

# ADMINISTRATIVE REGULATIONS

## Fair Return Rent Increases Takoma Park Code Section 6.20.080

### INDEX

1. Right to a Fair Return.	1
2. Fair Return Rent Increases	1
3. Fair Return Rent Increase Petitions	2
A. Prerequisites for Filing a Fair Return Rent Increase Petition	2
B. Fair Return Rent Increase Petition Form	3
4. Standards used in Determining a Fair Return Rent Increase	3
A. Selection of Base Year and Determination of Base Year Net Operating Income	3
B. Adjustment of Base Year Net Operating Income	5
C. Determination of Gross Income	5
D. Determination of Operating Expenses	6
5. Required Supporting Documentation	9
6. Petition Procedures	10
A. Filing of a Fair Return Rent Increase Petition	10
B. Notice of Filing	11
C. Decisions on a Petition	11
D. Required Notice to Tenants	11
E. Challenges to the Decision	12
F. Rulings on a Challenge	12
Exhibits	
Exhibit A Self Labor Rates (Hourly)	14
Exhibit B Calculation of Allowable Rent Adjustment Worksheet	15
Forms	
Form A Fair Return Petition Form	16
Form B Notice of Filing	25
Form C Notice of Fair Return Rent Increase	26
Form D Certification of Service	27

## **FAIR RETURN RENT INCREASES**

Pursuant to Chapter 6.20 of the Takoma Park Code, the following Administrative Regulations (the "Regulations"), have been proposed and are to be used in coordination with Chapter 6.20.080 Rent increase pursuant to a fair return petition.

### **1. Right to a Fair Return**

A landlord has a right to a Fair Return as defined by Takoma Park Code Section 6.20.080 and may petition the Commission on Landlord and Tenant Affairs (the "Commission") for a rent increase above the annual rent increase allowance to ensure the maintenance of a fair net operating income.

### **2. Fair Return Rent Increases**

- A. A fair return means the maintenance of a landlord's Base Year net operating income, adjusted for inflation, into the Current Year.
  - i. Net operating income shall be the gross income, defined herein Section 4.C., minus operating expenses permitted herein Section 4.D.
  - ii. The Commission shall, when adjusting for inflation, increase the Base Year net operating income by 70% of the percentage increase in the Consumer Price Index (the "CPI") from the Base Year through 2007 and by 100% of the percentage increase in the CPI from 2007 through the Current Year.
- B. The annual CPI shall be the Consumer Price Index - All Urban Consumers all items, Washington-Baltimore (Series ID: CUURA311SAO) published as of March of each year, except that if the landlord's Current Year is a fiscal year, then the annual CPI for the Current Year shall be the CPI published in December of the Current Year.
- C. The Base Year shall be established in accordance with Section 4.A of these Administrative Regulations (the "Regulations") and shall serve as the basis for determining whether a fair net operating income has been maintained by the landlord during the Current Year.
- D. The Current Year shall be either the calendar year (January 1 - December 31) or the fiscal year (July 1 - June 30) immediately preceding the date of the filing of the Fair Return Rent Increase Petition (the "Petition").
- E. Fair Return rent increases ("rent increases") approved by the Commission shall be determined as a percentage of the Current Year rents, and each unit in the rental facility

shall be subject to the same percentage increase.

- i. Except as provided in Subsection ii, any rent increase(s) approved by the Commission must be implemented within 12 months of the date of the issuance of the Decision or at the end of the current tenant's lease term, whichever is later, in accordance with Section 6.B of these Regulations.
- ii. If the rent increase for an occupied unit is greater than 15%, the rent increase assessed to the tenant shall be phased-in over a period of more than one year until such time as the full rent increase awarded by the Commission has been taken. Rent increases of more than 15% must be implemented in consecutive years. For example, if a 35% rent increase is awarded, the rent increase must be assessed as follows: 1<sup>st</sup> year - 15%; 2<sup>nd</sup> year - 15%; 3<sup>rd</sup> year - 5%. Rent increases may be taken in addition to those permitted using the Annual Rent Stabilization Allowance as determined by Takoma Park Code Section 6.20.050.
- iii. The implementation of any rent increase awarded by the Commission is governed by the terms of any existing lease. For example, if the tenant has a one year lease, the rent increase must be implemented at the end of the lease term. If the tenant has a month-to-month lease, the rent increase can be implemented with a minimum of two months notice in accordance with Section 6.B herein.
- iv. The landlord shall, upon the award of a rent increase, forfeit any prior rent increases which were permitted but not charged for the unit(s). Prior year rent increases include all capital improvement, hardship and fair return rent increases in addition to all annual rent increases banked as permitted by Takoma Park Code Section 6.20.060.

### **3. Fair Return Rent Increase Petitions**

#### **A. Prerequisites for Fair Return Rent Increase Petition**

- i. The Commission shall not consider the landlord's Petition:
  - a. If the landlord has not owned the rental facility for the entire Current Year;
  - b. If the Commission awarded a rent increase for the rental facility within the 12 months preceding the date of the Petition unless the Petition is justified by exceptional circumstances;
  - c. Until the properly completed Petition Form, two sets of copies of required supporting documentation, and two sets of mailing labels for each rental unit have been filed with the Commission;

- d. When the landlord has not properly registered the rental property with the City of Takoma Park (the “City”) and/or when the landlord has outstanding fees or fines assessed by the Department of Housing and Community Development (the “Department”);
  - e. When the landlord has not filed required rent reports for the three years prior to the filing date of the Petition. The Commission may, at its discretion, waive the above requirement for good cause shown; or
  - f. When the landlord has failed to comply with an order of the Commission concerning any rental unit owned by the landlord in the City. The failure to comply with an order of the Commission shall not constitute a basis to decline to consider the landlord’s Petition if the order has been appealed to the Circuit Court and no decision has been rendered on appeal.
- ii. If the Commission declines to consider the landlord’s Petition, it shall provide a written explanation for its action within ten business days of the decision.

**B. Fair Return Rent Increase Petition Form**

All Petitions shall be filed on the Fair Return Rent Increase Petition Form (the “Petition Form”) provided by the Commission (Form A). All supporting documents required in the Petition Form shall accompany the Petition at the time the Petition is filed.

**4. Standards Used in Determining a Fair Return Rent Increase**

**A. Selection of Base Year and Determination of Base Year Net Operating Income**

- i. If No Prior Hardship or Fair Return Ruling.

If the Commission has not previously made a ruling on a petition for a “hardship” or “fair return” adjustment for the property pursuant to the Takoma Park Code, the landlord shall choose a Base Year from one of the following options. The landlord must have reliable documentation of the rents for the Base Year selected. The Department typically has rent records for properties for 1990 through the present.

- a. 1979

For those rental facilities containing more than four units, the landlord can elect to establish 1979 as the Base Year. When using 1979 as the Base Year, the Base Year net operating income shall be calculated using actual income and expenses documented by the landlord.

b. 1987

For those rental facilities containing four or fewer rental units, the landlord can elect to establish 1987 as the Base Year. When using 1987 as the Base Year, the Base Year net operating income shall be calculated using actual income and expenses documented by the landlord.

c. 1990

The Base Year can be established as 1990, regardless of the size of the rental facility.

1. The Base Year net operating income for 1990 may be calculated using actual income and expenses documented by the landlord, or
2. The base year net operating income may be imputed based on estimated base year operating expenses. In estimating the base year operating expenses, it shall be presumed that each operating expenses increased by the same percentage as the CPI since the base year. However if data, rate information or other sources of cost information indicate that particular operating expenses increases at a different rate, the estimate of the percentage increase in that expense shall be based on the best available data on increases in that type of expense.

d. 2000

The Base Year can be established as 2000, regardless of the size of the rental facility. When using 2000 as the Base Year, the Base Year net operating income shall be calculated using actual income and expenses documented by the landlord.

e. Alternative Base Year

1. When the rental facility has previously been granted an exemption from rent stabilization in accordance with Takoma Park Code Section 6.20.030(A)2 or Section 6.20.030(A)3, or has otherwise not been subject to the City's rent stabilization requirements, the Base Year shall be the first year that the rental facility becomes subject to the requirements of Takoma Park Code, Chapter 6.20.
2. In the event the required information is not available for any of the permitted Base Year options, a landlord may, at the discretion of the Commission, use an alternative year. Such approval must be secured in writing from the Commission prior to the filing of the Petition.

ii. Base Year Net Operating Income if Prior Hardship or Fair Return Ruling

When a prior “hardship” or Fair Return Rent Increase Petition has been filed and a ruling on the requested rent increase has been made by the Commission, the fair net operating income determined by the Commission shall become the Base Year net operating income for the purposes of reviewing subsequent Petitions.

#### B. Adjustment of Base Year Net Operating Income

The Commission, in its review of a Petition, may determine that the Base Year net operating income documented by the landlord yielded other than a fair return, in which case the Base Year net operating income may be adjusted. In order to adjust the Base Year net operating income, the Commission must make at least one of the following findings:

- i. The base year net operating income was abnormally low due to one of the following factors:
  - a. The landlord made substantial capital improvements which were not reflected in the Base Year rents and the landlord did not obtain a rent adjustment for these capital improvements;
  - b. Substantial repairs were made to the rental facility due to exceptional circumstances; or
  - c. Other expenses were unreasonably high, notwithstanding prudent business practice.
- ii. Base Year rents did not reflect market transaction(s), due to one or more of the following types of circumstances:
  - a. There was a special relationship between the landlord and tenant (such as a family relationship) resulting in abnormally low rent charges;
  - b. The rents had not been increased for five years preceding the Base Year;
  - c. The tenant lawfully assumed maintenance responsibilities in exchange for low rent increases or no rent increases; or
  - d. Other special circumstances which establish that the rent was not set as the result of an arms-length transaction.

#### C. Determination of Gross Income

- i. Gross income for both the Base Year and the Current Year includes the total amount

of rental income the landlord could have received if all vacant rental units had been rented for the highest lawful rent for the entire year and if the actual rent assessed to all occupied rental units had been paid. Gross income includes any fees paid by the tenants for services provided by the landlord.

- ii. Gross income does not include income from laundry and vending machines, interest received on security deposits in excess of the amounts required to be refunded to tenants, and other miscellaneous income.

#### D. Determination of Operating Expenses

- i. Allowable operating and maintenance expenses include reasonable expenditures for the following categories of expenses and other reasonable operating costs:
  - a. Utilities paid by the landlord which are not reimbursed by the tenant;
  - b. Administrative expenses such as advertising, legal fees, accounting fees, etc;
  - c. Management fees;
    - 1. Management fees, whether the service is performed by the landlord or the fee is assessed by a professional property management firm, may not exceed 6% of the gross income generated by the rental facility.
    - 2. It shall be presumed that these expenses increased by the percentage increase in the CPI between the Base Year and the Current Year unless there has been a change in the level of management services provided at the rental facility in the interim.
  - d. Payroll;
  - e. Property taxes;
  - f. Licenses, government fees and other assessments;
  - g. Insurance costs;
  - h. Maintenance related materials and labor costs, including self-labor costs: Eligible maintenance related expenses include routinely occurring general maintenance and repair costs related to both inside and outside the building, elevator maintenance, plumbing and electrical service, fire protection and smoke detector servicing, grounds maintenance, plastering and masonry repair, carpentry, painting, heating and/or air conditioning repair, roof repairs and tuck pointing;

- i. Amortized cost of capital improvements;
  - 1. Capital improvements are additions to or the partial replacement of property that add to the value of the rental facility, appreciably lengthen its life or adapt it to a different use, and are required to be depreciated by the Internal Revenue Code.
  - 2. The total cost of all capital improvements, including the interest allowance permitted pursuant to Takoma Park Code Section 6.20.080.B.8(a)v., shall be amortized over the useful life of the improvement.
  - 3. The length of the amortization period shall be determined at the discretion of the Commission. In determining the length of the amortization period, the Commission may consider generally accepted accounting practices, the Internal Revenue Code, and regulations, guidance, and opinions of the Internal Revenue Service.
- j. Self labor expenses;
  - 1. If the landlord or the landlord's family member(s) performs work which does not require a permit under the Montgomery County Code nor the services of a state-licensed contractor, there is a presumption that labor performed by the landlord is unskilled. Such self labor expenses are allowed if documented in accordance with Section 5.B.iii of these Regulations.
    - A. Self labor shall be charged at rates established by the Commission and included with these Regulations as Exhibit A. Said schedule shall be updated by the Commission on an annual basis and adjusted upward by 100% of the CPI.
    - B. Notwithstanding the self labor rates, a landlord may receive a greater or lesser allowance for self labor if it is shown that the hourly rates established are substantially unfair or unreasonable in a particular case.
  - 2. For a landlord to receive compensation for skilled labor, the landlord must provide evidence of experience and skills comparable to specialized workers in the trade for which landlord is claiming reimbursement. If the landlord is licensed in a particular craft, the landlord shall be presumed to be skilled in that craft.
- ii. Ineligible operating and maintenance expenses which may not be included as expenses in either the Base Year or the Current Year:



- a. Any expense for which the landlord has been reimbursed by any security deposit, insurance settlement, judgment for damages, agreed upon payments, or any other method;
- b. Payments made for mortgage or deed of trust expenses, either principal or interest;
- c. Fines resulting from failure to comply with the applicable property maintenance standards set forth in Takoma Park Code Chapter 6.12;
- d. Fines resulting from failure to comply with orders issued by the Commission;
- e. Damages paid to tenants as ordered by the Commission or a court;
- f. Depreciation or other expense items recognized by the federal government but not recognized by the Takoma Park Code;
- g. Late fees or service penalties imposed by utility companies, lenders or other entities providing goods or services to the landlord or the rental facility.
- h. Membership fees in organizations established to influence legislation and regulations, or organizations that attempt to influence legislation in Takoma Park, Montgomery County, or the State of Maryland, regardless of the purpose of the organization;
- i. Contributions to lobbying efforts;
- j. Contributions for legal fees in the prosecution of class-action cases;
- k. Political contributions for candidates for office;
- l. Any expense which the tenant has lawfully paid directly or indirectly;
- m. Attorney's fees charged for services connected with the counseling or litigation related to actions brought by the City due to the landlord's failure to comply with applicable housing regulations of the Takoma Park Code Chapter 6 Housing, as amended. This provision shall apply unless the landlord has prevailed in such an action brought by the City.
- n. Any expense incurred in conjunction with the purchase, sale, or financing of the rental facility, including, but not limited to, loan fees, payments to real estate agents or brokers, appraisals, legal fees, accounting fees, etc.

- o. Any other expense that does not benefit the rental facility, such as, but not limited to, the cost of or forming a corporation, partnership or other entity or buying out a stockholder or partner of the landlord.
  - p. Expenses that are attributable to both the rental facility and any other property shall be allocated between the rental facility and the other property. The documentation of such expenses shall include a statement explaining the allocation and clearly indicating which expenses are being allocated.
- iii. Adjustment of operating and maintenance expenses.

The Commission, in its review of a Petition, may adjust the operating and maintenance expenses for a particular year if it finds that the expense(s) is:

- a. is not representative; or
- b. in the case of Base Year expenses, is not a reasonable representation of average expenditures for that item in the years preceding and following the Base Year; or
- c. in the case of Current Year expenses, is not a reasonable projection of future expenditures for that item, said expense shall be averaged with expense levels for other years or amortized or adjusted by the CPI or some other reasonable methodology in order to establish an expense amount for that item which most reasonably serves the objectives of obtaining a reasonable comparison between the recurring level of the expense(s) in the Base Year and the Current Year.

## **5. Required Supporting Documentation**

- A. The Petition shall include all of the information required by these Regulations, and shall contain adequate documentation for both the Base Year and the Current Year.
- B. The landlord shall supply the following documentation of operating and maintenance expense items for both the Base Year and the Current Year. Documentation of operating and maintenance expenses is not required if 1990 has been selected as the Base Year and the Base Year net operating income is calculated in accordance with Takoma Park Code Section 6.20.080 (B)6.
  - i. Copies of bills, invoices, receipts, or other documents that support all reported expense deductions are required. The Commission reserves the right to inspect the rental facility to verify that identified maintenance has been completed and associated costs are reasonable.

- ii. Copies of time sheets maintained by the landlord in support all self labor charges. The time sheet must include an explanation of the services rendered and the landlord's calculation of the expense. If the landlord is claiming an expense for his/her skilled labor, a statement substantiating the landlord's skill or a copy of the applicable license is required.
- iii. For amortized capital improvement expenses; copies of bills, invoices, receipts, or other documents that support all reported costs are required. The Commission reserves the right to inspect the rental facility to verify that identified capital improvements have been completed and associated costs are reasonable.
- iv. All expense documentation shall be organized in sections by line item on the Petition. An adding machine or other printout or tape of each expense shall be attached to the front of the documentation for each line item. The documents shall be submitted to the Commission in the same order as the corresponding amounts on the printout or tape. The total of the documented expenses for each line item on the printout or tape shall be equal to the amount on the corresponding line on the petition.

C. The landlord may elect to provide as supplemental information, the following:

- i. Federal income tax forms and schedules which relate to the rental facility and which were filed with the landlord's tax return for the tax return year that is closest to the Base Year;
- ii. Federal income tax forms and schedules which relate to the rental facility and which were filed with the landlord's tax return for the tax return year that is closest to the Current Year or any other year which may explain variations in operating expenses;
- iii. Federal income tax forms and schedules which support prior year capital improvements;
- iv. Upon a finding by the Commission that the net operating income calculated using the financial information included on the landlord's tax return for the Base Year is more accurate than the financial information provided on the petition, the Base Year net operating income shall be re-computed using the financial information on the tax return. This decision shall be made at the Commission's discretion.

## **6. Petition Procedures**

### **A. Filing of a Fair Return Rent Increase Petition**

The Petition Form, and one copy of supporting documents, must be filed with the Department, 7500 Maple Avenue, Takoma Park, MD 20912. Electronic and faxed copies of the Petition Form and supporting documents will not be accepted.

## B. Notice of Filing

The Department shall notify each affected tenant of the filing of the Petition within 5 business days of the filing of the Petition, providing each tenant with a copy of the Notice of Filing (Form B), and the Petition (excluding supporting documentation) submitted by the landlord.

## C. Decisions on a Petition

- i. The Rents Analyst, acting on behalf of the Commission, shall review the Petition and supporting documentation and shall issue a decision (the “Decision”) stating the recommended rent increase, if any, to be awarded to the landlord pursuant to the provisions of Takoma Park Code Section 6.20.080.
- ii. A draft of the Decision shall be provided to the landlord. The landlord shall have ten business days from the date of the draft to comment on the draft of the Decision. Comments submitted within the comment period shall be reviewed prior to the issuance of the Decision.
- iii. The Commission shall, in good faith, endeavor to issue the Decision within 90 calendar days of the filing of the Petition. The landlord’s failure to file all necessary documentation or to respond in a timely manner to requests for additional information or supporting documentation may delay the issuance of a Decision.
- iv. The Decision shall be mailed to the landlord by regular first-class mail within three business days of its issuance.
- v. The Decision shall become the final decision of the Commission if no written objections are filed with the Commission within 30 calendar days of the date of service of the Decision on the tenants by the landlord in accordance with Section D of these Regulations.

## D. Required Notice to Tenants

- i. If there is a tenants association representing the tenants residing in the rental facility and registered in accordance with Section 14 of the Administrative Regulations established for Takoma Park Code Section 6.16 Landlord Tenant Relations, the landlord shall distribute by regular first-class mail, a copy of the Decision to the president of the tenants association within five business days of the date of the

landlord's receipt of the Decision.

- ii. The landlord shall distribute to all affected tenants by regular first-class mail, a copy of the Decision and notice of any rent increase awarded by the Commission within five business days of the date of the landlord's receipt of the Decision.
- iii. Notice of any rent increase shall be provided in a form supplied by the Commission and included in these Regulations (Form C).
  - a. Notice of any rent increase shall include a notice of the right to challenge the Decision within 30 calendar days of the date of service of the Decision.
  - b. Notice of any rent increase shall be provided a minimum of two months prior to the date the increase is to take effect. The date the rent increase is to take effect shall be determined in accordance with Section 2.E.iii herein. Such notice period shall run concurrently with the tenant's right to challenge the Decision.
- iv. The landlord shall certify to the Department as to the date of service of the Decision to the tenants association and affected tenants on a form provided by the Commission and included in these Regulations (Form D). The required certification shall be submitted to the Department within ten business days of the date of service.

#### C. Challenges to the Decision

- i. All challenges to the Decision shall be in writing and shall be filed with the Commission within 30 calendar days of the date of service of the Decision on the party challenging the Decision. The party filing the challenge must identify and attach as exhibits, any documents that the party wishes the Commission to consider in ruling on the challenge..
- ii. The Department shall distribute a copy of all challenges filed with the Commission to the landlord and the affected tenants or the president of any registered tenants association within five business days of the end of the 30-day challenge period.

#### D. Ruling on a Challenge

- i. The Commission, represented by a panel of three Commissioners, shall rule on the challenge(s).
- ii. The Commission, at its discretion, may hold a hearing on the challenge(s) to a Decision.
  - a. If the Commission holds a hearing on a challenge(s) to a Decision, the hearing

shall be conducted by a Hearing Panel consisting of three (3) Commissioners. One Commissioner will be appointed the Presiding Commissioner and shall have the authority to conduct the hearing in an equitable and expeditious manner, to regulate the course of the hearing, and to maintain order in accordance with the Administrative Regulations established for Takoma Park Code Section 6.24, Commission on Landlord and Tenant Affairs. Said regulations shall be provided upon request and made available on-line at <http://www.takomaparkmd.gov>.

- b. Evidence and testimony presented at the hearing must be relevant to the challenge(s) filed in writing with the Commission. Parties may not present any documents that were not attached as exhibits to their written challenge or submitted to the Commission prior to the issuance of the Decision.
- iii. The Commission shall state its findings of fact and conclusions of law in a written Opinion and Order, which shall constitute the final decision of the Commission.
- a. The Commission may, at its discretion, retroactively increase or decrease the rent for each unit. The landlord may be required to refund any overpayment made by the tenants prior to the issuance of the Opinion and Order or require the tenants to pay additional rent to compensate the landlord for any subsequent underpayment.
  - b. The Commission's Opinion and Order shall be prepared in accordance with the Administrative Regulations established for Takoma Park Code Section 6.24, Commission on Landlord and Tenant Affairs.
  - c. The Commission shall provide the landlord with a copy of the Opinion and Order.
  - d. The Landlord shall, by regular first-class mail, provide affected tenants and the president of any registered tenants association with a copy of the Commission's Opinion and Order within five business days of the date of the landlord's receipt of the issuance of the Opinion and Order.
  - e. The landlord shall certify to the Department as to the date of service of the Opinion and Order on a form provided by the Commission and included in these Regulations (Form D). The required certification shall be submitted to the Department within ten business days of the date of service.

**SELF LABOR RATES (HOURLY)**

<b>Year</b>	<b>Unskilled</b>	<b>Skilled</b>	<b>Year</b>	<b>Unskilled</b>	<b>Skilled</b>
1979	\$6.00	\$10.00	1997	\$14.81	\$26.21
1980	\$7.00	\$11.00	1998	\$14.97	\$26.50
1981	\$7.00	\$12.00	1999	\$15.27	\$27.00
1982	\$8.00	\$13.00	2000	\$15.96	\$28.22
1983	\$9.00	\$14.00	2001	\$16.68	\$29.48
1984	\$9.00	\$15.00	2002	\$17.43	\$30.81
1985	\$9.00	\$15.00	2003	\$18.21	\$32.20
1986	\$10.00	\$16.00	2004	\$19.03	\$33.65
1987	\$10.00	\$16.00	2005	\$19.89	\$35.16
1988	\$10.00	\$16.00	2006	\$20.78	\$36.74
1989	\$12.00	\$20.00	2007	\$21.72	\$38.40
1990	\$12.00	\$20.00	2008	\$22.75	\$40.22
1991	\$13.00	\$23.00	2009	\$23.82	\$42.11
1992	\$13.33	\$23.57	2010	\$24.37	\$43.08
1993	\$13.75	\$24.33	2011	\$24.37	\$44.07
1994	\$14.03	\$24.82	2012	\$25.68	\$45.39
1995	\$14.31	\$25.32	2013	\$26.27	\$46.66
1996	\$14.69	\$25.99	2014	\$26.64	\$47.31

Labor rates for future years shall be increased by a corresponding increase in the Consumer Price Index.

**WORKSHEET**  
**Calculation of Allowable Rent Adjustment**  
 For Illustrative Purposes Only

<b>Step 1</b>	<b>Calculation of Base Year Net Operating Income (NOI)</b>	
a.	Total Gross Income in Base Year (F7)	
b.	Total Operating Expenses in Base Year (G26)	
c.	Net Operating Income in Base Year (F7-G26)	
<b>Step 2</b>	<b>Calculation of Current Year Net Operating Income (NOI)</b>	
d.	Total Gross Income in Current Year (F7)	
e.	Total Operating Expenses in Current Year (G26)	
f.	Net Operating Income in Current Year (F7-G26)	
<b>Step 3</b>	<b>Calculation of Fair Net Operating Income (FNOI)</b>	
	<b>If 1990 is used as the base year</b>	
g.	FNOI = Base Year NOI x 1.42 x (current CPI/133.5)	
	(for example if current CPI=140, then FNOI = \$100,000 x 1.42 x (140/133.5) = \$148,914)	
	<b>If 2000 is used as the base year</b>	
h.	FNOI = Base Year NOI x 1.17 x (current CPI/133.5)	
	<b>If 1979 is used as the base year</b>	
i.	FNOI = Base Year NOI x 2.35 x (current CPI/133.5)	
	<b>If 1987 is used as the base year</b>	
j.	FNOI = Base Year NOI x 1.61 x (current CPI/133.5)	
	<b>If a different year is proposed as base year contact staff for calculation of NOI adjustment over base year</b>	
<b>Step 4</b>	<b>Calculation of Allowable Rent Increase</b>	
k.	Allowable Increase = Fair Net Operating Income – Current NOI	
l.	Allowable Increase/Unit/Month = Allowable Increase For Whole Property/No. of Units/12	

CPI – Consumer Price Index-All Urban Consumers-All Items-Washington-Baltimore (Nov. 1996=100) (Series ID: CUURA311SAO) available on the website of the Bureau of Labor Statistics or by telephone automated faxback of CPI charts (see attached). If in Part D of the Fair Return application, you chose calendar year, use the “annual” CPI. If you chose fiscal year, use the “November” CPI.

Revised 6/2014