



Committee: PHP
Committee Review: At a future date
Staff: Christine Wellons, Senior Legislative Attorney
Purpose: To introduce agenda item – no vote expected

AGENDA ITEM #1A
March 7, 2023
Introduction

SUBJECT

Bill 15-23, Landlord-Tenant Relations -Anti Rent Gouging Protections

Lead Sponsors: Councilmember Fani-González, Council Vice-President Friedson, and Councilmembers Albornoz, Balcombe, Katz, and Luedtke

EXPECTED ATTENDEES

None

COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

- N/A; to introduce and item

DESCRIPTION/ISSUE

Bill 15-23 would:

- (1) establish protections against rent increases above a threshold for certain rental units;
- (2) set the base rental amount for certain rental units;
- (3) provide exemptions from rental increase restrictions for certain units;
- (4) permit certain rental increases to fund capital improvements;
- (5) require landlords to submit annual reports regarding rents; and
- (6) generally amend County law concerning rents and landlord-tenant relations.

SUMMARY OF KEY DISCUSSION POINTS

- N/A

This report contains:

Staff Report
Bill 15-23

Pages 1-2
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MEMORANDUM

March 2, 2023

TO: County Council

FROM: Christine Wellons, Senior Legislative Attorney

SUBJECT: Bill 15-23, Landlord-Tenant Relations – Ant-Rent Gouging Protections

PURPOSE: Introduction – no Council votes required

Bill 15-23, Landlord-Tenant Relations – Ant-Rent Gouging Protections, sponsored by Lead Sponsors Councilmember Fani-González, Council Vice-President Friedson, and Councilmembers Alborno, Balcombe, Katz, and Luedtke, is scheduled for introduction on March 7, 2023. A public hearing is tentatively scheduled for March 28, and a Planning, Housing, and Parks (PHP) Committee worksession will be scheduled for a future date.

Bill 15-23 would:

- (1) establish protections against rent increases above a threshold for certain rental units;
- (2) set the base rental amount for certain rental units;
- (3) provide exemptions from rental increase restrictions for certain units;
- (4) permit certain rental increases to fund capital improvements;
- (5) require landlords to submit annual reports regarding rents; and
- (6) generally amend County law concerning rents and landlord-tenant relations.

BACKGROUND

The purpose of Bill 15-23 would be to prevent rent-gouging in the County. In general, annual rent increases in excess of the sum of local annual CPI-U plus 8 percent would be prohibited.

BILL SPECIFICS

Under Bill 15-23, the Director of the Department of Housing and Community Affairs (DHCA) annually would publish a “rent increase allowance” – which would consist of 8 percent of existing rent, plus the Consumer Price Index for All Urban Consumers (CPI-U) for the Washington-Arlington-Alexandria Area, published by the U.S. Bureau of Labor Statistics.

In general, annual rent increases for rental units in the County would be limited to the “rent increase allowance.” Certain types of rental units and facilities would be exempt from this limitation. In particular, the following would be exempt:

- (1) a unit that has been offered for rent for less than 15 years;
- (2) a unit in a licensed facility, the primary purpose of which is the diagnosis, cure, mitigation and treatment of illnesses;
- (3) a unit in a facility owned or leased by an organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code if the primary purpose of the organization is to provide temporary shelter for qualified clients;
- (4) an owner-occupied group house;
- (5) a religious facility, including a church, synagogue, parsonage, rectory, convent, and parish home;
- (6) a transient lodging facility subject to Chapter 54;
- (7) a school dormitory;
- (8) a licensed assisted living facility or nursing home;
- (9) a building originally designed and constructed to contain only 2 dwelling units, one of which the owner currently occupies as a principal residence;
- (10) an accessory dwelling unit;
- (12) a unit subject to a regulatory agreement with a governmental agency that restricts occupancy of the unit to low and moderate income tenants;
- (13) a single-family home; and
- (14) a condominium owned by an individual.

For units subject to the rent allowance increase, a landlord would be permitted to exceed the allowance in certain circumstances, including in cases of undue financial hardship to the landlord, and in order to fund certain capital improvements. Through regulations, the Director of DHCA would grant and administer these exemptions, which would be limited in duration.

An exemption for hardship would last for one year, unless renewed due to ongoing financial hardship to the landlord. An exemption to allow a surcharge to fund capital improvements would be subject to certain limitations, including:

- (1) the surcharge is limited to an amount necessary to cover the costs of capital improvements to the regulated unit, excluding the costs of ordinary repair and maintenance;
- (2) the surcharge does not take effect until after the capital improvements are completed;
- (3) if the capital improvements are building-wide, the surcharge is prorated over 24 months;
- (4) if the capital improvements apply only to certain regulated rental units and are not building-wide, the surcharge is prorated over 12 months; and
- (5) the surcharge ends once the costs of the capital improvements have been recovered by the landlord.

This packet contains:
Bill 15-23

Circle #
1

Bill No. 15-23
Concerning: Landlord-Tenant Relations –
Anti-Rent Gouging Protections
Revised: 03/02/2023 Draft No. 4
Introduced: March 7, 2023
Expires: December 7, 2026
Enacted: _____
Executive: _____
Effective: See Sec. 2
Sunset Date: None
Ch. _____, Laws of Mont. Co. _____

COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

Lead Sponsors: Councilmember Fani-González, Council Vice-President Friedson, and
Councilmembers Albornoz, Balcombe, Katz, and Luedtke

AN ACT to:

- (1) establish protections against rent increases above a threshold for certain rental units;
- (2) set the base rental amount for certain rental units;
- (3) provide exemptions from rental increase restrictions for certain units;
- (4) permit certain rental increases to fund capital improvements;
- (5) require landlords to submit annual reports regarding rents; and
- (6) generally amend County law concerning rents and landlord-tenant relations.

By adding

Montgomery County Code
Chapter 29, Landlord-Tenant Relations
Sections 29-56, 29-57, 29-58, 29-59, and 29-60

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

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

1 **Sec. 1. Article VI is renamed and Sections 29-56, 29-57, 29-58, 29-59, and 29-60**
2 **are added as follows:**

3 **Article VI. Central Data Collection, [and] Rent Guidelines, and Anti-Rent**
4 **Gouging Protections.**

5 * * *

6 **29-56. [Reserved.] Anti-rent gouging – definitions.**

7 Definitions. In Sections 29-56 through 29-60, the following terms have the
8 meanings indicated:

9 Base rent means rent charged for a regulated rental unit under a lease, exclusive
10 of any rental discounts, incentives, concessions, or credits that are:

- 11 (1) offered by the landlord;
- 12 (2) accepted by the tenant; and
- 13 (3) itemized in the lease separate from the rent.

14 CPI-U means the Consumer Price Index for All Urban Consumers for the
15 Washington-Arlington-Alexandria Area, published by the U.S. Bureau of Labor
16 Statistics.

17 Regulated rental unit or regulated unit means a rental unit that is not exempted
18 under Section 29-59.

19 **29-57. [Reserved.] Annual rent increase allowance.**

20 (a) Annual rent increase allowance. The Director annually must calculate a
21 rent increase allowance for regulated rental units equal to the CPI-U plus
22 8 percent.

23 (b) Publication. The Director must publish the annual rent increase
24 allowance in the County Register and on the County website.

25 (c) Duration. A rent increase allowance under subsection (a) remains in
 26 effect for a 12-month period, beginning July 1st of each year and ending
 27 on June 30th of the following year.

28 **29-58. [Reserved.] Rent increases – in general; limited surcharges for capital**
 29 **improvements.**

30 (a) In general. Upon a lease renewal, a landlord must not increase the rent
 31 of a regulated rental unit to an amount greater than:

32 (1) the base rent; plus

33 (2) the rent increase allowance under Section 29-57.

34 (b) Limited surcharge for capital improvements. The Director must grant a
 35 landlord’s application to add a surcharge to the amount permitted under
 36 subsection (a) if, in accordance with Method (2) regulations, the Director
 37 determines:

38 (1) the surcharge is limited to an amount necessary to cover the costs
 39 of capital improvements to the regulated unit, excluding the costs
 40 of ordinary repair and maintenance;

41 (2) the surcharge does not take effect until after the capital
 42 improvements are completed;

43 (3) if the capital improvements are building-wide, the surcharge is
 44 prorated over 24 months;

45 (4) if the capital improvements apply only to certain regulated rental
 46 units and are not building-wide, the surcharge is prorated over 12
 47 months; and

48 (5) the surcharge ends once the costs of the capital improvements have
 49 been recovered by the landlord.

50 **29-59. [Reserved.] Exempt rental units.**

51 (a) Exemptions. The requirements of Section 29-58 do not apply to:

52 (1) a unit that has been offered for rent for less than 15 years;

53 (2) a unit in a licensed facility, the primary purpose of which is the
 54 diagnosis, cure, mitigation and treatment of illnesses;

55 (3) a unit in a facility owned or leased by an organization exempt from
 56 federal income taxes under Section 501(c)(3) of the Internal
 57 Revenue Code if the primary purpose of the organization is to
 58 provide temporary shelter for qualified clients;

59 (4) an owner-occupied group house;

60 (5) a religious facility, including a church, synagogue, parsonage,
 61 rectory, convent, and parish home;

62 (6) a transient lodging facility subject to Chapter 54;

63 (7) a school dormitory;

64 (8) a licensed assisted living facility or nursing home;

65 (9) a building originally designed and constructed to contain only 2
 66 dwelling units, one of which the owner currently occupies as a
 67 principal residence;

68 (10) an accessory dwelling unit;

69 (12) a unit subject to a regulatory agreement with a governmental
 70 agency that restricts occupancy of the unit to low and moderate
 71 income tenants;

72 (13) a single-family home; and

73 (14) a condominium owned by an individual.

74 (b) Exemptions for hardship. The Director must grant to a landlord an
 75 exemption from the requirements of Section 29-58 for a unit if, in
 76 accordance with Method (2) regulations, the Director determines that the
 77 requirements would cause undue financial hardship to the landlord.

78 (c) Expiration of exemption.

79 (1) An exemption under subsection (a) expires when the conditions
 80 entitling the unit or facility to an exemption cease to exist.

81 (2) An exemption for hardship under subsection (b) expires 1 year
 82 after the exemption is granted.

83 (d) Renewability of hardship exemption. The Director must renew annually
 84 an exemption granted under subsection (b) if, in accordance with Method
 85 (2) regulations, the Director determines that the requirements of Section
 86 29-58 would continue to cause an undue financial hardship to the
 87 landlord.

88 **29-60. [Reserved.] Annual reporting requirements.**

89 (a) On or before September 30th of each year, a landlord must submit to the
 90 Department a report for the preceding 12-month period, beginning July
 91 1st and ending on June 30th, regarding regulated rental units, rents, and
 92 notices of rent increases.

93 (b) The landlord must submit the report in the form and manner prescribed
 94 by the Director under Method (2) regulations.

95 **[29-56] 29-61 - 29-65. Reserved.**

96 **Sec. 2. Effective Date.** This Act must take effect 6 months after it becomes
 97 law.

98 **Sec. 3. Regulations.** No later than 3 months after the effective date of this Act,
99 the Department must submit to the County Register proposed Method (2) regulations
100 required under the Act.