

Senate Bill 563 – Support
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Senate Judicial Proceedings Committee

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**Maryland Legal Aid’s Testimony in Support of Senate Bill (SB) 563 -
Real Property - Actions to Repossess - Judgment for Tenants and
Proof of Rental License**

Dear Chair Smith, Vice Chair Waldstreicher, and Members of the
Committee:

Maryland Legal Aid urges a favorable report on SB 563. Maryland Legal Aid (MLA) is a non-profit law firm that provides free legal services to the State’s low-income and vulnerable residents. MLA’s 12 offices serve residents in each of Maryland’s 24 jurisdictions. MLA handles various civil legal matters, including family law, housing, public benefits, consumer law (e.g., bankruptcy and debt collection), and criminal record expungements to remove barriers to obtaining child custody, housing, a driver’s license, and employment.

SB 563 will require landlords to demonstrate their compliance with applicable licensing requirements before seeking the benefit of the Real Property Article’s expedited procedures to evict or recover money from tenants. MLA believes that landlords should comply with the law before seeking the benefit of the law.

MLA views SB 563 as being consistent with the long-standing principle of Maryland law that a contract made by a person required by law to be licensed for the protection of the public, but who fails to obtain the license, is an illegal contract that the unlicensed person cannot enforce. In this written testimony, this principle is referred to as the *McDaniel* principle, after *McDaniel v. Baranowski*, 419 Md. 560 (2011), a case applying the principle in the landlord/tenant context.

The bill would apply the *McDaniel* principle to sections 8-401 (failure to pay rent), 8-402(tenant holding over), and 8-402.1(breach of lease) of the

Real Property Article by requiring a landlord to be licensed before it seeks to enforce its lease under those sections. The Court of Appeals has already applied the principle to failure to pay rent cases in *McDaniel v. Baranowski*, but in a recent case, the court declined to extend the principle to tenant holding over claims on legal grounds that do not bear on the compelling policy consideration that supports SB 563.

The policy consideration to extend the *McDaniel* principle to tenant holding over cases and to breach of lease cases is that unlicensed landlords use those types of cases as an end-run around the *McDaniel v. Baranowski* rule that prohibits them from suing in “rent court,” where failure to pay rent cases are heard. Instead of obtaining a license to proceed in rent court, unlicensed landlords evict tenants by bringing tenant holding over or breach of lease cases. Consequently, the purpose of requiring a landlord to be licensed is defeated. Instead of bringing its rental property up to code to obtain a license, the unlicensed landlord can continue in business, in violation of the licensure laws, by evicting tenants under the tenant holding over or breach of lease statutes and then re-renting the unlicensed premises.

This is not a hypothetical problem. MLA advocates have seen a prominent unlicensed Baltimore landlord use the tenant holding over statute as an end-run around the prohibition against using the failure to pay rent statute. The owner of the CopyCat Building, an unlicensed 58 unit-building of rental lofts in Baltimore City, announced to its tenants on June 15, 2020, that “we use Tenant Holding Over Court, and our mortgage is NOT federally funded.” This landlord made good on the threat to use “Tenant Holding Over Court” to evict tenants, and in that fashion, has stayed in business as an unlicensed landlord even while failing to make the improvements necessary to obtain a license. CopyCat has not held a rental license since at least December 15, 2019, when Baltimore City issued it a citation and a \$1,000 fine for failing to have the required rental license, yet CopyCat continues to rent units, without a license, to this day. This is unfair both to CopyCat’s tenants and to law-abiding landlords who spend the money necessary to maintain their properties up to code.

SB 563 would end this practice, which is not unique to the CopyCat Building. This bill is necessary to stop unlicensed landlords, like CopyCat, from operating in violation of the law rather than complying with the licensing requirements intended to protect the health and safety of their tenants. The bill closes a loophole exploited by landlords to avoid the very purpose of the licensing requirements – to bring rental properties up to code. This bill is necessary to protect the many low-income Marylanders who rent from such landlords.

For these reasons, MLA respectfully asks that the Committee give SB 563 a favorable report.

/S/
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