



February 18, 2020

The Honorable Derek E. Davis, Chair  
House Economic Matters Committee  
Room 231 House Office Building  
Annapolis, MD 21401

**Oppose: HB 929 Property Management Registration**

Dear, Chair Davis and Committee Members:

The NAIOP Maryland Chapters represent more than 700 companies that provide comprehensive real estate services including land development, construction, leasing and property management services. HB 929 would regulate property management services through registration with the Maryland Real Estate Commission. On behalf of our member companies I am writing to oppose HB 929 because it misunderstands the structure of today's real estate enterprise, the scope of tenant services and how they are delivered in commercial and mixed-use properties.

The bill would create unnecessary barriers to what our service employees and affiliated companies can do to meet the needs of our tenants. Leasing and other transactional matters are conducted by a broker. But leasing usually does not supervise construction companies that do tenant buildout and maintenance. This means that HB 929's broker exemption is of little value because the service functions of the company and ownership of the real estate may be in different business entities. Qualifying for the, "*by employees of an owner*" exemption would require unreasonable changes to the management and corporate structures of our companies to consolidate leasing, maintenance, accounting, clerical staff and other tenant services from related entities into one business entity that owns the real estate and provides services.

The bill would also subject a broad array non-employee affiliated companies, vendors, contractors and licensed trade professionals to registration which, for some, would overlap with existing licensing and surety requirements.

Property management services today do not stop at the property line. Our member companies participate in business improvement districts (BIDs) that provide property management services in places like Silver Spring, White Flint, downtown Baltimore. These organizations provide security, maintain landscaping, provide snow removal trash collection, install art displays and lighting. BIDs market their branded neighborhoods like the Pike District by advertising retailers, concert events and seasonal promotions. BIDs do not rent or lease, but the staff of some actively work to retain and recruit tenants. There is no good policy reason to register these organizations, but they seem to fall within the scope of the bill.

**Specific Questions and Concerns**

Page 2 lines 5-6 – Definition of Property Management Services - Only *leasing* and *renting* are commonly defined terms. The others need clarification to know what activities are permitted without registration. Does the handling of trust money include third party on-line payment portals or accounting staff?

Page 2 line 9 - Exclusions - Homeowners association is excluded but not condominium, coop, business improvement district or special taxing district.

Page 2 line 10 – Exclusions - Renting a property for less than 6 months would not exclude, hospitals, nursing homes, universities, long term stay hotels.

Page 2 lines 11-12 – Exclusions – An apartment complex with 50 or more units. If the intended target is small property management companies, the exclusion should be based on the size of the portfolio under management not an individual complex and should be based on far fewer total units.

Page 2 lines 16-22 – Exclusions – These exemptions do not address the ownership and employment relationships or the types of business entities (e.g. LLCs, trusts) that own and manage commercial and mixed-use real estate. As explained earlier the bill as introduced would require either multiple registrations or restructuring.

Page 2 lines 28-29 – Licensee Registration Exemption - While we see the positive intent of this provision and the benefit to some organizations, we do not believe real estate licensees are inherently more qualified to manage property and maintain building systems than other real estate professionals.

Page 3 lines 2-3 – Qualifications - The Commission determines the qualifications after October 1, 2020, but no direction is given on what those qualifications may be. The prohibition takes immediate effect with no grandfathering or grace period to allow current property owners to obtain the required qualifications or to become registered.

Page 4 lines 12-13 – Licensee Surety Exemption - This provision exempts licensees from posting surety making the guarantee fund the surety for licensees. This exposes the fund to property management and building performance related claims it was not created to pay.

Page 3 lines 25-26 – Disciplinary Action – Violators are subject to \$1,000 fine imposed by the commission. What would suspend or revoke a registration?

In addition to these concerns the NAIOP legislative committee found the bill to be anticompetitive. Protecting consumers is essential but creating barriers to entry for small, lower overhead property management companies is not necessarily good for consumers. The set of facts that motivated this bill suggest that a much narrower solution such as limiting entry by those who have been disciplined for violating real estate laws or making changes to consumer protection statutes would be more appropriate and protective than HB 929.

Sincerely;



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

cc: House Economic Matters Committee Members  
Nick Manis – Manis, Canning Assoc.