

HB0751-ET_MACo_SUP.pdf

Uploaded by: Kevin Kinnally

Position: FAV



House Bill 751

Sale of Residential Real Property - Offers to Purchase and Transfer Tax

MACo Position: **SUPPORT**

To: Environment and Transportation and
Ways & Means Committees

Date: February 20, 2024

From: Kevin Kinnally

The Maryland Association of Counties (MACo) **SUPPORTS** HB 751. This bill creates a process to enable local buyers to purchase properties to become owner occupied, before the sale becomes available to other actors who may seek to purchase the property for other uses. It also creates a tax disincentive for residential properties that are converted to a use other than owner-occupied residence.

Private equity and hedge funds are driving up housing prices. While convoluted ownership through investors' use of limited liability companies makes it challenging to determine precisely how much of the market they control, a recent study by MetLife Investment Management found that institutional investors could control 40% of single-family rental homes by 2030. While there is no one silver bullet to address the affordable housing crisis, this bill levels the playing field and expands access to affordable housing for Marylanders who live and work in our communities.

Advancing comprehensive housing solutions is a 2024 MACo Legislative Initiative. While there are no simple solutions to a vexing issue like affordable housing, addressing challenges like workforce, financing, interest rates, supply chain issues, and significant out-of-state corporate interests requires a multi-pronged approach from federal, state, and local policymakers.

HB 751 addresses a primary concern for Maryland's housing market: significant competition from corporate investors treating housing stock as a short-term, high-yield investment vehicle. Increasingly, out-of-state firms are buying up large swaths of housing stock as soon as it hits the market, intending to flip the properties for profit or become corporate landlords.

The bill imposes two commonsense guardrails to curb this pervasive practice. First, the bill imposes a limited "preference period" for owner-occupied purchasers. Second, the bill raises the state transfer tax rate to 15% for sales of owner-occupied property to real estate enterprises. Both tools can increase housing stock and boost affordability for our shared constituents.

Accordingly, MACo urges the Committee to issue a **FAVORABLE** report on HB 751.

[2024 - 02.20] HB751 Sale of Residential Real Prop

Uploaded by: Marlon Amprey

Position: FAV

MARLON AMPREY
Legislative District 40
Baltimore City

DEPUTY MAJORITY WHIP

Economic Matters Committee



The Maryland House of Delegates
6 Bladen Street, Room 315
Annapolis, Maryland 21401
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THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

February 20, 2024

Testimony of Delegate Marlon Amprey in support of HB 751 Sale of Residential Real Property - Offers to Purchase and Transfer Tax

Dear Chair Korman, Vice Chair Boyce and members of the Environment and Transportation Committee,

House Bill 751 focuses on:

Companies that are frequently supported by foreign investors have been buying an increasing number of properties in Maryland and around the nation in recent years. In October 2022, The Baltimore Sun revealed that twice as many city home sales as three years prior—more than a third of all transactions—were purchased by investors in the first half of 2022. This practice has three detrimental effects: first, it makes it more difficult for local families and individuals to purchase properties and amass wealth; second, it transfers the rental market to large, distant landlords who are more likely to foreclose on tenants and show less concern for their needs; and third, it raises the market prices for single-family homes in these areas.

Corporations, pension funds, and property investment groups have nearly endless reserves of money at their disposal, allowing them to pay 20-50% more than the asking price for single-family homes and flip these newly acquired properties into morbidly overpriced rentals.¹ The Sun reports that the median home sales price increased from \$42,000 to \$72,000 from 2019 to 2022. Further data provided by the Sun shows that this trend is disproportionately affecting Black neighborhoods. In some predominantly Black neighborhoods such as Broadway East in East Baltimore, Carrollton Ridge in the Southwest, and West Baltimore's Harlem Park, three out of every five homes sold since 2019 have been bought by investors.² These neighborhoods have been targeted by out-of-state and foreign investors due to their relatively low purchase prices.

HB 751 will require a person who offers certain residential real property for sale to a third party, for the first 30 days, to accept only an offer to purchase the property

made by an individual, a community development organization, a nonprofit organization, or a real estate enterprise that owns an interest in less than 3% of all residential real property located within the county in which the property is located. Additionally, a transfer tax of 15% will be applied to any real estate enterprise or subsidiary of a real estate enterprise that has an ownership interest in residential real property in the State with a total assessed value exceeding \$12,000,000, or an ownership interest in more than 120 single-family residential real properties.

This bill is a reasonable measure to ensure that all individuals and families have an opportunity to purchase real estate at an affordable price. The bill will not stifle development, as it is only a 30-day period that will give a benefit to those who don't have the same means as large investment companies. Likewise, those large investment companies will be able to afford a slightly larger transfer tax if they wish to do business in the state.

We must take it into our hands as legislators to protect all Marylanders from this alarming trend. Affordable housing and homeownership for our communities must be prioritized over foreign investors that only see dollar signs in our neighborhoods. With HB 751 we have a chance to take the first step towards halting the progress of these investors' conquests and providing our young families a precious line of defense for their pursuit of social mobility.

For these reasons, I urge a favorable report on House Bill 751.

Respectfully,

A handwritten signature in black ink, appearing to read "Marlon Amprey". The signature is fluid and cursive, with the first name "Marlon" and last name "Amprey" clearly distinguishable.

Delegate Marlon Amprey
40th Legislative District of Maryland

HB 751 - Transfer Tax - UNF - REALTORS.pdf

Uploaded by: Lisa May

Position: UNF



House Bill 751 – Sales of Residential Real Property – Offers to Purchase and Transfer Tax

Position: Oppose

While Maryland REALTORS® has concerns over the uptick in institutional real estate investors in the marketplace, several of the provisions of HB 751 would have negative impacts on the buying and selling of real estate and on home sellers.

REALTORS® do not believe that a home seller, agent, or title company will be able to determine whether a purchaser is or is not an institutional investor during the short window of a typical sales transaction. For instance, an institutional investor in Atlanta held several thousand properties under 80 different LLCs. Tracing the members of multiple LLCs which may have overlapping members is beyond the reach of those individuals.

The 30-day lockout and transfer tax provisions in the bill are also problematic for current Maryland homeowners. An offer from an institutional investor may be the best – or only – option a seller receives, depending on current market conditions or the condition of the property being sold. Also, because transfer taxes are typically split between buyers and sellers, Maryland residents would also be subject to the financial penalties in this bill.

An alternative to this approach was introduced at the federal level in 2022. **S. 5151, the “End Hedge Fund Control of American Homes Act,”** would have established a uniform cap on the number of properties that hedge funds and private equity investors may own without incurring annual tax penalties. Revenues collected would be used to provide down-payment assistance to first-time homebuyers.

Maryland REALTORS® sees this as a far better approach. It takes individual sellers, agents, and title companies out of the process for determining who is and who is not an institutional investor. In addition, any financial penalties are levied solely on the investor, without impacting the pace of real estate sales or the proceeds a seller receives.

REALTORS® support efforts to level the playing field between individual and institutional buyers in the market, but must oppose the approach outlined in HB 751. We look forward to continued discussions with the sponsor on alternative approaches to the issue.

For more information contact
lisa.may@mdrealtor.org or christa.mcgee@mdrealtor.org

MBIA Letter of Opposition HB 751.pdf

Uploaded by: Lori Graf

Position: UNF

February 20, 2024

The Honorable Marc Korman
Environment & Transportation Committee
House Office Building, Room 251,
6 Bladen St., Annapolis, MD, 21401

RE: HB 751- Sale of Residential Real Property- Offers to Purchase and Transfer Tax

Dear Chairman Korman:

The Maryland Building Industry Association, representing 100,000 employees statewide, appreciates the opportunity to participate in the discussion surrounding **HB 751 - Sales of Residential Real Property – Offers to Purchase and Transfer Tax**. MBIA **Opposes** the Act in its current version.

This bill would limit the potential purchasers for a home on the market to buyers that own less than 10% of the total local real estate market for 30 days. The bill would also establish a transfer tax on large real estate holders in the amount of 15% of the consideration. MBIA respectfully opposes this measure. The establishment of a transfer tax on large scale real-estate holdings is an unfair tax that would raise the cost of buying homes for individual purchasers. These taxes will be priced into the cost of any homes for sale driving up costs to individual consumers and making houses less accessible across the state of Maryland.

While we encourage home ownership, there is a market, specifically in Maryland, for those that do not want the transactional cost of owning a home. MBIA members are providing housing to those that may want this type of product and should not be penalized for this. We understand the concern about out of state investors, but should not be penalized for building a product that the market supports. We need to continue to incentivize investment in the State of Maryland. We have a housing shortage in the state of Maryland. This is a step backward in making sure we encourage investment and supply of housing in the State.

For these reasons, MBIA respectfully requests the Committee give this measure an unfavorable report. Thank you for your consideration

For more information about this position, please contact Lori Graf at 410-800-7327 or lgraf@marylandbuilders.org.

cc: Members of the House Environment & Transportation Committee

MLTA HB 751 written testimony [unfavorable].pdf

Uploaded by: Mark Glazer

Position: UNF



1783 Forest Drive, Suite 305, Annapolis, MD 21401 | (443) 620-4408 ph. | (443) 458-9437 fax

To: Members of the House Environment and Transportation Committee
From: MLTA Legislative Committee
Date: February 16, 2024 [Hearing date: February 20, 2024]
Subject: **House Bill 0751** – Sale of Residential Real Property – Offers to Purchase and Transfer Tax
Position: **Unfavorable**

The Maryland Land Title Association (MLTA) asks that you return an **unfavorable recommendation for House Bill 0751** – Sale of Residential Real Property – Offers to Purchase and Transfer Tax.

While MLTA is sympathetic to the policy goals of this bill to help keep single family housing affordable and available, MLTA respectfully asserts that this bill is not an effective way to achieve these goals.

This bill would prohibit a person who offers a single-family residential real property for sale to a third party from accepting an offer to purchase the property from an individual or entity that owns an interest in more than 3% of all residential real property located within the county in which the property is located for the first 30 days of the sale period. There is no mechanism in the bill, nor can MLTA imagine one, in which a seller of real property is going to be able to make the determination of who is and who is not a prohibited purchaser in the initial 30 days. This is patently unfair to sellers.

The members of the Maryland Land Title Association urge an unfavorable report on HB 0751.

HB0751 - Sale of Residential Property - Offers to

Uploaded by: Tom Ballentine

Position: UNF



February 12, 2024

The Honorable Marc Korman, Chair
House Environment and Transportation Committee
House Office Building, Room 251
6 Bladen St., Annapolis, MD 21401

Oppose: HB 751 – Sales of Real Property – Offers to Purchase and Transfer Tax

Dear, Chair Korman and Committee Members:

On behalf of the NAIOP Maryland Chapters representing 700 companies involved in all aspects of commercial, industrial, and mixed-use real estate I am writing to oppose HB 751.

The rationale for NAIOP's position is based on the following:

- HB 751 would impose a transfer tax rate of 15% on purchases of single-family homes by entities that have an ownership interest in residential real estate assessed at over \$12 million.
- While the intent of the bill may be to prevent single-family homes going into large scale rental programs, the bill does not specify the purpose of the purchases that would trigger the 15% transfer tax.
- This poses a problem because it would significantly increase the transfer tax paid by real estate enterprises that are purchasing undervalued or vacant single-family homes as part of redevelopment activities.

For these reasons, NAIOP respectfully requests your favorable report on HB 751.

Sincerely,

A handwritten signature in blue ink that reads "T.M. Ballentine". The signature is written in a cursive style.

Tom Ballentine, Vice President for Policy
NAIOP – Maryland Chapters, *The Association for Commercial Real Estate*

cc: Environment and Transportation Committee Members
Nick Manis – Manis, Canning Assoc.

HB 751 [Opposition 2024].pdf

Uploaded by: William O'Connell

Position: UNF



Real Property Section

To: Environment and Transportation (House)

From: Legislative Committee of the Real Property Section Counsel

Date: February 16, 2024 [Hearing Date February 20, 2024]

Subject: **HB751 -- Sale of Residential Real Property - Offers to Purchase and Transfer Tax**

Position: **Opposed**

The Real Property Section Counsel of the Maryland State Bar Association (MSBA) **opposes House Bill 751 – Sale of Residential Real Property - Offers to Purchase and Transfer Tax.**

This bill would limit the potential purchasers for a home on the market to buyers that own less than 3% of the total local real estate market for 30 days. The bill would also establish a transfer tax on large real estate holders in the amount of 15% of the consideration. At the outset, it would appear that the bill seeks to create an unlawful and unconstitutional taking by the government without just compensation.

In addition, the bill is exceptionally broad in its scope. How would one know that an offer to purchase is one that cannot be accepted within the first 30 days “a person offers a property for sale”. When does the 30 days begin to run? When the property is listed with a broker? When a posting is made on Craig’s List or Facebook? What happens if a prohibited offer is accepted?

Finally, increasing transfer taxes just make purchasing real property more difficult as it raises the bar to entry. Maryland already has one of the highest cost barriers to entry in the nation.

For these reasons, the Real Property Section Counsel of the MSBA **opposes HB 751** and asks for an **unfavorable report**. Thank you for your consideration.