

## Substantial Renovation Exemption Policy

Comment	Change Made to Final Policy
Can an owner apply for a substantial renovation exemption based on renovations performed by the prior owner (assuming the new owner has sufficient documentation)?	Yes. Renovations are project/unit specific, not based on who owns the property. Changes have been made to <u>Section III: Applying for a Substantial Renovation Exemption</u> .  See page 5
What if a building is sold after an application is submitted but before the application is approved, will the exemption be available to the buyer?	The new owner must contact DPIE immediately to certify to the accuracy of the Application under review. Changes have been made to <u>Section IV: DPIE Review of Applications for Substantial Renovation Exemption</u> .  See page 5
Are all renovation costs that are not Architectural Fees (Line B in the workbook) or General Contractor Fees (Line C) considered Renovation Expenses (Line A)?	Yes, the Application (in Excel format) adds up the various items that make up renovation costs and this total is automatically calculated in Line A: Renovation Expenses. The Architectural Fees (Line B) and General Contractor Fees (Line C) must be entered separately.  No change necessary to the Application.
Will there be a process for obtaining "preliminary approval" for a substantial renovation exemption (i.e., before renovation work is started or complete)? If so, will owners be required to submit a reconciliation package to confirm final renovation costs?	There is no preliminary approval process. However, DPIE staff are willing to meet with a Landlord/Owner prior to submission of an Application to answer any questions regarding the requirements and process for securing a Substantial Renovation Exemption.  No change necessary to Policy.
Will there be any requirement to notify tenants that a landlord is applying for a substantial renovation exemption or that a unit is exempt from rent stabilization due to substantial renovations?	There is no requirement to notify tenants that a Landlord/Owner is applying for a Substantial Renovation Exemption. Take note of the following language at the end of Section IV: DPIE Review of Applications for Substantial Renovation Exemptions: "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

	<p>requirements of PRSA until the expiration of the current lease."</p> <p>No change necessary to Policy.</p>
What are examples of costs that would be considered "ordinary repair, replacement, or maintenance" and therefore may not be counted towards the substantial renovation threshold?	<p>It is DPIE's expectation that the Owner/Landlord will use best practices in the multifamily industry to track ordinary repair, replacement and maintenance costs. These costs are generally recurring and associated with ongoing maintenance and normal turnover costs. Eligible Substantial Renovation costs, as outlined in the PRSA law, regulations and policy, must enhance the value of the property.</p> <p>No change necessary to Policy.</p>
Is the \$250-\$500 per unit application fee applicable to all units at the property, including units that may be otherwise exempt (e.g., because they are subject to affordable regulatory agreements)?	<p>Fees are charged for units that are currently subject to PRSA (i.e. regulated rental units). So if some units are already exempt due to affordability covenants or some other status, a fee will not be charged for those units.</p> <p>No change necessary to Policy.</p>
How does DPIE measure the completion date for previously completed substantial renovations?	<p>The Owner/Landlord must be able to provide evidence of the date of the renovations to accurately calculate the overall value of the renovations. Contracts, invoices, occupancy permits, etc. are acceptable evidence. Renovations must have been completed on or after January 1, 2000. Any renovations completed prior to this date will not be eligible for consideration.</p> <p>No change necessary to Policy.</p>
Confirm the SDAT assessment is as of the date of the application for exemption.	<p>Yes, the SDAT assessed valuation as of the date of Application should be used. See next comment/response for additional information.</p>
The PRSA Code defines substantial renovations as permanent alterations that are equal to at least 40% of the value of the building as assessed by the State Department of Assessments and Taxation (SDAT). However, neither the Code nor the regulations specify which assessment must be used. Given that property assessments in	<p>Changes have been made to <u>Section III: Applying for a Substantial Renovation Exemption</u>.</p> <p>See page 3</p>

<p>Maryland are conducted and phased in on a three-year cycle, AOBA recommends clarifying that the most recent assessment or a successfully appealed assessment will be used. Thus, as relating to Regulation 13.147(a)(12) of the PRSA Code, we suggest the regulations include language such as: The Owner/Landlord will use the most recent assessment by the State Department of Assessments and Taxation or a successfully appealed assessment when determining the value of the building.</p>	
<p>Are the costs of Engineers (MEP, Civil, Fire Protection, Structural, Geotechnical, Environmental, etc.) or Interior Design services eligible for inclusion in an application for a Substantial Renovation Exemption?</p>	<p>No. Only the costs associated with Renovations, Architect and General Contractor are eligible.</p> <p>No change has been made to the Policy.</p>
<p>Are costs associated with environmental remediation (ie asbestos and lead-based paint), including associated studies and reports, eligible for inclusion in an application for a Substantial Renovation Exemption?</p>	<p>No. Only the costs associated with Renovations, Architect and General Contractor are eligible.</p> <p>No change has been made to the Policy.</p>
<p>Are Financing. Origination costs and interest for construction and permanent financing considered eligible Substantial Renovation expenses?</p>	<p>No. Only the costs associated with Renovations, Architect and General Contractor are eligible.</p> <p>No change has been made to the Policy.</p>
<p>Is Property owner fire and liability and construction liability and builder's risk insurance considered eligible Substantial Renovation expenses?</p>	<p>No. Only the costs associated with Renovations, Architect and General Contractor are eligible.</p> <p>No change has been made to the Policy.</p>
<p>Application Workbook -- "Costs at Time of Renovation". In order for an owner to seek approval for</p>	<p>No change has been made to Application.</p>

<p>exemption prior to incurring renovation expense, the application should account for i) work completed in the past as well as ii) the expected costs for work yet to be completed, or iii) both past and planned renovation in the same application.</p>	<p>DPIE will not accept an Application until renovation work is completed.</p>
<p>Since the provisions related to major renovations do not take effect until February 1, 2026, would we be allowed to increase the rent beyond the current rent increase limit if we renovate a unit this year? We were hoping that there would be a policy for this year for major renovations in advance of the provisions taking effect in 2026.</p>	<p>No change has been made to Policy.</p> <p>Applications for a Substantial Renovation Exemption will not be accepted until or after February 1, 2026. Any eligible renovation expenses completed since January 1, 2000 are eligible for consideration for a Substantial Renovation Exemption. If a property is approved for a Substantial Renovation Exemption, the provisions of PRSA that limit rental increases do not apply. Take note of the following language at the end of <u>Section IV: DPIE Review of Applications for Substantial Renovation Exemptions</u>: "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."</p>
<p>The proposed regulations note that newly constructed units whose construction was complete on or after January 1, 2000, are exempt from the Permanent Rent Stabilization and Protection Act of 2024 (PRSA). However, the Prince George's County Council is considering changing the date for senior properties with Council Bill 6-2025. We suggest that the regulations remove any potential conflicts with the regulations and possible changes set forth by current or future councils. Thus, the regulations should include language such as: Therefore, substantial renovation exemptions only apply to buildings completed PRIOR to January 1, 2000, or the</p>	<p>No change has been made to Policy. If County Council passes a new law related to PRSA, DPIE will make appropriate updates to Regulations and Policies at that time.</p>

date set by the County Council in code	
<p>Eliminate the limitations on fees paid to General Contractor and/or Architect shown in the table in Section III: Applying for a Capital Improvement Surcharge.</p> <p>Landlords/owners are already incentivized to keep fees to a minimum, and fee caps risk discouraging necessary renovations, delaying compliance with safety and energy standards, and ultimately reducing the quality and supply of updated housing.</p>	<p>Added language to permit a request for a waiver of the limits on fees to be submitted as part of an Application for a Capital Improvement Surcharge as detailed in <u>Section III: Applying for a Substantial Renovation Exemption</u>.</p> <p>See page 4.</p>
Reduce Application Fee from \$250/unit to \$50/unit.	<p>Changes have been made to <u>Section V: DPIE Fees for Substantial Renovation Exemption</u> to reflect that DPIE has determined that Prince George's County Council must approve fees charged for PRSA. At this time it is expected that County Council will make a determination regarding this fee in early 2026. Upon this determination, DPIE will then publish the fee as an update to the existing fee schedule maintained by DPIE. The existing DPIE fee schedule is available at the following website:</p> <p><a href="https://momentumhome.princegeorgescountymd.gov/fee-schedule/">https://momentumhome.princegeorgescountymd.gov/fee-schedule/</a></p> <p>See page 4.</p>
Reduce Approval Fee from \$250/unit to \$50/unit.	<p>Changes have been made to <u>Section V: DPIE Fees for Substantial Renovation Exemption</u> to reflect that DPIE has determined that Prince George's County Council must approve fees charged for PRSA. At this time it is expected that County Council will make a determination regarding this fee in early 2026. Upon this determination, DPIE will then publish the fee as an update to the existing fee schedule maintained by DPIE. The existing DPIE fee schedule is available at the following website:</p> <p><a href="https://momentumhome.princegeorgescountymd.gov/fee-schedule/">https://momentumhome.princegeorgescountymd.gov/fee-schedule/</a></p> <p>See page 4.</p>
Application and Approval Fee. To extent County disapproves application, the \$250 initial fee	<p>Changes have been made to <u>Section V: DPIE Fees for Substantial Renovation Exemption</u> to reflect that DPIE has determined that Prince George's County Council must</p>

would apply to subsequent re-application for same property.	<p>approve fees charged for PRSA. At this time it is expected that County Council will make a determination regarding this fee in early 2026. Upon this determination, DPIE will then publish the fee as an update to the existing fee schedule maintained by DPIE. The existing DPIE fee schedule is available at the following website:</p> <p><a href="https://momentumhome.princegeorgescountymd.gov/fee-schedule/">https://momentumhome.princegeorgescountymd.gov/fee-schedule/</a></p> <p>See page 4.</p>
The Policy should recognize that some jurisdictions in the County have established rental licensing programs and enforce their own Maintenance/Housing Code. The draft Policy indicates that 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. Language should be added to the Policy to require that buildings and all units therein must also be in compliance with applicable municipal housing and property maintenance codes.	<p>Added language to include this comment in <u>Section III: Applying for a Substantial Renovation Exemption</u>.</p> <p>See page 4.</p> <p>Language also added to required certifications in the Application form.</p>
Applicants should be required to submit a copy of a valid rental license issued by the applicable appropriate jurisdiction.	<p>This comment has been incorporated as Application requirement in <u>Section III: Applying for a Substantial Renovation Exemption</u>.</p> <p>See page 2.</p>
Allow Application Fee and Approval Fee to be included by owner/landlord as part of the Substantial Renovation expenses.	<p>This change is not recommended since fees are not renovation expenses.</p>