

Article - Real Property

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§8–119.

(a) (1) In this section the following words have the meanings indicated.

(2) “Family member” means a spouse, former spouse, domestic partner, former domestic partner, child, stepchild, parent, stepparent, sibling, stepsibling, son-in-law, daughter-in-law, stepson-in-law, stepdaughter-in-law, parent-in-law, stepparent-in-law, grandparent, stepgrandparent, grandchild, or stepgrandchild.

(3) (i) “Material terms” means essential terms for the sale of a residential rental property that meet the requirements in subsection (d) of this section.

(ii) “Material terms” includes the sales price, settlement date, and other contingencies.

(4) “Offer to purchase” means a good faith offer for the purchase of a residential rental property for a price that a willing buyer would pay to a willing seller in an arm’s length transaction, with neither party under any compulsion to buy or sell.

(5) “Residential rental property” means a tenant-occupied rental property for residential use with three or fewer individual dwelling units.

(6) “Secretary” means the Secretary of Housing and Community Development.

(7) “Tenant” means an individual who has occupied a residential rental property for at least 6 months and who is a named lessee in the written lease.

(8) “Tenant’s exclusive negotiation period” means the period of time after a tenant is notified about the tenant’s right to purchase the residential rental property during which the tenant may negotiate exclusively with the owner to enter into a contract of sale.

(b) This section does not apply to:

(1) A transfer of title to a family member of the owner;

- (2) A transfer of title to a business entity wholly owned by the owner;
 - (3) A transfer of title through a court order, including a court order foreclosing the right of redemption, a tax sale, or a sale by foreclosure, partition, or by a court-appointed trustee;
 - (4) A transfer by a fiduciary in the course of the administration of a decedent's estate, guardianship, conservatorship, or trust;
 - (5) A transfer of title through a testamentary document, a trust instrument, or inheritance;
 - (6) A transfer of bare legal title into a revocable trust, without actual consideration for the transfer, if the transferor is the current beneficiary of the trust;
 - (7) A transfer of title to the State or a local government;
 - (8) A transfer of title in lieu of foreclosure of a mortgage or deed of trust;
 - (9) A transfer of title through a court order, receivership, or court-approved settlement;
 - (10) A transfer of title through the order of a bankruptcy court or sale by a bankruptcy trustee or debtor in possession;
 - (11) A gift transfer of title to any nonprofit organization exempt from taxation under § 501(c)(3) of the Internal Revenue Code;
 - (12) A transfer of title by a public housing authority; or
 - (13) A residential rental property with four or more individual dwelling units.
- (c) (1) Before a residential rental property may be offered for sale to the public or a third party, including through a listing for sale, the owner of the property shall send each tenant a written notice of the tenant's right to deliver an offer to purchase the property.
- (2) The written notice required under paragraph (1) of this subsection shall:
- (i) Be in the form specified in regulations adopted by the Secretary;

(ii) Be delivered by:

1. First class mail with a certificate of mailing; or
2. A delivery service providing delivery tracking and confirmation;

(iii) Contain material terms that the owner would agree to incorporate in a resulting contract of sale with the tenant;

(iv) State, in a conspicuous manner, that the notice is a solicitation of an offer to purchase and is not intended as and may not be construed as a binding contract of sale; and

(v) State any information regarding deadlines for the tenant to submit an offer to purchase, including the duration of the tenant's exclusive negotiation period.

(3) The owner shall send a copy of the notice required under paragraph (1) of this subsection to the Office of Tenant and Landlord Affairs in accordance with regulations established by the Secretary.

(4) (i) Within 30 days after the landlord delivers the notice under paragraph (1) of this subsection, the tenant may deliver to the owner a written offer to purchase the property.

(ii) Within 5 days after the owner receives the offer to purchase the property from the tenant, the owner shall:

1. If the offer contains the same or more favorable material terms as those contained in the notice, accept the offer and notify the Office of Tenant and Landlord Affairs; or

2. If the offer contains material terms that deviate from the terms of the notice, deliver a counteroffer to the tenant with an explanation of how the offer deviates from the notice.

(iii) 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.

(iv) 1. A tenant or group of tenants may affirmatively decline an offer of sale by an owner at any time before an offer of purchase is required to be delivered to the owner under subparagraph (i) of this paragraph.

2. A landlord that receives notice from a tenant or group of tenants under subparagraph 1 of this subparagraph may offer the property for sale.

(5) (i) Within 5 days after the tenant receives a counteroffer from the owner under paragraph (4)(ii)2 of this subsection, the tenant may:

1. Accept the counteroffer; or
2. Reject the counteroffer.

(ii) If the tenant fails to respond to the counteroffer within 5 days after receipt of the counteroffer, the counteroffer is deemed to be rejected and the owner shall notify the Office of Tenant and Landlord Affairs.

(6) A tenant's right of first refusal under subsection (d) of this section is terminated and the owner shall notify the Office of Tenant and Landlord Affairs if the tenant does not:

(i) Deliver an offer to purchase in accordance with paragraph (3) of this subsection; or

(ii) Accept a counteroffer in accordance with paragraph (4) of this subsection.

(7) Material terms for the purchase of a residential rental property under this subsection:

(i) Shall be commercially reasonable and made in good faith, and shall adhere to generally accepted residential real estate practices; and

(ii) May not include restrictions on financing methods or the right of inspection.

(d) (1) (i) Before a voluntary transfer of title to a residential rental property may occur, any tenant or group of tenants of the property, as applicable, shall have the right of first refusal to purchase the property in accordance with the requirements of this subsection.

(ii) The right of a third party to purchase any residential rental property to which the requirements of this section apply is subject to the exercise of the right of first refusal by a tenant or group of tenants.

(2) A tenant has a right of first refusal to purchase residential rental property if:

(i) The owner intends to accept an offer from a third party to purchase the property for an amount that is at least 10% lower than the lowest price offered to the tenant in any previous notice, offer, or counteroffer under subsection (c) of this section; or

(ii) The owner, without having offered the property for sale to the public or any third party, receives an offer to purchase the property from a third party.

(3) (i) If the owner receives an offer to purchase the property from a third party as described in paragraph (2) of this subsection, the owner may not accept 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 specified in paragraph (4)(i) of this subsection.

(ii) The written notice of the right of first refusal to the tenant shall:

1. Be in the form specified in regulations by the Secretary;

2. Be delivered by:

A. First class mail with a certificate of mailing; or

B. A delivery service providing delivery tracking and confirmation;

3. Contain the same sales price as the third-party offer to purchase;

4. State, in a conspicuous manner, that the notice is a solicitation of an offer to purchase and is not intended as and may not be construed as a binding contract of sale; and

5. State any information regarding deadlines for the tenant to submit an offer to purchase.

(iii) The owner shall send a copy of the notice to the Office of Tenant and Landlord Affairs in accordance with regulations established by the Secretary.

(4) (i) Within 30 days after receipt of the notice under paragraph (3) of this subsection, the tenant may deliver to the owner a written offer to purchase the property.

(ii) If a tenant delivers an offer to purchase at the same sales price as the offer from the third party, the owner shall accept the offer from the tenant and notify the Office of Tenant and Landlord Affairs.

(iii) 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.

(5) If a tenant does not deliver an offer to purchase the property in accordance with paragraph (4) of this subsection:

(i) The owner may accept the third-party offer;

(ii) The tenant's right of first refusal shall be considered waived; and

(iii) The owner shall notify the Office of Tenant and Landlord Affairs.

(6) If the owner accepts the offer to purchase from the tenant under paragraph (4) of this subsection and enters into a contract of sale, but the contract is terminated before settlement, the tenant's right of first refusal is waived and the owner shall notify the Office of Tenant and Landlord Affairs.

(7) If a third party delivers an offer to purchase to the owner, the owner shall notify the third party of a tenant's right of first refusal under this subsection.

(e) This section may not be construed to prohibit:

(1) An individual from submitting an offer to purchase a property leased by the individual that is offered for sale to the public; or

(2) Multiple tenants of a residential property from jointly delivering an offer to purchase or from jointly contracting to purchase the property.

(f) The rights of a tenant under this section may not be waived or assigned and any attempted waiver or assignment is void.

(g) This section preempts any local law or ordinance governing the right of first refusal or opportunity to purchase of a jurisdiction or tenant for the purchase of a residential rental property.

(h) (1) Following closing on a contract of sale between an owner and a third party, liability for failure to comply with this section is restricted to the owner and may not attach to the residential rental property that is the subject of the contract.

(2) (i) A tenant who brings an action against the owner after closing on a contract of sale for failing to provide the notice required by this section may not file a notice of lis pendens under Maryland Rule 12–102.

(ii) A court may dismiss a wrongfully filed action of lis pendens under this paragraph.

(i) An owner of a residential rental property who violates this section is subject to a fine of not more than \$1,000 per violation.

(j) The Secretary shall adopt regulations to carry out this section.

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