



Senate Bill 481 – Renter’s Rights and Stabilization Act of 2024

Position: Favorable with Amendments

Maryland REALTORS® supports SB 481 with important changes to the tenant right of first refusal, the eviction surcharge and the limitation in security deposits.

The REALTORS® appreciate the comprehensive approach taken by the Administration in trying to address the critical housing crisis facing Maryland. While our members are recognized for their efforts putting buyers and sellers of residential real estate together, many of our members work as property managers as well. They mostly manage single-family rental properties for a variety of owners who may be investors with large portfolios or owners with only 2-3 rental properties.

Given our members’ engagement in leasing real estate, the REALTORS® recommend the following changes in the Governor’s tenant legislation.

Tenant Right of First Refusal

The REALTOR® amendment focuses the tenant right to purchase on a Tenant’s Exclusive Negotiation Period prior to the property being marketed publicly for sale. The REALTORS® recommend the owner of single-family rental property provide a tenant with the terms of a purchase offer that the owner would accept. The notice would be given at least 60 days prior to listing the property for sale and aligns with the notice period that owners are already required to give most tenants if an owner does not plan to renew the lease. This allows the tenant time to determine whether they are interested in the property and seek assistance in purchasing it.

If a tenant chooses not to purchase it or the owner and tenant are unable to close the deal, the tenant would no longer have a right of first refusal unless an offer is made on the property for 10 percent less than the lowest price negotiated by the owner and tenant during their exclusive negotiation period. In addition, if a landlord receives an unsolicited offer on the property prior to marketing the property for sale, the tenant would have a right of first refusal. That right would give the tenant 30 days to prepare an offer of sale to the owner.

In cases where the owner and tenant were not able to reach agreement during the exclusive negotiation period, the tenant would still have the right to make an offer on the property along with other interested purchasers in a normal real estate transaction. These proposed changes more closely follow the natural progression of a real estate sale transaction and are like offers that many owners already make to tenants living in their property.

Eviction Filing Fee

Although the REALTORS® support an increase in the eviction surcharge, the REALTORS® believe the surcharge should remain recoverable in court. In legislation introduced in prior years, the REALTORS® supported an increase of up to \$68 if the fee was recoverable. Evictions are already an expensive process. Landlords, particularly small landlords with single-family property, may spend hundreds to thousands of dollars when a tenant is evicted without accounting for the 1-2 months of lost rent while the property is cleaned and marketed. All turnover properties will be cleaned, repaired and often painted after a tenant leaves. During an eviction, some counties require a property owner to hire a moving crew to remove any personal property left behind by the tenant and provide a locksmith even before knowing whether the property is accessible. Given these expenses and lost rent, landlords have a strong financial incentive to keep tenants in a property as long as possible.

Limiting Security Deposits to One Month

While on its face, limiting security deposits to one month of rent rather than two months seems like a benefit for tenants, such changes will have negative consequences. In addition to one month's rent which is typically charged tenants now, many owners may also charge additional money to cover potential damages caused by pets. Without a two month deposit limit, owners would not be able to request additional deposits beyond one month and are less likely to accept pets. Additionally, owners may charge additional deposits for tenants without credit history or poor credit history to balance the additional risk of renting to them. By limiting the security deposit to one month, some owners will be less likely to take risks with tenants with poor credit.

These changes to SB 481 will bring more balance to this legislation while ensuring important new rights for tenants who wish to make the jump to home ownership.

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Amendment

Beginning on page 8 strike line 2 through line 19 on page 12, and insert:

Article – Real Property

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, SON, DAUGHTER, STEPSON, STEPDAUGHTER, 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) “OFFER TO PURCHASE” MEANS A GOOD FAITH OFFER TO PURCHASE A RESIDENTIAL RENTAL PROPERTY FOR A PRICE AT WHICH A WILLING SELLER WOULD SELL AND A WILLING BUYER WOULD PURCHASE IN AN ARM’S LENGTH TRANSACTION.

(4) “TENANT” MEANS A LESSEE OF A RESIDENTIAL RENTAL PROPERTY WHO HAS RESIDED AT THE RESIDENTIAL RENTAL PROPERTY FOR NOT LESS THAN 6 MONTHS WHO:

(I) IS A NAMED LESSEE IN THE WRITTEN LEASE; OR

(II) HAS PAID TO THE LESSOR RENTAL PAYMENTS THAT THE LESSOR HAS ACCEPTED UNDER AN UNWRITTEN LEASE AGREEMENT.

(5) “MATERIAL TERMS”:

(I) INCLUDES THE SALES PRICE, SETTLEMENT DATE, AND OTHER CONTINGENCIES;

(II) SHALL NOT INCLUDE THE METHOD OF FINANCING OR WAIVING OF A HOME INSPECTION; AND

(III) SHALL BE COMMERCIALY REASONABLE, FAIR, DONE IN GOOD FAITH, AND ADHERE TO GENERALLY ACCEPTED RESIDENTIAL REAL ESTATE PRACTICES.

(6) “RESIDENTIAL RENTAL PROPERTY” MEANS A TENANT-OCCUPIED RESIDENTIAL RENTAL PROPERTY IMPROVED BY THREE OR FEWER INDIVIDUAL DWELLING UNITS.

(7) “TENANT’S EXCLUSIVE NEGOTIATION PERIOD” MEANS A PERIOD OF TIME IN WHICH A TENANT IS NOTIFIED ABOUT THE TENANT’S RIGHT TO PURCHASE THE PROPERTY AND NEGOTIATE EXCLUSIVELY WITH THE OWNER OF THE RESIDENTIAL RENTAL PROPERTY TO ENTER INTO A CONTRACT OF SALE.

(8) “THIRD PARTY” MEANS A PARTY WHO IS NOT LISTED UNDER SUBSECTION (B) AND IS NOT THE TENANT OF THE RESIDENTIAL RENTAL PROPERTY.

(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 OWNED IN WHOLE BY THE OWNER;
- (3) A TRANSFER OF TITLE THROUGH A SHERIFF'S SALE, TAX SALE, ORDER FORECLOSING RIGHT OF REDEMPTION, OR SALE BY FORECLOSURE, PARTITION, OR BY COURT APPOINTED TRUSTEE;
- (4) A TRANSFER BY A FIDUCIARY IN THE COURSE OF THE ADMINISTRATION OF DECEDENT'S ESTATE, GUARDIANSHIP, CONSERVATORSHIP, OR TRUST;
- (5) A TRANSFER OF TITLE PURSUANT TO A TESTAMENTARY DOCUMENT, A TRUST INSTRUMENT OR THROUGH INHERITANCE;
- (6) A TRANSFER OF TITLE TO A GOVERNMENT AGENCY;
- (7) A TRANSFER OF TITLE IN LIEU OF FORECLOSURE OF A MORTGAGE OR DEED OF TRUST;
- (8) A TRANSFER OF TITLE PURSUANT TO A COURT ORDER, RECEIVERSHIP OR COURT-APPROVED SETTLEMENT;
- (9) A TRANSFER OF TITLE PURSUANT TO THE ORDER OF A BANKRUPTCY COURT OR SALE BY A BANKRUPTCY TRUSTEE OR DEBTOR IN POSSESSION;
- (10) A GIFT TRANSFER OF TITLE TO ANY NONPROFIT ORGANIZATION EXEMPT FROM TAXATION UNDER § 501(C)(3) OF THE INTERNAL REVENUE CODE;
- (11) A TRANSFER OF TITLE BY A PUBLIC HOUSING AUTHORITY; OR
- (12) RESIDENTIAL RENTAL PROPERTY WITH FOUR OR MORE INDIVIDUAL DWELLING UNITS.

(C) (1) AS PROVIDED IN THIS SUBSECTION, BEFORE A RESIDENTIAL RENTAL PROPERTY MAY BE OFFERED FOR SALE TO THE PUBLIC OR ANY THIRD PARTY, THE OWNER AND TENANT SHALL ENTER INTO A TENANT'S EXCLUSIVE NEGOTIATION PERIOD FOR THE PURCHASE OF THE PROPERTY.

(2) (I) AT LEAST 60 DAYS, BUT NO MORE THAN 120 DAYS BEFORE A RESIDENTIAL RENTAL PROPERTY MAY BE LISTED FOR SALE WITH A REAL ESTATE BROKER OR OTHERWISE OFFERED FOR SALE TO THE PUBLIC OR ANY THIRD PARTY, THE OWNER OF THE PROPERTY SHALL CAUSE TO BE SENT TO EACH TENANT OF THE PROPERTY, A WRITTEN NOTICE OF THE TENANT'S RIGHT TO DELIVER AN OFFER TO PURCHASE THE PROPERTY.

(II) THE NOTICE SHALL:

1. BE IN THE FORM THAT THE SECRETARY OF THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT PRESCRIBES BY REGULATION;

2. BE DELIVERED BY:

A. UNITED STATES POSTAL SERVICE
CERTIFIED MAIL, RETURN RECEIPT REQUESTED; OR

B. DELIVERY SERVICE PROVIDING
DELIVERY TRACKING AND CONFIRMATION;

3. CONTAIN MATERIAL TERMS THAT THE
OWNER WOULD AGREE TO INCORPORATE IN A RESULTING CONTRACT OF
SALE WITH THE TENANT;

4. STATE, IN A CONSPICUOUS MANNER, THAT THE
NOTICE IS A SOLICITATION OF AN OFFER TO PURCHASE AND IS NOT
INTENDED, AND MAY NOT BE CONSTRUED TO RESULT IN 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 TENANTS' RIGHTS BY A METHOD THAT THE
SECRETARY OF THE DEPARTMENT OF HOUSING AND COMMUNITY
DEVELOPMENT PRESCRIBES BY REGULATION.

(3) (I) WITHIN 30 DAYS AFTER RECEIPT OF THE NOTICE,
THE TENANT MAY DELIVER TO THE OWNER A WRITTEN OFFER TO
PURCHASE THE PROPERTY.

(II) IF MULTIPLE TENANTS DELIVER OFFERS TO
PURCHASE THE PROPERTY, THE OWNER MAY SELECT THE
MORE FAVORABLE OFFER WITHOUT LIABILITY TO ANY
OTHER TENANT.

(III) WITHIN 5 DAYS AFTER RECEIPT OF THE OFFER TO
PURCHASE, THE OWNER SHALL:

1. ACCEPT THE OFFER IF THE OFFER
CONTAINS THE SAME OR MORE FAVORABLE MATERIAL TERMS AS
CONTAINED IN THE NOTICE, AND NOTIFY THE OFFICE OF TENANTS'
RIGHTS; OR

2. DELIVER A COUNTEROFFER TO THE
TENANT, WITH AN EXPLANATION OF HOW THE OFFER DEVIATES FROM
THE NOTICE, IF THE OFFER CONTAINS MATERIAL TERMS THAT DEVIATE
FROM THE TERMS OF THE NOTICE.

(4) (I) WITHIN 5 DAYS AFTER RECEIPT OF THE
COUNTEROFFER, 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 TENANTS' RIGHTS.

(5) IF THE TENANT DOES NOT DELIVER AN OFFER TO
PURCHASE AS PROVIDED IN PARAGRAPH (3) OF THIS SUBSECTION OR IF

THE PARTIES DO NOT ENTER INTO A CONTRACT OF SALE AS PROVIDED IN PARAGRAPH (4) OF THIS SUBSECTION, THE TENANT'S RIGHT OF FIRST REFUSAL IS TERMINATED AND THE OWNER SHALL NOTIFY THE OFFICE OF TENANT'S RIGHTS.

(D) (1) A TENANT HAS A RIGHT OF FIRST REFUSAL TO PURCHASE RESIDENTIAL RENTAL PROPERTY AS PROVIDED IN THIS SUBSECTION.

(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 THAT IS AT LEAST 10 PERCENT LESS THAN THE LOWEST PRICE OFFERED TO THE TENANT IN ANY PREVIOUS NOTICE, OFFER OR COUNTEROFFER PURSUANT TO SUBSECTION (C) OF THIS SECTION; OR

(II) THE OWNER, WITHOUT HAVING LISTED THE PROPERTY FOR SALE WITH A REAL ESTATE BROKER OR OTHERWISE OFFERED THE PROPERTY FOR SALE TO THE PUBLIC OR ANY THIRD PARTY, RECEIVES FROM A THIRD PARTY AN OFFER TO PURCHASE THE PROPERTY.

(3) (I) IF THE OWNER RECEIVES AN OFFER TO PURCHASE THE PROPERTY FROM A THIRD PARTY AS SPECIFIED IN SUBSECTION (D)(2) OF THIS SECTION, 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.

(II) THE WRITTEN NOTICE TO THE TENANT OF THE TENANT'S RIGHT OF FIRST REFUSAL SHALL:

1. BE IN THE FORM THAT THE SECRETARY OF THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT PRESCRIBES BY REGULATION;

2. BE DELIVERED BY:
A. UNITED STATES POSTAL SERVICE CERTIFIED MAIL, RETURN RECEIPT REQUESTED; OR
B. 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, AND MAY NOT BE CONSTRUED TO RESULT IN A BINDING CONTRACT OF SALE;

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 TENANTS' RIGHTS BY A METHOD THAT THE SECRETARY OF THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT PRESCRIBES BY REGULATION.

(4) (I) THE TENANT MAY, WITHIN 30 DAYS OF RECEIPT OF THE NOTICE UNDER PARAGRAPH (D)(3) OF THIS SUBSECTION, DELIVER AN OFFER TO PURCHASE THE PROPERTY TO THE OWNER.

(II) IF A TENANT DELIVERS AN OFFER TO PURCHASE AT THE SAME SALES PRICE AS THE THIRD-PARTY PURCHASER'S OFFER AS PROVIDED IN THIS PARAGRAPH, THE OWNER SHALL ACCEPT THE OFFER AND NOTIFY THE OFFICE OF TENANTS' RIGHTS.

(III) IF MULTIPLE TENANTS DELIVER OFFERS TO PURCHASE THE PROPERTY, THE OWNER MAY SELECT THE MORE FAVORABLE OFFER WITHOUT LIABILITY TO ANY OTHER TENANT.

(5) IF THE TENANT DOES NOT DELIVER AN OFFER TO PURCHASE THE PROPERTY AS PROVIDED IN PARAGRAPH (4) OF THIS SUBSECTION, THE OWNER MAY ACCEPT THE THIRD-PARTY PURCHASER'S OFFER OF SALE AND THE TENANT'S RIGHT OF FIRST REFUSAL IS WAIVED AND THE OWNER SHALL NOTIFY THE OFFICE OF TENANTS' RIGHTS.

(6) IF THE TENANT AND THE OWNER HAVE ENTERED INTO A CONTRACT OF SALE UNDER PARAGRAPH (4) OF THIS SUBSECTION, 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'S RIGHTS.

(7) IF A THIRD PARTY DELIVERS AN OFFER TO PURCHASE, THE OWNER SHALL PROVIDE NOTICE TO THE THIRD PARTY ABOUT THE TENANT'S RIGHT OF FIRST REFUSAL UNDER THIS SUBSECTION.

(E) THIS SECTION SHALL NOT BE CONSTRUED AS PROHIBITING AN INDIVIDUAL FROM SUBMITTING AN OFFER TO PURCHASE A PROPERTY LEASED BY THE INDIVIDUAL THAT IS LISTED FOR SALE WITH A LICENSED REAL ESTATE BROKER.

(F) THIS SECTION SHALL NOT BE CONSTRUED AS PROHIBITING MULTIPLE TENANTS FROM JOINTLY DELIVERING AN OFFER TO PURCHASE, OR FROM JOINTLY CONTRACTING TO PURCHASE, RESIDENTIAL RENTAL PROPERTY.

(G) THIS SECTION PREEMPTS ANY LOCAL LAW OR ORDINANCE GOVERNING THE RIGHT OF FIRST REFUSAL OF A JURISDICTION OR TENANT FOR THE PURCHASE OF A RESIDENTIAL RENTAL PROPERTY.

(H) THE RIGHTS OF A TENANT UNDER THIS SECTION MAY NOT BE WAIVED OR ASSIGNED AND ANY ATTEMPTED WAIVER OR ASSIGNMENT IS VOID.

(I) AN OWNER OF RESIDENTIAL REAL PROPERTY WHO VIOLATES THIS SECTION IS GUILTY OF A MISDEMEANOR AND ON CONVICTION IS SUBJECT TO A FINE OF NOT MORE THAN \$1,000 PER VIOLATION.

(J) A TENANT MAY SEEK RELIEF FROM A COURT OF COMPETENT JURISDICTION TO RESTRAIN OR ENJOIN ANY VIOLATION OF THIS SECTION

PRIOR TO THE CLOSING OF A CONTRACT OF SALE BETWEEN THE OWNER AND TENANT.

(K) (1) FOLLOWING CLOSING ON A CONTRACT OF SALE BETWEEN OWNER AND TENANT, LIABILITY FOR FAILURE TO COMPLY WITH THIS SUBSECTION SHALL LIE SOLELY WITH THE OWNER AND SHALL NOT ATTACH TO THE PROPERTY THAT IS THE SUBJECT OF THE REQUIRED NOTICE OR AFFECT THE RIGHTS OF THE PURCHASER.

(2) A TENANT WHO BRINGS AN ACTION AFTER CLOSING ON A CONTRACT OF SALE BETWEEN OWNER AND TENANT IN ANY COURT OF LAW AGAINST AN OWNER FOR FAILING TO PROVIDE THE NOTICE REQUIRED BY THIS SECTION MAY NOT FILE A NOTICE OF LIS PENDENS PURSUANT TO MARYLAND RULE 12-102; UPON MOTION OF A PARTY IN INTEREST THE COURT SHALL STRIKE A WRONGFULLY FILED NOTICE OF LIEN WITHOUT NEED FOR A HEARING.