



**PERMANENT RENT STABILIZATION AND PROTECTION ACT OF 2024
County Council of Prince George's County, Maryland
Bill 055-2024**

DRAFT CAPITAL IMPROVEMENT SURCHARGE POLICY

Section I — Introduction

The following are the policies adopted by the Department of Permitting, Inspections and Enforcement (DPIE) to implement Regulation 13.145.00(B) and (C) — Capital Improvement Surcharge of the Permanent Rent Stabilization and Protection Act of 2024 ("PRSA").

The PRSA was enacted by County Council Bill 055-2024 and is incorporated in Sections 13-138, 13-144, 13-145, 13-146, and 13-147 of the Prince George's County Code. Regulations for the PRSA are effective as of February 1, 2026.

Section II — Overview

This policy outlines the process by which an Owner/Landlord may apply to DPIE to request reimbursement for eligible Capital Improvements through a surcharge ("Capital Improvement Surcharge") added to the Base Rent charged for tenants of units regulated under PRSA.

An approved Capital Improvement Surcharge permits an Owner/Landlord to increase the Base Rent charged to a tenant. In some instances, the Base Rent can be increased up to a maximum of 15% (prorated over at least 60 months) or up to a maximum of 20% (prorated over at least 96 months).

For the purposes of this policy, the following definition of Capital Improvements is provided in Section 13.138(a)(3.1) of the PRSA Code:

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

The Capital Improvement Surcharge may only be charged to regulated units upon lease renewal or execution of a new lease. The Capital Improvement Surcharge may not take effect until after the capital improvements are completed and approved in writing by DPIE.

DPIE will review applications for a Capital Improvement Surcharge as more fully described below.

Tenant Rights

The Owner/Landlord must make available to a tenant with an active lease for a regulated rental unit the Application as well as all plans, contracts, specifications, and permits related to any capital improvements for which a surcharge has been granted.

Immediately upon the completion of capital improvements, an Owner/Landlord must allow the displaced tenant with an active lease for the regulated rental unit to return to the completed unit.

DPIE reserves the right to request documentation at any time to determine the validity of a proposed or approved Capital Improvement Surcharge.

Section III — Applying for a Capital Improvement Surcharge

DPIE published the Capital Improvement Surcharge Workbook and Application (the “Application”) which is available at the following website: [Permanent Rent Stabilization and Protection Act \(PRSA\)](#). The Application provides Owners/Landlords with the formal method for supplying the information necessary and applying to DPIE for approval of a Capital Improvement Surcharge. The Application requires a certification and attestation from the Owner/Landlord that the information submitted is accurate and supported by back-up documentation that is available for review upon request.

Applications must be submitted to DPIE and include the following:

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1. A completed and certified Capital Improvement Surcharge Workbook and Application submitted as a signed PDF and in the original Excel format.
2. Submission of the required Application Fee to DPIE per Section V below.

While not required at the time of the submission of the Application, the Owner/Landlord must maintain back-up documentation supporting the Capital Improvement costs provided in the Application and save the documentation of renovation for a period of at least seven (7) years from the date of the Application. This information must be made available upon request by DPIE.

A property that includes multiple buildings must provide detailed information regarding the cost of the Capital Improvements for each building. The Application provides a format for submitting Capital Improvement cost information for each building.

The time period during which a Capital Improvement Surcharge may be added to the Base Rent depends on whether or not all the units in a building have been improved as follows:

1. For buildings where all rental units have been improved, the cost of the Capital Improvements may be reimbursed over a time period of at least 96 months, and may not exceed 20% of the Base Rent.
2. For buildings where only certain regulated units have been improved, the cost of the Capital Improvements may be reimbursed over a time period of at least 60 months, and may not exceed 15% of the Base Rent.

Only the costs of Capital Improvements completed on or after October 17, 2024 (which is the date of enactment of PRSA) will be considered for eligibility by DPIE.

Unlike the Substantial Renovation Exemption policy, there will be no adjustment of Capital Improvement costs by the CPI-U published by the United States Bureau of Labor Statistics ("BLS").

Capital Improvement costs may include fees paid to a General Contractor and/or Architect, if applicable. These fees must be supported by executed agreements and documentation of actual fees paid, and are subject to the following limitations:

	Max. % of Total Renovation Costs
GC Profit/Overhead/General Requirements	17%
Architectural Design	5%
Architectural Administration	3%

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Note: The fee limits above are based on standards established by the Maryland Department of Housing and Community Development in the “Multifamily Rental Financing Program Guide” available at <https://dhcd.maryland.gov/HousingDevelopment/Pages/MFLibrary.aspx>.

Capital Improvement costs may include loan interest and loan servicing fees charged for a loan used to fund capital improvements.

At the time of approval of an Application, the building(s) and all units therein must not be in violation of Subtitles 4 or 13 of the Prince George’s County Code.

The Application may only be submitted after completion of the Capital Improvements.

The Capital Improvement Surcharge may continue to be charged upon unit turnover to future tenants (if any) until such time the entire surcharge has been collected by the Owner/Landlord.

Applications will not be accepted or reviewed by DPIE prior to February 1, 2026.

Special Exception

Normally, a Capital Improvement Surcharge may not include any costs associated with the correction of property code violations or other habitability violations. However, if capital improvements are undertaken by a new owner to address code deficiencies and habitability violations, these costs may be eligible for inclusion in the Capital Improvement Surcharge. To include these costs, the Application must include a request for a waiver.

Section IV — DPIE Review of Applications for a Capital Improvement Surcharge

The submission of the Application does not constitute approval of a Capital Improvement Surcharge. Only upon receiving written approval from DPIE of the Application may the Surcharge be applied to the Base Rent.

In reviewing the Application, DPIE maintains the ability to challenge, accept or reject the documentation provided by the Owner/Landlord.

DPIE will only accept and review complete Applications for a Capital Improvement Surcharge. If the Application is determined to be incomplete, DPIE will notify the Owner/Landlord and explain the reason(s) for the determination.

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DPIE will endeavor to review and make a determination whether an Application is approved or disapproved within 60 days. However, during times of a high volume of requests, this timeline may be extended at DPIE's discretion.

As noted above, DPIE retains the right to request additional information to support an Application. DPIE's review of additional information will not be subject to the 60-day review period referenced above.

As a general matter, if additional information is not provided within 15 days of DPIE's request, then the Application will be rejected.

If DPIE does not approve an Application, the Owner/Landlord may not reapply for a Capital Improvement Surcharge for a period of six (6) months from the date of disapproval.

Section V — DPIE Fees for Review of an Application for a Capital Improvement Surcharge

Application Fee — DPIE will charge an initial fee of \$250 per regulated rental unit to review an Application for a Capital Improvement Surcharge. This fee must be submitted at the time of the submission of the Application.

Approval Fee — If a Capital Improvement Surcharge is approved, DPIE will charge an additional fee of \$250 per regulated rental unit.

Section VI — Updates to Policy

This policy (including the associated Excel Workbook) may be updated by DPIE as necessary for the effective administration of PRSA. Substantive policy updates will be issued for public comment for a period of at least 15 days. Unless otherwise specified, any changes to the policy will be applicable only for new and renewed leases occurring after the issuance date of the updated policy.

EFFECTIVE DATE

The effective date of this Policy and Procedures shall be February 1, 2026.