

City of Rockville
MDPU Resale Pricing During the Control Period
Calculating Credits for Home Improvements to MPDUs - 10% Limit
For all MPDUs with 30 Year Controls

This information sheet is a guide to how home improvements are calculated in the MPDU program. When an MPDU is resold before the control period expires, the MPDU Maximum Resale Price is calculated by the adding to the owner's initial purchase price an allowance for the increase in inflation from the date the owner purchased the property, and a credit for allowable improvements. When requesting an approved MPDU Control Price for resale, an MPDU owner should refer to this guide.

The total amount of credit an owner can claim for improvements for an MPDU during the control period is limited to 10% of the owner's MPDU purchase price. For example, if owners purchased their MPDU for a contract sales price of \$150,000, then up to \$15,000 can be approved for improvements for their MPDU. An owner can make additional improvements, but only up to 10% will be credited toward an approved resale price. This 10% limit will be strictly enforced and will not be waived.

The MPDU program will calculate the value of improvements made to the MPDU unit between when the owner purchased the property and when the owner put the MPDU on the market to sell, and add this amount to the base MPDU price, up to the 10% limit. Improvements must be permanent in nature and clearly add to the market value of the house or property. Normal owner maintenance, general repair work, and decorative items or work will not be included in the resale price or shared profit determination.

The value of the improvements is based on documentation submitted by the MPDU owner, and is the total of the actual and reasonable costs of materials, professional fees, contractor's costs, and permit fees associated with furnishing and installing improvements. The MPDU Program will not include reimbursement for the value of labor performed by the owner, or for the purchase of tools and equipment used by the owner to install the improvements.

Please note that where there is evidence of physical deterioration, abnormal wear and tear, or obsolescence because of neglect, abuse, or insufficient maintenance, the value allowed for the improvements may be reduced to account for the depreciation of the improvements. The MPDU Program reserves the right to inspect the MPDU to verify the existence and value of any improvements that are being claimed by the owner.

Acceptable Documentation

The following documentation is acceptable as proof of payment for improvements made: store receipts, cancelled checks with documentation showing the items(s) purchased or the work performed, ratified two-party contracts, signed company invoices, a copy of credit card statement if it details the item(s) purchased (please highlight the item service for which credit is claimed). The MPDU Program will reject any documentation that does not meet these requirements.

Other documents are not valid, such as photographs, proposals, estimates, invoices that do not show payment, documents that are not readable, or checks that are not cancelled. If the MPDU owners pays with cash, the contractor must give the owner a cash receipt. Credit is NOT given for an owner's labor on improvements.

SECTION A IMPROVEMENTS ALLOWED

MPDU owners are advised to check with the MPDU Office if they have a question on the eligibility of an improvement prior to its installation to find out if the improvement will be credited. MPDU owners must save all receipts for improvements and submit copies of the receipts to the MPDU Office with the MPDU owner's written request for a resale price. Receipts provided must be readable and must show that the improvements have been paid for; proposals for work to be done are not acceptable verification that payment has been made to the contractor. The receipts must list the work done and must break out the costs for each item. Owners must submit a copy of the building permit for all improvements requiring permits.

The following improvements are normally considered to be of a permanent nature:

1. Completion of unfinished areas into finished living areas. This type of work normally requires a building permit.
2. Dishwashers, disposals, microwaves, washers, dryers, and other built-in appliances
3. Timer thermostat for heating/air conditioning systems—depreciation
4. Patios, porches and decks (requires a building permit)—depreciation
5. Perimeter fencing of yards (may require a building permit)—depreciation
6. Installation of tile or hardwood flooring in areas that were previously carpeted—depreciation
7. Replacement of vinyl countertops with more durable materials, such as granite—depreciation
8. Replacement of existing heating and air conditioning systems—depreciation
9. Replacement of water heater—depreciation
10. Handicapped accessibility improvements (not subject to 10% limit)

SECTION B

IMPROVEMENTS NOT ELIGIBLE FOR CREDIT

The following items are normally considered to be non-permanent, or cosmetic improvements, and will not add to the resale price of an MPDU. Credit also is not given for work or materials that are considered part of routine maintenance of the MPDU, are an owner's personal preference, or for luxury items. The list below shows improvements for which credit will not be given. Staff will also deny requests for other luxury, cosmetic, or non-permanent items. Credit is NOT given for an owner's labor on improvements.

1. Interior and exterior painting
2. Additional or replacement light fixtures
3. Doorbell chimes, knockers, peepholes, house numbers
4. Closet organizers and shelving (permanently attached or removable)
5. Wallpaper or paneling on previously finished walls or ceilings
6. Substitution of towel racks and other bathroom accessories
7. Siding maintenance/replacement
8. Routine maintenance, including:
 - o replacing or repairing existing kitchen cabinets and bathroom vanities
 - o repairing or replacing windows, doors, roof
 - o repairing or replacing existing fixtures such as cabinets, toilets and sinks
9. Conversion of existing living area to another use (for example, conversion of a bedroom to a recreational room). Credit will not be given for converting a garage to living space and owners must check with their homeowner's association before starting this type of work
10. Portable fixtures such as humidifiers, countertop microwaves, heaters, or window air conditioners
11. Security systems
12. Ceiling fans
13. Repairing or replacing existing carpet
14. Repair of an existing fence around the yard
15. Storage sheds
16. Landscaping
17. Improvements without receipts or with back up documentation that is not specific or does not provide a line item description. For example, credit will not be given if the receipt simply states, "Bathroom remodel."

This list may get updated from time to time.