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, 29-60, 29-61, and 29-62

The County Council for Montgomery County, Maryland approves the following Act:
Sec. 1. Article VI is renamed and Sections 29-56, 29-57, 29-58, 29-59, [[and]] 29-60, [[and]] 29-61, and 29-62 are added as follows:

ARTICLE VI. CENTRAL DATA COLLECTION [and] RENT GUIDELINES [and] [[Anti-Rent Gouging Protections]] RENT STABILIZATION.

* * *

29-56. [Reserved.] [[Anti-rent gouging]] Rent stabilization – definitions.

Definitions. In Sections 29-56 through [[29-60]] 29-61, the following terms have the meanings indicated:

Banked amount means the dollar amount of an annual rent increase allowance that a landlord did not use to increase the rent for a regulated unit.

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

(1) offered by the landlord;

(2) accepted by the tenant; and

(3) itemized in the lease separate from the rent.

Capital improvements mean permanent structural alterations to a regulated unit intended to enhance the value of the unit. Capital improvements include structural alterations required under federal, state, or County law. Capital improvements do not include ordinary repair or maintenance of existing structures.


Regulated rental unit or regulated unit means a rental unit that is not exempted under Section 29-60.

Substantial renovation means permanent alterations to a building that:

(1) are intended to enhance the value of the building; and
(2) cost an amount equal to at least 40 percent of the value of the building, as assessed by the State Department of Assessments and Taxation.

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

(a) Annual rent increase allowance. The Director annually must calculate a rent increase allowance for regulated rental units equal to the lesser of:

(1) CPI-U plus [][8 percent] 3 percent; or

(2) 6 percent.

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

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

29-58. [Reserved.] Rent increases – in general; vacant units; and limited surcharges for capital improvements.

(a) In general. Except as provided under subsection (b), [][Upon] upon a lease renewal or new lease agreement, a landlord must not increase the rent of a regulated rental unit to an amount greater than:

(1) the base rent; plus

(2) the rent increase allowance under Section 29-57[1.]; plus

(3) any banked amount; and

(4) does not exceed 10 percent of the base rent.

(b) Troubled or at-risk properties. Subject to Method (2) regulations adopted by the Director, a regulated unit located in a property designated by the Department as “troubled” or “at risk” under Section 29-22(b) must not increase rent in excess of an amount the Director determines necessary to cover costs required to improve habitability.
(c) Rent increase – vacant unit. Subject to Method (2) regulations, the Director must issue regulations to determine the allowable annual rent increase for a regulated unit previously vacant:

(1) for more than 12 months;
(2) with no active lease, either by a written or oral agreement; and
(3) the unit returns to the market for rent.

(b) Limited surcharge for capital improvements. Subject to subsection (e), the Director must grant a landlord’s petition to add a surcharge to the amount permitted under subsection (a) if, in accordance with Method (2) regulations, the Director determines:

(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 for all rental units within the building, the surcharge is prorated over 24 months:
   (A) is divided equally among the units;
   (B) is prorated over at least 96 months; and
   (C) does not exceed 20 percent of the base rent;
(4) if the capital improvements apply only to certain regulated rental units within the building, the surcharge:
   (A) is divided equally among the affected units;
   (B) is prorated over at least 60 months; and
   (C) does not exceed 15 percent of the base rent;
(5) the surcharge for each unit ends once the costs of the capital improvements, including any interest and service charges, have been recovered by the landlord;

(6) the capital improvements would protect or enhance the health, safety, and security of the tenants or the habitability of the rental housing;

(7) if the capital improvements would result in energy cost savings:
   (A) the savings would be passed on to the tenant; and
   (B) either:
      (i) the improvements would result in a net savings in the use of energy in the building; or
      (ii) the improvements are intended to comply with applicable law;

(8) the capital improvements are depreciable under the federal Internal Revenue Code;

(9) the applicant has certified to the Director the costs of the capital improvements, including any interest and service charge; and

(10) the applicant has certified to the Director that required governmental permits and approvals have been granted.

[(d)] (e) Surcharge – additional requirements.

(1) A landlord must maintain, and must make available to a tenant upon request, all plans, contracts, specifications, and permits related to any capital improvements for which a surcharge has been granted.

(2) Immediately upon the completion of capital improvements under this Section, a landlord must permit the return to affected rental units of any tenants displaced due to the improvements.
29-59. [Reserved.] [Exempt rental units.] Fair return.

(a) Fair return rent increase. In accordance with this Section and Method (2) regulations adopted by the Director:

(1) a landlord may apply to the Director to increase rent for a regulated unit in an amount that exceeds the annual rent increase allowance; and

(2) the Director must grant the application if the Director finds that the increase is necessary for the landlord to obtain a fair return on the regulated unit.

(b) For purposes of this Section, fair return means a return on investment:

(1) sufficient to offset operating expenses; and

(2) commensurate with returns on investments in other enterprises having comparable risks.

(c) The Director must adopt Method (2) regulations necessary to implement the requirements of this Section, including regulations to establish:

(1) a formula to determine the rent increase necessary to obtain a fair return for a regulated unit;

(2) application requirements, including the information an applicant must submit to demonstrate the rent necessary to obtain a fair return;

(3) a uniform system and procedures for processing applications;

(4) criteria the Director must use to evaluate and to grant or deny an application; and

(5) the duration of a rent increase approved under this Section.

29-60. Exempt rental units.

(a) Exemptions. The requirements of Section 29-58 do not apply to:
(1) a newly constructed unit that has been offered for rent for less than
[[15 years]] 23 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;
(11) a unit subject to a regulatory agreement with a governmental
agency that restricts occupancy of the unit to low and moderate
income tenants;
(12) subject to Method (2) regulations issued by the Department, a unit
located within a substantially renovated building if:
(A) the substantial renovation occurred within the prior 23
years; and
(B) the building is not in violation of Chapters 8, 26, or 29; and
(13) a rental unit owned by a landlord who:
(A) owns 2 or fewer rental units within the County; and

(B) is either:

(i) a natural person; or

(ii) the trust or estate of a decedent.

(13) a single-family home; and

(14) a condominium owned by an individual.]]

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

(c)]] Expiration of exemption.

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

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

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

[29-60.] 29-61. [Reserved.] Regulation of fees.

(a) Regulations. The Director must issue Method (2) regulations regarding limitations on fee increases or new fees charged by the landlord to the tenant for a regulated rental unit.

(b) Fee schedule. At the discretion of the Director, a fee schedule may be included, as a part of the regulations.
29-62. [Reserved.]  [[Annual reporting requirements]] Rent stabilization data collection.

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

(b)  The landlord must submit the report in the form and manner prescribed by the Director under Method (2) regulations.]] In accordance with the requirements under Section 29-51, a landlord must comply with and submit data to the Department regarding regulated rental units, rents, fees charged to tenants, and notices of rent increases.

(b)  The annual rental housing survey data collected by the Department under Section 29-51 must be made available for the Council to review and determine the effectiveness and compliance with this Act.


[[Sec. 2. Effective Date. This Act must take effect 6 months after it becomes law.]]

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

[[Section 4.]] Sec. 3. Rent Increase Notices – Transition. If a landlord notifies a tenant, prior to the effective date of this Act [[or]] and prior to the effective date of Method (2) regulations adopted under this Act, of a rent increase for a regulated rental unit that would occur after the effective date of the Act [[or of]] and the regulations:

(1)  the rent increase must not occur unless the increase is equal to or less than the lesser of:

(A)  CPI-U plus 3 percent; or
(B) 6 percent; and

(2) the landlord must notify the tenant in writing either that the notice is void, or that the notice is modified to an increase equal to or less than the lesser of:

(A) CPI-U plus 3 percent; or

(B) 6 percent.

Sec. 4. Transition. The requirements of this Act must not apply, and must not be enforced, until the Method (2) regulations required under the Act take effect.
Approved:

Evan Glass, President, County Council  
July 18, 2023

Approved:

Marc Elrich, County Executive  
July 24, 2023

This is a correct copy of Council action.

Sara R. Tenenbaum, Clerk of the Council  