitting Services (DPS)
- Scott Bruton, Director, Department of Housing and Community Affairs (DHCA)
- Lisa Govoni, Supervisor – Design, Placemaking, and Policy, Montgomery County Planning Department

COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

- To take action – roll call 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).
- The Planning, Housing, and Parks (PHP) Committee unanimously recommends approval with amendments, including: an amendment limiting the number of ADU rental licenses by a single owner to 2; a reporting requirement; and a technical amendment removing an application requirement for consistency.
- Councilmember Jawando and Mink propose an additional amendment to close a loophole on the ability to create multiple corporations to obtain more than 2 rental licenses for ADUs.

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Agenda Item #18F
November 10, 2026
Action

M E M O R A N D U M

November 5, 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: Action

Planning, Housing, and Parks (PHP) Committee Recommendation (3-0):
Approve with amendments.

EXPECTED ATTENDEES

- Rabbiah Sabbakhan, Director, Department of Permitting Services (DPS)
- Scott Bruton, Director, Department of Housing and Community Affairs (DHCA)
- Lisa Govoni, Supervisor – Design, Placemaking, and Policy, Montgomery County Planning Department

INTRODUCTION

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.

Bill 41-26 Specifics

Under current law, in order to obtain a rental license for an accessory dwelling unit (ADU), the principal dwelling or ADU must be the primary residence of the applicant.[1] 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 also heard feedback, including from the RESJ statement for ZTA 26-06, regarding the affordability of ADUs. Per a request from the Planning, Housing, and Parks (PHP) Committee, the Planning Department provided the following breakdown of DHCA and DPS 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**

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).[2] These fees amount to approximately $615 for the application, license, and sign posting. Of note, the $125 license fee would otherwise be charged annually.

[1] Primary residence can be proven using evidence such as the owner's most recent Maryland income tax return, the owner's current Maryland driver's license, or the owner's real estate tax bill for the address of the proposed accessory dwelling unit. Sec. 29-19(b)(1)(B).

[2] DHCA has stated that they would work with the office of the County Attorney to develop regulatory agreements that include appropriate enforcement mechanisms based on the final bill text. These approaches

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.

COMMITTEE WORKSESSION

A Planning, Housing, and Parks (PHP) Committee worksession was held on October 26, 2026. The sponsors addressed the intent of the bill, including flexibility for those who may need to relocate and seniors who downsize and rent their prior home, as well as providing affordable housing. The Committee unanimously recommended approval with amendments.

First, the Committee recommended a package of amendments from Councilmembers Mink and Jawando. The first part of the amendment limits the number of ADU licenses that an owner can operate in the County to two ADUs. The intent of the amendment is to "fulfill the intent to provide more flexibility for home owners and more potential opportunities for rental homes and ADUs on the market" while "limit[ing] the distortion of the market potentially caused by private equity investment in single family homes and ADUs" and "ensur[ing] that properties with ADUs are well cared for by owners and renters."[3] The amendment reads:

> (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;**]** the owner will not operate more than 2 accessory dwelling unit rental licenses in the County;

Additional amendment for the Council's consideration:
An owner as defined in Chapter 29 includes a corporation.[4] During the Committee worksession, Councilmember Jawando raised the issue of a person or entity creating multiple LLC's to get around the 2-unit limit. Councilmembers Jawando and Mink therefore recommend an additional amendment to resolve this loophole. The proposed amendment will require an affidavit for natural persons who directly control or have a beneficial interest in any trust, estate, or legal entity – such as a corporation – attesting that no natural person, individually or otherwise, will control more than two ADUs in the County. The proposed amendment is available at © 102.

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to enforcement could include seeking specific performance or injunctive relief, or repayment of County fees that had been waived under the bill.

[3] A letter from the sponsors of the amendment is included in this staff report.

[4] "(a) The owner of a dwelling unit must obtain a rental housing license before operating the dwelling unit as rental housing. If the owner is a corporation, the corporation must be qualified to do business in Maryland under state law. Each owner must certify to the Department the name, address and telephone number of an agent who resides in Maryland and is qualified to accept service of process on behalf of the owner." Sec. 29-16.

The second amendment recommended by the PHP Committee will require the County Executive to submit a report after 1 year of implementation of the bill. The report will include the number of new ADUs, the number of ADUs qualifying for a fee exemption, and statistics regarding whether owners of ADUs in the County are natural persons or corporations. The intent is to "help understand the impact of this bill on the County" and "inform whether additional adjustments are needed to the law around this issue." It reads:

> **Sec. 2. Reporting.** The County Executive must submit a report to the County Council regarding the impacts of Bill 41-26 no later than December 1, 2028, and not before March 30, 2028. The report should include data regarding the number of accessory dwelling unit rental license applications since the effective date of this Act; the number of accessory dwelling units qualifying for a fee exemption pursuant to this Act; statistics regarding whether owners of accessory dwelling units in the County are natural persons or corporations; and other information the Department finds relevant.

Lastly, the Committee recommended a technical amendment that would delete an additional reference to the primary residence requirement in Section 29-19(b)(3).[5] Since Bill 41-26 removes the primary residence requirement, this technical amendment is for consistency within the section. That amendment reads:

29-19. Licensing Procedures.

* * *

(b) Accessory dwelling unit rental license.

* * *

(3) The Director may renew a license for an accessory dwelling unit at the request of the applicant if:

(A) the applicant:

(i) attests that the number of occupants will not exceed the requirements of Section 26-5 and there will be no more than 2 residents in the dwelling unit who are older than 18 years;

[[~~(ii) attests that one of the dwelling units on the lot or parcel will be the primary residence of the owner;~~**]]** and

[[~~(iii)~~**]]**(ii) acknowledges that by obtaining a license the applicant gives the Director the right to inspect the lot or parcel including the accessory dwelling unit.

[5] Council Staff notes that references to the primary residence requirement are also found in regulations. *See* COMCOR 29.20.01.01 Definitions, and 29.20.01.03 Procedure for Processing a Class 3 Accessory Apartment License. Regulations follow a separate process from bills and are submitted by the County Executive and the relevant County department. Since regulations are updated to reflect enacted bills, those changes will likely not be made until after the bill passes. However, if enacted this bill will supersede the existing regulations so the owner occupancy requirement would become unenforceable.

The Committee did not move an amendment from Councilmember Sayles to retain the owner-occupancy requirement. The stated intent of the amendment, as described in a letter attached to this staff report, was to "encourage homeowners to provide affordable rentals while maintaining their direct connection to the property and neighborhood."

PUBLIC HEARING

A public hearing on Bill 41-26 was held on October 6, 2026. The Council heard from several speakers and received written testimony, both in opposition and support of the bill.[6]

Many in support argued that removing the owner occupancy requirement would give homeowners greater flexibility when circumstances require relocation, keeping otherwise viable rental units available. They also pointed to the bill's fee-waiver provisions as a meaningful incentive for long-term affordability. Several speakers noted that only 222 ADU permits were issued countywide between 2019 and 2025, suggesting that existing barriers have significantly limited production.[7] Supporters also cited examples from other jurisdictions where ADU reforms have expanded housing supply. Several speakers urged additional amendments, including elimination of the two-adult occupancy cap for ADUs, creation of a "plug-and-play" program offering free pre-approved ADU architectural plans with expedited permitting, and removal of the HOA certification requirement from the licensing application, along with stronger County enforcement against HOAs that attempt to impose ADU bans or owner occupancy rules.

Opponents raised several concerns. First, they argued that removing the owner occupancy requirement would incentivize institutional investors and private equity firms to purchase single-family homes and operate both the principal dwelling and the ADU as rentals, making it harder for individual families and first-time homebuyers to compete in the housing market. Second, opponents questioned whether the bill would produce new housing units, noting that converting an owner-occupied home with an ADU to an investor-owned rental does not add to the total number of dwelling units. Third, several opponents emphasized that the 2019 expansion of ADU rights was adopted with a commitment to retain owner occupancy as a safeguard for neighborhood stability, and that the current bill represents a departure from that commitment without adequate analysis of likely consequences. Many opponents supported retaining the owner occupancy requirement while creating a limited, time-based waiver for genuine hardship situations. Opponents also called for the County to first explore financing tools, such as low-interest or forgivable loans, to help owner-occupants build ADUs.

SUMMARY OF IMPACT STATEMENTS

Fiscal Impact Statement

The Office of Management and Budget (OMB) transmitted a Fiscal Impact Statement on October 5, 2026. According to OMB, there is no fiscal impact associated with Bill 41-26. The Department of Housing and Community Affairs (DHCA) did not anticipate additional costs to implement the

[6] Written testimony can be found here: https://www.montgomerycountymd.gov/bill-41-26-landlord-tenant-relations-licensing-procedures-fees-accessory-dwelling-unit.

[7] This number is updated later in this staff report.

bill's requirements and did not expect any impact on staff time, IT systems, or retiree costs. While DHCA could not estimate the exact number of ADUs that would qualify for fee waivers, OMB noted that average annual ADU fee revenue is approximately $98,000 and estimated that if up to 15% of ADUs meet the bill's requirements, the annual revenue loss would be roughly a nominal amount of $14,800.

Council Staff notes that the Fiscal Impact Statement did not address the fiscal impacts to the Department of Permitting Services (DPS). As addressed later in this staff report, Bill 41-26 will waive DPS fees as well, which range from $600 to $2,500. DPS is an Enterprise Fund, meaning it is financed primarily through user fees and charges rather than general tax dollars. However, as noted in the Fiscal Impact Statement, OMB could not estimate how many ADUs would qualify for the fee waiver.

Economic Impact Statement

The Office of Legislative Oversight (OLO) transmitted an Economic Impact Statement on October 13, 2026. OLO anticipated that Bill 41-26 would "improve overall economic conditions in the County, as measured by the Council's priority economic indicators. However, several risks could offset these economic gains." Additional ADU development likely would positively impact affected businesses and some residents through gained rental income, increased property values, and increased residential construction and related services. Further, OLO found that additional ADU development would likely increase long-term rental housing for residents in a market with insufficient rental housing supply. However, these positive impacts could be offset by negative impacts on neighboring property values, or by expanded investor-owned ADU rentals shifting ownership and rental income toward larger firms based outside the County.

RESJ Impact Statement

OLO transmitted a Racial Equity and Social Justice (RESJ) impact statement on October 1, 2026. OLO found that the anticipated racial equity and social justice (RESJ) impact of Bill 41-26 is indeterminate. OLO was "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." OLO noted that removing owner occupancy requirements will benefit homeowners, who are disproportionally white and Asian. However, OLO also noted that if the bill increases the number of below-market rate rentals in well-resourced neighborhoods, Latinx and Black households could disproportionately benefit.

Because the anticipated RESJ impact is indeterminate, OLO did not offer formal recommended amendments; instead, OLO offered two policy options as companions to the bill that the Council could consider to improve its potential RESJ impact. First, OLO recommended the County adopt incentives to increase low-income property owners' access to low-interest ADU construction loans. Second, OLO recommended directing County departments to provide trainings and permit-ready designs to reduce barriers to ADU construction for lower-income Black and Latinx homeowners.

Climate Assessment

OLO transmitted a Racial Equity and Social Justice (RESJ) impact statement on October 1, 2026. OLO anticipated 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." Specifically, OLO was unable to determine how many more ADUs would be produced and occupied due to the proposed changes in rental license procedures for ADUs. However, OLO did note that ADUs can provide an opportunity to increase affordable housing stock with a smaller carbon footprint compared to building larger housing projects. And OLO noted that increased ADUs are consistent with the "Smart Growth" movement, which encourages building environmentally sustainable cities and towns, including using ADUs as a tool to increase density in walkable and public-transit-connected neighborhoods.

ADDITIONAL TRANSMITTED RECOMMENDATIONS

Planning Board Recommendation

Although not required for a bill, the Planning Board transmitted a letter in support of Bill 41-26. The Board noted that both removing the owner occupancy requirement and waiving certain fees for affordable units are important steps towards expanding housing opportunities and giving homeowners greater flexibility. However, the Board offered additional suggestions for "future Council research and action to encourage additional ADU production." These suggestions include: eliminating the annual license fee to reduce recurring costs for ADU owners; eliminating permit fees for all ADUs to incentivize production across all income levels; exploring Payment in Lieu of Taxes (PILOT) agreements or similar tax abatements for deed-restricted ADUs; and exploring other incentives that can help make ADUs more feasible to build.

County Executive Response

The County Executive transmitted a letter in opposition to Bill 41-26 on September 30, 2026. The County Executive expressed concerns about investors and equity firms buying single-family homes and renting out both units on a continuous basis, arguing that this could have a "destabilizing effect on neighborhoods that under the current requirement benefit from individual owners' oversight." The County Executive recommended a limited waiver of the ownership requirement, rather than removing it entirely. This proposed waiver would allow an owner to rent both the principal dwelling unit and an accessory dwelling unit while temporarily absent from the property.

An additional letter was transmitted on October 19, 2026. In that letter, DHCA expressed concerns about the process for establishing, administering, and monitoring compliance with the 10-year agreement between the owner and DHCA that is necessary to qualify for an exemption from permit fees. However, the letter acknowledged that OCA has indicated the enforcement policy could be specified in the affordability agreements DHCA enters into with the property owner. Additionally, DPS noted the need to monitor the effects of the exemption on its workload and foregone permit revenue since the department would continue to perform its existing zoning, building, trade permit inspection, and use-and-occupancy responsibilities.

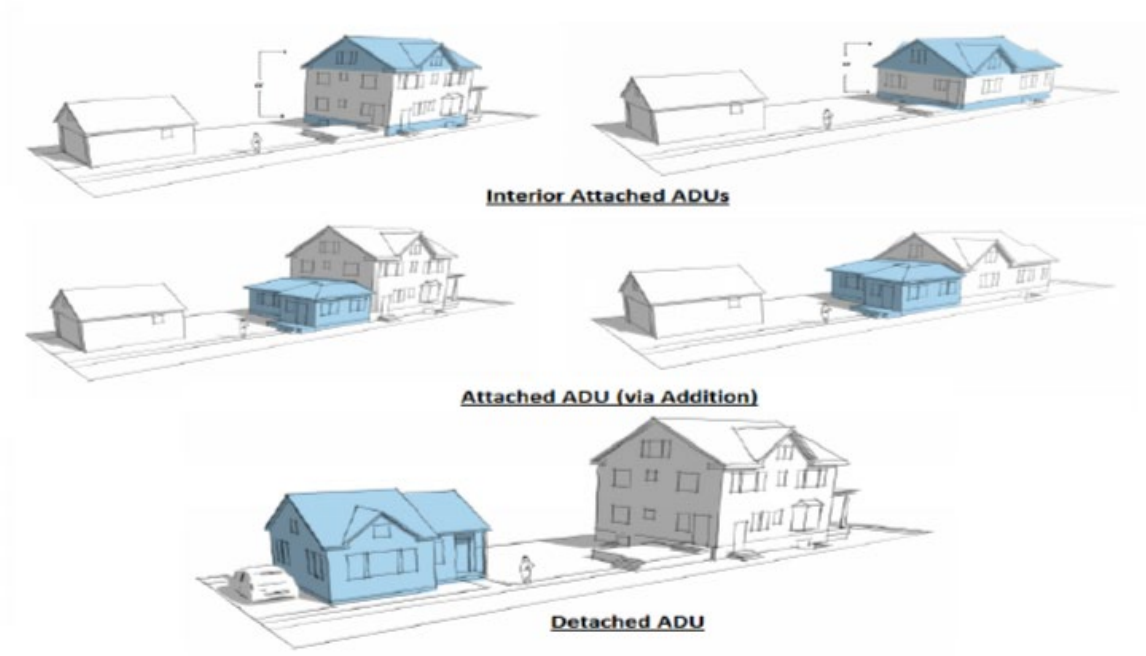
DPS requested an amendment that gives the applicant 2 years from the date of DHCA certification of an ADU application to establish they qualify as an affordable ADU; and that if the applicant does not obtain the required construction permit, complete construction, pass the required DPS final inspection, and establish the ADU within 2 years then they must pay the waived fees.

Citing the Economic Impact Statement and news articles, the County Executive argued that there is insufficient evidence that additional housing supply reduces average rents, and that removing the ownership requirement would encourage investors to buy properties rather than first-time homebuyers. The County Executive proposed an amendment to allow homeowners who must be temporarily absent from their properties to rent both their principal residence and their ADU, that reads: "An owner may apply for a waiver to rent both the principal dwelling unit and the accessory dwelling unit while temporarily absent from the property for up to three years. The owner may request an extension of the waiver at the end of the three-year period."

DISCUSSION

History of ADUs in Montgomery County

An ADU is an "accessory dwelling unit", previously referred to as accessory apartments. ADUs include interior units, such as a basement apartment; attached ADUs, such as an addition or converted attached garage; and detached structures. Under Section 3.3.3. of the Zoning Ordinance, an ADU is only allowed on a lot with a detached house building type, meaning a building containing only 1 dwelling unit. The below graphic from DHCA shows these various structure types:



The Council has been slowly updating its ADU laws, via both bills and ZTAs, since at least 2003. These efforts include:

- ZTA 03-18, Accessory Apartment Requirements, retained a 1,200 square foot area limit for accessory apartments that are part of a main dwelling, and limited the floor area of an accessory apartment located in a separate accessory structure to not more than 50 percent of the total floor area of the main dwelling or 2,500 square feet, whichever is less.

- ZTA 12-11, Accessory Apartments – Amendments, made accessory apartments a permitted use if the unit met parking and other distance requirements. If an accessory apartment did not meet those requirements, it was required to go through the special exception process.[8] At the same time, the County passed Bill 31-12, Accessory Apartments – Licensing, which established licensing standards and put administration and enforcement of that licensing structure under the Department of Housing and Community Affairs (DHCA).

- ZTA 18-07, Accessory Residential Uses – Accessory Apartments, removed the conditional use requirement for all ADUs and revised the limited use standards, citing increased housing opportunities and ADUs' contributions to affordable housing. This ZTA also provided a waiver through the Office of Zoning and Administrative Hearings (OZAH) for parking and distance separation standards.

- ZTA 19-01, Accessory Residential Uses – Accessory Apartments, provided substantial changes to the ADU law. These included: allowing ADUs as a limited use in more zones, removing minimum lot sizes, relaxing the parking requirements, removing distance requirements between ADUs, and removing a prohibition on ADUs in new construction. This ZTA did this while retaining limits such as an owner occupancy requirement, prohibiting short-term rentals, and greater setbacks. This ZTA was accompanied by Bill 22-19, Accessory Dwelling Unit - Licensing - Requirements – Amendments, which modernized the standards for measuring basement ceiling heights, required ADU applicants to certify that they meet any applicable HOA standards and notice requirements to affected HOAs, required quarterly reporting on ADU issues by the County Executive, and required that the property owner live on site in either the principal dwelling or the ADU.

- ZTA 26-06, Accessory Residential Uses - Accessory Dwelling Unit, amended the use standards for attached and detached accessory dwelling units consistent with State law. Specifically, ZTA 26-06 expanded ADUs to all zones that allowed residential, expanded the allowable size of ADUs, allowed parking waivers for small or irregular lots, removed density calculations, and relaxed setback requirements by having all standards related to size match accessory structures. These changes were all consistent with State law, House Bill 1466/Senate Bill 891, Land Use and Real Property - Accessory Dwelling Units - Requirements and Prohibitions, which required the County to adopt a local law authorizing accessory dwelling unit (ADU) development by October 1, 2026.

Recent Worksessions on ADUs

[8] A special exception is the former term for a conditional use.

The Planning, Housing, and Parks (PHP) Committee held two worksessions on ADUs in 2024. On July 29, 2024, the Committee heard from DHCA, DPS, OLO, and AARP.[9] On November 18, 2024, DHCA and DPS returned to provide additional information.[10]

In July 2024, DHCA reported 383 active ADU licenses at various stages of approval.[11] From December 2019 to July 2024, DPS issued 265 building permits for ADUs, including new construction, alterations, and additions. DPS provided the following breakdown of ADU permits issued by DPS from January 1, 2020, to October 31, 2024, by city or town:[12]

[9] AARP formerly stood for the "American Association of Retired Persons", but that name was dropped in 1999 due to the fact that members do not have to be retired. https://help.aarp.org/s/article/what-does-aarp-stand-for

[10] Past Committee worksession videos and staff reports can be found here: https://www.montgomerycountymd.gov/government/legislative-branch/county-council/council-meetings-agendas.

[11] For current information on accessory apartment applications, DHCA maintains a database here: https://apps.montgomerycountymd.gov/DHCA-Licensing/Class3/List.

DPS also tracks new housing units, including ADUs, here: https://app.powerbigov.us/view?r=eyJrIjoiMmZhYzUwOGUtZDgwZS00MDNkLWJlZWQtMmFhMzYyYWU4YjQ5IiwidCI6IjZlMDFiMWY5LWIxZTUtNDA3My1hYzk3LTc3ODA2OWEwYWQ2NCJ9.

[12] The difference in total number of units is because this infographic extends to October 2024.

City/Town	2020	2021	2022	2023	2024*	Total
Silver Spring	11	18	24	20	22	95
Bethesda	5	8	8	8	5	34
Rockville		4	8	9	3	24
Potomac	1	7	6	6	3	23
Takoma Park	3	4	3	4	3	17
Gaithersburg		6	7	2		15
Chevy Chase	1	2	5	4	1	13
Kensington	1	7	1	1		10
Germantown		7	2	1		10
Damascus		2	1	1	2	6
Clarksburg	1	1	1	3		6
Burtonsville	1	2	2		1	6
Dickerson		1	2			3
Brookeville	1			2		3
Boyds			1	1		2
Poolesville		2				2
Montgomery Village		1		1		2
Olney		2				2
Sandy Spring	1					1
Cabin John			1			1
Laytonsville	1					1
Total	**27**	**74**	**72**	**63**	**40**	**276**

**As of October 31, 2024.*

DPS has reported that the average time to issue a detached ADU permit is 48 days, with an average of 23 days with an applicant and 13 days under review by DPS. For an interior unit, the average time to issue a permit decreases to 33 days, with an average of 19 days with the applicant and 10 days with DPS. These times are for permitting, and do not include the DHCA licensing time. DHCA is required to have a 30-day posting period for neighborhood notice.

DHCA also discussed a May 2024 report released by the Maryland Department of Planning "Accessory Dwelling Unit Policy Task Force." That report contained many recommendations the County already implements, such as by-right approval, reasonable parking and lot requirements, and removing impact fees for ADUs. Additional recommendations from that worksession included: reducing the number of days required for public notice or eliminating the requirement; establishing design standards for larger or two two-story ADUs to reflect and complement neighborhood aesthetics; and incentivizing owners with currently unpermitted ADUs to get such units permitted. The State task force report noted that "Jurisdictions wishing to encourage significant ADU construction should avoid owner occupancy requirements, as they may limit ADU development to wealthier property owners, place deed restrictions on the property, which may hinder access to real estate financing and loans, and present monitoring, enforcement, and resale challenges." The report also noted that covenants or conditions give pause to homeowners and institutions financing home purchases.

During the July 2024 PHP worksession, AARP advocated for removing the owner occupancy requirement, noting that the requirement impacts ADU construction and treats ADUs differently than other homes. Specifically, while opponents have argued that a homeowner on site is beneficial to the neighborhood, a single-family detached homeowner can already rent out their property. In those instances, they do not live on site but can still rent the home out. This issue raises equity concerns because it implies that renters are "bad" and treats renters of single-family detached homes different from renters of ADUs. As noted in the RESJ Impact Statement, Latinx and Black households could disproportionately benefit from an increase in below-market rate rentals. And roughly 75% of White and Asian households own their home compared to 54% of Latinx households and 40% of Black households. OLO Report 2024-11 found Black and Latinx households are overrepresented among the County's renter households. And that report notes that prioritizing property owners rather than all residents that include renters, and prioritizing single-family home neighborhoods rather than all communities, including multi-family unit communities, has caused inequities in land use planning.

In its Model State Act and Local Ordinance, updated in 2021, AARP noted that "One of the justifications for the owner occupancy requirement is the assertion that owners take better care of their property than nonresident owners. But there are certainly resident homeowners who do not take care of their property and nonresident owners who keep their property in excellent condition." AARP instead encourages jurisdictions to "treat[s] ADUs as an equal and important type of housing that, in general, should be subject to the same set of rules that governs the use of other housing. ADUs should not be treated as an inferior form of housing that requires additional restrictions and policing." The State task force on ADUs noted that "proponents of owner occupancy requirements argue that owner occupancy requirements enhance property aesthetics and maintenance. However, staff and the Task Force were unable to locate measurable and causal analysis documenting evidence for this connection."

An infographic presented by AARP noted many jurisdictions have already removed the owner occupancy requirement:

State	Year(s)	By-Right Permitting Required?	Ban on Owner Occupancy Requirements?	Limits on Parking Requirements?
Hawaii	1981/2024*****	No	No	No
California*	2016 2019	Yes	Yes	Yes
Washington*	2023	Yes	Yes	Yes
Oregon	2017 2019	Yes	Yes	Yes
Utah	2021	No	No	No
Montana	2023	Yes	Yes	Yes
Vermont*	2020	Yes	No	No
New Hampshire	2016	No	No	No
Connecticut	2021	Mixed**	No	Yes
Maine	2022	No	No	No
Rhode Island	2022/2024	Yes***	Partial***	Yes
Colorado	2024	Yes	Partial****	Yes
Arizona	2024	Yes	No	No

OLO published Report 2024-4 on ADUs on February 6, 2024. The OLO Report noted that ADUs can increase the amount and affordability of housing without significantly changing the character of those neighborhoods, but face hurdles due to the high cost to construct them. In addition, the OLO Report noted that ADUs in sought-after neighborhoods can demand high rents, making them unaffordable for lower-income renters. Regarding owner occupancy requirements, OLO found that such restrictions "diminish the financial viability of ADUs and limit the housing supply." OLO recommended easing or waiving owner occupancy requirements. The report notes "housing experts contend that owner occupancy mandates reduce the financial viability of ADUs and make building them less appealing" and that since 2019, California, Oregon, and Washington state have each passed laws barring owner occupancy rules for ADUs.

In September 2026, the Planning Department provided a memorandum to the PHP Committee on ADU fees. It noted that in Montgomery County a detached ADU costs on average $300,000 to construct, while an attached ADU costs between $150,000 and $200,000. The Planning Department found that many jurisdictions have not only done rezoning to allow ADUs but have reduced the costs of development through fee waivers, fee reductions, and more streamlined processes. These jurisdictions include Los Angeles, CA; Portland, OR; Seattle, WA; Washington State; Dublin, CA; Orlando, FL; Grand Junction, CO; New York City, NY; City of San Diego, CA; Napa County, CA; and Massachusetts. Initiatives that other jurisdictions have taken on include providing pre-approved plans and designs to reduce architect costs; reducing or eliminating fees for infrastructure, street improvement, and building permits; providing forgivable

loans for ADUs that are rented to households earning less than a certain percentage of AMI; and providing loans to cover the cost of construction.

Based on Planning's research, ADUs in Montgomery County pay several fees. There is an annual license fee of $125 to DHCA, plus $490 for filing and sign fees. DPS fees range from $654 to $2,211 depending on whether the ADU is an addition, alteration, or new construction. WSSC fees can be as low as $180 for inspections or as high as $11,000 depending on the number of toilets and the level of service connection in the right-of-way that is needed. The County's primary financial incentive is not charging development impact taxes for ADUs. But the County "does not offer ADU-specific permit fee waivers, grant programs, financing incentives, or technical assistance."

Institutional Investors

Public testimony and letters from the County Executive express concern that removing the owner-occupancy requirement could incentivize institutional investors to purchase single-family homes and operate both the principal dwelling and the ADU as rentals, making it harder for individual families and first-time homebuyers to compete in the housing market. The RESJ Impact Statement noted that "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." The Economic Impact Statement stated that "removing the owner-occupancy requirement could expand investor-owned ADU rentals, shifting ownership and rental income toward larger firms based outside the County," however OLO also "found no studies directly examining whether ADU liberalization increases institutional ownership or crowds out local buyers, so this risk remains uncertain."

The federal government has acknowledged a growing concern about institutional investors and has made efforts to ameliorate it. On July 11, 2026, Congress passed the 21st Century ROAD to Housing Act (H.R.6644 / Public Law 119-101).[13] This piece of legislation "reduces unnecessary barriers to building, strengthens community banks, and ensures families – not institutional investors – have a fair shot at buying a home." Relevant to the response to Bill 41-26, section "Title X. Homeownership for Main Street America" of the federal law prohibits large institutional investors from purchasing single-family homes.[14] The Act specifically states that this section "is intended to expand the number of single-family homes available to individuals for purchase and is aimed at preserving and expanding the supply of single-family homes available to individuals."[15]

[13] "ROAD" stands for "Renewing Opportunity in the American Dream."

[14] A ''large institutional investor'' is defined as an investment fund, corporation, general or limited partnership, limited liability company, joint venture, association, or other for-profit entity that is engaged in the business of investing in, owning, renting, managing, or holding single-family homes – alone or in concert with 1 or more other entities – that directly or indirectly has investment control of not less than 350 single-family homes.

[15] Under the Act, a single-family home is defined as "a structure that contains 2 or fewer dwelling units that are each intended for residential occupancy by a single household," not including manufactured homes. A ''manufactured home'' means a structure, transportable in one or more sections, which, in the traveling mode, is eight body feet or more in width or forty body feet or more in length, or, when erected on site, is three hundred twenty or more square feet, and which is built on a permanent chassis and designed to be

The prohibition takes effect on January 7, 2027, and sunsets after 15 years, which would be January 7, 2042. Since County legislation takes effect 91 days after the date when it becomes law,[16] the 21st Century ROAD to Housing Act will take effect before Bill 41-26. The civil penalty is $1,000,000 per violation, or 3 times the purchase price of the property involved, whichever is greater.[17]

On January 7, 2029, and January 7, 2037, two reports will be due to the Senate. The first will include the impact of the ownership by large institutional investors of single-family homes on housing availability and affordability for renters and homebuyers, and the effectiveness of the Act in reducing demand by large institutional investors for single-family homes and expanding homeownership for renters and homebuyers. The second report will include whether there should be adjustments to the definition of "large institutional investor"; the financial impact of the Act on large institutional investors, renters, and homebuyers; and any legislative recommendations regarding ways to improve the authorities provided under the Act to increase the supply and affordability of single-family homes for purchase by individual homebuyers. The law also creates a renter outreach resource that will consist of a toll-free telephone number and a public website designed to assist renters of residential properties owned by a large institutional investor in notifying federal agencies of disputes, monitoring disputes, resolving disputes, etc. This resource must be provided to renters annually.

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used as a dwelling with or without a permanent foundation when connected to the required utilities, and includes the plumbing, heating, air-conditioning, and electrical systems contained therein." National Manufactured Housing Construction and Safety Standards Act of 1974 (42 U.S.C. 5402).

[16] Sec. 112.

[17] There are several exceptions to the large institutional investor prohibition, including:

i. purchases of SFH done in a restructuring or reorganization of SFH owned or purchased before enactment of the Act;
ii. newly constructed, renovated or a rental conversion for sale and not as a residence rented pending sale;
iii. build-to-rent;
iv. renovate-to-rent, which includes substantial rehabilitation to meet building codes or improvements of not less than 15% of the purchase price;
v. purchases that are part of a qualified homeownership program;
vi. part of a qualified program to boost homeownership;
vii. in connection with repossession of a SFH to satisfy a debt;
viii. acquisitions by a mortgage servicer, lender or other entity with a legal right to the property for loss mitigation or compliance with servicing or investor obligations and not as a long-term investment strategy;
ix. purchased from a large institutional investor that owned the SFH on the date of enactment;
x. purchased from non-covered investors, but only within 2 years of the effective date;
xi. senior living communities; and
xii. homes that are planned, permitted, financed and structured as part of a single unified rental community.

This packet contains:	Circle #
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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	*Heading or defined term.*
Underlining	*Added to existing law by original bill.*
[Single boldface brackets**]**	*Deleted from existing law by original bill.*
Double underlining	*Added by amendment.*
[[Double boldface brackets**]]**	*Deleted from existing law or the bill by amendment.*
* * *	*Existing law unaffected by bill.*

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

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

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).

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.

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.

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 Ethnicity[18] 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

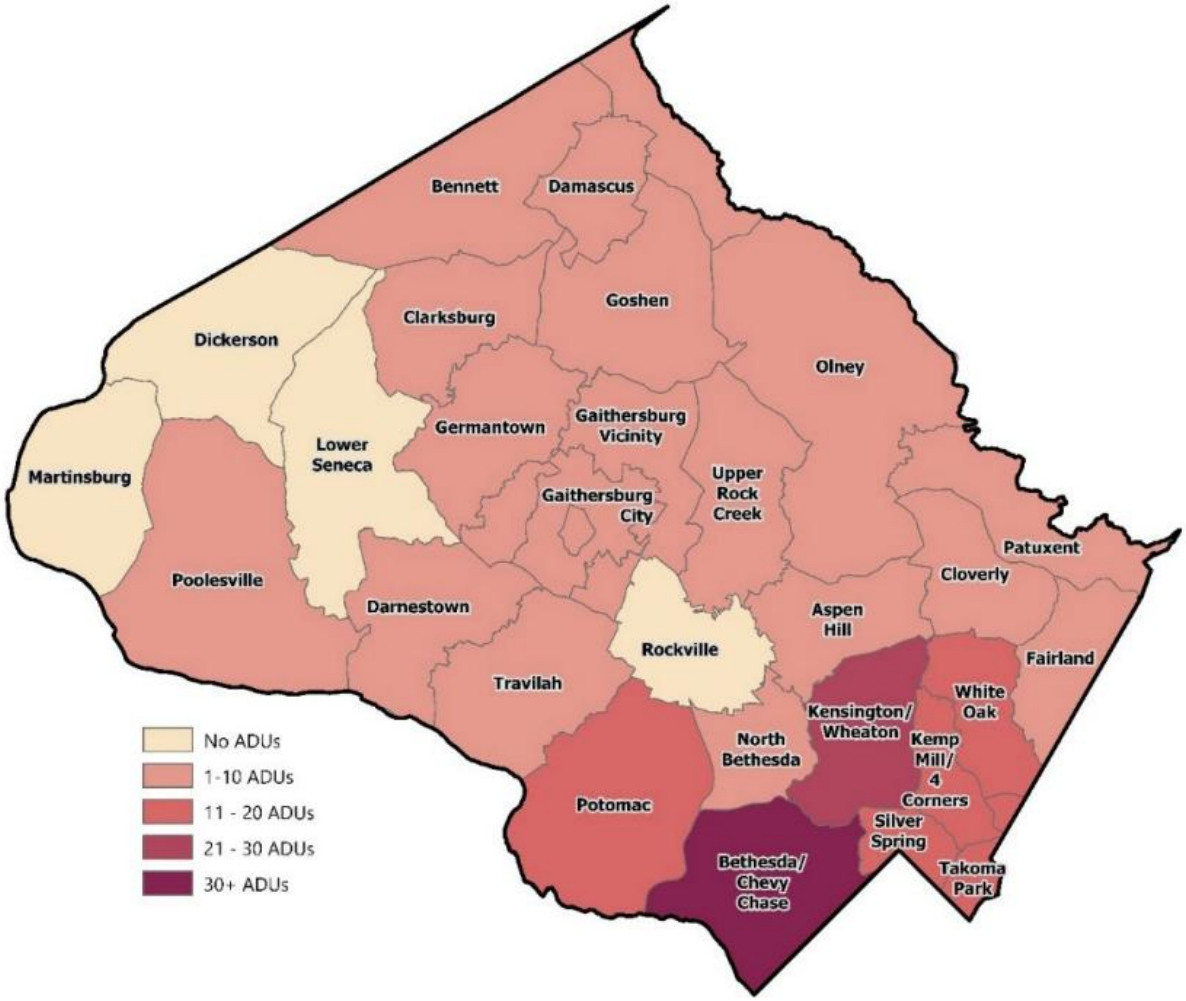
Source: OLO Analysis of 2022 Annual Business Survey (Table AB2300CSA01) and 2024 American Community Survey 5-Year Estimates (Table DP05).

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.

[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] RESJIS 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 Angelese, 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

Fiscal Impact Statement

Office of Management and Budget

Bill 41-26

Landlord-Tenant Relations - Licensing Procedures and Fees - Accessory Dwelling Unit

Bill Summary

Bill 41-26 removes the requirement that a property owner must live in either the main home or the accessory dwelling unit (ADU) to obtain a rental license for the ADU. It also creates fee waivers for ADUs that offer rent affordable to households earning 65 percent or less of the area median income for at least 10 years, including waivers for building-permit fees, Department of Housing and Community Affairs (DHCA) license fees, and related application fees.

Fiscal Impact Summary

There is no fiscal impact associated with this bill.

Fiscal Year	**0**	**0**	**0**	**0**	**0**	**0**	**Total**
Personnel Costs	$0	$0	$0	$0	$0	$0	$0
Operating Expenses	$0	$0	$0	$0	$0	$0	$0
Total Expenditures	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Revenues	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Total Impact	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
FTE	0.00	0.00	0.00	0.00	0.00	0.00	

Fiscal Impact Analysis

DHCA does not expect any additional costs to implement the requirements of this bill. If needed, DHCA would incorporate any updates into the Housing Portal's development, specifically within the rent registration and annual survey module. DHCA reports that it may require six to eight weeks to review the final legislation and draft updated policy guidelines to align with the new requirements.

Staff Impact

The bill is not expected to impact staff time or duties.

Actuarial Analysis

The bill is not expected to impact retiree pension or group insurance costs.

Information Technology Impact

The bill is not expected to impact the County Information Technology (IT) or Enterprise Resource Planning (ERP) systems.

Other Information

Later actions that may impact revenue or expenditures if future spending is projected

The bill does not authorize future spending.

Ranges of revenue or expenditures that are uncertain or difficult to project

DHCA notes that it cannot estimate how many currently licensed accessory dwelling units (ADUs) would become exempt from paying fees under this policy change or how many non-owner-occupied properties with ADUs could be rented out if the owner-occupancy requirement is removed. The department reports that average annual revenue from ADU fees is about $98,000. The change in revenue is expected to be minimal. For instance, if up to 15 percent of all accessory dwelling units meet the bill's

	requirements, the estimated annual revenue loss would be approximately $14,800.
Contributors	Scott Bruton, Director, Department of Housing and Community Affairs (DHCA) Jenny Snapp, Deputy Director, DHCA Rumana Ahmad, Chief, Finance and Administration, DHCA Tiffany Johnson, Manager, DHCA Anita Aryeetey, Lead Fiscal and Policy Analyst, Office of Management and Budget

Economic Impact Statement

Montgomery County, Maryland

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

Summary

The Office of Legislative Oversight (OLO) anticipates that Bill 41-26 would improve overall economic conditions in the County, as measured by the Council's priority economic indicators. However, several risks could offset these economic gains.

This analysis examines the economic impacts of the Bill's provisions that would: (1) remove the owner-occupancy requirement for Accessory Dwelling Units (ADUs); and (2) exempt certain fees for Accessory Dwelling Units that charge rent affordable to households earning 65 percent or less of area median income (AMI) for at least 10 consecutive years. To assess the economic impacts of these provisions, this analysis draws on studies of other policies liberalizing ADU regulations in other jurisdictions and studies that examine the effects of ADUs on key economic indicators.

Evidence from other types of ADU regulatory reform in other jurisdictions leads OLO to expect the Bill to increase the County's ADU supply, with a portion of any additional ADU development likely to be used for long-term rentals.

Additional ADU development likely would positively impact affected businesses. Property owners who do not occupy properties with ADUs or who accept the affordability terms would likely gain rental income and see their property values increase. Additionally, the Bill could generate greater demand for residential construction and remodeling, architectural and design services, specialty trade contractors, and building-material suppliers, as well as for related services, including property management, lending, and insurance.

The Bill likely would positively impact some residents. Additional ADU development would likely increase long-term rental housing for residents in a market with insufficient rental housing supply. There is limited evidence of additional supply reducing average rents in the County. If homeowners participate and accept the affordability terms in exchange for the fee exemption, however, low-income renters would benefit from gains in the local supply of affordable housing.

The Bill's positive impacts on affected businesses and residents could be offset by two factors. First, evidence from other jurisdictions suggests that additional ADU development could lower neighboring property values. Second, removing the owner-occupancy requirement could expand investor-owned ADU rentals, shifting ownership and rental income toward larger firms based outside the County. OLO found no studies directly examining whether ADU liberalization increases institutional ownership or crowds out local buyers, so this risk remains uncertain.

Background and 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.[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.[2,3]

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.[4]

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.[5] If enacted, Bill 41-26 would remove the owner-occupancy requirement for ADUs.[6]

Bill 41-26 would also exempt certain fees for ADUs that charge rent affordable to households earning 65 percent or less of theAMI for at least 10 consecutive years, in agreement with and as determined by the Department of Housing and Community Affairs (DHCA).[7] 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.

Information Sources, Methodologies, and Assumptions

As required by Section 2-81B of the Montgomery County Code, this Economic Impact Statement evaluates the impacts of Bill 41-26 on residents and private organizations, using the Council's priority economic indicators as the measure. In doing so, it examines whether the Bill would have a net positive or negative impact on overall economic conditions in the County.[8]

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[1] Chitra Kalyandurg, Accessory Dwelling Units, OLO Report 2024-4, 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] For common types of ADUs, see Figure 1 in Kalyandurg, Accessory Dwelling Units.
[4] Introduction Staff Report for Bill 41-26, Montgomery County Council, Introduced September 15, 2026, page 1.
[5] Comments from the Bill sponsor, Councilmember Andrew Friedson, upon introduction. Council Session September 15, 2026 at 1:46:13.
[6] Introduction Staff Report for Bill 41-26, Montgomery County Council, Introduced September 15, 2026, page 1.
[7] Ibid.
[8] Montgomery County Code, "Sec. 2-81B, Economic Impact Statements."

This analysis examines the economic impacts of the Bill's provisions that:

1. Remove the owner-occupancy requirement for ADUs; and
2. Exempt certain fees for ADUs that charge rent affordable to households earning 65 percent or less of AMI for at least 10 consecutive years, subject to DHCA approval.

To assess its economic effects, OLO reviewed studies that examine the following:

1. **Effects of Liberalizing ADU Regulation:** OLO searched for impact evaluations[9] that directly examine how analogous policies affect ADU supply and other economic outcomes but did not identify any studies of closely analogous policies. Instead, OLO identified studies of other policies liberalizing ADU regulations in other jurisdictions. Because these studies examine different policies, this analysis uses them to explain how provisions examined here *may* increase ADU supply.

2. **Effects of ADUs:** OLO identified several studies that use quasi-experimental and survey designs to identify the effects of ADUs on key economic indicators, such as rental income, property values for homes with ADUs and neighboring homes, supply of rental housing, and average rents.

OLO drew on this body of evidence to identify the groups that would likely be affected by the Bill's provisions and how they would likely affect these groups.

Variables

The economic effects of Bill 41-26 would primarily depend on the following variables:

- Total number of properties with ADUs;
- Average rents;
- Average property values; and
- Property owners' location.

[9] Impact evaluations are a core tool of evidence-based policymaking. Federal and Maryland guidance treats impact evaluations that use randomized control trials or quasi-experimental designs as strong evidence on policy impacts. In randomized controlled trials, eligible participants or locations are randomly assigned to receive a new program ("treatment") and researchers compare changes in outcomes between the treatment and participants/locations that have not received the new program ("control"). When random assignment is not feasible, researchers can use quasi- experimental methods to approximate a comparison group. Quasi-experimental designs use observational data to construct "as-if random" treatment and comparison groups—for example, by exploiting eligibility rules, timing, or other features of program implementation—without true random assignment. See Gertler, Paul J., Sebastian Martinez, Patrick Premand, Laura B. Rawlings, and Christel M. J. Vermeersch. *Impact Evaluation in Practice, Second Edition*. Washington, DC: Inter-American Development Bank and World Bank, 2016; Maryland State Department of Education, "Definition of Evidence-Based and Levels of Evidence," accessed March 20, 2026; and Henneberger, Angela, "Program Evaluation in the Absence of Randomization: How Can Propensity Score Methods Help?" Maryland Longitudinal Data System (MLDS) Center, June 5, 2018.

Impacts

WORKFORCE ▪ TAXATION POLICY ▪ PROPERTY VALUES ▪ INCOMES ▪ OPERATING COSTS ▪ PRIVATE SECTOR CAPITAL INVESTMENT ▪ ECONOMIC DEVELOPMENT ▪ COMPETITIVENESS

Businesses, Non-Profits, Other Private Organizations

OLO anticipates that Bill 41-26 would positively impact affected private organizations in the County.

The Bill's two provisions would primarily affect:

- **Non-Occupant Owners:** Property owners who do not live on the property and build or keep ADUs; and
- **Participating Owners:** Property owners who accept the affordability terms in exchange for the fee exemption.

Non-Occupant & Participating Owners

Effects of Liberalizing ADU Regulations: The Bill would seek to expand ADU development in two ways: Removing the owner-occupancy requirement would permit a new group of owners to develop ADUs; and waiving certain fees for income-restricted ADUs (≤65% AMI rent) for at least 10 years would reduce development costs and potentially financing costs, thereby improving the financial feasibility of these projects.

Evidence on broader ADU regulatory reforms suggests that removing the owner-occupancy requirement and reducing government fees could encourage additional ADU development in the County.

A review of ADU development in Portland, Seattle, and Vancouver, published by UC Berkeley's Terner Center for Housing Innovation, identifies streamlined design review and less restrictive owner-occupancy requirements as important measures for encouraging development, emphasizing that homeowners value flexibility in ADU regulations.[10] Additionally, some studies associate policies expanding opportunities for ADU development and lowering government fees with increased applications and permitting.[11] However, their research designs do not establish how much of the increase was caused by the reforms, rather than changes in housing demand, financing conditions, or other contemporaneous factors.

Effects of ADUs: If these provisions induce additional ADU development, non-occupant owners and owners participating in the fee-exemption program may experience the following:

[10] Karen Chapple et al., *Jumpstarting the Market for Accessory Dwelling Units: Lessons Learned from Portland, Seattle, and Vancouver* (Terner Center for Housing Innovation, UC Berkeley, 2027).
[11] Nicholas Marantz et al., *Evaluating California's Accessory Dwelling Unit Reforms: Preliminary Evidence and Lessons for State Governments* (NYU Furman Center, 2023); Northwest Economic Research Center, *The Portland ADU Market: Conditions, Costs, Drivers, Incentives* (Portland State University, 2019).

- **Additional rental income** – In a survey of ADU owners in Portland, Seattle, and Vancouver conducted in late 2016 and early 2017, Chapple et al. found that tenant-rented ADUs generated an average monthly rent of $1,298, with substantial variation across units (a standard deviation of $632).[12] Some owners would likely gain additional income after operating expenses and financing costs, depending on rents, vacancy, and project costs.

- **Higher property values** – In a parcel-level analysis of Los Angeles properties from 2013 to 2019, Brueckner and Thomaz found that recently sold properties with ADU permits had approximately nine percent higher assessed values than those without ADU permits, after adjusting for property and neighborhood characteristics. Assessments for these properties reflected sale prices.[13] Another study examined the effects of detached ADUs on neighboring property values in Vancouver, British Columbia from 2009 to 2017. It found that for newly built homes, detached ADUs were associated with approximately 11.4 percent higher sale prices and that for existing homes, the price effect was statistically insignificant.[14] Although housing-market conditions in Los Angeles and Vancouver may differ substantially from those in the County, the findings suggest that adding an ADU, particularly for newly built homes, could increase an owner's property value.

- **Potential crowding out of local buyers?** –In the wake of the 2007-2009 financial crisis, investor owners have played a growing role in the U.S. single-family housing market. According to the U.S. Government Accountability Office study, "no investor owned 1,000 or more single-family rental homes as of late 2011. However, by 2015, institutional investors collectively owned an estimated 170,000-300,000 homes. As of June 2022, institutional investors of varying sizes made up a large portion of the single-family rental market in many cities, particularly in Sunbelt states."[15]

  Removing the owner-occupancy requirement could expand opportunities for investor-owned ADU rental properties.[16] If so, institutional buyers would acquire properties that otherwise would be purchased by local residents or smaller rental-property owners, thereby shifting ownership and rental income toward larger firms based outside the County. OLO did not identify studies directly examining whether ADU liberalization increases institutional ownership or crowds out local buyers. This potential effect therefore remains uncertain.

[12] Chapple et al., *Jumpstarting the Market for Accessory Dwelling Units*.
[13] Jan K. Brueckner and Sarah Thomaz, "ADUs in Los Angeles: Where Are They Located and By How Much Do They Raise Property Value?," *Real Estate Economics* 52, no. 3 (2024): 885–907.
[14] Thomas Davidoff et al., "Not in My Neighbour's Back Yard? Laneway Homes and Neighbours' Property Values," *Journal of Urban Economics* 128 (March 2022): 103405.
[15] U.S. Government Accountability Office, *Information on Institutional Investment in Single-Family Homes* (2024), https://www.gao.gov/assets/gao-24-106643.pdf.
[16] Jenna Davis, "How Does Real Estate Investor Ownership Mediate Accessory Dwelling Unit (ADU) Asking Rents? Evidence from Austin, TX," *Housing Policy Debate* 34, no. 6 (2024): 962–84.

Other Affected Businesses

The Bill may also impact businesses in other industries:

- **Residential Construction** – If the Bill spurs additional ADU development, it could generate greater demand for residential construction and remodeling, architectural and design services, specialty trade contractors, and building material suppliers. Local businesses providing these goods and services could receive additional revenue and potentially earn higher income.

- **Related Service Providers** – If the Bill generates additional ADU development and rental activity, it could increase demand for related services, including property management, lending, and insurance. Property management firms could receive additional business from owners who outsource leasing, rent collection, and maintenance coordination, while lenders and insurers could provide financing and coverage for additional ADUs. Local businesses providing these services could receive additional revenue and potentially earn higher income, depending on their associated costs.

Beyond these potential impacts, OLO does not anticipate additional effects on businesses with respect to the Council's priority indicators.

Residents

OLO anticipates that Bill 41-26 would have mixed impacts on affected residents in the County.

The Bill's two provisions would primarily affect:

- **Renters**, including households earning 65 percent or less of AMI; and
- **Neighboring Homeowners.**

Renters

If the Bill induces additional ADU development, as OLO expects, local renters could be positively impacted in the following ways:

- **Increased supply of long-term rentals** – The County prohibits using ADUs for short-term residential rentals. Although ADUs can serve purposes other than rental housing, two nonrandom surveys suggest that long-term rentals are a common use. In a 2016–2017 survey of ADU homeowners in Portland, Seattle, and Vancouver, 38 percent identified income from a long-term rental as their reason for building an ADU, compared with 28 percent who sought space for a household member or helper and 11 percent who cited short-term rentals.[17] A separate 2017 Portland survey found that 53 percent of

[17] Chapple et al., *Jumpstarting the Market for Accessory Dwelling Units*.

owners used their ADU as someone's primary residence, while 31 percent used it for short-term rentals.[18]

These findings, along with the County's ban on using ADUs for short-term rentals, suggest that a portion of any additional ADU development would likely be used for long-term rentals, which would provide additional housing for residents in a market with insufficient rental housing supply.[19]

- **Lower rents?** – Evidence that ADU development reduces **rental costs** is limited and distinguishes lower-cost options for individual tenants from reductions in prevailing market rents. In their 2016–2017 survey of ADU homeowners in Portland, Seattle, and Vancouver, Chapple et al. found that 58 percent reported renting their ADUs below market rates, suggesting these units can provide lower-cost housing options for their tenants.[20] However, the survey did not assess effects on market-wide rents. A preliminary study of Norman, Oklahoma, found no statistically significant effect of ADU legalization on rental prices.[21] Whether the Bill would reduce prevailing rents in the County would depend in part on how much additional long-term rental supply.

  Removing the owner-occupancy requirement also raises the question of whether investor-owned ADUs would offer different rents than owner-occupied ADUs. Davis (2024) found no statistically significant difference in advertised ADU asking rents between these ownership groups in Austin, Texas. However, the analysis excluded informal rental arrangements, such as those made through friends or family, and therefore did not establish whether rents differed across all investor-owned and owner-occupied ADUs.[22]

  Together, these findings provide limited grounds for predicting lower prevailing rents in the County. Any such effect would depend in part on how much additional long-term rental supply the Bill generates, while its fee exemptions could support lower-cost options for tenants in ADUs subject to the required affordability commitment.

Neighboring Homeowners

In contrast to homeowners who develop ADUs and renters who may gain access to long-term rentals, the Bill may have negative impacts on homeowners who live near new ADU developments.

[18] Northwest Economic Research Center, *The Portland ADU Market*.
[19] On limited rental housing supply, particularly affordable housing, see Montgomery County Planning Department, *Montgomery County Housing Needs Assessment*, July 2020.
[20] Chapple et al., *Jumpstarting the Market for Accessory Dwelling Units*.
[21] Anna Hyslop and William Miller, "From Granny Flats to Market Facts: The Short-Term Impact of ADUs on Rental Prices in Norman, Oklahoma," SSRN Scholarly Paper no. 5510838 (Social Science Research Network, March 1, 2025).
[22] Davis, "How Does Real Estate Investor Ownership Mediate Accessory Dwelling Unit (ADU) Asking Rents?"

OLO identified three studies examining ADUs and nearby property values. Two examined actual ADU density or proximity—one in Los Angeles from 2013 to 2021[23] and the other in Vancouver from 2009 to 2017.[24] Both found that greater nearby ADU exposure was associated with lower neighboring property values, with stronger effects at closer distances. However, the neighborhood patterns differed: negative effects were more pronounced in low- and middle-rent neighborhoods in Los Angeles but concentrated in higher-priced neighborhoods in Vancouver.

The third study examined Ogden's 2016 legalization of ADU rentals using sales data from 1999 to 2019 and found no statistically significant effect on property values through 2019.[25] This finding does not necessarily conflict with the other two studies. It measured a change in legal eligibility rather than actual ADU density or proximity. Recorded permit applications were few, and the study did not establish how much legalization changed actual ADU exposure.

Taken together, the studies suggest that nearby ADU development can reduce neighboring property values, with effects varying by distance and neighborhood, while legalization alone may not produce a detectable price effect when changes in actual ADU activity are limited or uncertain

Beyond these potential impacts, OLO does not anticipate additional effects on residents with respect to the Council's priority indicators.

Overall Impact

OLO anticipates that Bill 41-26 would improve overall economic conditions in the County. However, several risks could offset these economic gains. Additional ADU development likely would positively impact affected businesses and some residents. However, these positive impacts could be offset by negative impacts on neighboring property values and/or by expanded investor-owned ADU rentals.

Discussion Items

Given the economic risks identified in this analysis, Councilmembers may want to consider requesting a more in-depth analysis of ADUs and/or monitoring the Bill's impacts on property values and investor ownership of homes in the County.

[23] Idil Tanrisever, "Spillover Effects of Accessory Dwelling Unit Development," *Regional Science and Urban Economics* 114 (September 2025): 104136.
[24] Davidoff et al., "Not in My Neighbour's Back Yard?"
[25] Jenny Gnagey et al., "The Impact of Legalizing Accessory Dwelling Unit Rentals on Property Values: Evidence from Ogden, Utah," *Journal of Housing Research* 32, no. 2 (2023): 103–22.

Caveats

Two caveats to the economic impact analysis conducted here should be noted. First, predicting the economic impacts of legislation is a challenging analytical endeavor due to data limitations, the multitude of causes of economic outcomes, economic shocks, uncertainty, and other factors. 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.

Contributions

Stephen Roblin, PhD (OLO) prepared this report.

Appendix

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.

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.

Montgomery Planning
THE MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION

2425 Reedie Drive
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Wheaton, MD 20902

MontgomeryPlanning.org

September 1, 2026

TO: Montgomery County Council Planning, Housing, and Parks Committee
Stella B. Werner Council Office Building
100 Maryland Avenue
Rockville, Maryland 20850

FROM: Montgomery County Planning Department
Lisa Govoni, Supervisor, Design, Placemaking and Policy Division
Bhavna Sivasubramanian, Housing Planner II, Design, Placemaking and Policy Division

SUBJECT: Accessory Dwelling Unit (ADU) Fee Research

Background

On July 27, 2026, the Planning, Housing, and Parks Committee reviewed and approved ZTA 26-06, Accessory Residential Uses – Accessory Dwelling Unit (ADU). As part of the process, the Office of Legislative Oversight (OLO) prepared a Racial Equity and Social Justice Impact Statement, which concluded that the ZTA could have disproportionate benefits for higher-income homeowners and renters, who are more likely to be White or Asian. The statement identified several policy options to mitigate these impacts, including programs to provide low-interest loans to lower-income homeowners and owners of lower-value properties, developing permit-ready ADU designs to reduce logistical and permitting barriers, and adopting long-term affordability covenants for ADUs. The research presented in this memo responds to Councilmembers' requests for information about policies used in other jurisdictions to address the financial barriers to ADU construction, particularly for lower-income households.

Purpose

This memorandum summarizes examples of jurisdictions that reduce or eliminate fees associated with ADUs. These incentives are increasingly used to address one of the most commonly cited barriers to ADU development: upfront permitting, utility, fee, and registration costs. Recent peer jurisdiction research conducted by Montgomery Planning identified several jurisdictions that have implemented fee waivers, discounts, and other financing and technical assistance programs specifically to encourage ADU production.

Current ADU Fees in Montgomery County, MD

In 2024, Council Staff wrote a memorandum on Accessory Dwelling Units in the county, which provided detailed information on the various fees associated with ADUs. Planning Staff used the numbers in the memorandum as a baseline and worked with the Department of Permitting Services

to update the fees. It is important to remember that the fees charged will vary based on the type of ADU being constructed.

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**

Table 3 WSSC ADU Fees

	Type	Fee
Inspection Fees	Water / Well Hook-up	$180
	Sewer / Septic Hook-up	$180
	First Plumbing Fixture	$180
	Each Additional Fixture	$90
	Minimum Non-Refundable Long Form Permit Charge (Inspection Fees)	$320
	Connection Abandonment – Water (County Roads – State and Arterial Roads)	$2,545 – $3,060
System Development Charges (SDC) per housing unit	Housing Units with 1 or 2 Toilets	$3,206
	Housing Units with 3 or 4 Toilets	$5,342
	Housing Units with 5 Toilets	$7,479
	Housing Units with 6 or more Toilets (calculated based on type and number of fixtures) per fixture unit value	$213
	System Development Charges (fixtures not in dwelling units, e.g., detached out buildings, pool houses, etc.) per fixture unit value	$213

WSSC Installed Residential Service Connection	Water - Standard Service Connection in the Public Right-of-Way 1-1/2 inch / 2 inch	$11,000
	Water - Rights-of-Way Service Connection built by Plumber from an existing main (WSSC performs the TAP ONLY) 1-1/2 inch / 2 inch	$705

Key Findings

Many jurisdictions have moved beyond simply rezoning to allow ADUs and are now reducing the costs of development through fee waivers, reductions, and streamlined processes. The most robust programs are generally found in jurisdictions that view ADUs as an important component of their housing production and diversification strategy.

Jurisdiction Examples

Jurisdiction	Incentive Type	Description
Los Angeles, CA	Permit Fee Reductions	Los Angeles has reduced permitting fees through California law (primarily through waiving impact fees and utility connection fees for smaller lots) and streamlined approvals for ADUs as part of its broader effort to increase housing production. The LADBS Standard Plan Program (a catalog of roughly 75 ADU designs already approved for code compliance) eliminates most of the architect cost to design ADUs, which allows for faster permitting and lower carrying costs.
Portland, OR	System Development Charge (SDC) Waiver	Portland waives System Development Charges (SDCs) for ADUs (saving approximately $15,000-$37,000). SDCs are infrastructure-related fees that can add tens of thousands of dollars to development costs. The waiver has been widely cited as contributing to Portland's strong ADU production rates.
Seattle, WA	Street Improvement Fee Waiver	In 2019, Seattle enacted major ADU reforms. Seattle eliminated street improvement fees for ADUs and has paired fee reductions with regulatory reforms and pre-approved plans. By 2022, Seattle was permitting approximately 1,000 ADUs annually.
Washington State	Utility and Development Fee Relief	Recent state legislation limits local barriers to ADU development and has encouraged jurisdictions to reduce or eliminate ancillary fees associated with ADU construction.
Dublin, CA	Fee Waiver Program	The city has waived permitting fees for building permits for ADUs applied for between January 1, 2022, and December 31, 2026. Permit fees are waived for ADUs less than 750 square feet and ADUs 750 square feet or larger that are deed restricted as lower-income units for a

		period of 55 years. This results in savings of approximately $2,500 to $6,000 depending on the valuation of the ADU.
Orlando, FL	ADU Fee Incentives	The ADU Incentive Program provides financial incentives for homeowners who construct ADUs and lease them at an affordable rate. The ADU Incentive Program offers a build-out rebate up to $10,000 for construction costs, a 100% rebate for park, transportation, and sewer impact fees, and a 100% rebate on building permit fees. The average range for ADU-related impact fees is $1,300-$3,100, and $450-$1,050 for building permit fees.
Grand Junction, CO	Fee Reduction Program	The city has used fee waivers and development incentives to encourage ADU construction as part of broader housing affordability efforts. Tier 1, open to all ADU developers, requires that all units on the property remain a long-term rental for five years. In exchange, the city pays the impact fees (currently around $9,100 in total). Tier 2 is open to ADU developers who commit to living on their property where the ADU is developed and who have household incomes below 140% Area Median Income (AMI). All units on the property must be kept as a long-term rental for seven years. In exchange, the City pays the impact fees and provides an additional direct financial incentive of nearly $6,000 (amounting to $15,000 in total).
New York City, NY	Low or No-Interest Loans, Construction Financing Grants, Technical Assistance	The Plus One ADU Program awards eligible homeowners grant funding up to $175,000 and a loan up to $220,000, for a combined $395,000 in city and state financing per property. The loan portion may be structured as an amortizing loan (interest rate and repayment terms based on underwriting) with no regulatory agreement, or deferred forgivable loans, with the requirement of rent restriction on the new ADU unit at 100% AMI with annual increases capped at 2%. Eligible homeowners may earn up to 165% AMI, with preference given to homeowners earning 120% AMI or below. The program is funded by the New York State Homes and Community Renewal and the NYC Department of Housing Preservation & Development. The program is administered by Restored Homes, which provides

		technical assistance to homeowners through the entire ADU process.
City of San Diego, CA	Construction Loan, Technical Assistance, and ADU Plan Templates	The San Diego Housing Commission (SDHC) program provides financial assistance in the form of a construction loan (up to $250,000) and technical assistance at no cost that helps homeowners understand and complete the process of building an ADU. Eligible households earn up to 80% of San Diego's AMI. The rent for the ADU must remain affordable for seven years for households with income up to 80% of AMI. The property owner cannot rent to a family member during these seven years. SDHC has four sets of ADU architectural plans available to the public to expedite the permitting process and reduce pre-construction costs.
Napa County, CA	Loan Forgiveness	Napa County offers forgivable loans of up to $105,000 for homeowners who build an ADU and rent it to households earning up to 80% of AMI. The loan is forgiven if the homeowner commits to renting the unit at an affordable rent for 5 years. This program also provides a waiver of building and impact fees for ADUs, funds to pay for a pre-reviewed ADU design and include universal design elements, a free managed construction escrow account, and coverage of some conventional loan closing costs.
Massachusetts	Construction Loan Program	Statewide, this program offers loans of up to $250,000 for detached ADUs, and up to $150,000 for attached ADUs. Loans combine an amortizing, interest-bearing loan with additional zero-interest, deferred-repayment financing. These funds must be used to cover the costs of construction of an ADU. Homeowners must meet income guidelines which vary by location but are no more than 135% of the county's AMI.

Implications for Montgomery County

In Montgomery County, a detached ADU costs on average $300,000 to construct, while an attached ADU costs between $150,000 and $200,000[1]. These high costs make ADU development financially inaccessible to many households.

Montgomery County currently does not offer ADU-specific permit fee waivers, grant programs, financing incentives, or technical assistance beyond not charging impact taxes for ADUs. The County's approach primarily relies on by-right zoning, reduced parking requirements, and administrative streamlining rather than direct financial incentives.

Conclusion

The most common ADU fee incentives nationally are impact fee exemptions, permit fee waivers, system development charge and utility fee relief, affordability-linked fee waivers, and pre-approved ADU plans. The jurisdictions cited above use financial incentives to complement zoning reforms and accelerate ADU production. Montgomery County's primary financial incentive today for ADUs is not charging development impact taxes, whereas many peer jurisdictions layer on permit fee waivers, utility fee waivers, or low-interest loan programs to further incentivize a product that is expensive and hard to traditionally finance.

CC:

Livhu Ndou, Legislative Attorney, Montgomery County Council

[1] Figure based on an estimate provided by Eric Saul, from Saul Architects

OFFICE OF THE COUNTY EXECUTIVE

Marc Elrich
County Executive

MEMORANDUM

September 30, 2026

TO: Natali Fani-González, President
Montgomery County Council

FROM: Marc Elrich, County Executive

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

During the public hearing on ZTA 26-06, Accessory Residential Uses – Accessory Dwelling Unit, there was testimony regarding the requirement that the owner must reside either in the principal dwelling unit or the accessory dwelling unit. The testimony indicated that the requirement creates hardship for owners who temporarily may not be able to live onsite. In my memo of July 24, 2026 (attached), I suggested modifying the County Code to allow for a limited waiver of the ownership requirement, but not removal of it.

Bill 41-26 does the latter, opening the door for investors and equity firms to buy single-family homes as a business venture, renting out both units on a continuous basis. This could have a destabilizing effect on neighborhoods that under the current requirement benefit from individual owners' oversight. Having the owner live on site is the best guarantee that the property will be maintained. I understand that Bill 41-26 would address the temporary circumstances where an owner may need to rent both the principal unit and the ADU, and the prohibition on renting both units creates a hardship. However, this type of situation should not be used to eliminate permanently the requirement that the owner must live on the premise.

This can be addressed by creating a waiver process that allows an owner to rent both the principal dwelling unit and an accessory dwelling unit while temporarily absent from the property. When the County Council reviewed and adopted ZTA 19-01- Accessory Residential Uses in 2019, the stated intent was to provide more permissiveness for detached and attached ADUs in single-family zones. In the Council memo dated June 18, 2019 (20190618_4.pdf),

prepared for review at the Council's straw-vote work session, Council's senior legislative analysts discussed the value in having the owner of the site of an ADU live on the site (report pages 15-16). Citations in their report point to studies that support "an association" between resident homeownership and improved property maintenance and longer lengths of tenure for both residents and school children. Although the report mentions the problem for military and state department families who create an ADU and then are deployed, it does not suggest a remedy. Despite that, Council staff reported that the Planning, Housing, and Economic Development (PHED) Committee "agrees that it is important to have a resident owner with an ADU and is satisfied that the licensing requirements should retain that requirement." (report page 16).

The points made by Councilmembers in 2019 are as valid today as they were seven years ago. The Bill takes a positive step in proposing to provide relief from fees for owners who agree to charge rent affordable to households earning 65 percent or less of the area median income for a period of at least ten years. The complete removal of the ownership requirement is a bad idea and unnecessary, since a waiver provision would address the problem of an owner's temporary absence.

The recently adopted Maryland State House Bill 1466's ADU requirements recognize the benefit of on-site ownership. Section 4-503 (A) states that it is "the policy of the state to promote and encourage the creation of accessory dwelling units on land with a single-family detached dwelling unit **as the primary dwelling unit** in order to meet the housing needs of the citizens of Maryland" (emphasis added).

I encourage the Council to amend the Bill to retain the ownership requirement along with a waiver that addresses an owner's temporary absence. This approach helps advance housing supply and affordability without endangering community vitality.

Enclosure: County Executive Memorandum - Comments regarding ZTA 26-06 Accessory Residential Uses - Accessory Dwelling Unit

cc: Tommy Heyboer, Chief of Staff to the Council President, Montgomery County Council
Craig Howard, Executive Director, Montgomery County Council
Debbie Spielberg, Special Assistant to the County Executive
Richard S. Madaleno, Chief Administrative Officer
Ken Hartman-Espada, Assistant Chief Administrative Officer
Tricia Swanson, Director of Strategic Partnerships
Scott Bruton, Director, Department of Housing and Community Affairs

OFFICE OF THE COUNTY EXECUTIVE

Marc Elrich
County Executive

MEMORANDUM

July 24, 2026

TO: Councilmember Andrew Friedson, Chair
Planning, Housing, and Parks Committee

FROM: Marc Elrich, County Executive

SUBJECT: ZTA 26-06, Accessory Residential Uses – Accessory Dwelling Unit

ZTA 26-06 would revise existing county Accessory Dwelling Unit (ADU) law to establish consistency with the requirements of the state's House Bill 1466, adopted in 2025, which requires local governments to conform their ADU laws with the state law by October 1, 2026.
After reviewing the state law and the proposed changes in ZTA 26-06, I have the following comments:

- HB 1466 requires adoption of a local law authorizing the development of accessory dwelling units "on land with a single-family detached dwelling unit as the primary dwelling unit." Requirements and definitions presented in Subtitle 5, Accessory Dwelling Units, are as follows:

  - 4-501 (B) defines an accessory dwelling unit as a secondary dwelling on the same lot, parcel, or tract as a primary single-family detached dwelling unit.
  - 4-501 (C) (2) states that "dwelling unit" does not include a unit in a multifamily residential building.
  - 4-503 (A) states the following, noting language deleted from the final version: "It is the policy of the state to promote and encourage the creation of accessory dwelling units on land ~~zoned for~~ with a single-family ~~residential use~~ detached dwelling unit as the primary dwelling unit in order to meet the housing needs of the citizens of Maryland."
  - 4-504 (A) (1) states the following, noting language deleted from the final version: "On or before October 1, 2026, each legislative body shall adopt a local law authorizing the development of accessory dwelling units ~~on land zoned for single-family residential use~~ in accordance with this section."

The Planning Board's analysis of the provisions of HB 1466 concludes that the county's Land Use Table must be amended to add ADUs as a Limited Use in all residential **zones** where a single-family detached unit is allowed. Given the language in 4-503 (A) and 4-504 (A) (1), both of which strike

references to land **zoned** for single-family residential use, it appears that the state legislature did not intend to include all land zoned for single-family residential use. I believe it is important for the Council to be aware that Planning staff provided a flawed analysis and it appears that you are not required by state law to make this change. Prior to adopting requirements that satisfy the intent of HB 1466, it is necessary to understand the clear intent of the legislation and the history as to why the above language strikes references to zoning.

- ZTA 26-06, lines 35 – 48 include revisions to parking requirements intended to align with language in HB 1466, Section 4-504 (E), which says that local law may establish additional off-street parking requirements for ADUs that consider cost, existing curb area, effects of added imperviousness, and variability due to lot size. The Montgomery County Department of Transportation (MCDOT) has expressed concern that the revised standards proposed in the ZTA increase the likelihood that the potential lack of parking to support ADUs could result in increased parking problems in some neighborhoods where those stressors already exist. Since we already have an established waiver process (also a requirement of HB 1466), further discussion of the best way to address parking issues seems warranted.

- Because there was testimony at the public hearing regarding the requirement that the owner of a property must reside either in the principal dwelling or accessory dwelling unit, I'd like to comment on it as well, even though it is not addressed in the ZTA. The principal dwelling provision is an ADU licensing requirement, regulated in County Code, Section 29-19, Licensing Procedures. I understand that the requirement may create hardship for some owners who temporarily may not be able to live onsite. The issue could be considered in a separate review of the licensing requirements; I would support allowing a temporary, time-limited waiver of the ownership provision. If there were an effort to remove the principal-dwelling requirement via this ZTA, it would be problematic, given the fact that it is a major change that was not advertised to the public and could have a destabilizing effect on neighborhoods.

I recommend postponing the July 27th worksession to allow for further analysis of the ZTA with regard to the issues raised in the first comment above, so that the Council is able to make decisions with a more thorough and correct analysis.

cc: Councilmember Natali Fani-González, Planning, Housing, and Parks Committee
Councilmember Will Jawando, Member, Planning, Housing, and Parks Committee
Craig Howard, Executive Director, Montgomery County Council
Livhu Ndou, Legislative Attorney, Montgomery County Council
Richard S. Madaleno, Chief Administrative Officer
Debbie Spielberg, Special Assistant to the County Executive
Claire Iseli, Special Assistant to the County Executive
Ken Hartman-Espada, Assistant Chief Administrative Officer
Tricia Swanson, Director of Strategic Partnerships
Rabbiah Sabbakhan, Director, Department of Permitting Services

OFFICE OF THE COUNTY EXECUTIVE

Marc Elrich
County Executive

MEMORANDUM

October 19, 2026

TO: Councilmember Andrew Friedson, Chair
Planning, Housing, and Parks Committee

FROM: Marc Elrich, County Executive

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

Since transmitting my comments on this Bill on September 30, 2026, I have received additional comments from Executive departments, residents, and the Office of Legislative Oversight. The comments express concerns about both the removal of the ownership requirement and the exemption of permit fees under certain circumstances. I am sending this follow-up memo to request that you address these issues in your upcoming work session.

Please review the attached memos from the Department of Permitting Services (DPS) and the Department of Housing and Community Affairs (DHCA). They highlight concerns about the process for establishing, administering, and monitoring compliance with the 10-year agreement between the owner and DHCA that is necessary to qualify for an exemption from permit fees. Also, DPS highlights the need to monitor the effects of the exemption on its workload and foregone permit revenue since the department would continue to perform its existing zoning, building, trade permit inspection, and use-and-occupancy responsibilities.

Proposed amendment language to address issues and remove incentive for investor-owned properties

Regarding retention of the ownership requirement, comments received and recent reporting reinforce my belief that we should retain it while establishing a waiver process that allows an owner to rent both the principal dwelling unit and an accessory dwelling unit while temporarily absent from the property. This could be accomplished by retaining 29-19. Licensing Procedures (B), lines 23 through 29 and adding the following language: *An owner may apply for a waiver to rent both the principal dwelling unit and the accessory dwelling unit while temporarily absent*

from the property for up to three years. The owner may request an extension of the waiver at the end of the three-year period.

After reviewing studies of other jurisdictions where ADU regulations have been liberalized, OLO's Economic Impact Statement on Bill 41-26 (attached) makes the following points on pages 4 -5:

- Evidence on broader ADU regulatory reforms suggest that removing the owner-occupancy requirement and reducing government fees could encourage additional ADU development in the county. **There is, however, limited evidence that additional housing supply reduces average rents**. (Emphasis added.)

- If these provisions induce additional ADU development, non-occupant owners and owners participating in the fee-exemption program may experience the following:
  - Additional rental income
  - Higher property values
  - Potential crowding out of local buyers
  - "Removing the owner-occupancy requirement could expand opportunities for investor-owned ADU rental properties. If so, institutional buyers would acquire properties that otherwise would be purchased by local residents or smaller rental-property owners, thereby shifting ownership and rental income toward larger firms based outside the County."

Similar findings are expressed in the following articles:

> *NPR article, February 2022:* *https://www.npr.org/2022/02/18/1081751190/first-time-homebuyers-are-getting-squeezed-out-by-investors* "Investors are coming in and pushing out the first-time buyers," says Lawrence Yun, chief economist for the National Association of Realtors. He says the percentage of home sales that went to investors rose to 22% in January, up from 15% a year earlier.
>
> *New York Times article, April 2022:* *https://www.nytimes.com/2022/04/23/us/corporate-real-estate-investors-housing-market.html*
> According to Nadia Evangelou, senior economist with the National Association of Realtors, about 2.5 million households shopping for a first home will be shut out of the market this year, amounting to 15 percent of all first-time homebuyers. "In an already daunting market, investor purchasing is adding to the obstacles."

I understand that the Council wants to lower the cost of producing affordable ADUs. Inviting Wall Street into our backyards is not the right path.

Removing the ownership requirement is an invitation to outside investors. It is contrary to the county's goals of encouraging more ADUs while preserving wealth-building opportunities for residents who own homes as well as for those looking for a fair chance to compete in the real estate market. My proposed amendment would achieve those goals, while making it possible for

homeowners who must be temporarily absent from their properties to rent both their principal residence and their ADU.

Enclosure: County Executive Memorandum – Bill 41-26 transmitted on September 30, 2026
Department of Permitting Services Memo for Bill 41-26
Department of Housing and Community Affairs Memo for Bill 41-26
Economic Impact Statement for Bill 41-26

cc: Councilmember Natali Fani-González, Planning, Housing, and Parks Committee
Councilmember Will Jawando, Member, Planning, Housing, and Parks Committee
Craig Howard, Executive Director, Montgomery County Council
Livhu Ndou, Legislative Attorney, Montgomery County Council
Richard S. Madaleno, Chief Administrative Officer
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Tricia Swanson, Director of Strategic Partnerships
Scott Bruton, Director, Department of Housing and Community Affairs
Rabbiah Sabbakhan, Director, Department of Permitting Services

OFFICE OF THE COUNTY EXECUTIVE

Marc Elrich
County Executive

MEMORANDUM

September 30, 2026

TO: Natali Fani-González, President
Montgomery County Council

FROM: Marc Elrich, County Executive

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

During the public hearing on ZTA 26-06, Accessory Residential Uses – Accessory Dwelling Unit, there was testimony regarding the requirement that the owner must reside either in the principal dwelling unit or the accessory dwelling unit. The testimony indicated that the requirement creates hardship for owners who temporarily may not be able to live onsite. In my memo of July 24, 2026 (attached), I suggested modifying the County Code to allow for a limited waiver of the ownership requirement, but not removal of it.

Bill 41-26 does the latter, opening the door for investors and equity firms to buy single-family homes as a business venture, renting out both units on a continuous basis. This could have a destabilizing effect on neighborhoods that under the current requirement benefit from individual owners' oversight. Having the owner live on site is the best guarantee that the property will be maintained. I understand that Bill 41-26 would address the temporary circumstances where an owner may need to rent both the principal unit and the ADU, and the prohibition on renting both units creates a hardship. However, this type of situation should not be used to eliminate permanently the requirement that the owner must live on the premise.

This can be addressed by creating a waiver process that allows an owner to rent both the principal dwelling unit and an accessory dwelling unit while temporarily absent from the property. When the County Council reviewed and adopted ZTA 19-01- Accessory Residential Uses in 2019, the stated intent was to provide more permissiveness for detached and attached ADUs in single-family zones. In the Council memo dated June 18, 2019 (20190618_4.pdf),

prepared for review at the Council's straw-vote work session, Council's senior legislative analysts discussed the value in having the owner of the site of an ADU live on the site (report pages 15-16). Citations in their report point to studies that support "an association" between resident homeownership and improved property maintenance and longer lengths of tenure for both residents and school children. Although the report mentions the problem for military and state department families who create an ADU and then are deployed, it does not suggest a remedy. Despite that, Council staff reported that the Planning, Housing, and Economic Development (PHED) Committee "agrees that it is important to have a resident owner with an ADU and is satisfied that the licensing requirements should retain that requirement." (report page 16).

The points made by Councilmembers in 2019 are as valid today as they were seven years ago. The Bill takes a positive step in proposing to provide relief from fees for owners who agree to charge rent affordable to households earning 65 percent or less of the area median income for a period of at least ten years. The complete removal of the ownership requirement is a bad idea and unnecessary, since a waiver provision would address the problem of an owner's temporary absence.

The recently adopted Maryland State House Bill 1466's ADU requirements recognize the benefit of on-site ownership. Section 4-503 (A) states that it is "the policy of the state to promote and encourage the creation of accessory dwelling units on land with a single-family detached dwelling unit **as the primary dwelling unit** in order to meet the housing needs of the citizens of Maryland" (emphasis added).

I encourage the Council to amend the Bill to retain the ownership requirement along with a waiver that addresses an owner's temporary absence. This approach helps advance housing supply and affordability without endangering community vitality.

Enclosure: County Executive Memorandum - Comments regarding ZTA 26-06 Accessory Residential Uses - Accessory Dwelling Unit

cc: Tommy Heyboer, Chief of Staff to the Council President, Montgomery County Council
Craig Howard, Executive Director, Montgomery County Council
Debbie Spielberg, Special Assistant to the County Executive
Richard S. Madaleno, Chief Administrative Officer
Ken Hartman-Espada, Assistant Chief Administrative Officer
Tricia Swanson, Director of Strategic Partnerships
Scott Bruton, Director, Department of Housing and Community Affairs

DEPARTMENT OF PERMITTING SERVICES

Marc Elrich
County Executive

Rabbiah Sabbakhan
Director

MEMORANDUM

October 1, 2026

TO: Tricia Swanson, Director of Strategic Partnerships

THRU: Rabbiah Sabbakhan, Director, Department of Permitting Services *Rabbiah Sabbakhan*

FROM: Victor Salazar, Division Chief, Department of Permitting Services

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

Sponsor(s): Councilmember Friedson

Description: Bill 41-26 would remove the current owner-occupancy requirement for obtaining an accessory dwelling unit (ADU) rental license. The bill would also waive building, mechanical, electrical, fire, use-and-occupancy, annual licensing, and related application fees for an ADU where the applicant enters into an agreement with the Department of Housing and Community Affairs (DHCA) to charge rent affordable to households earning 65% or less of the area median income for at least 10 consecutive years.

Upcoming Dates of Interest: A Public Hearing is scheduled for October 6, 2026, at 1:30 pm.

Operational Impacts: DPS would continue to perform its existing zoning, building, trade permit, inspection, and use-and-occupancy responsibilities applicable to ADUs.

The primary operational change for DPS would be implementing the permit-fee exemption for qualifying affordable ADUs. DHCA is responsible for determining eligibility for the affordable-ADU program and administering the required affordability agreement. **DPS will rely on DHCA certification obtained through the permit application process as the basis for applying the permit fee exemption. An ADU application without DHCA certification will be assessed all otherwise applicable permit fees.**

DPS may need to evaluate whether modifications to its permitting and payment systems are necessary to identify "DHCA-ADU certified applications," apply the appropriate fee exemptions, and maintain records associated with those exemptions.

Expansion of ADU opportunities may also result in increased permit applications, plan review and inspection activity. The extent of any increase and the number of applications that will qualify for the proposed fee exemption cannot be determined at present. DPS will need to monitor application volume, workload, and associated permit revenue following implementation.

Concerns: DPS's principal concern is that Bill 41-26 does not establish a deadline by which an applicant receiving the permit-fee exemption must complete and establish the qualifying affordable ADU.

Without such a requirement, an applicant could receive a permit-fee exemption for construction associated with a proposed ADU—including an addition, interior alteration, renovation, or accessory structure—but ultimately fail to establish the qualifying ADU upon which the exemption was based.

The bill also does not expressly address whether DPS may assess and recover the permit fees that otherwise would have been charged if the qualifying affordable ADU is not established.

There may also be a fiscal impact to DPS from foregone permit revenue. The Council staff report identifies current DPS-related fees ranging from approximately $654 to $2,211 per ADU, depending upon the type of construction and permits required. The magnitude of the fiscal impact will depend on the number and types of ADUs that qualify for the exemption.

Potential Amendments: First, amend the legislation to give an applicant receiving the permit-fee exemption two years from the date of DHCA certification to establish the qualifying affordable ADU. The two-year period is consistent with the timeframe used for implementing certain special exceptions and conditional uses administered by the Board of Appeals and the Office of Zoning and Administrative Hearings.

Second, during that two-year period, the applicant must obtain the required construction permit, complete construction, pass the required DPS final inspection, and establish the ADU. If these steps are not completed within two years, the fee exemption would expire, and the applicant would be responsible for the permit fees that were previously waived.

Lastly, DHCA retains full responsibility for determining eligibility for the affordable-ADU program and for administering and monitoring compliance with the 10-year affordability agreement. Should an ADU fail to be implemented within the statutory timeframe, DPS will be notified to recover the permit fees that would have applied to the underlying construction.

Additional Analysis: DPS should monitor ADU permit volume, plan review and inspection workload, and foregone permit revenue following implementation to determine the legislation's

operational and fiscal effects. The number of future ADU applications and the percentage that will qualify for the affordable-ADU fee exemption cannot presently be determined.

The bill does not expand DPS's substantive responsibilities for landlord-tenant regulation or affordable housing administration. DHCA's certification establishes eligibility for the permit-fee exemption; DPS's responsibility is to apply that exemption through the permitting process and otherwise continue its existing permitting, zoning, inspection, and code-compliance functions applicable to ADUs.

cc: Scott Bruton, Director, Department of Housing and Community Affairs

Ehsan Motazedi, Deputy Director, Department of Permitting Services
Corey Smedley, Chief, Montgomery County Fire and Rescue Services
Erin Ashbarry, Division Chief, Office of the County Attorney
Debbie Spielberg, Special Assistant, Office of the County Executive
Dale Tibbits, Special Assistant, Office of the County Executive
#OMB.Admin

MEMORANDUM

October 2, 2026

TO: Tricia Swanson, Director of Strategic Partnerships

FROM: Department of Housing and Community Affairs

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

Sponsor(s): Councilmember Friedson

Description:

Bill 41-26 would remove the current owner-occupancy requirement for obtaining an accessory dwelling unit rental license. The bill also waives building, mechanical, electrical, fire, use-and-occupancy, annual licensing, and related application fees for an ADU that remains affordable to households earning no more than 65% of area median income for at least 10 consecutive years under an agreement administered by DHCA.

Upcoming Dates of Interest: A Public Hearing is scheduled **for October 6th at 1:30 p.m.**

Instructions: Comments should relate to any issues that the County Executive, CAO, or special assistants should be made aware of; any policy or budget decision that needs to be addressed; and any questions that you anticipate from the Council (or committee) regarding this bill.

We will use your comments to develop a recommendation memorandum for the County Executive's position and, if appropriate, draft testimony for the public hearing and represent the County Executive's position during Council work sessions. Please include any bullet points, draft testimony, or any information that would be relevant to the suggested action.

To OMB staff, the Fiscal Impact Statement on this Bill is to be distributed to the Council by the deadline established in Montgomery County Code §2-81A.

Operational Impacts: This bill may negatively affect the Accessory Dwelling Unit (ADU) fees collected by DHCA. The magnitude of the revenue reduction is unknown because we do not have a reliable way to estimate the percentage of existing or future ADU rentals that may seek an affordability agreement with DHCA and thereby become exempt from fees.

It is somewhat unclear how the County would be expected to enforce potential violations of the affordability agreements, including in the scenario in which an owner decides to stop renting the ADU during the 10-year affordability period. While the DHCA ADU rental license fee is charged annually, the permitting fees are upfront costs. That said, OCA has indicated the

enforcement policy could be specified in the affordability agreements DHCA enters into with the property owner.

Concerns: The effectiveness of permitting and DHCA ADU fee waivers in terms of incentivizing affordability is unclear. As noted in the Council staff report for the introduction of Bill 41-26, the current total DPS ADU fees for new construction of a detached ADU (the highest category of fees) is $2,211, and total DHCA fees over 10 years are estimated at $1,740. In areas of the County with relatively higher rents, it is not certain that fee waivers in these amounts would be a sufficient incentive to secure an affordability agreement. While some other jurisdictions have waived fees to incentivize ADU production, the magnitude of those fee waivers may be larger (see, e.g., Portland, which waived up to $12,000 in fees for an ADU).

Meanwhile, in circumstances where lower-cost ADUs serve as naturally occurring affordable housing, the fee waivers may function as a modest production subsidy.

Potential Amendments: None.

Additional Analysis: None.

cc: Scott Bruton, Director, Department of Housing and Community Affairs
Rabbiah Sabbakhan, Director, Department of Permitting Services
Corey Smedley, Chief, Montgomery County Fire and Rescue Services
Erin Ashbarry, Division Chief, Office of the County Attorney
Debbie Spielberg, Special Assistant, Office of the County Executive
Dale Tibbits, Special Assistant, Office of the County Executive
#OMB.Admin

Economic Impact Statement

Montgomery County, Maryland

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

Summary

The Office of Legislative Oversight (OLO) anticipates that Bill 41-26 would improve overall economic conditions in the County, as measured by the Council's priority economic indicators. However, several risks could offset these economic gains.

This analysis examines the economic impacts of the Bill's provisions that would: (1) remove the owner-occupancy requirement for Accessory Dwelling Units (ADUs); and (2) exempt certain fees for Accessory Dwelling Units that charge rent affordable to households earning 65 percent or less of area median income (AMI) for at least 10 consecutive years. To assess the economic impacts of these provisions, this analysis draws on studies of other policies liberalizing ADU regulations in other jurisdictions and studies that examine the effects of ADUs on key economic indicators.

Evidence from other types of ADU regulatory reform in other jurisdictions leads OLO to expect the Bill to increase the County's ADU supply, with a portion of any additional ADU development likely to be used for long-term rentals.

Additional ADU development likely would positively impact affected businesses. Property owners who do not occupy properties with ADUs or who accept the affordability terms would likely gain rental income and see their property values increase. Additionally, the Bill could generate greater demand for residential construction and remodeling, architectural and design services, specialty trade contractors, and building-material suppliers, as well as for related services, including property management, lending, and insurance.

The Bill likely would positively impact some residents. Additional ADU development would likely increase long-term rental housing for residents in a market with insufficient rental housing supply. There is limited evidence of additional supply reducing average rents in the County. If homeowners participate and accept the affordability terms in exchange for the fee exemption, however, low-income renters would benefit from gains in the local supply of affordable housing.

The Bill's positive impacts on affected businesses and residents could be offset by two factors. First, evidence from other jurisdictions suggests that additional ADU development could lower neighboring property values. Second, removing the owner-occupancy requirement could expand investor-owned ADU rentals, shifting ownership and rental income toward larger firms based outside the County. OLO found no studies directly examining whether ADU liberalization increases institutional ownership or crowds out local buyers, so this risk remains uncertain.

Background and 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.[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.[2,3]

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.[4]

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.[5] If enacted, Bill 41-26 would remove the owner-occupancy requirement for ADUs.[6]

Bill 41-26 would also exempt certain fees for ADUs that charge rent affordable to households earning 65 percent or less of theAMI for at least 10 consecutive years, in agreement with and as determined by the Department of Housing and Community Affairs (DHCA).[7] 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.

Information Sources, Methodologies, and Assumptions

As required by Section 2-81B of the Montgomery County Code, this Economic Impact Statement evaluates the impacts of Bill 41-26 on residents and private organizations, using the Council's priority economic indicators as the measure. In doing so, it examines whether the Bill would have a net positive or negative impact on overall economic conditions in the County.[8]

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[1] Chitra Kalyandurg, Accessory Dwelling Units, OLO Report 2024-4, 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] For common types of ADUs, see Figure 1 in Kalyandurg, Accessory Dwelling Units.
[4] Introduction Staff Report for Bill 41-26, Montgomery County Council, Introduced September 15, 2026, page 1.
[5] Comments from the Bill sponsor, Councilmember Andrew Friedson, upon introduction. Council Session September 15, 2026 at 1:46:13.
[6] Introduction Staff Report for Bill 41-26, Montgomery County Council, Introduced September 15, 2026, page 1.
[7] Ibid.
[8] Montgomery County Code, "Sec. 2-81B, Economic Impact Statements."

This analysis examines the economic impacts of the Bill's provisions that:

1. Remove the owner-occupancy requirement for ADUs; and
2. Exempt certain fees for ADUs that charge rent affordable to households earning 65 percent or less of AMI for at least 10 consecutive years, subject to DHCA approval.

To assess its economic effects, OLO reviewed studies that examine the following:

1. **Effects of Liberalizing ADU Regulation:** OLO searched for impact evaluations[9] that directly examine how analogous policies affect ADU supply and other economic outcomes but did not identify any studies of closely analogous policies. Instead, OLO identified studies of other policies liberalizing ADU regulations in other jurisdictions. Because these studies examine different policies, this analysis uses them to explain how provisions examined here *may* increase ADU supply.

2. **Effects of ADUs:** OLO identified several studies that use quasi-experimental and survey designs to identify the effects of ADUs on key economic indicators, such as rental income, property values for homes with ADUs and neighboring homes, supply of rental housing, and average rents.

OLO drew on this body of evidence to identify the groups that would likely be affected by the Bill's provisions and how they would likely affect these groups.

Variables

The economic effects of Bill 41-26 would primarily depend on the following variables:

- Total number of properties with ADUs;
- Average rents;
- Average property values; and
- Property owners' location.

[9] Impact evaluations are a core tool of evidence-based policymaking. Federal and Maryland guidance treats impact evaluations that use randomized control trials or quasi-experimental designs as strong evidence on policy impacts. In randomized controlled trials, eligible participants or locations are randomly assigned to receive a new program ("treatment") and researchers compare changes in outcomes between the treatment and participants/locations that have not received the new program ("control"). When random assignment is not feasible, researchers can use quasi- experimental methods to approximate a comparison group. Quasi-experimental designs use observational data to construct "as-if random" treatment and comparison groups—for example, by exploiting eligibility rules, timing, or other features of program implementation—without true random assignment. See Gertler, Paul J., Sebastian Martinez, Patrick Premand, Laura B. Rawlings, and Christel M. J. Vermeersch. *Impact Evaluation in Practice, Second Edition*. Washington, DC: Inter-American Development Bank and World Bank, 2016; Maryland State Department of Education, "Definition of Evidence-Based and Levels of Evidence," accessed March 20, 2026; and Henneberger, Angela, "Program Evaluation in the Absence of Randomization: How Can Propensity Score Methods Help?" Maryland Longitudinal Data System (MLDS) Center, June 5, 2018.

Impacts

WORKFORCE ▪ TAXATION POLICY ▪ PROPERTY VALUES ▪ INCOMES ▪ OPERATING COSTS ▪ PRIVATE SECTOR CAPITAL INVESTMENT ▪ ECONOMIC DEVELOPMENT ▪ COMPETITIVENESS

Businesses, Non-Profits, Other Private Organizations

OLO anticipates that Bill 41-26 would positively impact affected private organizations in the County.

The Bill's two provisions would primarily affect:

- **Non-Occupant Owners:** Property owners who do not live on the property and build or keep ADUs; and
- **Participating Owners:** Property owners who accept the affordability terms in exchange for the fee exemption.

Non-Occupant & Participating Owners

Effects of Liberalizing ADU Regulations: The Bill would seek to expand ADU development in two ways: Removing the owner-occupancy requirement would permit a new group of owners to develop ADUs; and waiving certain fees for income-restricted ADUs (≤65% AMI rent) for at least 10 years would reduce development costs and potentially financing costs, thereby improving the financial feasibility of these projects.

Evidence on broader ADU regulatory reforms suggests that removing the owner-occupancy requirement and reducing government fees could encourage additional ADU development in the County.

A review of ADU development in Portland, Seattle, and Vancouver, published by UC Berkeley's Terner Center for Housing Innovation, identifies streamlined design review and less restrictive owner-occupancy requirements as important measures for encouraging development, emphasizing that homeowners value flexibility in ADU regulations.[10] Additionally, some studies associate policies expanding opportunities for ADU development and lowering government fees with increased applications and permitting.[11] However, their research designs do not establish how much of the increase was caused by the reforms, rather than changes in housing demand, financing conditions, or other contemporaneous factors.

Effects of ADUs: If these provisions induce additional ADU development, non-occupant owners and owners participating in the fee-exemption program may experience the following:

[10] Karen Chapple et al., *Jumpstarting the Market for Accessory Dwelling Units: Lessons Learned from Portland, Seattle, and Vancouver* (Terner Center for Housing Innovation, UC Berkeley, 2027).
[11] Nicholas Marantz et al., *Evaluating California's Accessory Dwelling Unit Reforms: Preliminary Evidence and Lessons for State Governments* (NYU Furman Center, 2023); Northwest Economic Research Center, *The Portland ADU Market: Conditions, Costs, Drivers, Incentives* (Portland State University, 2019).

- **Additional rental income** – In a survey of ADU owners in Portland, Seattle, and Vancouver conducted in late 2016 and early 2017, Chapple et al. found that tenant-rented ADUs generated an average monthly rent of $1,298, with substantial variation across units (a standard deviation of $632).[12] Some owners would likely gain additional income after operating expenses and financing costs, depending on rents, vacancy, and project costs.

- **Higher property values** – In a parcel-level analysis of Los Angeles properties from 2013 to 2019, Brueckner and Thomaz found that recently sold properties with ADU permits had approximately nine percent higher assessed values than those without ADU permits, after adjusting for property and neighborhood characteristics. Assessments for these properties reflected sale prices.[13] Another study examined the effects of detached ADUs on neighboring property values in Vancouver, British Columbia from 2009 to 2017. It found that for newly built homes, detached ADUs were associated with approximately 11.4 percent higher sale prices and that for existing homes, the price effect was statistically insignificant.[14] Although housing-market conditions in Los Angeles and Vancouver may differ substantially from those in the County, the findings suggest that adding an ADU, particularly for newly built homes, could increase an owner's property value.

- **Potential crowding out of local buyers?** –In the wake of the 2007-2009 financial crisis, investor owners have played a growing role in the U.S. single-family housing market. According to the U.S. Government Accountability Office study, "no investor owned 1,000 or more single-family rental homes as of late 2011. However, by 2015, institutional investors collectively owned an estimated 170,000-300,000 homes. As of June 2022, institutional investors of varying sizes made up a large portion of the single-family rental market in many cities, particularly in Sunbelt states."[15]

  Removing the owner-occupancy requirement could expand opportunities for investor-owned ADU rental properties.[16] If so, institutional buyers would acquire properties that otherwise would be purchased by local residents or smaller rental-property owners, thereby shifting ownership and rental income toward larger firms based outside the County. OLO did not identify studies directly examining whether ADU liberalization increases institutional ownership or crowds out local buyers. This potential effect therefore remains uncertain.

[12] Chapple et al., *Jumpstarting the Market for Accessory Dwelling Units*.
[13] Jan K. Brueckner and Sarah Thomaz, "ADUs in Los Angeles: Where Are They Located and By How Much Do They Raise Property Value?," *Real Estate Economics* 52, no. 3 (2024): 885–907.
[14] Thomas Davidoff et al., "Not in My Neighbour's Back Yard? Laneway Homes and Neighbours' Property Values," *Journal of Urban Economics* 128 (March 2022): 103405.
[15] U.S. Government Accountability Office, *Information on Institutional Investment in Single-Family Homes* (2024), https://www.gao.gov/assets/gao-24-106643.pdf.
[16] Jenna Davis, "How Does Real Estate Investor Ownership Mediate Accessory Dwelling Unit (ADU) Asking Rents? Evidence from Austin, TX," *Housing Policy Debate* 34, no. 6 (2024): 962–84.

Other Affected Businesses

The Bill may also impact businesses in other industries:

- **Residential Construction** – If the Bill spurs additional ADU development, it could generate greater demand for residential construction and remodeling, architectural and design services, specialty trade contractors, and building material suppliers. Local businesses providing these goods and services could receive additional revenue and potentially earn higher income.

- **Related Service Providers** – If the Bill generates additional ADU development and rental activity, it could increase demand for related services, including property management, lending, and insurance. Property management firms could receive additional business from owners who outsource leasing, rent collection, and maintenance coordination, while lenders and insurers could provide financing and coverage for additional ADUs. Local businesses providing these services could receive additional revenue and potentially earn higher income, depending on their associated costs.

Beyond these potential impacts, OLO does not anticipate additional effects on businesses with respect to the Council's priority indicators.

Residents

OLO anticipates that Bill 41-26 would have mixed impacts on affected residents in the County.

The Bill's two provisions would primarily affect:

- **Renters**, including households earning 65 percent or less of AMI; and
- **Neighboring Homeowners.**

Renters

If the Bill induces additional ADU development, as OLO expects, local renters could be positively impacted in the following ways:

- **Increased supply of long-term rentals** – The County prohibits using ADUs for short-term residential rentals. Although ADUs can serve purposes other than rental housing, two nonrandom surveys suggest that long-term rentals are a common use. In a 2016–2017 survey of ADU homeowners in Portland, Seattle, and Vancouver, 38 percent identified income from a long-term rental as their reason for building an ADU, compared with 28 percent who sought space for a household member or helper and 11 percent who cited short-term rentals.[17] A separate 2017 Portland survey found that 53 percent of

[17] Chapple et al., *Jumpstarting the Market for Accessory Dwelling Units*.

owners used their ADU as someone's primary residence, while 31 percent used it for short-term rentals.[18]

These findings, along with the County's ban on using ADUs for short-term rentals, suggest that a portion of any additional ADU development would likely be used for long-term rentals, which would provide additional housing for residents in a market with insufficient rental housing supply.[19]

- **Lower rents?** – Evidence that ADU development reduces **rental costs** is limited and distinguishes lower-cost options for individual tenants from reductions in prevailing market rents. In their 2016–2017 survey of ADU homeowners in Portland, Seattle, and Vancouver, Chapple et al. found that 58 percent reported renting their ADUs below market rates, suggesting these units can provide lower-cost housing options for their tenants.[20] However, the survey did not assess effects on market-wide rents. A preliminary study of Norman, Oklahoma, found no statistically significant effect of ADU legalization on rental prices.[21] Whether the Bill would reduce prevailing rents in the County would depend in part on how much additional long-term rental supply.

  Removing the owner-occupancy requirement also raises the question of whether investor-owned ADUs would offer different rents than owner-occupied ADUs. Davis (2024) found no statistically significant difference in advertised ADU asking rents between these ownership groups in Austin, Texas. However, the analysis excluded informal rental arrangements, such as those made through friends or family, and therefore did not establish whether rents differed across all investor-owned and owner-occupied ADUs.[22]

  Together, these findings provide limited grounds for predicting lower prevailing rents in the County. Any such effect would depend in part on how much additional long-term rental supply the Bill generates, while its fee exemptions could support lower-cost options for tenants in ADUs subject to the required affordability commitment.

Neighboring Homeowners

In contrast to homeowners who develop ADUs and renters who may gain access to long-term rentals, the Bill may have negative impacts on homeowners who live near new ADU developments.

[18] Northwest Economic Research Center, *The Portland ADU Market*.
[19] On limited rental housing supply, particularly affordable housing, see Montgomery County Planning Department, *Montgomery County Housing Needs Assessment*, July 2020.
[20] Chapple et al., *Jumpstarting the Market for Accessory Dwelling Units*.
[21] Anna Hyslop and William Miller, "From Granny Flats to Market Facts: The Short-Term Impact of ADUs on Rental Prices in Norman, Oklahoma," SSRN Scholarly Paper no. 5510838 (Social Science Research Network, March 1, 2025).
[22] Davis, "How Does Real Estate Investor Ownership Mediate Accessory Dwelling Unit (ADU) Asking Rents?"

OLO identified three studies examining ADUs and nearby property values. Two examined actual ADU density or proximity—one in Los Angeles from 2013 to 2021[23] and the other in Vancouver from 2009 to 2017.[24] Both found that greater nearby ADU exposure was associated with lower neighboring property values, with stronger effects at closer distances. However, the neighborhood patterns differed: negative effects were more pronounced in low- and middle-rent neighborhoods in Los Angeles but concentrated in higher-priced neighborhoods in Vancouver.

The third study examined Ogden's 2016 legalization of ADU rentals using sales data from 1999 to 2019 and found no statistically significant effect on property values through 2019.[25] This finding does not necessarily conflict with the other two studies. It measured a change in legal eligibility rather than actual ADU density or proximity. Recorded permit applications were few, and the study did not establish how much legalization changed actual ADU exposure.

Taken together, the studies suggest that nearby ADU development can reduce neighboring property values, with effects varying by distance and neighborhood, while legalization alone may not produce a detectable price effect when changes in actual ADU activity are limited or uncertain

Beyond these potential impacts, OLO does not anticipate additional effects on residents with respect to the Council's priority indicators.

Overall Impact

OLO anticipates that Bill 41-26 would improve overall economic conditions in the County. However, several risks could offset these economic gains. Additional ADU development likely would positively impact affected businesses and some residents. However, these positive impacts could be offset by negative impacts on neighboring property values and/or by expanded investor-owned ADU rentals.

Discussion Items

Given the economic risks identified in this analysis, Councilmembers may want to consider requesting a more in-depth analysis of ADUs and/or monitoring the Bill's impacts on property values and investor ownership of homes in the County.

[23] Idil Tanrisever, "Spillover Effects of Accessory Dwelling Unit Development," *Regional Science and Urban Economics* 114 (September 2025): 104136.
[24] Davidoff et al., "Not in My Neighbour's Back Yard?"
[25] Jenny Gnagey et al., "The Impact of Legalizing Accessory Dwelling Unit Rentals on Property Values: Evidence from Ogden, Utah," *Journal of Housing Research* 32, no. 2 (2023): 103–22.

Caveats

Two caveats to the economic impact analysis conducted here should be noted. First, predicting the economic impacts of legislation is a challenging analytical endeavor due to data limitations, the multitude of causes of economic outcomes, economic shocks, uncertainty, and other factors. 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.

Contributions

Stephen Roblin, PhD (OLO) prepared this report.

Appendix

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.

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.

Montgomery County Planning Board
THE MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION

2425 Reedie Drive
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Wheaton, MD 20902

MontgomeryPlanningBoard.org

October 6, 2026

The Honorable Andrew Friedson
Chair, Planning, Housing, and Parks Committee
Montgomery County Council
Stella B. Werner Council Office Building
100 Maryland Avenue, Room 501
Rockville, Maryland 20850

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

Dear Chair Friedson:

The Montgomery County Planning Board strongly supports Bill 41-26 and applauds the County Council for continuing to take incremental, meaningful steps to reduce barriers to the production of accessory dwelling units (ADUs). Over time, the county has made a series of changes to make ADUs easier to create, and Bill 41-26 represents another important step toward expanding housing opportunities and giving homeowners greater flexibility.

The Planning Board supports both provisions of Bill 41-26: removing the owner-occupancy requirement and waiving certain county fees for ADUs that meet the bill's affordability requirements.

The Planning Board supports removing the requirement that an ADU applicant occupies either the principal dwelling or the ADU. During consideration of ZTA 26-06, the Planning Board and Council heard concerns that the owner-occupancy requirement can limit housing supply, reduce the financial feasibility of ADUs, and create challenges for homeowners who need to relocate. Removing this requirement provides homeowners with greater flexibility while allowing an existing ADU to continue contributing to the county's rental housing supply when an owner's circumstances change.

The Planning Board also supports the bill's targeted fee relief for ADUs with affordability restrictions. Bill 41-26 would waive building permit-related fees and certain DHCA licensing and application fees for ADUs charging rents affordable to households earning 65% or less of area median income for at least 10 consecutive years.

While Bill 41-26 is an important step, the Planning Board encourages the Council to look beyond this legislation for additional ways to reduce upfront costs and barriers to creating ADUs. Construction

costs and access to affordable financing can remain significant obstacles, particularly for households that may lack sufficient savings or home equity to finance an ADU.

The Planning Board offers the following ideas for future Council research and action to encourage additional ADU production:

1. Eliminate the annual license fee to reduce recurring costs for ADU owners.
2. Eliminate permit fees for all ADUs to incentivize production across all income levels.
3. Explore Payment in Lieu of Taxes (PILOT) agreements or similar tax abatements for deed-restricted ADUs.
4. Explore other incentives that can help make ADUs more feasible to build.

The Planning Board applauds the Council for advancing Bill 41-26 and supports both of its provisions. By continuing to remove regulatory and financial barriers incrementally, while exploring additional strategies to address financing and upfront costs, Montgomery County can make ADUs a more practical housing option and expand the diversity and supply of housing available throughout the county.

If you have any questions, please contact Lisa Govoni at 301-650-5624 or Lisa.Govoni@montgomeryplanning.org.

Sincerely,



Artie L. Harris
Chair

BILL 41-26

LANDLORD-TENANT RELATIONS – LICENSING PROCEDURES AND FEES – ACCESSORY DWELLING UNIT

Description

Bill 41-26 amends the County Code to remove the owner-occupancy requirement for ADUs, and to allow ADUs with affordability restrictions to have certain fees waived.

Bill 41-26

Completed: 9-24-2026

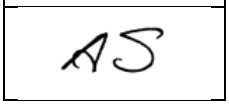
MCPB
Item No. 7
10-01-2026

Montgomery County
Planning Board
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SUMMARY

- Under the current county code, in order to obtain a rental license for an Accessory Dwelling Unit (ADU), the principal dwelling or ADU must be the primary residence of the applicant.
- Bill 41-26 would remove the owner-occupancy requirement for ADUs. This would allow both the principal and accessory dwelling units to be occupied by renters.
- Bill 41-26 would also waive all building permit fees for application fees 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 10 years.
- Planning Staff recommends the Planning Board support Bill 41-26.

SECTION 1: BACKGROUND

INTRODUCTION

On September 15, 2026, Bill 41-26, Landlord-Tenant Relations – Licensing Procedures and Fees – Accessory Dwelling Unit, was introduced by lead sponsors Councilmember Friedson and Council President Fani-González on September 14, 2026. A public hearing is scheduled for October 6, 2026.

ACCESSORY DWELLING UNITS IN MONTGOMERY COUNTY

Per Montgomery County Code, Section 3.3.3.A., an Accessory Dwelling Unit (ADU) is defined as a second dwelling unit that is subordinate to the principal dwelling. An ADU can be "attached" as an addition or basement of an existing dwelling unit or "detached" as a separate structure on the same lot.

Today, building an ADU in Montgomery County is mostly a by-right process facilitated through Montgomery County's Department of Housing and Community Affairs (DHCA) and Department of Permitting Services (DPS); however, this was not always the case.

Prior to 2013, ADUs required a Special Exception/Conditional Use from the County's Board of Appeals, which involved a lengthy legal process. In May 2013, through ZTA 12-11, the County removed the Special Exception requirement, except for accessory apartments that did not meet the spacing and parking requirements, and shifted to a licensing system administered by DHCA. While ADUs were technically legal throughout this period, few were built because of restrictive rules on licenses, lot size, parking, and unit type.

In 2018, ZTA 18-07 removed the conditional use approval requirement for *all* accessory dwelling units. In July 2019, ZTA 19-01 significantly changed the ADU policy, further loosening restrictions and making it much easier for homeowners to build these units. Broadly, it removed minimum lot sizes for the principal dwellings, revised limited use standards for attached and detached ADUs, and relaxed parking requirements. Specific changes made in ZTA 19-01 include:

- Removed the prohibition on detached ADUs in lots smaller than one acre.
- Established that the size of the detached ADUs must be the smaller of 10 percent of the lot size, 50 percent of the footprint of the principal dwelling, or 1200 sq. ft.
- Removed the requirement for an additional parking space within one mile of Metro, Purple Line, or MARC stations. ADUs proposed outside such areas continued to require one off-street parking space in addition to the parking required for each detached house (typically two spaces).
- Allowed for the conversion of existing, legally built structures into ADUs.
- Clarified that other rental uses (such as Airbnb) on a property that includes an ADU are prohibited.

- Removed the prohibition on ADUs in new construction.
- Removed the distance requirement restricting ADUs from being built within 300 to 500 feet of an existing ADU.
- Retained existing rules limiting the construction of accessory structures, including height limits, maximum lot coverage requirements, and stormwater requirements. In addition, the greater side and rear setbacks required for detached ADUs remained in place.

In April 2025, the General Assembly passed House Bill 1466/Senate Bill 891, Land Use and Real Property – Accessory Dwelling Units – Requirements and Prohibitions. The legislation requires the County to enact a local law authorizing accessory dwelling units (ADUs) by October 1, 2026.

Although Montgomery County already permitted ADUs, several local provisions conflicted with State law, including requirements related to permitted zones, minimum unit size, density calculations, setbacks, and off-street parking. ZTA 26-06, Accessory Residential Uses – Accessory Dwelling Unit, was enacted on September 15, 2026, to respond to the State's requirements.

At the public hearings on ZTA 26-06, the Planning Board and Council heard testimony that the owner-occupancy requirement limits housing supply, reduces the financial feasibility of ADUs, and creates hardship for homeowners who need to relocate. The Planning Board also asked Planning Staff to come back to the Planning Board in the Spring of 2027 with ideas of how to spur more production of ADUs, which should include removing the owner-occupancy requirement.

The Council has also received feedback, including through the RESJ statement for ZTA 26-06, about the affordability and feasibility of constructing ADUs. During the PHP work session, the committee asked Planning Staff to research policies used in other jurisdictions to address the financial barriers to ADU construction, particularly for lower-income households. Attachment B includes the memorandum Planning Staff prepared for that request.

BILL 41-26

Bill 41-26 largely does two things:

1. Bill 41-26 would remove the owner-occupancy requirement, permitting both the principal and accessory dwelling units to be rented or built for a potential future owner or renter that may not currently reside onsite.
2. Bill 41-26 would also waive the annual license fee, other DHCA application fees, and all building permit fees for ADUs with rents affordable to households earning no more than 65 percent of area median income for at least 10 consecutive years, as determined by the Department of Housing and Community Affairs (DHCA). The waived permit fees would include building, mechanical, electrical, fire, and Use and Occupancy (U&O) fees.

SECTION 2: CONCLUSION

Planning Staff recommends that the Planning Board support Bill 41-26 as introduced and send a letter of support to the County Council. The bill addresses testimony and Planning Board comments from the ZTA 26-06 work session concerning requirements, particularly owner occupancy, that may constrain ADU production.

SECTION 3: ATTACHMENTS

***Attachment A**: Bill 41-26 As Introduced*

***Attachment B**: ADU Fee Research*

***Attachment C**: Accessory Dwelling Unit (ADU) Regulatory Comparison Matrix*

(2) to identify Federal statutes (other than appropriations Acts) or regulations of the National Credit Union Administration that limit—

(A) the methods identified under paragraph (1); or

(B) the establishment of de novo credit unions in rural areas.

(d) REPORT ON RURAL CREDIT UNIONS.—Not later than 1 year after the date of enactment of this Act, the National Credit Union Administration shall issue a report to Congress containing all findings and determinations made in carrying out the study required under subsection (c).

(e) DEFINITIONS.—In this section:

(1) DEPOSITORY INSTITUTION.—The term "depository institution" has the meaning given that term in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813).

(2) FEDERAL BANKING AGENCIES.—The term "Federal banking agencies" means the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation.

(3) RURAL.—With respect to an area, the term "rural" has the meaning given that term in section 1026.35(b)(2)(iv)(A) of title 12, Code of Federal Regulations.

TITLE X—HOME-OWNERSHIP FOR MAIN STREET AMERICA

42 USC 19521.

SEC. 1001. HOMES ARE FOR PEOPLE, NOT CORPORATIONS.

(a) DEFINITIONS.—In this section:

(1) CONSUMER REPORTING AGENCY.—The term "consumer reporting agency" has the meaning given the term in section 603 of the Fair Credit Reporting Act (15 U.S.C. 1681a)).

(2) EXCEPTED PURCHASE.—The term "excepted purchase" means any purchase of a single-family home that is—

(A) newly constructed, renovated, or a rental conversion for sale by a large institutional investor and not as a residence rented pending sale;

(B) pursuant to a build-to-rent program where the large institutional investor purchases, constructs, or constructs and retains a newly constructed single-family homes to be managed as a rental property, whether as part of a community made up exclusively of renter-occupied single-family homes or as part of a community made up of single-family homes that are both owner- and renter-occupied;

(C) pursuant to a renovate-to-rent program that—

(i) substantially rehabilitates single-family homes that do not meet structural or core system elements of local building codes; and

(ii) makes improvements in an aggregate dollar amount of not less than 15 percent of the purchase price of the single-family home;

(D) pursuant to a homeownership program that—

(i) requires rental payments and any other fees that are not greater than those collected by the large institutional investor on other similarly situated single-family homes not covered by the eligible homeownership program;

(ii) is subject to a contract between the large institutional investor and renter that shall be considered a consumer credit transaction secured by a dwelling or real property;

(iii) provides for positive reporting of rental payments to consumer reporting agencies for any renter, who shall be informed of and opts into such reporting; and

(iv) requires contribution of meaningful financial support from the large institutional investor, including price concessions, for the purchase of the single-family home by the renter;

(E) pursuant to a program to boost homeownership that—

(i) provides for positive reporting of rental payments to consumer reporting agencies for any renter, who shall be informed of and opts into such reporting;

(ii) provides for the right of first refusal and a 30-day "first look" period; and

(iii) may entail the meaningful financial support from the large institutional investor, including price concessions, for the purchase of a single-family home by the renter (whether it is the home the renter occupies or another home);

(F) in connection with the satisfaction of debts previously contracted in good faith and where the large institutional investor has the right to repossess the single-family home under such contract;

(G) undertaken by a mortgage servicer, lender, or other entity that has a legal right to a single-family home, for the purpose of loss mitigation or compliance with servicing or investor obligations, and not as a long-term investment strategy, and is solely as a result of—

(i) a foreclosure;

(ii) a deed-in-lieu of foreclosure;

(iii) enforcement of a mortgage, deed of trust, or other security interest; or

(iv) operation of law following borrower default;

(H) purchased from another large institutional investor that either owned the single-family home on the date of enactment of this Act or purchased the single-family home in compliance with this section;

(I) purchased from an investor not covered under this section, so long as the purchase occurred not more than 2 years after the effective date under subsection (f);

(J) newly constructed, renovated, or a rental conversion that is intended and operated for occupancy as part of a community for households with 1 or more members aged 55 years or older, and satisfies visitability standards established by the Secretary of Housing and Urban Development; or

(K) purchased through a single purchase or combination or series of purchases described in subparagraphs (A) through (J).

(3) LARGE INSTITUTIONAL INVESTOR.—

(A) IN GENERAL.—The term "large institutional investor"—

(i) means an investment fund, corporation, general or limited partnership, limited liability company, joint venture, association, or other for-profit entity that is a legal entity structured in a manner that is not aforementioned that—

(I) is engaged, in whole or in part, in the business of investing in, owning, renting, managing, or holding single-family homes; and

(II) alone or in concert with 1 or more other entities, beginning after the date of enactment of this Act, directly or indirectly has investment control of not less than 350 single-family homes in the aggregate, not including any single-family home purchased in an excepted purchase made after the date of enactment of this Act; and

(ii) does not include any local, State, Tribal, or Federal government entity or instrumentality thereof.

(B) RULE OF CONSTRUCTION.—For purposes of this paragraph, an entity has direct or indirect investment control over a single-family home if the entity—

(i) owns, or has primary authority or fiduciary responsibility to make material investment or management decisions relating to, the single-family home;

(ii) is, or directly or indirectly controls, the general partner or managing member of the entity that owns the single-family home;

(iii) is or controls the investment manager, management company, or investment advisor of the entity that owns the single-family home;

(iv) owns or controls more than 25 percent of any class of equity interests of the entity that owns the single-family home, unless such entity is a passive investor; or

(v) otherwise controls the entity that owns the single-family home.

(4) PURCHASE.—The term "purchase" includes any purchase, transfer, or other acquisition of a single family home, including through mergers, acquisitions, construction, foreclosures, or bulk purchases, whether or not for cash consideration.

(5) SINGLE-FAMILY HOME.—The term "single-family home"—

(A) means a structure that contains 2 or fewer dwelling units that are each intended for residential occupancy by a single household; and

(B) does not include a manufactured home, as defined in section 603 of the National Manufactured Housing Construction and Safety Standards Act of 1974 (42 U.S.C. 5402).

(b) PROHIBITION ON PURCHASES BY LARGE INSTITUTIONAL INVESTORS.—

Contracts.

(1) IN GENERAL.—No large institutional investor may purchase, or enter into a contract to directly or indirectly purchase, any single-family home.

(2) EXCEPTIONS.—The prohibition under paragraph (1) shall not apply to—

(A) any excepted purchase; or

(B) any purchase of a single-family home in connection with a restructuring or other reorganization of ownership of single-family homes that were owned or purchased on or before the date of enactment of this Act.

(3) RULE OF CONSTRUCTION.—Nothing in this section may be construed to—

(A) require any large institutional investor to divest or otherwise sell any single-family home purchased before the date of enactment of this Act; or

(B) prevent the filing of a petition, or otherwise affect any bankruptcy proceeding, under title 11, United States Code.

(4) IMPLEMENTATION.—

(A) IN GENERAL.—In consultation with the Secretary of Housing and Urban Development, the Director of Federal Housing Finance Agency, and the Chair of the Securities and Exchange Commission, the Secretary of the Treasury may issue regulations in accordance with the notice and comment rulemaking procedures under section 553 of title 5, United States Code, to carry out the purposes of this section, including regulations to— Regulations.

(i) minimize market disruptions upon identifying a risk of material negative impact on the housing market, including an impact on the ability of market participants to dispose of single-family homes in an orderly fashion; and

(ii) mitigate, to the extent possible, negative impacts on consumers and communities.

(B) RULE OF CONSTRUCTION.—For the avoidance of doubt, no regulation issued under subparagraph (A) may amend the definitions of the terms defined under subsection (a), including to—

(i) alter the scope of excepted purchases in a manner that would undermine the goal of expanding the number of single-family homes available to individual households for purchase;

(ii) alter any type of excepted purchase in a manner that would undermine the goal of expanding the number of single-family homes available to individual households for purchase;

(iii) add any category of large institutional investor as an eligible class if not determined by this section; or

(iv) alter the quantitative threshold in the definition of "large institutional investor".

(c) RENTER OUTREACH RESOURCE ESTABLISHED.—

(1) IN GENERAL.—The Secretary of Housing and Urban Development (in this subsection referred to as the "Secretary") shall, not later than 180 days after the date of enactment of this Act, establish a renter outreach resource that consists of a toll-free telephone number and a public website designed to assist renters of residential properties owned by a large institutional investor in— Deadline. Public information. Website.

(A) notifying Federal agencies about disputes relating to the rental of such properties, including disputes about potential violations of Federal law; Notification.

(B) sharing information about such disputes with other Federal agencies, including other Federal agencies that manage similar disputes;

(C) monitoring such disputes; and

(D) resolving such disputes, to the extent practicable.

(2) RESPONSE TO OUTREACH.—

Procedures.

(A) IN GENERAL.—The Secretary shall establish reasonable procedures to—

(i) promptly respond, in writing where appropriate, to a renter who provides information to the Secretary about a dispute using the renter outreach resource established under paragraph (1); and

(ii) document such responses.

(B) CONTENTS.—Responses provided under subparagraph (A) shall include, where appropriate, information about—

(i) steps that have been taken by the Secretary or another Federal agency in response to the information about the dispute provided by the renter, including determining the appropriate large institutional investor involved as described in paragraph (3);

(ii) any responses received by the Secretary or another Federal agency from the large institutional investor related to such dispute; and

(iii) any outcome of the dispute, to the extent practicable.

(3) INVESTIGATION OF POTENTIAL VIOLATIONS OF FEDERAL LAW.—

(A) IN GENERAL.—The Secretary shall promptly process and investigate any information relating to a dispute received through the renter outreach resource established under paragraph (1) about a potential violation of Federal law that is received from a renter of a residential property owned by a large institutional investor through the renter outreach resource established under paragraph (1), including—

(i) requesting information from a large institutional investor;

(ii) determining the appropriate large institutional investor involved in the dispute; and

(iii) sharing information about such potential violation of Federal law with any relevant Federal agencies, as the Secretary may determine appropriate.

(B) RESPONSES TO REQUESTS FOR INFORMATION.—Upon request for information made pursuant to subparagraph (A), the Secretary shall provide a large institutional investor the opportunity to respond, including regarding whether such large institutional investor currently owns the property described in such request for information.

(4) INFORMATION FOR APPROPRIATE STATE AUTHORITY.—When the Secretary receives information about a potential violation of State law or about a dispute received through the renter outreach resource, from a renter of a residential property owned by a large institutional investor through the renter outreach resource established under paragraph (1), the Secretary shall, at a minimum, provide the renter with contact

information for the appropriate, State-specific, State authority authorized to process and investigate such information.

(5) NOTICE ABOUT RENTER OUTREACH RESOURCE.—Each large institutional investor shall—

(A) provide to each renter of a residential property owned by such investor at the time such renter first occupies such home and annually thereafter— Time period.

(i) written notice about the renter outreach resource established under paragraph (1); and

(ii) the name, phone number, and email address of the person or entity responsible for receiving and addressing renter disputes for the large institutional investor, and update the name, phone number, and email address within 30 days if such information changes prior to the subsequent time at which such notice is required to be provided; and Deadline.

(B) prominently feature information about the renter outreach resource established under paragraph (1) on a public website of such investor that is accessible by such renter. Web posting.

(6) ANNUAL REPORT TO THE CONGRESS.—

(A) IN GENERAL.—The Secretary shall, not later than March 31 of each year, submit to the Congress a public report which analyzes and aggregates the information received or obtained pursuant to this subsection during the prior year that includes—

(i) information about the types and the number of disputes received about potential violations of Federal law;

(ii) information about the types and the number of disputes received about potential violations of State law;

(iii) where practicable, information about the resolution of such disputes; and

(iv) information provided to the Secretary of Housing and Urban Development under paragraph (8).

(B) ANONYMIZATION OF DATA.—Any data included in a report that is submitted under this paragraph shall be aggregated or anonymized so as to protect any individual dispute or personally identifiable information received through the renter outreach resource.

(7) PROTECTION OF PERSONAL INFORMATION.—In complying with the requirements of this subsection, the Secretary shall take such measures as the Secretary determines are necessary to provide for the protection of personally identifiable information received through the renter outreach resource in a manner that conforms with existing standards for protection of the confidentiality of personally identifiable information. Compliance.

(8) ANNUAL NOTIFICATION.—Not later than 180 days after the date of the enactment of this Act, and not later than December 31st of each year thereafter, each person or entity that satisfies the definition of a large institutional investor, as such term is defined in subsection (a), shall— Deadlines.

(A) notify the Secretary each year whether such owner is a large institutional investor as defined in subsection (a); and

(B) in such notification, identify how many single-family homes such large institutional investor has direct or indirect investment control of as of the date of the submission of such notice, and the city and State where each such single-family home is located, unless such large institutional investor owns 10 or fewer single-family homes in such city.

(d) ENFORCEMENT.—

(1) CIVIL PENALTIES.—The Secretary of the Treasury, or the Attorney General at the request of the Secretary of the Treasury, may bring an action against a large institutional investor that violates subsection (b) for a civil penalty in an amount that is not more than $1,000,000 per violation, or 3 times the purchase price of the property involved, whichever is greater.

Time periods.

(2) TRANSFER TO HUD FOR HOMEOWNERSHIP EXPANSION ACTIVITIES.—For fiscal year 2027 and each fiscal year thereafter, to the extent and in the amounts provided in advance in appropriations Acts, civil penalties assessed under this section shall be transferred to and available to the Secretary of Housing and Urban Development to provide additional funding for the HOME Investment Partnerships program under subtitle A of title II of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12741 et seq.), to be allocated in accordance with the formula under that program, for new construction, acquisition, and rehabilitation of single-family homes and to provide assistance grants to first-time homebuyers, which may be for downpayments, closing costs, and interest rate buydowns.

(e) STUDIES ON LARGE INSTITUTIONAL INVESTORS.—

(1) GAO REPORT.—Not later than 2 years after the date on which the prohibition under subsection (b)(1) takes effect, and again not later than 10 years after that date, the Comptroller General of the United States shall submit to the Committee on Banking, Housing and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives a report on—

(A) the impact of the ownership by large institutional investors of single-family homes on housing availability and affordability for renters and homebuyers; and

(B) the effectiveness of this section in reducing demand by large institutional investors for single-family homes and expanding homeownership for renters and homebuyers.

(2) HUD REPORT.—Not later than 2 years after the date on which the prohibition under subsection (b)(1) takes effect, and again not later than 10 years after that date, the Secretary of the Housing and Urban Development, in consultation with the Secretary of the Treasury, the Administrator of the Rural Housing Service, the Executive Director of the Loan Guaranty Service of the Department of Veterans Affairs, the Chair of Securities and Exchange Commission, and the Director of the Federal Housing Finance Agency, shall submit to the Committee on Banking, Housing and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives a report on—

(A) whether there should be adjustments to the definition of the term “large institutional investor”;

(B) the financial impact of this section on large institutional investors, renters, and homebuyers; and

(C) any legislative recommendations regarding ways to improve the authorities provided under this section to increase the supply and affordability of single-family homes for purchase by individual homebuyers.

(3) SENSE OF CONGRESS.—It is the sense of Congress that—

(A) this section is intended to expand the number of single-family homes available to individuals for purchase and is aimed at preserving and expanding the supply of single-family homes available to individuals; and

(B) any further study on the effectiveness of this section and any legislative recommendations therefrom should consider this sense of Congress.

(f) EFFECTIVE DATE.—The requirements and prohibitions under subsections (b) and (d) of this section—

(1) shall take effect on the date that is 180 days after the date of enactment of this Act; and

(2) are repealed on the date that is 15 years after the effective date under paragraph (1).

TITLE XI—CENTRAL BANK DIGITAL CURRENCY

SEC. 1101. CENTRAL BANK DIGITAL CURRENCY.

The Federal Reserve Act (12 U.S.C. 221 et seq.) is amended by inserting after section 16 (12 U.S.C. 411 et seq.) the following:

"SEC. 16A. CENTRAL BANK DIGITAL CURRENCY. 12 USC 423.

"(a) DEFINITIONS.—In this section:

"(1) CENTRAL BANK DIGITAL CURRENCY.—The term 'central bank digital currency' means a digital asset that—

"(A) is denominated in United States dollars;

"(B) is a United States currency;

"(C) is a direct liability of the Federal Reserve System; and

"(D) is widely available to the general public.

"(2) DIGITAL ASSET.—The term 'digital asset' has the meaning given the term in section 2 of the GENIUS Act (12 U.S.C. 5901).

"(b) PROHIBITION.—Except as provided in subsection (c), the Board of Governors of the Federal Reserve System or a Federal reserve bank may not issue or create a central bank digital currency or any digital asset that is substantially similar to a central bank digital currency directly or indirectly through a financial institution or other intermediary.

"(c) EXCEPTION.—Subsection (b) shall not prohibit any dollar-denominated currency that is open, permissionless, and private, and fully preserves the privacy protections of United States coins and physical currency.

"(d) SUNSET.—This provisions of this section shall cease to be effective on December 31, 2030.

"(e) RULE OF CONSTRUCTION.—Nothing in this section shall be construed to allow the Board of Governors of the Federal Reserve System to issue a central bank digital currency or any digital

ADU-Advocacy, Trends, and Opportunities

Planning, Housing, and Parks Committee, Montgomery County Council
July 29, 2024

Samar Jha
Government Affairs Director
Livable Communities, Government Affairs, AARP



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Factors Impacting Affordable Housing

There are several contributing factors impacting the lack of affordable housing, including:

1. Land use regulations (zoning) that limit the types of housing that can be built.
2. The amount of land zoned to allow rental housing, and housing at higher densities
3. Increases in construction and development costs
4. Lack of financing and capital available for homeowners and builders looking to invest in workforce, affordable, and low-income housing
5. Lack of government funds earmarked for housing
6. The growth of institutional investment in housing (following recent foreclosures)
7. Allowing institutional investors to take over foreclosed property, (only to sell it for a higher price)
8. Transfer taxes, development impact fees, and other soft costs
9. Increasing property taxes.

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What People 50+ Think About Where They Will Live



49%

Believe they will **move** to allow them to **age independently**



55%

Would consider **leaving** their community to find one that is **safer**



29%

Move to a different community



18%

Move into a different residence within their current community

Source: 2021 AARP Home and Community Preferences Survey: A National Survey of Adults Age 18+

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Sharing a Home

As you grow older would you consider sharing your home with another person? Would sharing your home with another person be something you would consider if…?

69% | **Already share** or **would consider** sharing their homes as they age**; a majority would consider it** if they needed help with everyday activities.

Who to share a home with?

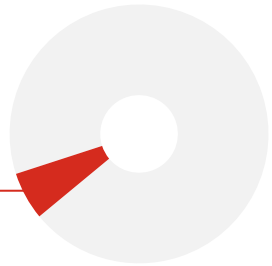
69%
Family members



54%
Friends



6%
Strangers



Source: 2021 AARP Home and Community Preferences Survey: A National Survey of Adults Age 18+

What is an Accessory Dwelling Unit (ADU)

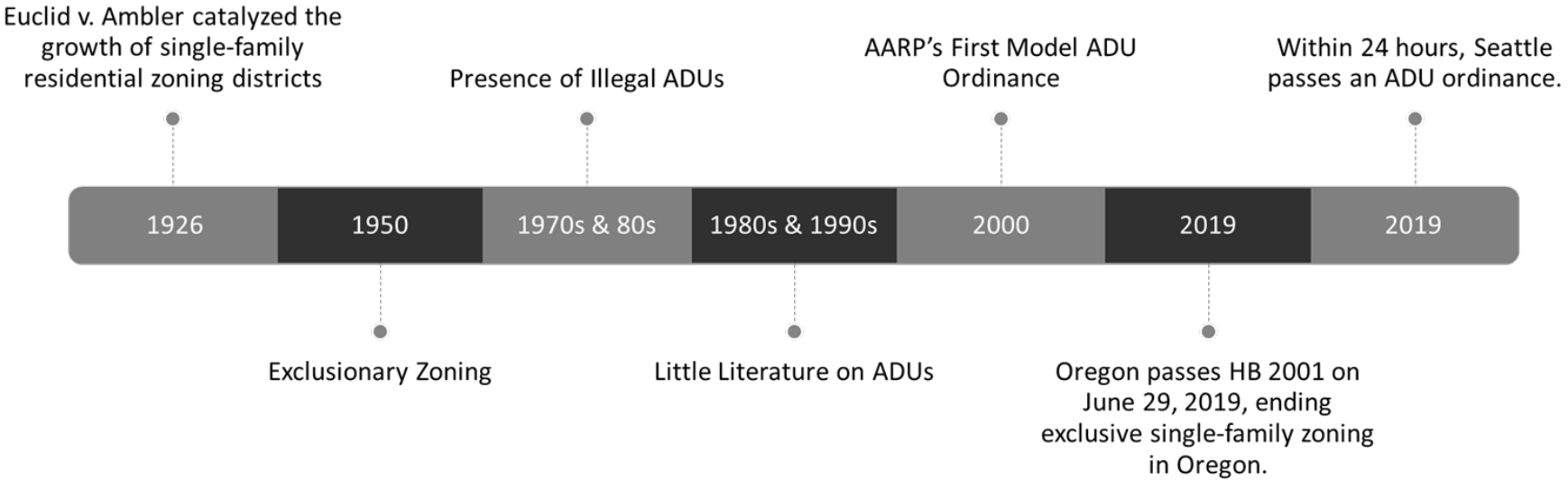
Accessory dwelling units (ADUs) are independent housing units, typically (but not always) created on single-family lots through remodeling or expanding the existing home or constructed as a detached dwelling.



Definition Source: ADU Model State Act and Local Ordinance, **Image Source:** The ABCs of ADUs

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ADUs- Brief History



Famous ADUs in Movie and TV History



The Great Gatsby
(1925 novel by F. Scott Fitzgerald and 2013 movie by Baz Luhrmann):
Nick's Delightful Rental Home



Happy Days (1974):
Fonzie's Garage Apartment



Full House (1987):
A Basement Bedroom and an Attic ADU

Famous ADUs in Movie and TV History



Detached ADU



Attached ADU



Basement ADU

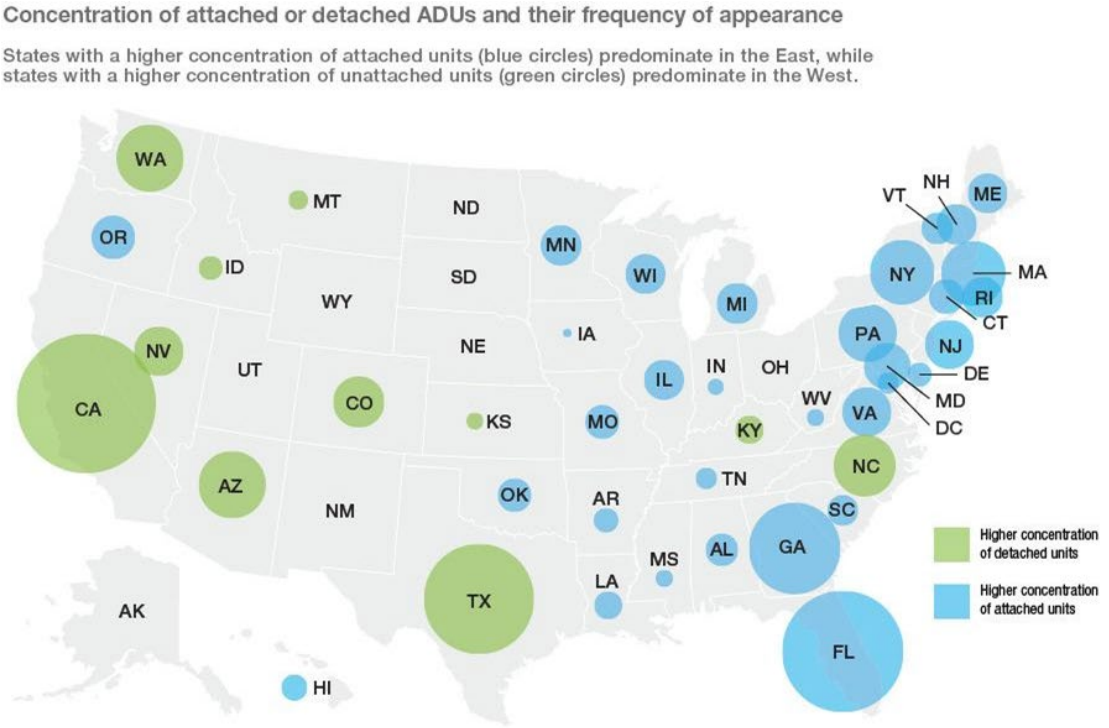


Second-Story ADU



Garage Conversion ADU

National ADU Production Landscape

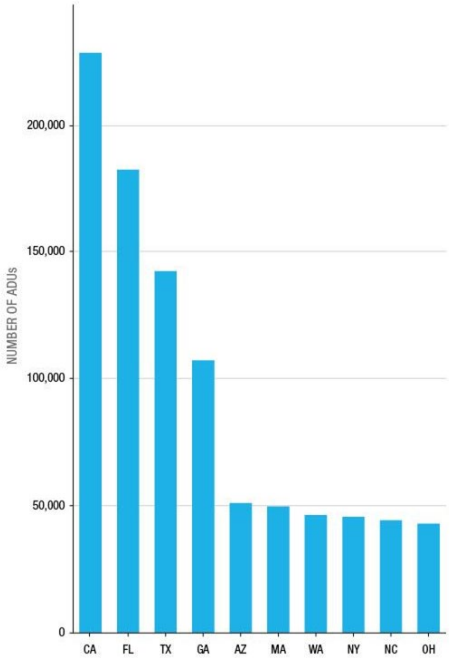


Source: Freddie Mac, July 16, 2020

National ADU Production Landscape

Top 10 states for ADUs

California, Florida, Texas, and Georgia account for half of the 1.4 million ADUs identified.

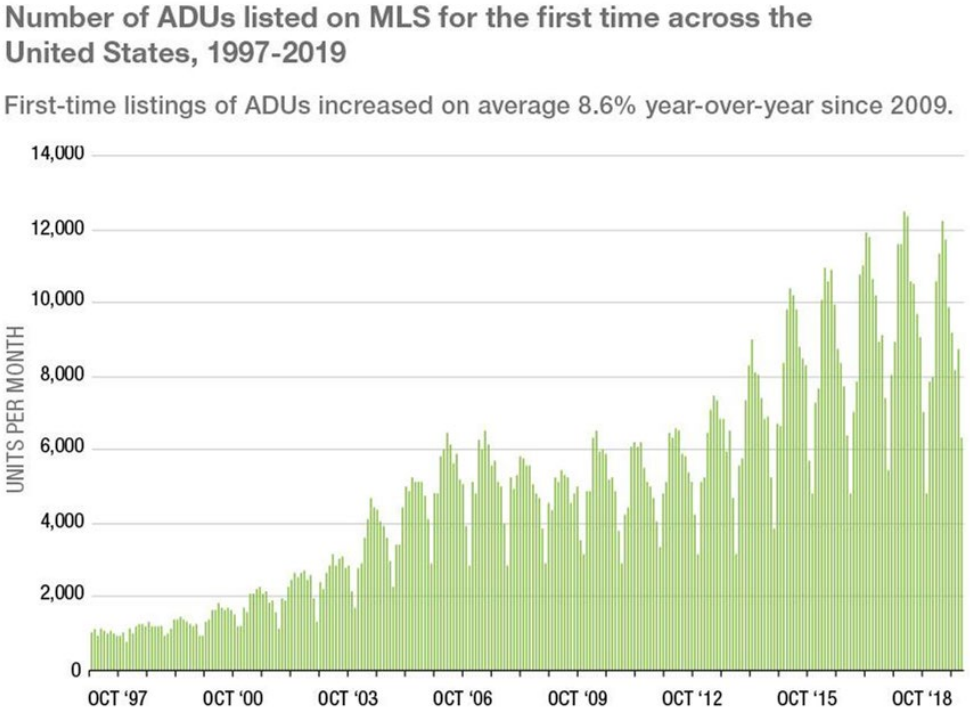


Top 25 metropolitan areas with the fastest growth in ADUs entering the MLS market for the first time, 2015-18

METROPOLITAN AREA (CITIES & STATES)	REGION	AVERAGE GROWTH (%, YOY)
Portland-Vancouver-Hillsboro, OR-WA	West	22.3
Dallas-Plano-Irving, TX	South	18.8
Seattle-Bellevue-Kent, WA	West	17.5
Los Angeles-Long Beach-Glendale, CA	West	14.8
Miami-Miami Beach-Kendall, FL	South	14.6
Chicago-Naperville-Evanston, IL	Midwest	13.7
Austin-Round Rock-Georgetown, TX	South	13.6
Orlando-Kissimmee-Sanford, FL	South	12
Virginia Beach-Norfolk-Newport News, VA-NC	South	10.6
Fort Worth-Arlington-Grapevine, TX	South	10.6
Atlanta-Sandy Springs-Alpharetta, GA	South	9.7
West Palm Beach-Boca Raton-Boynton Beach, FL	South	7.8
Anaheim-Santa Ana-Irvine, CA	West	7.5
Tampa-St. Petersburg-Clearwater, FL	South	7.4
Sacramento-Roseville-Folsom, CA	West	6.6
San Diego-Chula Vista-Carlsbad, CA	West	6.4
Charlotte-Concord-Gastonia, NC-SC	South	4.9
Riverside-San Bernardino-Ontario, CA	West	4.9
North Port-Sarasota-Bradenton, FL	South	2.9
Jacksonville, FL	South	2.8
Denver-Aurora-Lakewood, CO	West	2.7
Columbus, OH	Midwest	2.3
Houston-The Woodlands-Sugar Land, TX	South	1.6
Las Vegas-Henderson-Paradise, NV	West	-0.9
Phoenix-Mesa-Chandler, AZ	West	-13.2

Source: Freddie Mac, July 16, 2020

National ADU Production Landscape



Source: Freddie Mac, July 16, 2020

Accessory Dwelling Unit- Importance

Nearly half of those polled said they would consider alternative living options, including an accessory dwelling unit, or ADU.

Sixty percent (60%)

of adults said they would consider living in an ADU, and those 50-plus said they would consider making that move for the following reasons:

69%

Near someone but **maintain** their space



68%

Support doing daily activities



48%

Save money



Source: 2021 AARP Home and Community Preferences Survey: A National Survey of Adults Age 18+

Accessory Dwelling Unit- Importance

Nearly three-fourth of those polled said they would create an ADU for a place for a caregiver to stay.

According to the 2021 AARP Home and Community Preferences Survey, adults aged 18 or older who would consider creating an ADU said they'd do so in order to:

74%

Create a place for a **caregiver** to stay



86%

Provide a home for a **loved one** in need of care



84%

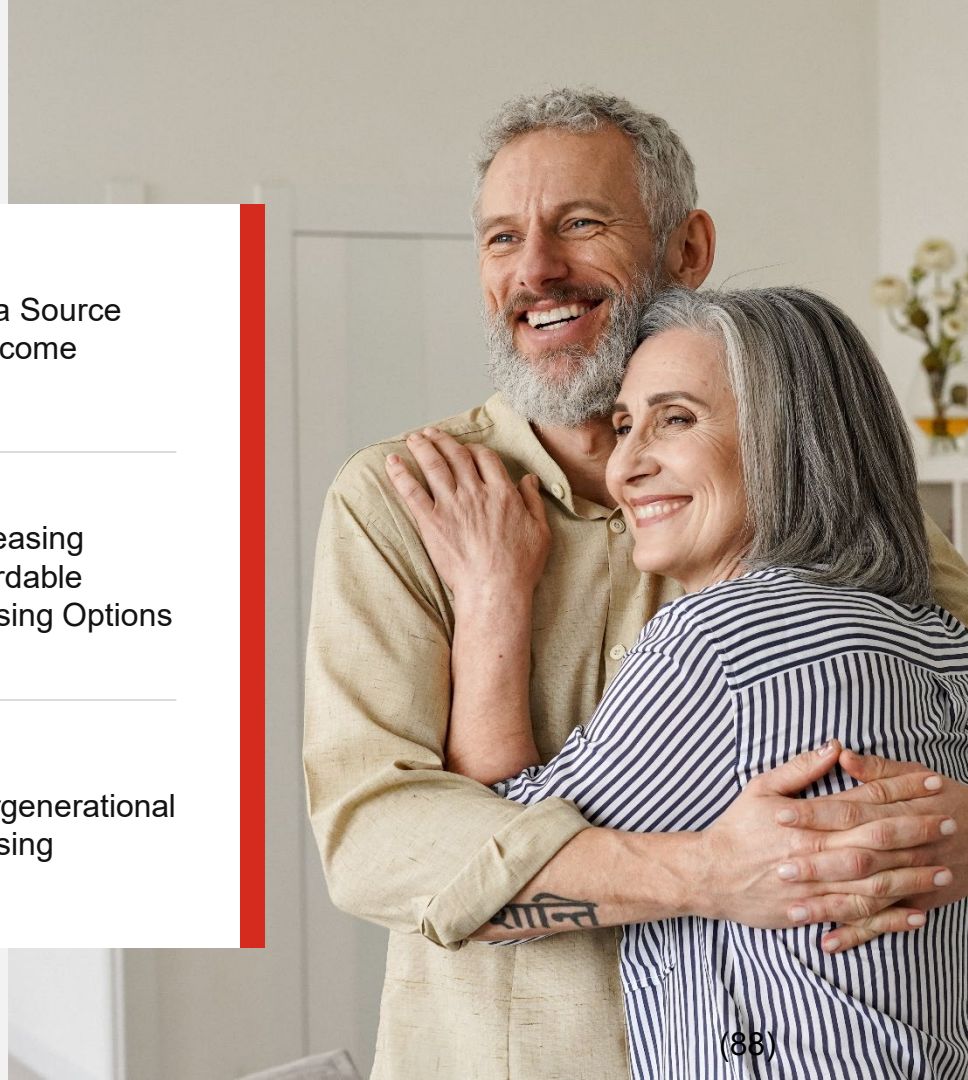
Provide housing for **relatives or friends**



Source: 2021 AARP Home and Community Preferences Survey: A National Survey of Adults Age 18+

Older Adults & ADUs

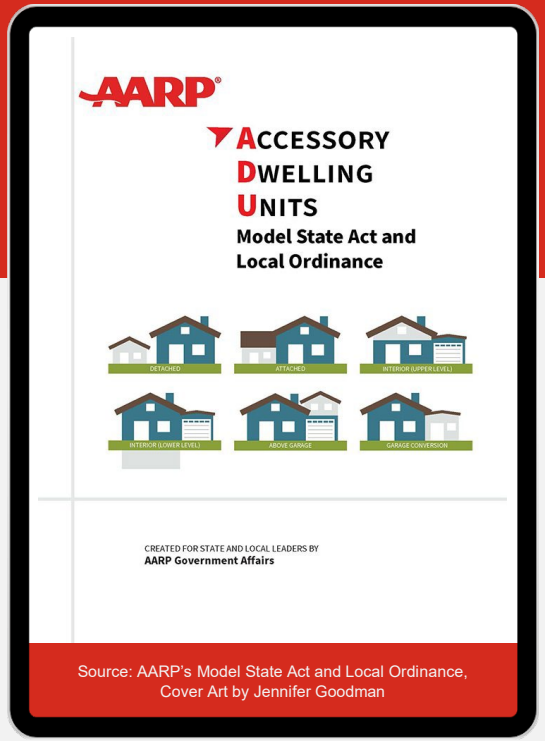
- Independent living space
- Extra Source of Income
- Care of loved ones
- Increasing Affordable Housing Options
- Downsize
- Intergenerational Housing



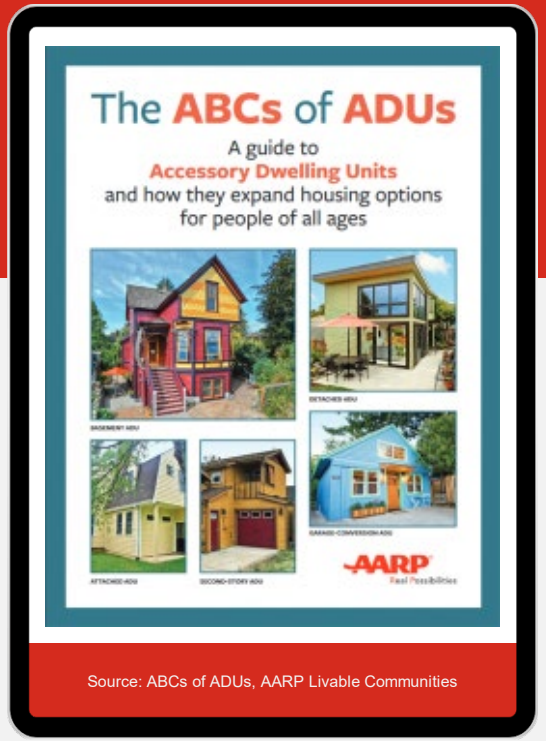
Source: 2021 AARP Home and Community Preferences Survey: A National Survey of Adults Age 18+

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AARP's ADU Publications



Source: AARP's Model State Act and Local Ordinance, Cover Art by Jennifer Goodman



Source: ABCs of ADUs, AARP Livable Communities

Visit:

https://www.aarp.org/livable-communities/housing/info-2019/accessory-dwelling-units-adus.html

to learn more.

Poison Pills:
2020 Model Ordinance

Owner Occupancy Requirements [Least Restrictive] — 1

Parking Requirements — 2

Conditional Use Permitting for ADUs — 3



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Poison Pill

Owner Occupancy Requirements

1

- Requiring homeowner to live in primary home, or alternatively, in either the ADU or primary home.
- The Model Act & Ordinance eliminate this requirement.
- Arguments against owner occupancy provisions:
  - Impact on ADU construction
  - Being treated differently
  - Covenants or conditions give pause to homeowners and institutions financing home purchases



Poison Pill

Parking Requirements

2

- Requiring one or more parking spaces on site.
- The Model Act & Ordinance eliminate the parking requirement.
- Arguments against parking requirements.
  - Impact on ADU construction
  - Being treated differently
  - Covenants or conditions give pause to homeowners and institutions financing home purchases



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Poison Pill

Conditional Use Permitting

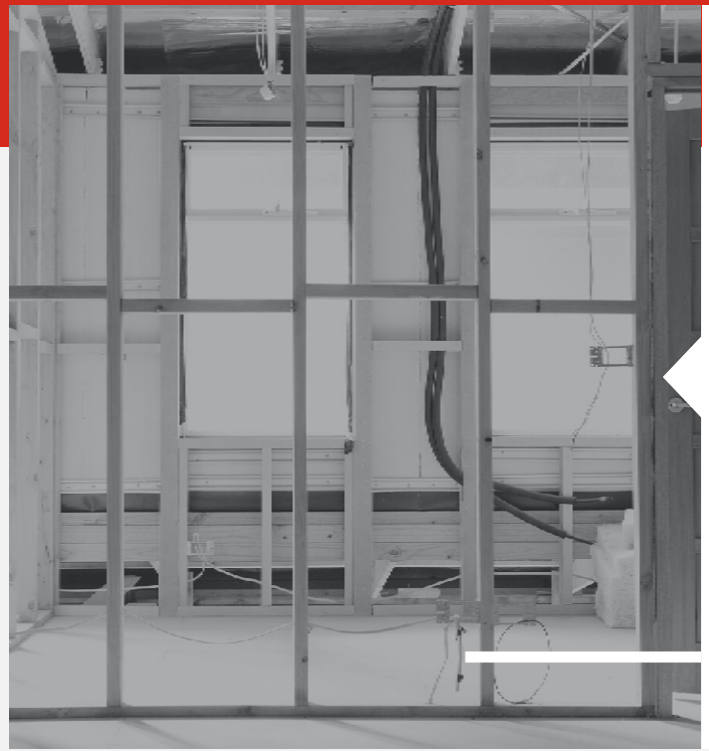
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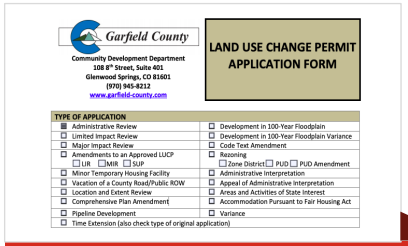
- Requiring applications for ADUs to be reviewed through conditional use permit procedures.
- The Model Act & Ordinance eliminate this requirement.
- Arguments against discretionary design standards.
  - Discretionary standards & Public hearing: Recipe for obstruction.
  - Cost of hiring attorneys or other experts.
  - Delays associated with hearings and appeals.



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Additional Topics Covered in the 2020 Model Ordinance





Garfield County

Community Development Department
108 8th Street, Suite 401
Glenwood Springs, CO 81601
(970) 945-8212
www.garfield-county.com

LAND USE CHANGE PERMIT APPLICATION FORM

TYPE OF APPLICATION	
■ Administrative Review	☐ Development in 100-Year Floodplain
☐ Limited Impact Review	☐ Development in 100-Year Floodplain Variance
☐ Major Impact Review	☐ Code Text Amendment
☐ Amendments to an Approved LUCP ☐ LIR ☐ MIR ☐ SUP	☐ Rezoning ☐ Zone District ☐ PUD ☐ PUD Amendment
☐ Minor Temporary Housing Facility	☐ Administrative Interpretation
☐ Vacation of a County Road/Public ROW	☐ Appeal of Administrative Interpretation
☐ Location and Extent Review	☐ Areas and Activities of State Interest
☐ Comprehensive Plan Amendment	☐ Accommodation Pursuant to Fair Housing Act
☐ Pipeline Development	☐ Variance
☐ Time Extension (also check type of original application)	

Application & Review Standards



Short Term Rental Use of ADUs



Building Code Reforms



Incentives for Certain types of ADUs

ADU Legislative Landscape [Statewide]

State	Year(s)	By-Right Permitting Required?	Ban on Owner Occupancy Requirements?	Limits on Parking Requirements?
Hawaii	1981/2024*****	No	No	No
California*	2016 2019	Yes	Yes	Yes
Washington*	2023	Yes	Yes	Yes
Oregon	2017 2019	Yes	Yes	Yes
Utah	2021	No	No	No
Montana	2023	Yes	Yes	Yes
Vermont*	2020	Yes	No	No
New Hampshire	2016	No	No	No
Connecticut	2021	Mixed**	No	Yes
Maine	2022	No	No	No
Rhode Island	2022/2024	Yes***	Partial***	Yes
Colorado	2024	Yes	Partial****	Yes
Arizona	2024	Yes	No	No

Notes:

* Laws passed earlier in California, Washington, and Vermont had required that localities allow for ADUs but did not require by-right approvals.

** Connecticut's law requires by-right approvals. However, it also allows localities to opt out of this provision with a two-thirds vote of both their planning board and legislative body.

*** Rhode Island requires by right on owner occupied lots for family members, on large lots, for internal ADUs, or for an ADU within an existing accessory structure. Owner occupancy required if applying "by right".

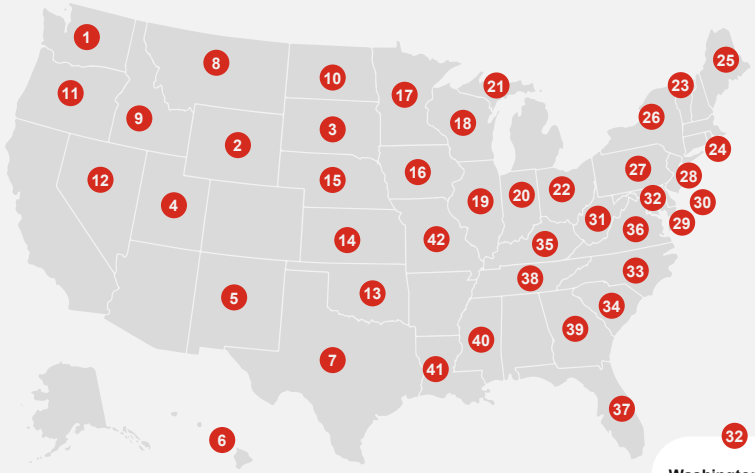
****Colorado requires owners to live in the primary unit while the ADU is being constructed.

*****Hawaii recently updated their ADU laws in May 2024

Source: Learning from State Efforts to Encourage Accessory Dwelling Units, Thursday, November 9, 2023 | Ellie David Luberoff, Joint Center for Housing Studies, Harvard University, available at https://www.jchs.harvard.edu/blog/learning-state-efforts-encourage-accessory-dwelling-units

ADU Legislative Landscape [Local]

1. **Washington** — Seattle
2. **Wyoming** — Cody
3. **South Dakota** — Meade County
4. **Utah** — Salt Lake City
5. **New Mexico** — Albuquerque, Sante Fe
6. **Hawaii** — Honolulu
7. **Texas** — Austin
8. **Montana** — Missoula
9. **Idaho** — Boise
10. **North Dakota** — Devils Lake, Bismarck
11. **Oregon** — Portland
12. **Nevada** — Sparks, Reno
13. **Oklahoma** — Tulsa, Oklahoma City
14. **Kansas** — Wichita
15. **Nebraska** — Lincoln, Omaha
16. **Iowa** — Cedar Rapids, Des Moines
17. **Minnesota** — St. Paul
18. **Wisconsin** — Madison, La Crosse
19. **Illinois** — Chicago
20. **Indiana** — Indianapolis
21. **Michigan** — Ann Arbor
22. **Ohio** — Cincinnati
23. **Vermont** — Burlington
24. **Rhode Island** — Statewide
25. **Maine**
26. **New Hampshire** — Concord, Nashua
27. **Massachusetts** — Boston, Salem
26. **New York State** — New York, West Chester, Rochester
27. **Pennsylvania** — Philadelphia, Manheim, Pittsburgh
28. **New Jersey** — Montclair, Princeton
29. **Maryland** — Montgomery, Annapolis, Frederick, Anne Arundel
30. **Delaware** — New Castle County, Kent County, Sussex County, Newark
31. **West Virginia** — Jefferson County
32. **Washington, D.C.**
33. **North Carolina** — Raleigh, Wake County
34. **South Carolina** — Charleston
35. **Kentucky** — Louisville
36. **Virginia** — Alexandria, Arlington, Fairfax
37. **Florida** — St. Petersburg
38. **Tennessee** — Knoxville
39. **Georgia** — Atlanta, Decatur
40. **Mississippi** — Ocean Springs
41. **Louisiana** — New Orleans
42. **Missouri** — Colombia, Kansas City



Source: State of Accessory Dwelling Unit Production in the U.S. Internal Report, AARP, February 13, 2024

AARP®

ADU - National Discussion

- AARP CEO **Jo Ann Jenkins** and HUD Secretary **Marcia Fudge**
- **White House Briefing** on ADUs: AARP was the only non-government organization invited to speak, and various stakeholders referenced AARP's ADU efforts
- AARP's ADU Publications: ABCs of ADU and ADU Model State Act and Local Ordinance
- The **White House** released a fact sheet on September 1, 2021 stating the federal government will work with state and local governments to boost housing supply, including ADUs



Thank you!
Questions?

Samar Jha
sjha@aarp.org

AARP Livable Communities | ***AARP.org/Livable***



LAURIE-ANNE SAYLES
COUNCILMEMBER AT-LARGE
HEALTH AND HUMAN SERVICES, CHAIR
ECONOMIC DEVELOPMENT COMMITTEE

MONTGOMERY COUNTY COUNCIL
100 MARYLAND AVENUE
ROCKVILLE, MARYLAND 20850
240-777-7964

MONTGOMERY COUNTY COUNCIL

MEMORANDUM

To: Councilmembers
From: Councilmember At-Large Laurie-Anne Sayles
Date: October 21, 2026
Re: Support Requested: Owner-Occupancy Amendment to Bill 41-26

Dear Colleagues:

I co-sponsored Bill 41-26 to expand affordable housing choices and help homeowners earn rental income, build wealth, and remain in their communities. **I ask for your support for my amendment to retain the existing owner-occupancy requirement while preserving the bill's fee exemptions for qualifying affordable accessory dwelling units (ADUs).**

At the October 6 public hearing, residents raised serious concerns that eliminating owner occupancy could encourage investors to purchase single-family homes and rent both units. They questioned the implications for homeownership opportunities, property maintenance, and responsiveness to neighborhood concerns. We should address these concerns before removing an existing safeguard.

Our office has received hundreds of emails from residents opposing Bill 41-26, particularly its removal of the owner-occupancy requirement. Along with testimony at the October 6 public hearing, these messages raise concerns about investor and corporate purchases, infrastructure capacity, property maintenance, and neighborhood accountability. Many residents support ADUs as a housing option but want to retain owner occupancy, with limited temporary exemptions for homeowners who must relocate and intend to return. This volume of feedback warrants a substantive response before we remove an existing safeguard.

My amendment would continue requiring the owner to live in either the principal dwelling or the ADU. It would preserve the proposed permit and licensing fee exemptions for qualifying ADUs with rents affordable to households earning 65 percent or less of area median income for at least 10 consecutive years.

We can encourage homeowners to provide affordable rentals while maintaining their direct connection to the property and neighborhood. Although the scale of potential investor purchases remains uncertain, retaining owner occupancy responds to residents' concerns while advancing the bill's affordability goals.

I urge the Planning, Housing, and Parks Committee to recommend this amendment at its October 26 worksession and ask each of you to support its adoption.

Thank you for your consideration and partnership.

Laurie-Anne Sayles

Laurie-Anne Sayles
Councilmember At-Large

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;**]**

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

DRAFT

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

[(C)**]**(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)**]]**(D) 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.

* * *

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Montgomery County Council

M E M O R A N D U M

October 25, 2026

TO: Councilmember Andrew Friedson, PHP Chair
Council President Natali Fani-González

CC: Montgomery County Councilmembers

FROM: Councilmember Will Jawando
Councilmember Kristin Mink

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

In advance of the October 26, 2026 PHP Committee worksession, we are writing regarding Bill 41-26 - Landlord-Tenant Relations – Licensing Procedures and Fees – Accessory Dwelling Unit (ADUs) to offer suggested amendments that would provide a path forward for the bill in light of the significant negative feedback we are hearing from residents, particularly regarding the removal of the owner occupancy requirement. We believe the amendments below are worth consideration to potentially expand ADU opportunities, which can provide a helpful rental option, while providing safeguards related to residents' concerns regarding the bill.[1]

First, we suggest a cap of two on the number of ADU licenses an owner can operate in the County. This means that an owner who no longer lives in their home because of work or a personal reason is still able to rent their ADU as a source of income, and does not need to displace a renter from their ADU because of a move. Or a local family that owns two homes can rent two ADUs, whether or not the owner lives in the homes.

With this amendment, the bill would fulfill the intent to provide more flexibility for home owners and more potential opportunities for rental homes and ADUs on the market. At the same time, we believe such a cap would help limit the distortion of the market potentially caused by private equity investment in single family homes and ADUs.[2] In particular, we are mindful of

[1] We appreciate that County Executive Marc Elrich and bill co-sponsor Councilmember Laurie-Anne Sayles have also offered amendments for consideration that reflect the significant community interest and concern about this topic.

[2] Such institutional investment is not a bogeyman scare tactic. Indeed, even the Trump Administration, which is beholden to corporate interests, is heralding the crack down on large scale investor investment in single family homes through the Road to Housing Act. *See, for example,* https://home.treasury.gov/news/press-releases/sb0665.

concerns regarding upward pressure on the cost of single family homes and fewer homes available for purchase for our residents.

We also hope the cap would help ensure that properties with ADUs are well cared for by owners and renters. For the most part, we believe that our owners with one or two rental homes have a significant personal interest in taking care of them. And, if they don't care for them, a concern of some of the residents we are hearing from, our County should enforce any code violations through existing law.

Relatedly, a cap is also sensible to help ensure that existing permitting and code enforcement teams are more likely to be able to manage an influx of new ADUs and the corresponding increase in inspection and enforcement responsibilities, which is an important consideration in the context of our tight budgetary reality.

Second, we propose a reporting requirement to help understand the impact of this bill on the County, including the number of new ADUs, the number of ADUs qualifying for a fee exemption, and statistics regarding whether owners of ADUs in the County are natural persons or corporations. Such data will help to inform whether additional adjustments are needed to the law around this issue.

We hope you will consider these amendments, which aim to find a balance between the bill that was introduced and what we are hearing from our residents. We are continuing to review resident feedback, cognizant of the tight timeline the Council has to consider this bill before the end of the Council term, and look forward to a robust discussion of the bill and all of the proposed amendments.

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**]]** may obtain a license to operate an accessory dwelling unit to live in or to rent only 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;**]** the owner owns 2 or fewer accessory dwelling units within the County, inclusive of the unit that is the subject of the application, and is:

(i) a natural person;

(ii) a trust controlled by a natural person;

(iii) a trust or estate of a decedent; or

(iv) a legal entity, however organized, that is owned directly by a natural person;

(C) in the case of an owner who is a natural person, the application for a rental license for one accessory dwelling unit contains an affidavit to the Director attesting that the natural person does not own more than one other accessory dwelling unit within the County in their individual capacity;

(D) in the case of an owner that is a trust, estate, or legal entity, the application for a rental license for one accessory dwelling unit contains an affidavit to the Director attesting that no natural person who directly owns or has a beneficial interest in the trust or estate or legal entity has:

(i) more than one other accessory dwelling unit within the County owned by a trust, estate, or legal entity that the natural person directly owns or has a beneficial interest in; or

(ii) more than one other accessory dwelling unit within the County in their individual capacity;

[(C)**]** (E) 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)**]]** (F) 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.