

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 872 (Delegate Stewart)

Environment and Transportation

Judicial Proceedings

Residential Real Property - Tenants' Right of First Refusal

This bill clarifies the circumstances under which liability for the failure to comply with existing statutory requirements relating to a tenant's right of first refusal to purchase a residential property is restricted to the owner of the property and does not attach to the property.

Fiscal Summary

State Effect: The bill does not affect State finances or operations.

Local Effect: The bill does not affect local government finances or operations.

Small Business Effect: None.

Analysis

Bill Summary/Current Law:

Tenant's Right First Refusal – Generally

Chapter 124 of 2024, among other provisions, establishes a right of first refusal for tenants. Generally, subject to limitations on applicability, before a voluntary transfer of title to a residential rental property may occur, any tenant or group of tenants of the property must have the right of first refusal to purchase the property. The right of a third party to purchase any residential rental property to which the Act applies is subject to the exercise of the right of first refusal by a tenant or group of tenants.

Tenants have the right of first refusal to purchase a residential rental property if the property owner (1) intends to accept a third-party purchase offer for an amount that is at least 10% lower than the lowest price offered to the tenant during an exclusive negotiation period, or (2) receives a third-party offer without public notice. If a third party delivers an offer to purchase to the owner, the owner must notify the third party of a tenant's right of first refusal.

If the owner receives an offer to purchase the property from a third party under either of the aforementioned circumstances, the owner is prohibited from accepting the offer until (1) the owner provides written notice to the tenant of the tenant's right of first refusal and (2) the tenant has an opportunity to exercise the right of first refusal within 30 days after receipt of the notice.

Within 30 days after receipt of the notice, the tenant may deliver to the owner a written offer to purchase the property. If a tenant delivers an offer to purchase at the same sales price as the offer from the third party, the owner must accept the offer from the tenant and notify the Office of Tenant and Landlord Affairs (OTLA) within the Department of Housing and Community Development. If more than one tenant or group of tenants delivers a timely offer to purchase the property, the owner may select the more favorable offer without liability to any other tenant.

If the owner accepts the tenant's offer to purchase but the contract is terminated before settlement, the tenant's right of first refusal is waived and the owner must notify OTLA. If a tenant does not deliver an offer to purchase, (1) the owner may accept the third-party offer; (2) the tenant's right of first refusal is considered waived; and (3) the owner must notify OTLA.

An owner who violates these requirements is subject to a maximum fine of \$1,000 per violation. After closing on a contract of sale between an owner and a *tenant* (the bill alters this provision to clarify the closing of a contract between an owner and a *third party*), liability for failure to comply with the Act is restricted to the owner and may not attach to the residential rental property that is the subject of the contract.

Tenant's Right of First Refusal – Applicability

A tenant's right of first refusal does not apply to the following circumstances:

- transfer of title to a family member of the owner;
- transfer of title to a business entity wholly owned by the owner;
- transfer of title through a court order (including foreclosure, tax sale, sale by court-appointed trustee, etc.);

- transfer by a fiduciary in the course of the administration of a decedent's estate, guardianship, conservatorship, or trust;
- transfer of title through a will, trust instrument, or inheritance;
- transfer of bare legal title into a revocable trust, as specified;
- transfer of title to the State or a local government;
- transfer of title in lieu of foreclosure of a mortgage or deed of trust;
- transfer of title through a court order, receivership, or court-approved settlement;
- transfer of title through a bankruptcy court order or sale by a bankruptcy trustee or debtor in possession;
- gift transfer of title to a tax-exempt nonprofit organization, as specified; or
- transfer of title by a public housing authority.

Additional Comments: For more information on OTLA and the Right to First Refusal Portal – See the OTLA's [web page](#).

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: SB 606 (Senator West) - Judicial Proceedings.

Information Source(s): Judiciary (Administrative Office of the Courts); Department of Housing and Community Development; Department of Legislative Services

Fiscal Note History: First Reader - February 7, 2025
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