



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

DRAFT SUBSTANTIAL RENOVATION EXEMPTION POLICY

Section I — Introduction

The following are the policies adopted by the Department of Permitting, Inspections and Enforcement (DPIE) to implement Regulation 13.147.00(A)(12) — Substantial Renovation Exemption 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 an exemption from PRSA for units located within buildings that have undergone substantial renovation since January 1, 2000. It is important to note that PRSA requires determination of an exemption for substantial renovation on a building-by-building basis.

Newly constructed units whose construction was completed on or after January 1, 2000, are already exempt from PRSA. Therefore, substantial renovation exemptions only apply to buildings completed PRIOR to January 1, 2000. Only the renovation costs incurred since January 1, 2000, are eligible for consideration in determining if a building qualifies for a Substantial Renovation Exemption.

Effective Date: _____

DPIE will review applications for Substantial Renovation Exemptions as more fully described below. In order to be exempt under PRSA under a Substantial Renovation Exemption, DPIE must issue a written approval.

For the purposes of this policy, the following definition of Substantial Renovation is provided in Regulation 13.147(a)(12) of the PRSA Code:

“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.”

At the time of approval of an application for a Substantial Renovation Exemption, the building and all units therein must not be in violation of Subtitles 4 or 13 of the Prince George’s County Code.

If a request for a Substantial Renovation Exemption is approved by DPIE, units located within the renovated building will be permanently exempt from the requirements of PRSA.

Section III — Applying for a Substantial Renovation Exemption

DPIE published the Substantial Renovation Exemption 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 a Substantial Renovation Exemption. 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:

1. A completed and certified Substantial Renovation Workbook and Application submitted as a signed PDF and in the original Excel format.
2. Documentation of the SDAT valuation of the improvements.
3. Submission of the required Application Fee to DPIE per Section V below

Effective Date: _____

While not required at the time of the submission of the Application, the Owner/Landlord must maintain back-up documentation supporting the renovation 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 costs of the renovation for each building. The Application provides a format for submitting renovation cost information for each building.

If a property includes a mixture of buildings, some of which have received a Substantial Renovation Exemption, and other buildings which have not, the Owner/Landlord must still comply with the requirements of PRSA for the buildings which do not have a Substantial Renovation Exemption.

A Substantial Renovation Exemption is only allowed when the cost of renovation equals or exceeds 40% of the SDAT valuation of the building. SDAT valuations are provided for both Land and Improvements, and DPIE will use the SDAT valuation of Improvements to determine the valuation of the building.

SDAT may not provide sufficient information on the valuation for each building in a property. Therefore, the Application requires a description of how the Owner/Landlord has determined the pro-rata valuation of each building.

Only Substantial Renovation costs that were incurred since January 1, 2000, are eligible for consideration. In recognition of the impact of increases in renovation costs over time, the Application provides a formula to adjust prior renovation costs by the Consumer Price Index for All Urban Consumers ("CPI-U") to reflect the passage of time. To facilitate this calculation, the table below (which is also provided in the Application and will be updated on an annual basis) provides the percentage upward adjustment to renovation costs based on the year of renovation to equivalent 2025 costs in the column titled "CPI-U Change to Present (2025)".

Effective Date: _____

| Cumulative CPI-U Change -- Year of Renovation to Present | | | | | | | | | | | |
|---|---------------------|---------------|--------------------------------|--------------------|---------------------|---------------|--------------------------------|--------------------|---------------------|---------------|--------------------------------|
| Year of Renovation | CPI-U as of January | Yearly Change | CPI-U Change to Present (2025) | Year of Renovation | CPI-U as of January | Yearly Change | CPI-U Change to Present (2025) | Year of Renovation | CPI-U as of January | Yearly Change | CPI-U Change to Present (2025) |
| 2000 | 169.8 | | 87.38% | 2011 | 232.770 | 2.34% | 36.69% | 2022 | 286.678 | 5.97% | 10.99% |
| 2001 | 175.9 | 3.59% | 80.88% | 2012 | 238.994 | 2.67% | 33.13% | 2023 | 299.149 | 4.35% | 6.36% |
| 2002 | 180.0 | 2.33% | 76.76% | 2013 | 243.473 | 1.87% | 30.68% | 2024 | 309.961 | 3.61% | 2.65% |
| 2003 | 186.3 | 3.50% | 70.79% | 2014 | 247.679 | 1.73% | 28.46% | 2025 | 318.175 | 2.65% | 0.00% |
| 2004 | 190.7 | 2.36% | 66.85% | 2015 | 247.127 | -0.22% | 28.75% | | | | |
| 2005 | 198.2 | 3.93% | 60.53% | 2016 | 250.807 | 1.49% | 26.86% | | | | |
| 2006 | 205.6 | 3.73% | 54.75% | 2017 | 254.495 | 1.47% | 25.02% | | | | |
| 2007 | 211.101 | 2.68% | 50.72% | 2018 | 260.219 | 2.25% | 22.27% | | | | |
| 2008 | 220.587 | 4.49% | 44.24% | 2019 | 262.304 | 0.80% | 21.30% | | | | |
| 2009 | 221.830 | 0.56% | 43.43% | 2020 | 266.433 | 1.57% | 19.42% | | | | |
| 2010 | 227.440 | 2.53% | 39.89% | 2021 | 270.535 | 1.54% | 17.61% | | | | |

For example, as indicated by the yellow highlighted cell in the table above, if a building renovation was completed in 2004, the renovation cost would be adjusted upward by 66.85% to determine the equivalent 2025 renovation cost.

The CPI-U is updated by the United States Bureau of Labor Statistics (“BLS”). This data is provided for metropolitan areas across the country. The PRSA uses the CPI-U data that is issued for the Washington-Arlington-Alexandria area.

Renovation 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% |

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>.

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

Section IV — DPIE Review of Applications for Substantial Renovation Exemptions

The submission of the Application does not constitute approval of a Substantial Renovation Exemption. Only upon receiving written approval from DPIE of the Application is a Substantial Renovation Exemption in effect.

Effective Date: _____

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 Substantial Renovation Exemption. If the Application is determined to be incomplete, DPIE will notify the Owner/Landlord and explain the reason(s) for the determination.

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 Substantial Renovation Exemption for a period of six (6) months from the date of disapproval.

If DPIE approves a Substantial Renovation Exemption for a building, all units within the building will no longer be subject to the requirements of PRSA. Leases entered into prior to the date of approval of a Substantial Renovation Exemption are still subject to the requirements of PRSA until the expiration of the current lease.

Section V — DPIE Fees for Review of an Application for Substantial Renovation Exemption

Application Fee — DPIE will charge a fee of \$250 per rental unit to review an Application for a Substantial Renovation Exemption. This fee must be submitted at the time of the submission of the Application.

Approval Fee — If a Substantial Renovation Exemption is approved, DPIE will charge an additional fee of \$250 per rental unit.

Effective Date: _____

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.

The Application will be updated annually with the publication of the January CPI-U data by BLS; this annual update will not be subject to a public comment period.

EFFECTIVE DATE

The effective date of this Policy and Procedures shall be _____.