

**SB606 FAV.pdf**

Uploaded by: Christopher West

Position: FAV

CHRIS WEST  
Legislative District 42  
Baltimore and Carroll Counties

Judicial Proceedings Committee



Annapolis Office  
James Senate Office Building  
11 Bladen Street, Room 322  
Annapolis, Maryland 21401  
410-841-3648 · 301-858-3648  
800-492-7122 Ext. 3648  
Chris.West@senate.state.md.us

THE SENATE OF MARYLAND  
ANNAPOLIS, MARYLAND 21401

February 11<sup>th</sup>, 2025  
The Maryland State Senate Judicial Proceedings Committee  
The Honorable William C. Smith, Jr.  
2 East Miller Senate Building  
Annapolis, Maryland 21401

**Re: Senate Bill 606: Residential Real Property - Tenants' Right of First Refusal**

Dear Chairman Smith and Members of the Committee,

Last year, this Committee considered the Governor's bill, HB693, the "Renters' Rights and Stabilization Act of 2024". After extensive workshopping and agreeing on material changes, we passed the bill 10-0 and sent the bill to the floor for final passage. HB693 became Chapter 124 once the Governor signed it.

Chapter 124 had a number of components to it. Most of our work focused on the part of the bill which increased the filing fee for tenant eviction cases.

Another part of the bill did not receive nearly the same amount of attention. That part of the bill set up a very complicated system of according to one or more tenants of a residential rental property containing three or fewer dwelling units the right of first refusal to buy the property in the event the owner should decide to sell it. The statute in this regard is very detailed, providing for notices, notice periods, written offers, counteroffers and follow-on rights of first refusal after certain third party offers for the property are made.

As codified in Section 8-119(h)(1) of the Real Property Article, Chapter 124 concludes with the statement that "[f]ollowing closing on a contract of sale between an owner and a tenant, 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."

In retrospect, this language was imprecise and has led to substantial confusion in the title insurance fraternity. The issue of liability for failure to comply with the strictures of the right of first refusal would not arise in the case of a contract of sale between the owner and the purchasing tenant, as suggested in the current language, because those two parties would have come to accord at the closing when each party would have executed the closing documents. Following such a closing, the tenant would own the property and would have no reason to seek to hold the owner liable for failure to strictly follow the provisions of the statute.

Instead, the issue of liability for failure to comply with the provisions of the statute would arise when the owner ends up selling the property to a third party (not the tenant), and the tenant is upset that the owner failed to comply with the detailed right of first refusal regime established by the statute. As enacted last year, the statute does not deal with this situation.

So as the statute stands currently, a tenant feeling aggrieved that the owner failed to comply with the statute has two options. Either the tenant can sue the now-former owner and try to obtain a money judgement against the owner, or else the tenant can sue the third party who purchased the property from the owner. In this latter event, if the tenant were to win his suit, a judgement would be entered against the third party which would constitute a lien on the property.

It is this possibility that has the State's title insurers upset. This is because at the closing between the owner and the purchasing third party, the third party has the right to receive a clean title insurance policy on the property, but because under the current law, there is the possibility that at some future time within the statute of limitations period the former tenant might file suit against the third party purchaser of the property and obtain a judgment lien on the property, the State's title insurers are unwilling to write clean title insurance policies on property sold to third parties under the current terms of Chapter 124.

Fortunately, there is a very easy and clean solution to this problem, and that is what this bill does. It strikes the word "tenant" in the language I quoted earlier and substitutes the words "third party". In this way, it deletes the imprecise language enacted last year and makes subsection (h)(1) correctly reflect the intent of the Governor's team which produced the "Renters' Rights and Stabilization Act of 2024".

Let me read to you the language of subsection (h)(1), as amended by this bill: "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."

This simple change will solve the problem, and property purchased by third parties will not get caught up in possible litigation between a disappointed tenant and the original owner of the rental property who allegedly failed to carefully comply with the right of first refusal requirements contained in Chapter 124. If we pass this bill, the State's title insurers will have no cause to refuse to insure clean title on properties acquired by third parties.

I appreciate the Committee's consideration of Senate Bill 606 and will be happy to answer any questions the Committee may have.

**MLTA SB606 testimony (support).pdf**

Uploaded by: Mark Glazer

Position: FAV



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

**To:** Members of the Senate Judicial Proceedings Committee  
**From:** MLTA Legislative Committee  
**Date:** February 7, 2025 [Hearing date: February 11, 2025]  
**Subject:** **SB 0606** – Residential Real Property – Tenants’ Right of First Refusal  
**Position:** **Favorable**

---

The Maryland Land Title Association (MLTA) is a professional organization working on behalf of title industry service providers and consumers and is comprised of agents, abstractors, attorneys, and underwriters. **MLTA SUPPORTS Senate Bill 606 – Residential Real Property – Tenants’ Right of First Refusal.** We would like to thank Senator West for agreeing to sponsor this legislation.

Senate Bill 606 is a clarifying amendment to last year’s Renters’ Rights and Stabilization Act.

Adoption of this bill will continue to protect the Tenant's right to purchase the leased property before a sale is made to a third party, and does not seek a modification in the Tenant's ability to purchase, or seek redress from the Landlord/Owner if the Landlord/Seller does not follow the notice requirements of the current law.

The original language discussed with the Governor’s office last year contained “third party” and through inadvertence was changed to “tenant” in the bill submitted to the Legislature. What this bill does do is change the language back to that originally intended. Under the law, the onus is on the Landlord/Seller to make all required notices to the Tenant, and the third party purchaser has no independent way to verify that all notices have been provided. As such, any cause of action for violation of the law should be against the Landlord/Seller exclusively. This bill makes that clear, preserving to an aggrieved tenant a cause of action against a non-compliant Landlord while protecting the buyer, lender and title insurer once a transaction is complete.

The Maryland Land Title Association asks that you return a FAVORABLE report for Senate Bill 606 - Residential Real Property - Tenants' Right of First Refusal.

# **SB606 Caroline County**

Uploaded by: Travis Breeding

Position: UNF



**Senate Bill 606**

*Residential Real Property—Tenants' Right of First Refusal*

Position: **UNF/Withdrawal**

Date: **February 11, 2025**

To: **Judicial Proceedings**

On behalf of the Caroline County Commissioners, we write to **formally withdraw** our previous opposition to **Senate Bill 606, *Residential Real Property—Tenants' Right of First Refusal***.

After further review, we understand that the intent of this legislation is to clarify and refine existing language rather than introduce new regulatory burdens. Given this clarification, the Commissioners recognize that the bill as currently drafted provides necessary language adjustments, and we do not wish to stand in the way of its passage.

We appreciate the opportunity to have engaged in the legislative process and thank you for your work in ensuring that the bill reflects its intended purpose. Should you require any additional input from Caroline County on this matter, please do not hesitate to reach out.

Sincerely,

J. Travis Breeding, President