



**Committee:** PHP  
**Committee Review:** Completed  
**Staff:** Ludeen McCartney-Green, Legislative Attorney  
**Purpose:** Final action – vote expected

AGENDA ITEM #13A  
February 13, 2024  
**Action**

## **SUBJECT**

Expedited Bill 38-23; Tenant Displacement – Right of First Refusal to Buy Rental Housing – Amendments

Lead Sponsor: Former Council President Glass at the request of the County Executive

## **EXPECTED ATTENDEES**

Scott Burton, Director of Department of Housing and Community Development

## **COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION**

- The PHP Committee recommended enactment of Expedited Bill 38-23, with amendments.
- The Council is expected to discuss and adopt additional amendments.
- A final roll call vote on the bill is expected.

## **DESCRIPTION/ISSUE**

Expedited Bill 38-23 would:

- (1) allow the County Executive to designate a qualified entity that may exercise the right of first refusal; and
- (2) generally amend the County law regarding the right of first refusal.

## **SUMMARY OF KEY DISCUSSION POINTS**

- The PHP Committee held two worksessions and recommend enactment of the bill with several amendments to:
  - require DHCA send a statement of interest (non-binding letter) within ten (10) business days after the receipt of a complete right of first refusal offer. (Approved by 2-0 vote, Councilmember Jawando abstained);
  - require DHCA to receive and transmit ROFR offers to each qualified entity rather than an owner sending a copy of the offer;
  - require the Department to receive an offer electronically, unless by doing so would cause undue burden, then the Department may, at the discretion of the Director, provide alternative reasonable methods for receipt;
  - remove religious and charitable rental housing exemption;
  - strike Method (3) approval for regulations to establish a criteria for qualified entities and replace with Method (2) approval;
  - include assignments for governmental housing authorities;
  - Several technical and clarifying amendments proposed by DHCA were approved (page 7 of staff report dated [1/22/2024](#)).

- The PHP Committee reserved 3 issues for the full Council discussion:
  - Provide additional background and analysis related to DHCA issuing a non-binding statement of interest.
  - Review amendment proposed by Maryland Housing Alliance (MHA) and Housing Opportunity Commission (HOC) to exempt transactions financed by Low-Income Housing Tax Credit (LIHTC) Program. © 60
  - Transition clause that would allow DHCA to exercise ROFR while regulations related to the eligibility criteria for qualified entity remains pending.

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**MEMORANDUM**

February 8, 2024

**TO:** County Council

**FROM:** Ludeen McCartney-Green, Legislative Attorney

**SUBJECT:** Expedited Bill 38-23; Tenant Displacement – Right of First Refusal to Buy Rental Housing – Amendments

**PURPOSE:** **Action** – roll call vote expected

Expedited Bill 38-23; Tenant Displacement – Right of First Refusal to Buy Rental Housing – Amendments, sponsored by then Council President Glass on behalf of the County Executive, was introduced on September 26, 2023. A public hearing was held on October 10, 2023, where 4 speakers testified. The Bill was considered and discussed by the PHP Committee at the December 11 and January 22 worksession.

Expedited Bill 38-23 would amend Sections 53A-2 and 53A-4 of the Montgomery County Code to authorize the County Executive to designate a qualified entity that may exercise the right of first refusal.

**The following issues remain outstanding for the Council’s consideration:**

- Additional background and analysis related to DHCA issuing a non-binding statement of interest letter within 10 days of a ROFR offer.
- Approval of an amendment proposed by Maryland Housing Alliance (MHA) and Housing Opportunity Commission (HOC) to exempt transactions financed by Low-Income Housing Tax Credit (LIHTC) Program. © 60.
- Transition language that would allow DHCA to exercise ROFR while executive regulations related to the eligibility criteria for qualified entities is pending. © 64.

**See page 6 of this memorandum for a discussion and decision points of the outstanding issues.**

**PURPOSE**

The Executive has explained the purposes and mechanics of the bill in the enclosed memorandum and legislative request report. (©13).

## BACKGROUND

In 1980, the Montgomery County Council enacted legislation that established the County's Right of First Refusal to Buy Rental Housing Program (ROFR), which expanded the availability of affordable housing in the County.

The ROFR process<sup>1</sup> requires that within 5 days after an owner accepts a bona fide contract with a third party to sell a rental housing, a notice must be sent to the County, HOC, and then posted in the public area of the rental housing for each tenant to review.

The County, HOC, or any certified tenant organization (in that order) must be offered the opportunity to buy the rental housing before the owner sells to another party. The ROFR offer must remain open for up to 60 days for the County and HOC, and up to 90 days for a tenant organization. The County and HOC may only accept an offer in a municipality if the municipality approves.

If the County decides to exercise ROFR to purchase the property, the sale must consummate the sale within 180 days after the offer has been accepted, unless an extension is granted by the seller. In the event, the County, HOC, or tenant organization does not exercise its ROFR, the owner may sell the rental housing to the third-party buyer under substantially the same terms and conditions.

Annually, DHCA is required to report to the Council on all ROFR offers that were received the prior year and include whether there were any conversions or agreements not to convert.<sup>2</sup> The 2023 ROFR report issued by DHCA is at ©28.

Prince George's County has a similar ROFR program that identifies qualified developers who may be assigned a right to purchase.<sup>3</sup>

## BILL SPECIFICS

Bill 38-23 would require an owner to send a *copy* of a third-party offer to a qualified entity at the same time the County, HOC, and tenant organization receives the offer. (See lines 61-63 of the Bill).

Followed by the County may choose to accept the offer or assign its purchase right to a qualified entity. A qualified entity would have been previously identified and approved by the County as a buyer in good standing that has demonstrated, among other things, commitment to preserving affordable housing. By regulations, the executive may delineate further requirements for a qualified entity to meet certain criteria. (See lines, 125-155).

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<sup>1</sup> County Code §53A

<sup>2</sup> The agreement provides for the retention/preservation of rent restricted housing as an alternative to the ROFR process.

<sup>3</sup> Prince George's County DHCD Apartment & Multifamily Rental Properties (ROFR), <https://www.princegeorgescountymd.gov/984/Apartment-Multifamily-Rental-Owners-ROFR>

Finally, the Bill requires that any earnest money deposit, paid by the buyer as a condition of accepting the offer, must not exceed 5% of the contract price. The deposit is fully refundable in the event of a good faith failure by a ROFR buyer under the contract. (Lines 92-98).

A municipality may be granted a right by the County as a designated qualified entity, with the option to accept the assignment. The assignment of rights under an agreement with the County would not override or conflict with municipal laws; rather, the ROFR assignment remains subject to the approval of the municipality.

#### SUMMARY OF IMPACT STATEMENTS

The **fiscal impact statement** provides the Bill 38-23 would not increase the County's revenues or expenditures. (©12).

The Office of Legislative Oversight's (OLO) **economic impact statement** anticipates that the Bill would have an insignificant direct impact on economic conditions in the County in terms of the Council's priority economic indicators. (©18).

OLO's **climate assessment** indicates that Bill 38-23 will have an indeterminate impact on the County's contribution to addressing climate change, including the reduction and/or sequestration of greenhouse gas emissions, community resilience, and adaptative capacity. (©15).

The **racial equity and social impact statement** anticipates the legislation could have a positive impact on racial equity and social justice (RESJ) in the County as it codifies a recognized promising practice for preserving and creating affordable housing into County law. (©22).

#### SUMMARY OF PUBLIC HEARING

Three speakers testified in support of Bill 38-23, and one speaker opposed the bill with amendments. Scott Burton, Director of Department of Housing and Community Development (DHCD), representing the Executive branch, testified that, "[c]urrent law creates significant impediments for the County to exercise ROFR to preserve affordable housing...Under this bill, a County Executive, after exercising the right of first refusal, would be permitted to assign the contract to purchase a property to an affordable housing developer. The ability to assign the contract allow the County to expeditiously use the funds annually appropriated to preserve or create long-term affordability..." See, (© 33).

Organizations that testified, include Mary Kolar of Montgomery Housing Alliance (MHA) (© 39), "...[T]he technical amendments offered in Bill 38-23 will enable the county to exercise the right in a more meaningful way, preventing harmful tenant displacement." Further, MHA testified that, "Affordable housing is one of the county's most pervasive and persistent challenges. According to a 2020 study done by the Montgomery County Planning Department, we are at risk of losing 7,000 to 11,000 units of naturally occurring affordable housing (NOAH) by 2030. Melissa Bondi, Policy Director of Enterprise Community Partners Mid-Atlantic, provided written testimony, "support the 5% cap on deposit to help make fair-market transactions easier to assemble and pay within the short turnaround time required by ROFR execution. (© 41).

Brian Anleu on behalf of Apartment of Building Association (AOBA), testified that, “AOBA supports the County's objective of preserving affordable housing. However, our members are concerned with such a broad expansion of the ROFR law and the impact that it will have on property sales in Montgomery County. Attached to this testimony is a letter from Transwestern outlining the negative impact that Prince George’s County’s law has had on sales;” in addition, AOB proposed several amendments for consideration, See (© 34).

Peter Henry, an individual, testified on issues related to the amount of the deposit mattered and the time to close a sale (180 days) was too long and should be reviewed by the Council. See © 42.

#### **SUMMARY OF PHP WORKSESSION – DECEMBER 11**

Participated in the discussion were Ludeen McCartney-Green of Council staff and Scott Burton, Director of the Department of Housing and Community Development representing the Executive Branch. The Committee discussed Expedited Bill 38-23 and made the following comments (no votes were held, discussion only):

- Initial Evaluation of ROFR offers. Committee members discussed whether to implement a certain timeframe for DHCA to express interest or waive its right to accept a ROFR offer. The Committee requested Council staff review Prince George’s County 7-day requirement to evaluate an offer and whether it is an effective process.
- Chair Friedson requested feedback from DCHA on whether they should be the responsible department to transmit ROFR offers, rather than owners/sellers.
- Amendment by Council Vice-President Stewart: General support for an amendment to remove the religious/charitable purpose exemption.
- Executive Regulations. Consensus by DHCA and Committee members to amend the type of approval for executive regulations from Method 3 to Method 2.
- Electronic Submission. Committee members wanted to explore options at the next meeting on using email to transmit offers. Compare and contrast other jurisdictions.
- All technical and clarifying amendments proposed by DCHA were generally accepted.
- Amendment by Council staff to include governmental housing agency or authority was generally accepted.
- Tenant’s Right to Purchase. Discussion about tenant organizations having the financial ability to exercise ROFR assignment and whether it may create delays in the sale of a property.

#### **SUMMARY OF PHP WORKSESSION – JANUARY 22**

Participated in the discussion was Ludeen McCartney-Green of Council staff and Scott Burton, Director of the Department of Housing and Community Development (DHCA) representing the Executive Branch.

The Committee reviewed the outstanding issues presented in the staff report and made the following amendments:

1. Require DHCA send a statement of interest (non-binding letter) within ten (10) business days after the receipt of a complete right of first refusal offer by an owner. **(Approved by 2-0, Councilmember Jawando abstained)**. Councilmember Jawando requested Council staff provide additional information at full Council regarding: 1) the legality of a non-binding letter, if any; and 2) explain the process and legal implications, if DCHA does not meet and comply with sending the letter of interest.
2. Require DHCA to receive and transmit ROFR offers to each qualified entity. **(Approved, 3-0)**.
3. A ROFR offer must be sent electronically to the Department, unless by doing so it would cause undue burden, then the Department may, at the discretion of the Director, provide alternative methods to receive the offer (*i.e.*, receipt by certified mail). **(Approved, 3-0)**.
4. Remove religious and charitable purposes exemption from the definition of rental housing. **(Approved, 3-0)**
  - *Amend line 13: Rental housing means a multiple-family dwelling, or a group of multiple-family dwellings operated as one entity, with a total of at least 4 rental units. [[Rental housing does not include a dwelling operated for a religious or charitable purpose.]]*
5. Strike Method (3) approval for regulations and replace with Method (2). **(Approved, 3-0)**.
  - *Amend line 156: The County Executive must adopt regulations under Method [[(3)] (2) to establish a process for qualifying and selecting entities to receive an assignment under this subsection.*
6. Several technical and clarifying amendments identified under issue #6 (page 7 of the staff report dated January 22, 2024) were approved (items a-g). **(Approved, 3-0)**.
7. Amendment by Council staff to include governmental housing agency or authority as an entity eligible to receive an assignment. **(Approved, 3-0)**.
8. Director Burton requested the Committee consider an amendment to adopt transition language that would allow for the DHCA to exercise the right to assign after the bill's effective date while the regulations on the eligibility criteria for an assignment remains pending. Committee requested Council staff and OCA

collaborate and draft language to present before the full Council for review and vote.

9. Amendment proposed by MHA and HOC to exempt the sale of a property financed or to be financed by the Low-Income Housing Tax Credit (LIHTC) Program. The Committee was in general support of the exemption but requested to review and adopt the final bill text at full Council.
10. Chair Friedson raised whether there should be a threshold to exempt certain transactions that would not be exercised by a tenant organization. Committee members did not have general support or moved a motion to continue discussion.
11. Chair Friedson requested Council staff provide information in the final action packet on whether the bill provides any overlap in jurisdictional authorities between the County and municipalities.

**The Committee recommended (3-0) approval of the Expedited Bill 38-23 with amendments.**

#### **OUTSTANDING ISSUES FOR COUNCIL'S DISCUSSION AND DECISION**

For a thorough discussion of all issues previously considered by the Committee, please see the staff report of Mrs. McCartney-Green dated January 22, 2024 (available at Bill template ([montgomerycountymd.gov](http://montgomerycountymd.gov))).

The following issue remains for the Council's consideration.

**1. Should the County have a certain timeframe to evaluate ROFR offers and send a statement of interest (non-binding letter)?**

At the January 22 worksession, the Committee adopted (approved by 2-0 vote, Councilmember Jawando abstained) an amendment to require DHCA to send a statement of interest (non-binding letter) within ten (10) business days after the receipt of a complete right of first refusal offer by an owner. The statement of interest would express DHCA's decision to accept, assign, or waive its right of first refusal.

- (4) within ten (10) business days after the receipt of an offer by an owner, under subsection (b)(2), the County must:
  - (A) make an initial evaluation of whether:
    - (a) it is interested in exercising its right of first refusal;
    - (b) assigning its right to a qualified designated entity; or
    - (c) waiving its right of first refusal; and
  - (B) notify the owner of its decision in writing;

Councilmember Jawando requested Council staff provide additional information at full Council regarding: 1) the legality of a non-binding letter, if any; and 2) explain the process and legal implications, if DCHA does not meet and comply with sending the letter of interest.

*Additional Information for Consideration*

- A. Statement of Interest and Certificate of Compliance. The initial evaluation period to consider a ROFR offer in Prince George's County is within 7 days. After a letter is issued by the County, it is considered non-binding. While the County can rescind its decision, it is not in the best interest to do so because it would create significant delays and avert trust amongst interested parties. **Section IX of the Prince George's County ROFR Regulations (June 2020) requires a Certificate of Compliance to be issued with 10 days of the Department's decision not to exercise its ROFR option. Therefore, the County does not legally waive or foreclose on its right until the Certificate of Compliance is issued.** The total timeline for this process would be 17 days from the receipt of the offer of sale by the owner (7 days for the initial review period plus 10 days for the Certificate).

The PHP Committee discussed and adopted an amendment for the initial review period to be completed within 10 days of the offer; however, the Committee did not discuss the timeline or the second prong that solidifies the decision - the Certificate of Compliance.

Montgomery County's ROFR law also requires a Certificate of Compliance, but typically the Department will issue the certificate closer to the closing date of the transaction (parties must close within 180 days after receipt of offer). Montgomery County's ROFR law provides more flexibility than Prince George's County – the Code specifies - the Certificate of Compliance can be issued when the Department determines that the requirements of the Chapter have been satisfied (Section 53A-7).

- B. Right of First Refusal – Order of Priority. Section 53A-4(5) provides the order for interested ROFR parties to consider whether to exercise ROFR – it's the County, HOC, any tenant organization, as amended by this Bill, the order of priority would now become: 1) County; 2) County's assignee; 3) HOC; and 4) any tenant organization. The County, County's assignee, and HOC all have within 60 days to accept the ROFR offer. A tenant organization has 45 days, or 90 if a tenant organization is certified by the Department.

If a statement of interest is required as recommended by the PHP Committee, then the County would issue the letter, but it would need to consider whether it makes sense to include language on terminating the County's right to before the current 60-day offer because there are potentially three other ROFR parties in line to exercise their right to purchase. It would not be prudent to implement a statement of interest (non-binding letter) without coupling for it to be binding as well. Further, even if the County offer

expires earlier, HOC would still have the full 60-day and tenants would still have 45 day.

**2. Amendment proposed by MHA and HOC regarding LIHTC exemption.**

The Committee was in general support of the exemption but requested to review and adopt the final text at full Council. DHCA is supported of this amendment. See LIHTC amendment at © 60.

The Low-Income Housing Tax Credit (“LIHTC”) provides equity financing that subsidizes the acquisition, construction, and rehabilitation of affordable rental housing for low- and moderate-income tenants.

The exemption accomplishes two aspects: 1) provides an exemption from the ROFR law for "LIHTC Transfers", requiring that the seller send a notice to DHCA with documentation to prove the exemption is valid, and giving DHCA an opportunity to review and approve; and 2) provides an exemption from that notice requirement for LIHTC Transfers where the property has a regulatory agreement with the County (e.g. HIF loan) that requires providing notice about any transfer of the property.

**Decision Point:** Whether to adopt the amendment to exempt LIHTC properties financed or to be financed by LIHTC?

**3. Transition clause.** A clarifying amendment that specifies the provisions within this Bill would apply to any transactions prior to the effective date of this legislation. See amendment on Page © 64.

**Decision Point:** Whether to adopt the effective date, transition clause, and sunset provision?

**OUTSTANDING GENERAL DISCUSSION POINT**

Chair Friedson requested Council staff provide information related to whether the bill provides any overlap in jurisdictional authorities between the County and municipalities.

The assignment provision should incorporate nonprofits, for profits, but also governmental housing agency/authority. Below is the amendment to include governmental housing agency or authority:

The County Executive may assign the right of first refusal, or a contract to purchase rental housing, to an entity qualified by the Department to receive such assignment that, among other things, is a bona fide nonprofit, or a for-profit entity, or **governmental housing agency or authority**, in good standing under the laws of the State of Maryland at the time of assignment;

The bill would identify governmental housing agencies/authorities as prequalified entities because the business purpose of the entity includes maintaining and preserving affordable housing; however, the law does not give the municipal housing entities unbridled authority to transact and purchase real estate transactions in the County without the necessary authority to do so.

An assignment from the County is not compulsory – a qualified housing authority of a municipality could refuse the assignment. Instead, 53A-4(g)(2) of the proposed bill indicates (lines 171-180) an application process that will be implemented through regulation by which a qualified entity must apply for an assignment. The assignment agreement under 53A-4(g)(3) would mostly likely include the standard representation that the parties have the requisite authority to enter into the agreement.

Council staff along with Office of County Attorney do not perceive any unlawful overlap of jurisdictional authorities.

**Next Steps:** Roll call vote on Expedited Bill 38-23.

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Expedited Bill No. 38-23  
Concerning: Tenant Displacement –  
Right of First Refusal to Buy Rental  
Housing - Amendments  
Revised: 2/8/24 Draft No. 3  
Introduced: September 21, 2026  
Expires: December 7, 2026  
Enacted: \_\_\_\_\_  
Executive: \_\_\_\_\_  
Effective: \_\_\_\_\_  
Sunset Date: \_\_\_\_\_  
Ch. [#], Laws of Mont. Co. [year]

## COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

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By: Council President at the Request of the County Executive

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**AN EXPEDITED ACT** to:

- (1) allow the County Executive to designate a qualified entity that may exercise the right of first refusal; and
- (2) generally amend the law regarding the right of first refusal.

By amending

Montgomery County Code  
Chapter 53A, Tenant Displacement  
Sections 53A-2 and 53A-4

<b>Boldface</b>	<i>Heading or defined term.</i>
<u>Underlining</u>	<i>Added to existing law by original bill.</i>
[Single boldface brackets]	<i>Deleted from existing law by original bill.</i>
<u>Double underlining</u>	<i>Added by amendment.</i>
[[Double boldface brackets]]	<i>Deleted from existing law or the bill by amendment.</i>
* * *	<i>Existing law unaffected by bill.</i>

*The County Council for Montgomery County, Maryland approves the following Act:*



27 organization, or ~~[[a qualified entity]]~~ County assignee a right of  
 28 first refusal under this Chapter.

29 ~~[(g)]~~ (h) *Tenant* means an individual who lives in a rental housing unit with the  
 30 owner's consent and is responsible for paying rent to the owner.

31 ~~[(h)]~~ (i) *Tenant organization* means an association of tenants of rental housing  
 32 that:

33 (1) represents tenants of at least 30 percent (30%) of the occupied units  
 34 in the rental housing; and

35 (2) is certified by the Department according to Executive regulations.

36 ~~[(i)]~~ (j) *Title* means:

37 (1) a legal or equitable ownership interest in rental housing; or

38 (2) a legal, equitable, or beneficial interest in a partnership, limited  
 39 partnership, corporation, trust or other person who is not an  
 40 individual, that has a legal or equitable ownership interest in rental  
 41 housing.

42 \* \* \*

#### 43 **53A-4. Right of first refusal to buy rental housing.**

44 (a) *Right of first refusal.* An owner must offer the County, HOC, and any  
 45 tenant organization the right to buy rental housing before selling the rental  
 46 housing to another party, except as provided under Section 53A-5.

47 (b) *Requirements for offer.* An offer required by subsection (a) must:

48 (1) be in writing;

49 (2) be sent electronically to the Department unless it would cause an  
 50 undue burden, then at the discretion of the Director, the owner may  
 51 request an alternative method ~~[[by certified mail, return receipt~~  
 52 ~~requested]]~~, within 5 business days after:

- 53 (A) the execution of a bona fide contract of sale, for the County,  
 54 HOC, and any existing tenant organization; or
- 55 (B) the Department certifies a tenant organization, for a new  
 56 tenant organization formed under Section 53A-3(b);
- 57 (3) include substantially the same terms and conditions as a pending  
 58 bona fide contract of sale from a third party to buy the rental  
 59 housing; [and]
- 60 (4) remain open for:
- 61 (A) 60 days after it is received, ~~[[for]]~~ by the County~~[[,]]~~ and  
 62 HOC~~[[, and any qualified entity that receives an assignment~~  
 63 under 53A-4(g)]]; and
- 64 (B) 90 days after it is received by any tenant organization,  
 65 including a new tenant organization formed under Section  
 66 53A-3(b)~~[[.]; and~~
- 67 (5) [an owner] the County must send an electronic copy of the offer to  
 68 all qualified entities ~~[[contemporaneously with providing the offer~~  
 69 to the County, HOC, and any tenant organization]].
- 70 (c) *Information and inspection.* The owner must give the County, HOC,  
 71 [and] any tenant organization, and ~~[[any qualified entity]]~~ County  
 72 assignee:
- 73 (1) any information about the rental housing relevant to exercising the  
 74 right of first refusal, such as architectural and engineering plans  
 75 and specifications, and operating data; and
- 76 (2) access to the rental housing to inspect the property and conduct  
 77 reasonable tests at reasonable times after reasonable notice.
- 78 The County, HOC, [and] any tenant organization, and ~~[[any qualified~~  
 79 entity]] County assignee must pay the owner a reasonable deposit for any

80 architectural and engineering plans that the owner provides. The owner  
 81 must refund the deposit when the plans are returned to the owner. The  
 82 County Executive must issue regulations to implement this subsection.

83 (d) *Exercise of right of first refusal.*

84 (1) The County, HOC, [or a] any tenant organization, or any  
 85 [[qualified entity that receives an assignment under 53A-4(g)]]  
 86 County assignee may exercise the right of first refusal by accepting  
 87 the offer within the applicable period under subsection (b)(4). The  
 88 County, County assignee, and HOC may accept an offer to buy  
 89 rental housing in a municipality only if the municipality approves.

90 (2) The owner must sell the rental housing under the right of first  
 91 refusal if the acceptance includes substantially the same terms and  
 92 conditions contained in the owner's bona fide contract of sale with  
 93 the third party, including any contract term that provides for a bona  
 94 fide real estate commission payable to an independent broker.  
 95 Notwithstanding this general requirement or any term of the  
 96 contract, the County, HOC, [or] a tenant organization, or any  
 97 [[qualified entity]] County assignee may condition its acceptance  
 98 on obtaining financing at any time before the deadline in paragraph  
 99 [(3)] (4) for completing the sale.

100 (3) The County, HOC, any tenant organization, or any [[qualified  
 101 entity]] County assignee must not be required to pay [to] the owner  
 102 a deposit of more than five percent (5%) of the contract price to  
 103 accept the offer and exercise its right of first refusal. The deposit  
 104 is refundable in the event of a good faith failure of the County,  
 105 HOC, any tenant organization, or any [[qualified entity to perform

106 under]] County assignee to satisfy the financing contingency set  
 107 forth under paragraph (2) [[the contract]].

108 [(3)] (4) The owner and the County, HOC, [or] tenant organization, or any  
 109 [[qualified entity that receives an assignment under 53A-4(g)]]  
 110 must complete a sale under this subsection within 180 days after  
 111 the County, HOC, or tenant organization receives the owner's  
 112 offer unless the owner agrees to extend the 180-day period. If the  
 113 County, HOC, tenant organization or any County assignee  
 114 exercises the right of first refusal and fails to close within the 180  
 115 day deadline, then without providing a new offer, the owner may  
 116 be permitted to transfer the rental housing to any purchaser within  
 117 365 days following the date of the offer, provided that the purchase  
 118 price is not less than 90% of the purchase set forth in the original  
 119 offer.

120 [(4)] (5) Before a tenant organization completes a sale under paragraph  
 121 [(3)] (4), a majority of all [of the] tenants must ratify the purchase.

122 [(5)] (6) The right of first refusal applies in the following order of priority:  
 123 (A) the County or County assignee;  
 124 (B) [[any qualified entity that receives an assignment under  
 125 53A-4(g)]];  
 126 [(B)] [(C)] HOC; and  
 127 (C) [(D)] any tenant organization.

128 [(6)] (7) The Executive must issue regulations that establish procedures and  
 129 guidelines for exercising the County's right of first refusal.

130 (e) *Expiration of right of first refusal.* If the County, HOC, [and] any tenant  
 131 organization, or any [[qualified entity that receives an assignment under  
 132 53A-4(g)]] County assignee do not exercise their rights of first refusal

133 within the applicable period under subsection (b)(4), the owner may sell  
 134 the rental housing to the third-party buyer under substantially the same  
 135 terms and conditions offered to the County, HOC, and any tenant  
 136 organization.

137 (f) *Immunity.* The County, HOC, [and] any tenant organization, or any  
 138 [[qualified entity]] County assignee are not liable for any damages  
 139 incurred by the owner, a third-party buyer, a tenant, or any other person  
 140 in connection with a decision to exercise or not exercise a right of first  
 141 refusal under this Section.

142 (g) *Assignment.*

143 (1) The County Executive may assign the right of first refusal, or a  
 144 contract to purchase rental housing, to an entity qualified by the  
 145 Department to receive such assignment that:

146 (A) has demonstrated expertise in acquiring, maintaining, and  
 147 managing rental and affordable housing;

148 (B) is a bona fide nonprofit, [[or]] a for-profit entity, or  
 149 governmental housing agency or authority, in good  
 150 standing under the laws of the State of Maryland at the time  
 151 of assignment;

152 (C) is registered and licensed to do business in Maryland;  
 153 [[and]]

154 (D) commits in writing to maintain the affordability of housing  
 155 acquired under this subsection[.]; and

156 (E) commits in writing that it must not disclose any information  
 157 or documentation it receives from an owner pursuant to this  
 158 Chapter unless required by law.

159           (2)    The County Executive must adopt regulations under Method  
 160           [(3)] (2) to establish a process for qualifying and selecting entities  
 161           to receive an assignment under this subsection. The regulations  
 162           must establish:

163           (A)    a process that provides entities a fair opportunity to  
 164           demonstrate to the County Executive or the County  
 165           Executive's designee its qualifications to receive an  
 166           assignment;

167           (B)    factors that an entity must demonstrate to be deemed  
 168           eligible to receive an assignment;

169           (C)    affordable housing restrictions that an entity must commit  
 170           in writing to maintain, if selected as an assignee; and

171           (D)    criteria the County Executive or the County Executive's  
 172           designee must use for selecting assignees from among  
 173           qualified entities.

174           (3)    An assignment by the County Executive of the County's right of  
 175           first refusal must be accomplished by a written agreement with the  
 176           assignee that includes an assignment and assumption of the  
 177           County's rights and obligations under this Chapter as to its right of  
 178           first refusal. The County must provide an owner with a copy of the  
 179           assignment and assumption agreement within 3 business days of  
 180           execution. The County's option to assign its right of first refusal to  
 181           a qualified entity must not extend the sixty (60) day exercise period  
 182           under Section 53A-4(b)(4) or the 180 day closing deadline under  
 183           Section 53A-4(d)(4).

184           **Sec. 2. Expedited Effective Date; transition.**

185           The Council declares that this legislation is necessary for the immediate  
186 protection of the public interest. This Act takes effect on the date on which it becomes  
187 law.



OFFICE OF THE COUNTY EXECUTIVE

Marc Elrich  
County Executive

MEMORANDUM

August 31, 2023

TO: Evan Glass, Council President  
Montgomery County Council

FROM: Marc Elrich, County Executive 

SUBJECT: Bill XX-23, Tenant Displacement – Right of First Refusal to Buy Rental Housing  
– Amendments

I am transmitting Bill XX-23, Tenant Displacement – Right of First Refusal to Buy Rental Housing – Amendments. This bill seeks to address the growing need for affordable housing in Montgomery County by amending sections of the County Code (53A-2 & 53A-4) regarding the right of first refusal.

Under this bill, a County Executive, after exercising the right of first refusal, would be permitted to assign the right to purchase a property to a qualified entity. The purpose of permitting a County Executive to make such an assignment is to relieve the County of the necessity of purchasing a property and then having to sell it to a developer within less than twenty-four hours, which requires the County to have tens of millions of dollars available in accounts for the purpose of taking ownership of a property only to transfer it immediately. The ability to assign the right to purchase to a qualified entity will allow the County to use its funds to preserve or create long-term affordability without the need to reserve tens of millions of dollars solely to purchase and then transfer properties to affordable housing developers. To become a qualified entity, a housing developer must demonstrate experience and commitment to owning and operating affordable housing through an application process.

This proposed legislation also places a 5% cap on the deposit that an owner can charge if the right of first refusal is exercised. The purpose of limiting a required deposit to 5% is to prevent property owners from requiring deposits far in excess of industry norms for the purpose of thwarting the County's ability to exercise the right of first refusal. The draft Executive Regulation #16-23 (enclosed) will be advertised in the September 2023 Register.

Bill XX-23, Tenant Displacement – Right of First Refusal to Buy Rental Housing –  
Amendments  
August 31, 2023  
Page 2 of 2

If you have any questions, please contact Scott Bruton, Director, Department of Housing and  
Community Affairs at [scott.bruton@montgomerycountymd.gov](mailto:scott.bruton@montgomerycountymd.gov).

ME:sb

Enclosure

## LEGISLATIVE REQUEST REPORT

BILL: XX-XX

*Tenant Displacement – Right of First Refusal to Buy Rental Housing - Amendments*

**DESCRIPTION:** The Bill would amend Sections 53A-2 and 53A-4 of the Montgomery County Code to allow the County Executive to designate a qualified entity that may exercise the right of first refusal in purchasing rental housing.

**PROBLEM:** Increasing access to affordable housing has become an increasingly important need for the County. Additionally, without the ability to delegate the right of first refusal, the County must keep large sums of money available to purchase and turn over this housing as it becomes available.

**GOALS AND OBJECTIVES:** Enable the County to more effectively evaluate and exercise the right of first refusal on the purchase of rental housing by delegating the ability to qualified entities.

**COORDINATION:** The Office of the County Executive, Department of Housing and Community Affairs

**FISCAL IMPACT:** Office of Management and Budget

**ECONOMIC IMPACT:** Office of Legislative Oversight

**EVALUATION:** Subject to general oversight of the County Executive and County Council. The Office of the County Attorney will evaluate for form and legality.

**EXPERIENCE ELSEWHERE:** The Montgomery County code already includes provisions for the right of first refusal to be exercised by the County, the HOC, and tenant organizations. Most of the amendments in this Bill serve to extend existing procedures to Executive-designated entities, adding them into an established framework.

**SOURCE OF:** Scott Bruton, Director, DHCA; Neal Anker, Assistant County Attorney, Division of Land Use, Zoning & Economic Development, Office of the County Attorney; Jake Weissman, Assistant Chief Administrative Officer, Office of the County Executive.

### **INFORMATION**

**APPLICATION WITHIN MUNICIPALITIES:** Rockville, Gaithersburg, Takoma Park

**PENALTIES:** N/A

# Fiscal Impact Statement

Office of Management and Budget

## Executive Regulation XX-23

## Tenant Displacement - Right of First Refusal to Buy Rental Housing - Amendments

### Regulation Summary

This bill seeks to address the growing need for affordable housing in Montgomery County by amending sections of the county code (53A-2 & 53A-4) regarding the right of first refusal. Under this bill, the County Executive, after exercising the right of first refusal, would be permitted to assign the right to purchase a property to a qualified entity. To become a qualified entity, a housing developer must demonstrate experience and commitment to owning and operating affordable housing through an application process. Additionally, the bill specifies what is to be included in the executive regulations regarding it, and generally amends the procedure surrounding the right of first refusal. In particular, it places a 5% cap on the deposit that an owner can charge if the right of first refusal is exercised.

### Fiscal Impact Summary

This bill will not increase County revenues or expenditures. The Department of Housing and Community Affairs (DHCA) already evaluates properties that issue a right of first refusal (ROFR) notice, makes decisions about when to exercise ROFR, and evaluates which development partners to choose in partnering to purchase a property. This bill will simplify that process by allowing the County, after exercising ROFR, to assign the right to purchase to a development partner without the complexity and significant labor and financial cost of having to purchase the property itself and then sell it within less than twenty-four hours to its partner.

### Fiscal Impact Analysis

DHCA does not expect any changes on County revenues or expenditures over the next six years.

### Staff Impact

The regulation is not expected to impact staff time or duties.

### Actuarial Analysis

The regulation is not expected to impact retiree pension or group insurance costs.

### Information Technology Impact

The regulation is not expected to impact the County Information Technology (IT) or Enterprise Resource Planning (ERP) systems.

### Other Information

*Later actions that may impact revenue or expenditures if future spending is projected*

The regulation does not authorize future spending.

### Contributors

Scott Bruton, Pofen Salem, Department of Housing and Community Affairs  
Anita Aryeetey, Office of Management and Budget



# Climate Assessment

Office of Legislative Oversight

## Expedited Tenant Displacement – Right of First Refusal to Buy Rental Housing – Amendments

### SUMMARY

The Office of Legislative Oversight (OLO) anticipates Expedited Bill 38-23 will likely have an indeterminate impact on the County's contribution to addressing climate change as access to affordable housing increases community resilience and the proposed change is intended to simplify the process of buying rental housing for the purpose of creating affordable housing. However, it cannot be predicted how much affordable housing will be created by this change.

---

### BACKGROUND AND PURPOSE OF EXPEDITED BILL 38-23

Right of first refusal is defined as a contractual right that allows an interested party, like a local government agency, the first right to purchase a property. Government agencies can use the right of first refusal to acquire private property for sale as long as it matches the price of any third-party offer.<sup>1</sup> Governments often use this power to preserve affordable housing and prevent the conversion of subsidized rental properties for another use, if it is sold to another buyer.<sup>2</sup>

As established in the County Code, a rental housing owner must offer the County, Housing Opportunity Commission (HOC), and any tenant organization the right to buy the property before selling the rental housing to another party, barring certain exceptions as defined in the County Code.<sup>3</sup> Expedited Bill 38-23 would amend the County Code to allow the County Executive to designate a qualified entity that may exercise the right of first refusal.<sup>4</sup> Housing developers are considered a qualified entity if they “demonstrate experience and commitment to owning and operating affordable housing through an application process.”<sup>5</sup>

The proposed bill is intended to simplify the process by allowing the County, after exercising its right of first refusal, to then assign the right to purchase to a qualified entity. In a memorandum from the County Executive included in the bill's introduction packet, it is stated that the amendment would relieve the County of the necessity of purchasing a property and then having to sell it to a development partner, which requires the County to quickly have funds available for the purchase of property.<sup>6</sup> Further, Bill 38-23 would place a 5% cap on the deposit an owner can charge if the right of first refusal is exercised, consistent with industry norms.<sup>7</sup>

Expedited Bill 38-23, Tenant Displacement – Right of First Refusal to Buy Rental Housing – Amendments, was introduced by the Council on behalf of the County Executive on September 26, 2023.<sup>8</sup>

## ANTICIPATED IMPACTS

The affordability of a community's housing stock has a direct correlation to the overall resilience of a community, and on its ability to prepare for current and future risks.<sup>9</sup> Affordable housing can improve community resilience through two ways: increasing housing stability and alleviating cost-burdened households. Housing stability can increase community resilience, through enhancing social cohesion by building community ties and enabling residents to stay better connected during emergencies. Cost-burdened households, which are households that spend over 30% of income on housing, generally have less cash on hand to weather shocks, such as extreme weather events, compared to households that are not cost-burdened.<sup>10</sup>

The bill proposes changes that are intended to simplify the process of acquiring rental housing for the purpose of creating affordable housing. Increased access to affordable housing increases community resilience; however it cannot be predicted how much affordable housing will be created by this change. OLO anticipates Expedited Bill 38-23 will have an indeterminate impact on the County's contribution to addressing climate change, including the reduction and/or sequestration of greenhouse gas emissions, community resilience, and adaptative capacity.

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## RECOMMENDED AMENDMENTS

The Climate Assessment Act requires OLO to offer recommendations, such as amendments or other measures to mitigate any anticipated negative climate impacts.<sup>11</sup> OLO does not offer recommendations or amendments as Expedited Bill 38-23 is likely to have an indeterminate impact on the County's contribution to addressing climate change, including the reduction and/or sequestration of greenhouse gas emissions, community resilience, and adaptative capacity.

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## CAVEATS

OLO notes two caveats to this climate assessment. First, predicting the impacts of legislation upon climate change is a challenging analytical endeavor due to data limitations, uncertainty, and the broad, global nature of climate change. Second, the analysis performed here is intended to inform the legislative process, not determine whether the Council should enact legislation. Thus, any conclusion made in this statement does not represent OLO's endorsement of, or objection to, the bill under consideration.

## PURPOSE OF CLIMATE ASSESSMENTS

The purpose of the Climate Assessments is to evaluate the anticipated impact of legislation on the County's contribution to addressing climate change. These climate assessments will provide the Council with a more thorough understanding of the potential climate impacts and implications of proposed legislation, at the County level. The scope of the Climate Assessments is limited to the County's contribution to addressing climate change, specifically upon the County's contribution to greenhouse gas emissions and how actions suggested by legislation could help improve the County's adaptive capacity to climate change, and therefore, increase community resilience.

While co-benefits such as health and cost savings may be discussed, the focus is on how proposed County bills may impact GHG emissions and community resilience.

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## CONTRIBUTIONS

OLO staffer Kaitlyn Simmons drafted this assessment.

<sup>1</sup> ["Public Rights of First Refusal", The Yale Law Journal, 2020.](#)

<sup>2</sup> ["Rights of First Refusal", Local Housing Solutions, Accessed 9/27/2023.](#)

<sup>3</sup> [Montgomery County Code § 53A-4, Accessed 9/27/2023.](#)

<sup>4</sup> [Introduction Staff Report for Bill 38-23, Introduced September 26, 2023.](#)

<sup>5</sup> Ibid.

<sup>6</sup> Ibid.

<sup>7</sup> Ibid.

<sup>8</sup> Ibid.

<sup>9</sup> ["The Community Resilience Benchmarks", Alliance for National and Community Resilience, 2019.](#)

<sup>10</sup> ["Equitable Adaptation Legal and Policy Toolkit: Resilient Affordable Housing, Anti-Displacement, and Gentrification", Georgetown Climate Center, Accessed 10/2/23 ; "Community Resilience: A Social Justice Perspective", Community and Regional Resilience Initiative, 2008.](#)

<sup>11</sup> Bill 3-22, Legislative Branch – Climate Assessments – Required, Montgomery County Council, Effective date October 24, 2022

# Economic Impact Statement

Montgomery County, Maryland

## Expedited Bill 38-23

## Tenant Displacement – Right of First Refusal to Buy Rental Housing – Amendments

### SUMMARY

The Office of Legislative Oversight (OLO) anticipates that enacting Expedited Bill 38-23 would have an insignificant direct impact on economic conditions in the County in terms of the Council’s priority economic indicators.

### BACKGROUND AND PURPOSE OF EXPEDITED BILL 38-23

Right of first refusal (ROFR) is defined as a contractual right that allows an interested party, like a local government agency, the first right to purchase a property. Government agencies may use ROFR to acquire private property for sale as long as it matches the price of any third-party offer.<sup>1</sup> Governments often use this power to preserve affordable housing and prevent the conversion of subsidized rental properties for another use, if it is sold to another buyer.<sup>2</sup>

As established in the County Code, a rental housing owner must offer the County, Housing Opportunity Commission (HOC), and any tenant organization the right to buy the property before selling the rental housing to another party, barring certain exceptions as defined in the County Code.<sup>3</sup> Expedited Bill 38-23 would amend the County Code to allow the County Executive to designate a qualified entity that may exercise ROFR.<sup>4</sup> Housing developers are considered a qualified entity if they “demonstrate experience and commitment to owning and operating affordable housing through an application process.”<sup>5</sup>

The proposed bill is intended to simplify the process by allowing the County, after exercising ROFR, to then assign the right to purchase to a qualified entity. According to the memorandum from the County Executive included in the Bill’s introduction packet, the amendment would relieve the County of the necessity of purchasing a property and then having to sell it to a development partner, which requires the County to quickly have funds available for the purchase of the property.<sup>6</sup> Further, Bill 38-23 would place a 5% cap on the deposit an owner can charge if ROFR.<sup>7</sup>

The Council introduced Expedited Bill 38-23, Tenant Displacement – Right of First Refusal to Buy Rental Housing – Amendments, on behalf of the County Executive on September 26, 2023.<sup>8</sup>

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<sup>1</sup> Damrosch, “Public Rights of First Refusal.”

<sup>2</sup> “Rights of First Refusal.”

<sup>3</sup> Montgomery County Code § 53A-4, Accessed 9/27/2023.

<sup>4</sup> Introduction Staff Report on Expedited Bill 38-23.

<sup>5</sup> Ibid.

<sup>6</sup> Ibid.

<sup>7</sup> Ibid.

<sup>8</sup> Ibid.

## INFORMATION SOURCES, METHODOLOGIES, AND ASSUMPTIONS

Per Section 2-81B of the Montgomery County Code, the purpose of this Economic Impact Statement is to assess, both, the impacts of Expedited Bill 38-23 on residents and private organizations in terms of the Council’s priority economic indicators and whether the Bill would have a net positive or negative impact on overall economic conditions in the County.<sup>9</sup>

By allowing the County to assign ROFR to a qualified entity, the Bill could *indirectly* impact economic conditions. This will occur if the reform leads to ROFR being used more than it otherwise would under existing law. Given that the County has rarely acquired properties through ROFR in the past<sup>10</sup> and the challenges with financing affordable housing projects, OLO is doubtful that the Bill would significantly increase the demand for acquiring properties among potential qualified entities.

However, if the Bill significantly increases the use of ROFR, the net indirect economic impact would be uncertain. For one, there is a small literature in theoretical economics on the effects of ROFR on sellers, rights-holders, and third-parties, with conflicting theoretical results.<sup>11</sup> Second, estimating the net impact would require weighing the Bill’s uncertain effects on these market actors against the economic impacts of preserving more affordable rental units in the County than otherwise would occur in the absence of the Bill, which would include lowering the risk of foreclosure to certain resident households and increasing household spending.<sup>12</sup>

Thus, OLO concludes that the Bill would have an insignificant *direct* impact on the Council’s priority economic indicators.

## VARIABLES

Not applicable

## IMPACTS

**WORKFORCE** ▪ **TAXATION POLICY** ▪ **PROPERTY VALUES** ▪ **INCOMES** ▪ **OPERATING COSTS** ▪ **PRIVATE SECTOR CAPITAL INVESTMENT** ▪ **ECONOMIC DEVELOPMENT** ▪ **COMPETITIVENESS**

### Businesses, Non-Profits, Other Private Organizations

Not applicable

### Residents

Not applicable

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<sup>9</sup> Montgomery County Code, Sec. 2-81B.

<sup>10</sup> It is worth noting that the County has rarely acquired properties through ROFR. See “Annual Report on the Montgomery County Right of First Refusal Program”; “Memorandum: Right of First Refusal,” December 6, 2021; “Memorandum: Right of First Refusal,” February 13, 2020.

<sup>11</sup> See, for example, Kahan, Leshem, and Sundaram, “First-Purchase Rights”; Brisset, Cochard, and Maréchal, “The Effect of a Right-of-First-Refusal Clause in a First-Price Auction with Heterogeneous Risk-Averse Bidders.”

<sup>12</sup> Boyle et al., “The Regional Macroeconomic Impact of Projected Affordable Housing Developments.”

## Net Impact

Not applicable

## DISCUSSION ITEMS

Given the information constraints in this analysis, Councilmembers may want to consider a more thorough assessment of the demand for acquiring properties through ROFR among potential qualified entities, the Bill's potential impacts on market transactions among sellers, rights-holders and third-parties, as well as the economic impacts to residents and businesses of preserving affordable housing.

## WORKS CITED

- "Annual Report on the Montgomery County Right of First Refusal Program." Department of Housing and Community Affairs, Montgomery County Government, February 17, 2023.
- Boyle, Stephen, Kevin Connolly, Peter G McGregor, and Mairi Spowage. "The Regional Macroeconomic Impact of Projected Affordable Housing Developments: Facilitating the 'Levelling up' Agenda?" *Local Economy* 37, no. 5 (August 1, 2022): 384–402. <https://doi.org/10.1177/02690942221130022>.
- Brisset, Karine, François Cochard, and François Maréchal. "The Effect of a Right-of-First-Refusal Clause in a First-Price Auction with Heterogeneous Risk-Averse Bidders." *Journal of Institutional and Theoretical Economics: JITE* 176, no. 3 (September 2020): 526–48. <https://doi.org/10.1628/jite-2020-0034>.
- Damrosch, Peter. "Public Rights of First Refusal." *The Yale Law Journal* 129, no. 3 (January 2020): 812–64. <https://www.yalelawjournal.org/note/public-rights-of-first-refusal>
- "Introduction Staff Report on Expedited Bill 38-23, Tenant Displacement – Right of First Refusal to Buy Rental Housing – Amendments." Montgomery County Council, September 26, 2023. <https://apps.montgomerycountymd.gov/ccllims/BillDetailsPage?RecordId=2816&fullTextSearch=38-23>.
- Kahan, Marcel, Shmuel Leshem, and Rangarajan K. Sundaram. "First-Purchase Rights: Rights of First Refusal and Rights of First Offer." *American Law and Economics Review* 14, no. 2 (December 1, 2012): 331–71. <https://doi.org/10.1093/aler/ahs014>.
- "Memorandum: Right of First Refusal." Planning, Housing, and Economic Development Committee, Montgomery County Council, February 13, 2020. [https://www.montgomerycountymd.gov/council/Resources/Files/agenda/cm/2020/20200213/20200213\\_PHED4.pdf](https://www.montgomerycountymd.gov/council/Resources/Files/agenda/cm/2020/20200213/20200213_PHED4.pdf).
- "Memorandum: Right of First Refusal." Planning, Housing, and Economic Development Committee, Montgomery County Council, December 6, 2021. [https://www.montgomerycountymd.gov/council/Resources/Files/agenda/cm/2021/20211206/20211206\\_PHED3.pdf](https://www.montgomerycountymd.gov/council/Resources/Files/agenda/cm/2021/20211206/20211206_PHED3.pdf).
- "Rights of First Refusal." Local Housing Solutions. Accessed October 9, 2023. <https://localhousingsolutions.org/housing-policy-library/rights-of-first-refusal/>.

## CAVEATS

Two caveats to the economic analysis performed here should be noted. First, predicting the economic impacts of legislation is a challenging analytical endeavor due to data limitations, the multitude of causes of economic outcomes, economic shocks, uncertainty, and other factors. Second, the analysis performed here is intended to *inform* the legislative process, not determine whether the Council should enact legislation. Thus, any conclusion made in this statement does not represent OLO's endorsement of, or objection to, the Bill under consideration.

## AUTHOR

Stephen Roblin (OLO) prepared this report.

# Racial Equity and Social Justice (RESJ) Impact Statement

Office of Legislative Oversight

## EXPEDITED TENANT DISPLACEMENT – RIGHT OF FIRST REFUSAL TO BUY BILL 38-23: RENTAL HOUSING – AMENDMENTS

### SUMMARY

The Office of Legislative Oversight (OLO) anticipates Expedited Bill 38-23 could have a positive impact on racial equity and social justice (RESJ) in the County as it codifies a recognized promising practice for preserving and creating affordable housing into County law.

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### PURPOSE OF RESJ IMPACT STATEMENTS

The purpose of RESJ impact statements (RESJIS) is to evaluate the anticipated impact of legislation on racial equity and social justice in the County. Racial equity and social justice refer to a **process** that focuses on centering the needs, leadership, and power of communities of color and low-income communities with a **goal** of eliminating racial and social inequities.<sup>1</sup> Achieving racial equity and social justice usually requires seeing, thinking, and working differently to address the racial and social harms that have caused racial and social inequities.<sup>2</sup>

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### PURPOSE OF EXPEDITED BILL 38-23

The right of first refusal is defined as a contractual right that allows an interested party, like a local government agency, the first right to purchase a property when it is put up for sale. Government agencies can use the right of first refusal to acquire private property for sale as long as it matches the price of any third-party offer.<sup>3</sup> Governments often use this power to preserve affordable housing and prevent the conversion of subsidized rental properties for another use if it is sold to another buyer.<sup>4</sup>

According to County law, a rental housing owner must offer the County, the Housing Opportunities Commission (HOC), and any tenant organization the right to buy the property before selling it to another party, barring certain exceptions.<sup>5</sup> If enacted, Bill 38-23 would:<sup>6</sup>

- Allow the County Executive to designate a qualified entity that may exercise the right of first refusal.
- Establish basic criteria for the Department of Housing and Community Affairs (DHCA) to qualify entities for a right of first refusal assignment, as well as a requirement for the County Executive to adopt regulations under Method (3) establishing a process for qualifying and selecting entities to receive a right of first refusal assignment.
- Place a 5 percent cap on the deposit an owner can charge if the right of first refusal is exercised, which according to the County Executive, is consistent with industry norms.<sup>7</sup>

The County Executive states that assigning the right to purchase a property to a qualified entity after exercising the right of first refusal would “allow the County to use its funds to preserve or create long-term affordability without the need to reserve tens of millions of dollars solely to purchase and then transfer properties to affordable housing developers.”<sup>8</sup>

Expedited Bill 38-23, Tenant Displacement – Right of First Refusal to Buy Rental Housing – Amendments, was introduced by the Council on behalf of the County Executive on September 26, 2023.

Office of Legislative Oversight

October 13, 2023

# RESJ Impact Statement

## Expedited Bill 38-23

In September 2021, OLO published a RESJIS for Expedited Bill 30-21, Landlord-Tenant Relations – Restrictions During Emergencies – Extended Limitations Against Rent Increases and Late Fees.<sup>9</sup> Please refer to this RESJIS for detailed background on racial segregation in housing and the racial wealth divide.

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### HOUSING INSECURITY, AFFORDABLE HOUSING, AND RACIAL EQUITY

**Housing Insecurity.** Local data demonstrates that Black and Latinx households in the County are especially housing insecure. For instance:

- In 2022, 59 percent of Black renters and 56 percent of Latinx renters were cost-burdened (expending 30 percent or more of income on rent), compared to 47 percent of White renters and 42 percent of Asian renters.<sup>10</sup>
- Among COVID-19 Rent Relief Program recipients, 45 percent were Black and 23 percent were Latinx, while 8 percent were White and 2 percent were Asian or Pacific Islander.<sup>11</sup>
- Among single adults experiencing homelessness in 2022, 60 percent were Black, 27 percent were White, 8 percent were Native American, and 5 percent were Asian or Pacific Islander.<sup>12</sup>
- Among families experiencing homelessness in 2022, 73 percent were Black, 22 percent were White, 3 percent were Native American and 3 percent were Asian or Pacific Islander.<sup>13</sup>

Racial disparities in housing security are reflective of the legacies of housing segregation and the racial wealth divide, established over centuries by government policies and practices such as:<sup>14,15</sup>

- A failure to fully implement Reconstruction and provide land to Black people who had been held in bondage;
- Enacting exclusionary zoning policies, such as single-family zoning, designed to segregate communities;
- Creating large federal programs that supported homeownership for working- and middle-class White families while explicitly excluding Black families of similar means;
- Using racial restrictive covenants to prevent Black people from buying homes owned by White people.
- Tolerating violence and hostility from White residents towards Black residents after attempts to integrate neighborhoods; and
- Enabling predatory home financing in Black, Indigenous, and Other People of Color (BIPOC) communities, further stripping BIPOC of wealth and their homes.

Government actions establishing segregation and the racial wealth divide were prevalent nationwide, including in Montgomery County. For instance, a Planning Department study of 409 Home Owner's Loan Corporation (HOLC) loans made in the County for the Mapping Segregation Project found that 97 percent of loans (400 loans) were made to White residents, while less than 2 percent of loans (7 loans) were made to Black residents.<sup>16</sup> The Project has also found widespread use of racial restrictive covenants in the Downcounty Planning Area.<sup>17,18</sup> Further, the draft Metropolitan Washington Fair Housing Plan observed that "Montgomery County's zoning laws are a significant impediment to fair housing" as they only "allow apartments on less than two percent of county land and more than one-third of the county is restricted to single family homes."<sup>19</sup>

**Affordable Housing.** The nationwide shortage in affordable housing exacerbates housing insecurity for BIPOC. According to the National Low Income Housing Coalition's (NHL) 2023 "The Gap" report on the shortage of affordable homes:<sup>20</sup>

- Extremely low-income renters in the U.S. face a shortage of 7.3 million affordable and available rental homes, resulting in only 33 affordable and available homes for every 100 extremely low-income renter households.<sup>21</sup>

# RESJ Impact Statement

## Expedited Bill 38-23

- Black, Latinx, and Indigenous households are disproportionately extremely low-income renters and are disproportionately impacted by this shortage.

In 2019, the Council unanimously approved a resolution supporting the Metropolitan Washington Council of Governments’ (MWCOG) targets to address the regional housing shortage, which called for the County to produce 41,000 housing units by 2030, 75 percent of which should be affordable to low- and middle-income households.<sup>22,23</sup>

Several policy organizations – including Local Housing Solutions, ChangeLab Solutions, Grounded Solutions Network, and the Poverty & Race Research Action Council – have identified right of first refusal laws as a tool for local governments to preserve and create affordable housing.<sup>24,25,26,27</sup> Local Housing Solutions notes that communities extending this right to tenant associations could consider creating “complementary programs that help tenant associations manage the purchase and operation of a housing development” as successfully exercising the right of first refusal often requires substantial financial and technical assistance.<sup>28</sup>

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### ANTICIPATED RESJ IMPACTS

To consider the anticipated impact of Bill 38-23 on RESJ in the County, OLO recommends the consideration of two related questions:

- Who are the primary beneficiaries of this bill?
- What racial and social inequities could passage of this bill weaken or strengthen?

**For the first question,** OLO considered the demographics of renters, the constituents who would most benefit from the preservation or creation of affordable rental units. Data summarized in Table 1 suggests that BIPOC constituents could disproportionately benefit from the Bill. Black and Latinx households are overrepresented among renter households. Native American and Pacific Islander households are proportionately represented, while White and Asian households are underrepresented.

**Table 1: Percent of All Households and Renter-Occupied Households by Race and Ethnicity, Montgomery County, MD**

Race and ethnicity <sup>29</sup>	All Households	Renter-Occupied Households
Asian	14.4	12.2
Black	18.0	30.0
Native American	0.3	0.3
Pacific Islander	0.1	0.1
White	55.0	40.5
Latinx	14.3	18.8

Source: Table S2502, 2021 American Community Survey 5-Year Estimates, Census Bureau.

Further, poverty data summarized in Table 2 suggests Black and Latinx constituents are overrepresented among lower-income constituents in the County that could particularly benefit from the preservation or creation of affordable housing.

# RESJ Impact Statement

## Expedited Bill 38-23

**Table 2: Percent of Population Below by Poverty Level by Race and Ethnicity, Montgomery County, MD**

Race and ethnicity	Percent Below Poverty Level
Overall	7.9
Asian	7.9
Black	14.3
White	4.3
Latinx	11.2

Source: Table S2502, 2022 American Community Survey 5-Year Estimates, Census Bureau.

**For the second question**, OLO considered how the Bill could address racial inequities and disparities in housing insecurity. As described in the previous section, right of first refusal laws have been highlighted as a promising policy for preserving and creating affordable housing.

Of note, the County’s Right of First Refusal (ROFR) program has been used sparingly. From 2015 to 2022, while ROFR notices were received for 343 rental properties, the County exercised the ROFR 12 times.<sup>30</sup> In a recent conversation with OLO, the DHCA Director noted that in his nine-month tenure, one limiting factor for exercising the ROFR has been insufficient funds for purchasing rental properties that are up for sale. The Director shared that for FY24, DHCA currently has \$9 million dollars not committed to affordable housing projects and programs that the County could use to exercise ROFR. This budget has made the County unable to consider exercising ROFR, as individual rental properties DHCA could purchase for resale to affordable housing partners are often more costly. The Director argues that allowing the County to assign the ROFR to a qualified affordable housing partner, as proposed in Bill 38-23, would eliminate the funding barrier for DHCA and make the County’s use of the ROFR more feasible.<sup>31</sup>

Taken together, OLO anticipates Bill 38-23 could have a positive impact on RESJ in the County as it codifies a promising practice for preserving and creating affordable housing into County law. OLO recognizes the changes proposed by the Bill will not guarantee that affordable housing will be preserved or created as this will ultimately depend on the willingness of housing developers to apply for the ROFR to acquire rental properties that are up for sale. However, judging by the County’s sparing use of ROFR in recent years and the County’s current barriers to exercising this right, the changes could help to make this policy more viable than it currently is, which would disproportionately benefit BIPOC constituents.

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### RECOMMENDED AMENDMENTS

The Racial Equity and Social Justice Act requires OLO to consider whether recommended amendments to bills aimed at narrowing racial and social inequities are warranted in developing RESJ impact statements.<sup>32</sup> OLO anticipates Expedited Bill 38-23 will have a positive impact on RESJ. As such, OLO does not offer recommended amendments.

# RESJ Impact Statement

## Expedited Bill 38-23

### CAVEATS

Two caveats to this racial equity and social justice impact statement should be noted. First, predicting the impact of legislation on racial equity and social justice is a challenging analytical endeavor due to data limitations, uncertainty, and other factors. Second, this RESJ impact statement is intended to inform the legislative process rather than determine whether the Council should enact legislation. Thus, any conclusion made in this statement does not represent OLO's endorsement of, or objection to, the bill under consideration.

### CONTRIBUTIONS

OLO staffer Janmarie Peña, Performance Management and Data Analyst, drafted this RESJ impact statement.

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<sup>1</sup> Definition of racial equity and social justice adopted from “Applying a Racial Equity Lens into Federal Nutrition Programs” by Marlysa Gamblin, et.al. Bread for the World, and from Racial Equity Tools. <https://www.racialequitytools.org/glossary>

<sup>2</sup> Ibid.

<sup>3</sup> [Public Rights of First Refusal](#), The Yale Law Journal, 2020.

<sup>4</sup> [Rights of First Refusal](#), Local Housing Solutions.

<sup>5</sup> [Montgomery County Code § 53A-4](#)

<sup>6</sup> [Introduction Staff Report for Bill 38-23](#), Montgomery County Council, Introduced September 26, 2023.

<sup>7</sup> Memorandum from County Executive to Council President, Introduction Staff Report for Bill 38-23, August 31, 2023.

<sup>8</sup> Ibid.

<sup>9</sup> [RESJS for Bill 30-21](#), Office of Legislative Oversight, September 9, 2021.

<sup>10</sup> Table S0201, Selected Population Profile in the United States, 2022 American Community Survey 1-Year Estimates, Census Bureau.

<sup>11</sup> [DHHS Pulse Report: COVID-19 Impact and Recovery](#), Montgomery County Department of Health and Human Services, May 17, 2023.

<sup>12</sup> [Point in Time Survey](#), Montgomery County Interagency Commission on Homelessness.

<sup>13</sup> Ibid.

<sup>14</sup> [The Color of Wealth in the Nation's Capital](#), Urban Institute, November 1, 2016.

<sup>15</sup> Richard Rothstein, *The Color of Law* (Liveright, 2017)

<sup>16</sup> [“Briefing on the Mapping Segregation Project,”](#) Montgomery Planning, November 23, 2022.

<sup>17</sup> Ibid.

<sup>18</sup> [Racial Restrictive Covenants and Black Homeownership](#), Mapping Segregation Project, Montgomery Planning.

<sup>19</sup> Diane Glauber, et. al, [“Draft Metropolitan Washington Regional Fair Housing Plan, Montgomery County,”](#) Metropolitan Washington Council of Governments, January 2023.

<sup>20</sup> [The Gap: A Shortage of Affordable Rental Homes](#), National Low Income Housing Coalition, March 2023.

<sup>21</sup> In “The Gap” report, the NLHC defines extremely low-income households as households with incomes at or below either the federal poverty guideline or 30% of the area median income (AMI), whichever is greater.

<sup>22</sup> [“Council Unanimously Approves Resolution to Support Metropolitan Washington Council of Governments’ Regional Housing Targets for Montgomery County.”](#) Montgomery County Council, November 6, 2019.

<sup>23</sup> [Local Housing Targets Project](#), Montgomery Planning.

<sup>24</sup> Rights of First Refusal, Local Housing Solutions.

<sup>25</sup> [Preserving, Protecting, and Expanding Affordable Housing](#), ChangeLab Solutions.

<sup>26</sup> [What About Housing? A Policy Toolkit for Inclusive Growth](#), Grounded Solutions Network.

<sup>27</sup> [An Anti-Racist Agenda for State and Local Housing Agencies](#), Poverty & Race Research Action Council, July 1, 2020.

<sup>28</sup> Rights of First Refusal, Local Housing Solutions.

<sup>29</sup> Latinx is an ethnicity rather than a race. Therefore, Latinx people are included in multiple racial groups throughout this impact statement, unless where otherwise noted. Estimates for Native American and Pacific Islander constituents not available for all data points presented in impact statement.

# RESJ Impact Statement

## Expedited Bill 38-23

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<sup>30</sup> Memorandum from DHCA Director to Council President, Annual Report on the Montgomery County Right of First Refusal Program, February 17, 2023.

<sup>31</sup> Comments from DHCA Director Scott Bruton in meeting with OLO staff on October 4, 2023

<sup>32</sup> Bill 27-19, Administration – Human Rights – Office of Racial Equity and Social Justice – Racial Equity and Social Justice Advisory Committee – Established, Montgomery County Council



DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Marc Elrich  
*County Executive*

Aseem K. Nigam  
*Director*

**MEMORANDUM**

February 17, 2023

TO: Evan Glass, President  
Montgomery County Council

FROM: Aseem Nigam, Director  
Department of Housing and Community Affairs

SUBJECT: Annual Report on the Montgomery County Right of First Refusal Program

The Department of Housing and Community Affairs (DHCA) administers Montgomery County's Right of First Refusal (ROFR) Program. In effect for more than forty years, Section 53A-4 of the Montgomery County Code established that the owner of any rental housing property with four or more units must give the County, the Housing Opportunities Commission (HOC), and any certified tenant organization at the property a right of first refusal to purchase. The ROFR provides the County, the HOC, or a certified tenant organization with the right to match a contract in all executed significant terms.

When DHCA receives a ROFR notice, its Multifamily Housing Division uses five guiding principles to analyze the property:

- **Purpose:** Is there a public purpose associated with the purchase of the property that cannot be met otherwise?
- **Preservation:** Are units at risk of exiting the County's affordable housing stock, and what are the tools that can be used to preserve affordability including the capacity for the purchase be executed?
- **Property:** Does the property have redeeming or important facets to warrant a ROFR purchase, such as is it in a high-cost market area, is it near a metro or other resources, is it a rare vacant property that can meet a public purpose?
- **Price:** Is the price manageable for the County, given that the County must have cash available in the Housing Initiative Fund (HIF) for the full sales price and have HIF loan capacity to support long term affordability in addition to the current pipeline?
- **Partner:** As the County does not retain ownership in multifamily rental properties, does DHCA have a capable partner to whom to transfer ownership who can finance the property with minimal assistance; is fiscally capable and has experience managing/owning multifamily properties; and are the partner's goals compatible with those of DHCA?

Office of the Director

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1401 Rockville Pike, 4th Floor • Rockville, Maryland 20852 • 240-777-0311 • 240-777-3791 FAX • [www.montgomerycountymd.gov/dhca](http://www.montgomerycountymd.gov/dhca)

DHCA received ROFR notices from 44 rental properties representing 6,696 units in 2022. The properties represented \$2,199,106,100 in total transactions and an average price of \$328,420.86 per unit. The following narrative explanations provide additional details about ROFR outcomes for 2022. Table 1 contains a list of all ROFR notices received in 2022. Table 2 contains comparative ROFR data for the years 2015-2022. Table 3 contains ROFR notices received by location for the years 2015-2022.

**Total properties for which DHCA received ROFR notices in 2022:** 44 with a total of 6,696 units

**Exercised the Right of Refusal:** 2 properties with a total of 466 units.

- **Scarborough Square Apartments and Townhouses**
  - The County partnered with the City of Rockville and Rockville Housing Enterprises (RHE) to exercise the ROFR for Scarborough Square Apartments and Townhouses, a 121-unit mixed-income apartment and townhouse complex located at 438 College Parkway in Rockville, MD. The property has 12 one-bedroom units, 36 two-bedroom units, 63 three-bedroom units, and 10 four-bedroom units.
  - The ROFR purchase transferred controlling interest in the Real Estate Investment Trust (REIT) that owns the property. The transfer was within related parties in the REIT. The transfer purchase price is \$40,000,000 or \$330,579 per unit.
  - The property qualified for a By Right PILOT, which requires RHE to keep at least 61 units (50%) affordable to households at 60% of Area Median Income (AMI) for 15 years.
  - RHE intends to add project-based vouchers to the property.
- **Westchester West Apartments**
  - The County received the ROFR notice for Westchester West Apartments (245 units) located at 3020 Hewitt Avenue in Silver Spring on December 21, 2022. The property has 62 one-bedroom units, 187 two-bedroom units, and 96 three-bedroom units.
  - The purchase price is \$67,000,000.
  - The County exercised ROFR for Westchester West on February 17, 2023. The County has 30 days to conduct due diligence at the property during which time the County may elect to terminate the purchase contract.

**Issued Certificate of Compliance:** 41 Properties with a total of 5947 units

A Certificate of Compliance is a document issued by DHCA that is recorded in the land records certifying that transaction has met the requirements of Chapter 53-A, which enables the planned sale to proceed. Before issuing a Certificate of Compliance, DHCA evaluates each property with the guiding principles detailed above and determined not to act.

Certificates of Compliance were not issued for three properties: one which the County exercised ROFR, one which the County is considering exercising ROFR, and one property for which the transaction did not close.

**Preserved Existing Affordable Housing:** 2 Properties with a total of 369 units.

The purchasers of 2 properties received short-term acquisition funding from the Affordable Housing Opportunity Fund (AHOF), which resulted in the following affordability restrictions:

- Rollingwood Apartments (283 units) purchased by Montgomery Housing Partnership (MHP)
  - AHOF: \$2 million
  - Amazon: \$28.3 million with the following unit affordability restrictions: 5% at 30% of AMI, 20% at 50% of AMI, 50% at 60% of AMI, and 25% at 70% of AMI for 99 years.
  - MHP plans to seek Low Income Housing Tax Credit financing for a major rehabilitation of the property.
- Parkside Terrace Apartments (87 units) purchased by Enterprise Community Development
  - AHOF: \$5 million
  - All 87 units affordable to households at 60% of AMI for 10 years.

**Rental Agreements:** 0 properties with a total of 0 units

No new Rental Agreements were signed in 2022.

The purchasers of the Milestone Apartments chose not to renew the property's rental agreement, which resulted in the termination of 50 MPDUs.

**Agreement Not to Convert:** 0 properties with a total of 0 units

An Agreement Not to Convert, allowed in Chapter 53-A, provides for the retention of affordable housing as an alternative to the ROFR process.

**Properties With Current MPDUs:** 4 properties with a total of 235 units

These are properties that were under contract with existing Moderately Priced Dwelling Units (MPDU) covenants.

- Ansel Apartments, 112 MPDUs, City of Rockville
- Galvan Apartments, 54 MPDUs, City of Rockville
- Arrowwood Apartments, 37 MPDUs, North Bethesda
- Solaire Apartments, 21 MPDUs, Wheaton

The purchasers of the Milestone Apartments chose not to renew the property's rental agreement, which resulted in the termination of 50 MPDUs.

**Transactions Did Not Close:** 1 property with a total of 283 units.

Rollingwood Apartments issued a ROFR notice on April 28, 2022, with a price of \$74,000,000; however, the transaction did not close. Another ROFR notice for this property was issued on August 3, 2022, at a price of \$70,500,000, which did close.

Attachments

Table 1: List of All ROFR Notices Received in 2022

Project Name	City	Total Units	Status
712 Maplewood Ave	Takoma Park	4	Certificate of Compliance
8515 Flower Avenue	Takoma Park	5	Certificate of Compliance
The Galaxy Apts.	Silver Spring	195	Certificate of Compliance; Assumed regulatory agreement for 82 units; Existing PILOT; Existing 27-unit Section 8 contract
The Lake Apts.	Chevy Chase	66	Certificate of Compliance
Preston Place	Chevy Chase	67	Certificate of Compliance
8318 Roanoke Avenue	Takoma Park	6	Certificate of Compliance
8324 Roanoke	Takoma Park	6	Certificate of Compliance
The Ansel Apts.	Rockville	250	Certificate of Compliance; 112 City of Rockville MPDUs offsite at HOC's Upton
The Centre at Silver Spring Ap	Silver Spring	256	Certificate of Compliance
Walker House Apts.	Gaithersburg	212	Certificate of Compliance
The Galvan Apts.	Rockville	356	Certificate of Compliance; 54 City of Rockville MPDUs
20 Ritchie Avenue	Silver Spring	9	Certificate of Compliance
12 Grant Avenue	Takoma Park	12	Certificate of Compliance
Villas at Rockville	Rockville	210	Certificate of Compliance
Milestone Apts.	Germantown	576	Certificate of Compliance; rental agreement terminated for 50 MPDUs
HOC ALDON	Bethesda	116	Certificate of Compliance
Willard Towers	Chevy Chase	518	Certificate of Compliance
Rollingwood Apts.	Silver Spring	283	Transaction did not close; owner reissued ROFR
Avalon Grosvenor Tower	North Bethesda	237	Certificate of Compliance
The Grand	North Bethesda	552	Certificate of Compliance; 110 existing LIHTC units
Hampton Point Apts.	Silver Spring	352	Certificate of Compliance
7044 Carroll Ave	Takoma Park	5	Certificate of Compliance
208 Lincoln	Takoma Park	4	Certificate of Compliance
8101 Flower Avenue, LLC	Takoma Park	6	Certificate of Compliance
17 Barkley Apts.	Gaithersburg	315	Certificate of Compliance
Rollingwood Apts.	Silver Spring	283	Certificate of Compliance; AHOF and Amazon w/ 5% at 30% AMI, 20% at 55% at 30% AMI, 20% at 50% AMI, 50% at 60% AMI, and 25% at 70% AMI for 99 years
Arrowwood Apartments	North Bethesda	294	Certificate of Compliance; 37 MPDUs
Scarborough Square Townhouses & Apts.	Rockville	121	ROFR exercised; By Right Pilot
Governor Square Apts.	Gaithersburg	238	Certificate of Compliance
1050/1054/1058 Ruatan Street	Silver Spring	12	Certificate of Compliance
8805 Plymouth	Silver Spring	7	Certificate of Compliance
8807 Plymouth	Silver Spring	6	Certificate of Compliance
Parkside Terrace Apts.	Silver Spring	86	Certificate of Compliance; AHOF w/ all units at 60% of AMI for 10 years
The Village at Gaithersburg Apts.	Gaithersburg	168	Certificate of Compliance; Existing 168 LIHTC units
Villas at Rockville	Rockville	210	Certificate of Compliance
908 Hudson Avenue	Takoma Park	6	Certificate of Compliance
8212 Houston Court	Takoma Park	4	Certificate of Compliance
49 West Diamond	Gaithersburg	35	Certificate of Compliance
20 East Diamond	Gaithersburg	8	Certificate of Compliance
1 Water Street	Gaithersburg	17	Certificate of Compliance
Solaire Apts.	Silver Spring	232	Certificate of Compliance; 32 MPDUs
617 Sligo Ave	Silver Spring	3 commercial units	617 Sligo/8101 Schrider comprise a 6-unit residential property with 3 commercial units
8101 Schrider St	Silver Spring	6	Certificate of Compliance
Westchester West Apts.	Silver Spring	345	ROFR exercise in process

Table 2: ROFR Data 2015-2022

Year	ROFRs Received	Total Units	Total Dollar Amount	Average Cost/Unit	Number of Properties on which ROFR was Exercised	Number of Agreements Not to Convert	Number of Rental Agreements Assumed of Created	Number of No Action Properties with MPDUs	Number of Capital Investments with Regulatory Agreement	PILOT Agreements	Transactions that did not Close
2022	44	6,696	\$2,199,106,100	\$328,421	2 <sup>a</sup>	0	2	4	2	1	1
2021	61	12,765	\$3,632,135,923	\$283,384	1	7	2	12	3	4	2
2020	57	6,243	\$1,366,172,038	\$281,133	1	2	5	0	0	7	6
2019	44 <sup>b</sup>	9,100	\$1,774,603,200	\$195,011	0	0	4	0	0	0	2
2018	36	7,022	\$1,502,158,278	\$220,581	4	0	0	1	3	0	1
2017	33	7,205	\$1,550,786,763	\$215,238	1	1	4	3	1	0	4
2016	39	8,013	\$1,930,850,996	\$240,965	2	0	4	3	1	0	2
2015	29	5,800	\$1,042,992,200 <sup>c</sup>	\$181,453 <sup>c</sup>	1	1	2	1	3	0	3

<sup>a</sup> The County exercised ROFR for Scarborough Square Townhouses and Apts. and acquired it in partnership with City of Rockville and Rockville Housing Enterprises (RHE). The County exercised ROFR for Westchester West on February 17, 2023. The County has 30 days to conduct due diligence at the property during which time the County may elect to terminate the purchase contract.

<sup>b</sup> DHCA received 48 ROFR notices in 2019 but 4 were determined to be exempt, so their information is not included in ROFRs Received, Total Units, Total Dollar Amount, and Average Cost/Unit.

<sup>c</sup> The HOC property RAD6 Sandy Spring Meadows (52 units) filed a ROFR notice for its RAD conversion, which did not include a purchase price. Therefore, those 52 units are included in Total Units but not in Total Dollar Amount or Average Cost/Unit.

Table 3: ROFR Notices Received by Location 2015-2022

Location	2015	2016	2017	2018	2019	2020	2021	2022
Adelphi	0	0	1	0	1	0	0	0
Bethesda	3	4	0	1	0	3	7	1
Chevy Chase	0	0	4	0	1	0	4	3
Clarksburg	0	0	0	0	0	0	1	0
Coleville	0	0	0	0	0	1	0	0
Damascus	0	0	1	0	0	2	0	0
Derwood	0	0	0	0	0	0	1	0
Fairland	0	0	0	0	0	3	0	0
Gaithersburg	3	6	4	2	6	0	7	7
Germantown	0	2	1	6	4	0	7	1
Hillandale	0	0	0	0	0	1	0	0
Montgomery Village	0	0	2	0	0	0	0	0
North Bethesda	1	0	2	0	3	0	0	3
Rockville	0	5	1	0	3	5	8	5
Silver Spring	15	13	11	20	13	19	6	14
Olney	1	0	0	2	2	0	1	0
Takoma Park	6	9	6	5	12	19	17	10
Wheaton	0	0	0	0	3	1	2	0
White Oak	0	0	0	0	0	2	0	0
<b>Total</b>	<b>29</b>	<b>39</b>	<b>33</b>	<b>36</b>	<b>48</b>	<b>57</b>	<b>61</b>	<b>44</b>

**Testimony on Behalf of County Executive Marc Elrich on**

**Expedited Bill 38-23: Tenant Displacement - Right of First Refusal to Buy Rental Housing - Amendments**

**October 10, 2023**

**1:30 p.m.**

Good afternoon, Council President Glass and Councilmembers, my name is Scott Bruton. I am the Director of the Department of Housing and Community Affairs (DHCA). I am testifying on behalf of County Executive Mar Elrich in support of Expedited Bill 38-23: Tenant Displacement - Right of First Refusal to Buy Rental Housing - Amendments.

Bill 38-23 seeks to address the growing need for affordable housing in Montgomery County by amending sections of the County Code (53A-2 & 53A-4) regarding the right of first refusal (ROFR).

Current law creates significant impediments for the County to exercise ROFR to preserve affordable housing. If the County wishes to exercise ROFR, it must pay the full purchase price for a multifamily rental property, often totaling tens of millions of dollars, and then sell the property to its chosen development partner within a few hours. The County must sell the property immediately because it does not have the capacity to run a multifamily rental property with existing staffing and does not want to take on the liability of doing so for even a day. The requirement to purchase the property forces the County to hold tens of millions of dollars at the ready each year just for the purpose of purchasing a property for a few hours. Further, having to conduct two sales on the same day increases the financing and labor costs for both the County and its chosen development partner. For 2015-2022, the County received 347 ROFR notices but only exercised ROFR 12 times due significantly to these constraints.

Under this bill, a County Executive, after exercising the right of first refusal, would be permitted to assign the contract to purchase a property to an affordable housing developer. The ability to assign the contract would allow the County to expeditiously use the funds annually appropriated to preserve or create long-term affordability without the need to reserve tens of millions of dollars solely to purchase and then transfer properties to affordable housing developers.

To increase accountability and transparency of the ROFR process, a developer would have to become a qualified entity through a rolling application process by demonstrating experience with and commitment to owning and operating affordable housing. A pool of qualified entities thereby would be available to quickly partner with the County when it chooses to exercise ROFR.

DHCA recommends amending Bill 38-23 to include the Rockville Department of Housing and Community Development among the list of automatically prequalified developers. Rockville DHCD's omission from the list was unintentional.

Finally, Bill 38-23 places a 5% cap on the deposit that an owner can charge if the right of first refusal is exercised. The purpose of limiting a required deposit to 5% is to prevent property owners from requiring deposits far in excess of industry norms for the purpose of thwarting the County's ability to exercise the right of first refusal within its 60-day timeline.



## **Apartment and Office Building Association of Metropolitan Washington Position Statement on Expedited Bill 38-23**

**October 10, 2023**

The Apartment and Office Building Association of Metropolitan Washington (AOBA) is a non-profit trade association representing the owners and managers of more than 133,000 apartment units and over 23 million square feet of office space in Prince George’s and Montgomery Counties. In Montgomery County, AOBA members own/manage over 60,000 of the County’s estimated 83,769 rental units and 20,000,000 square feet of office space.

### **On behalf of its members, AOBA submits this testimony on Expedited Bill 38-23; Tenant Displacement—Right of First Refusal (ROFR) to Buy Rental Housing—Amendments.**

Currently, County law requires the owner of a multifamily property to offer a right of first refusal to the County, the Housing Opportunities Commission, and any certified tenant organization. This ROFR allows those entities to match a contract to purchase the multifamily property within 60 days of the seller receiving that offer. Expedited Bill 38-23 would allow the County to assign its ROFR to a “qualified entity.” This ROFR assignment concept mirrors Prince George’s County’s ROFR law.

AOBA supports the County’s objective of preserving affordable housing. However, our members are concerned with such a broad expansion of the ROFR law and the impact that it will have on property sales in Montgomery County. Attached to this testimony is a letter from Transwestern outlining the negative impact that Prince George’s County’s law has had on sales. As noted in the letter, Prince George’s County’s use of “qualified entities” resulted in a six-month delay to a sale. The property ultimately sold for \$6.5 million less than the initial contract resulting in less transfer and recordation tax revenue to the county.

AOBA offers the following amendments to improve the ROFR law and process:

- 1. Require the county to make an initial evaluation of whether a potential sale is a good candidate for a ROFR.**

As introduced, the bill requires the property to provide a copy of the contract to all qualified entities. Rather than require the property owner to disclose confidential contract information to all qualified entities, the county should be required to make an initial evaluation and provide in writing to the owner a notice of interest within 7 days of the offer. This amendment should expressly include language that makes clear that the initial evaluation does not extend the 60 day offer period. For reference, Montgomery County only exercised its ROFR on 2 out of 44 property sales last year. Similarly, Prince George's County has waived their ROFR on 5 out of the last 7 sales in the county.

**2. Shorten the initial offer period from 60 days to 45 days and shorten closing period from 180 days to 90 days.**

The 60 day offer and 180 day closing periods add considerable length and potential risk to a property sale as evidenced by the Transwestern sale. Moreover, in the absence of a ROFR law, private transactions take 30-60 days to close. The offer period should be shortened to 45 days to match Howard County's ROFR law, and the closing period should be shortened to 90 days.

**3. Require that the ROFR deposit matches the terms of the contract offer and is non-refundable or limit "good faith failure" to obtaining financing.**

As introduced, the bill caps the deposit at 5% of the contract price. Instead, the ROFR offer should be required to match the contract terms. The bill also makes the deposit refundable in the event of a good faith failure to perform under the contract, but this provision should be limited to a good faith failure to obtain financing.

**4. Create an exception process that allows buyers to enter into written agreements with the county to maintain affordability in exchange for waiving the county's ROFR.**

Prince George's County routinely enters into written agreements with purchasers to maintain affordability in exchange for waiving the county's ROFR. This saves all interested parties considerable time and expense.

**5. Allow the contract purchaser to provide a best and final offer.**

If the goal of the legislation is to maximize affordable housing, then the contract purchaser should be given the opportunity to match or exceed the terms of the ROFR offer.

**6. Create a waiver process for sales that result in a price change or fail to close resulting in a subsequent offer that is 10% or less than the initial contract.**

Rather than requiring a property to go through a second round of ROFR, if a sale falls through or the price changes, the county should create a waiver process that exempts

the property from ROFR if the price change or subsequent offer is 10% or less than the initial offer.

**7. Exempt new construction for 20 years.**

New construction sells at a premium that often exceeds the county and any qualified entity's ability to provide affordable housing.

AOBA looks forward to working with the Council on affordable housing solutions. However, AOBA opposes Expedited Bill 38-2023 unless amended for the above reasons. If members of the Council have any questions or comments, please do not hesitate to contact Brian Anleu by emailing [banleu@aoba-metro.org](mailto:banleu@aoba-metro.org) or calling (240) 381-0494.

October 6, 2023

Montgomery County Council  
Council President Evan Glass  
100 Maryland Ave  
Rockville, MD 20850

RE: Montgomery County Public Hearing - Expedited Bill 38-23; Tenant Displacement – Right of First Refusal to Buy Rental Housing – Amendments

Dear Council President Glass,

We wanted to share our experiences as the broker for the sale of a 488-unit apartment community in Oxon Hill, MD in Prince George's County.

The property was openly marketed and we received over 8 initial offers from qualified buyers at the end of October 2021.

A buyer was selected and went under contract in December of 2021 at a price of \$90 million with a firm non-refundable deposit of \$1 million and subsequently began their due diligence inspections.

In January of 2022, the seller was notified that Prince George's County planned to exercise and assign its ROFR rights to a new purchaser.

As part of the Prince George's County ROFR regulations, Section VII. A. 1. B. provides the ROFR assignee with up to one hundred eighty (180) days financing contingency even when no financing contingency exists in the original contract.

The new contract purchaser conducted its own due-diligence inspections over the next few months.

In April of 2022, this new purchaser sent a letter stating that:

*“Despite Purchaser’s best efforts, Purchaser’s progress in finalizing terms with its debt and equity partners has been slowed by challenges beyond Purchaser’s control” “Based on its debt and equity financing discussions, Purchaser believes the most likely path to Closing would involve the following changes to the terms of the Contract: 1. A Purchase price reduction in the amount of Seven Million Dollars (\$7,000,000) and 2. An outside closing Date of July 1, 2022”*

The seller was unwilling to provide the new contract purchaser with any price adjustment and the original contract purchaser at \$90 million was no longer prepared to move forward at that price. Ultimately, we sold the property to a separate group for \$83,500,000 and closed in August of 2022.

Due to the Financing Contingency component of the Prince George's County ROFR regulations, this seller lost over \$6,500,000 and closed approximately six months later than it would have.

In addition, the original contract purchaser lost the money (approximately \$50,000) and time it had spent on Contract negotiation and Due Diligence prior to Prince George's County assigning it ROFR rights to the ROFR assignee.

Many potential purchasers in Prince George's County are no longer willing to risk the time and cost of contracting to purchase a property, because they lose the money and time they have spent if the County exercises its ROFR rights. This has almost certainly had a major impact on Revenues related to Transfer and Recordation taxes in the Prince George's County negatively impacting residents in the County at large. Perhaps more importantly, it has disincentivized investment in Prince George's County as many real estate investment firms (many of which that have a affordable housing preservation focus) cannot take on the risks associated with the County's ROFR rights as currently structured.

This has significantly affected the Multifamily sales volume in Prince George's County over the last two years as many buyers are simply looking at other markets that are less governmentally restrictive. Prior to Q4 2021, Prince George's County had not been opting to exercise their ROFR rights as frequently as they have during 2022 and 2023.

Multifamily real estate values have decreased significantly, which will also severely impact real estate assessment values moving forward.

Sincerely,

Dean Sigmon and Robin Williams  
Executive Vice President – Co-Directors  
Transwestern Mid-Atlantic Multifamily Group  
6700 Rockledge Drive, Suite 500-A  
Bethesda, MD 20817  
Email: [dean.sigmon@transwestern.com](mailto:dean.sigmon@transwestern.com) or [robin.williams@transwestern.com](mailto:robin.williams@transwestern.com)  
Phone: 703-851-0126 or 301-922-8731  
Fax: 301-571-3423



# MONTGOMERY HOUSING ALLIANCE

[www.montgomeryhousingalliance.org](http://www.montgomeryhousingalliance.org)

*A coalition of organizations focused on increasing the rate of preservation and development of affordable housing in Montgomery County*

## **Testimony on Expedited Bill 38-23, Tenant Displacement – Right of First Refusal to Buy Rental Housing – Amendments** Montgomery Housing Alliance

October 10, 2023

Good afternoon Council President Glass and members of the Council. My name is Mary Kolar, and I am testifying on behalf of Montgomery Housing Alliance (MHA), a county-wide coalition of affordable housing providers and advocates across the housing continuum.

MHA strongly supports Expedited Bill 38-23. A diverse, vibrant, and economically robust Montgomery County is not possible if we cannot ensure that all residents have access to affordable homes. To meet this goal, we know that we need myriad strategies and tools; the county's right of first refusal is one such tool. Right now, however, its effectiveness is limited. The technical amendments offered in Bill 38-23 will enable the county to exercise the right in a more meaningful way, preventing harmful tenant displacement.

Affordable housing is one of the county's most pervasive and persistent challenges. According to a 2020 study done by the Montgomery County Planning Department, we are at risk of losing 7,000 to 11,000 units of naturally occurring affordable housing (NOAH) by 2030. Losses of this magnitude would further compound the deficit of affordable units we face. As you know, the county must significantly increase housing production over the remainder of the decade to meet the needs of our population. Adequately preserving NOAH units, especially along the Purple Line and other major transit corridors, will prevent need from deepening and, critically, will increase housing stability for the households who reside in these communities. Affordable housing is key to fostering equal access to economic opportunity, ensuring that the benefits of expanded transit accrue to all communities. The opportunity to advance equitable development along the Purple Line Corridor is fleeting; if the county does not act now, affordable homes will be lost.

As it currently operates, the right of first refusal ultimately results in the county transferring a property at risk of losing affordability to a preservation partner. The proposed amendments merely streamline this process. Allowing a County Executive to assign purchase to a qualified entity will alleviate the need to reserve tens of millions of dollars solely to purchase and then transfer a property. This will have a dual effect: it will free resources that can then be used for



*The Montgomery Housing Alliance is a coalition of the Community Development Network of Maryland*



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additional housing development and will allow the county to significantly increase the number of units it can preserve through the right of first refusal.

We applaud the Council's ongoing commitment to housing issues, and we especially commend you for recently approving a nonprofit preservation fund. The proposed amendments will work in tandem with these funds to make the preservation process more effective and efficient. Too often, economic development leads to the displacement of low income people and people of color. This outcome is not inevitable, but preventing it requires deliberate policy choices. These technical adjustments, which are in keeping with the spirit of law, will help the county make important strides in preservation, keep communities intact, and ensure that current residents benefit from economic growth and investment in the county.

Thank you for the opportunity to provide input as you consider this matter.



*The Montgomery Housing Alliance is a coalition of the Community Development Network of Maryland*



**Testimony of Melissa Bondi, Policy Director,  
Enterprise Community Partners Mid-Atlantic**

to the Montgomery County Council regarding:

**Expedited Bill 38-23**

Tenant Displacement – Right of First Refusal  
to Buy Rental Housing – Amendments

Submitted Electronically  
October 9, 2023

President Glass and Members of the Council:

Thank you for the opportunity to offer comments on Bill 38-23. Enterprise Community Partners is a national nonprofit founded in Maryland that exists to make a good home possible for the millions of families without one. We support community development organizations on the ground, aggregate and invest capital for impact, advance housing policy at every level of government, and build and manage communities ourselves. Since 1982, we have invested more than \$220 million toward the creation or preservation of more than 3,600 homes in Montgomery County—all to make home and community places of pride, power and belonging.

**We wish to express our support** for the current proposed ordinance to amend the County’s Right of First Refusal (ROFR) code chapter 53A as outlined in the staff report at introduction. These changes will allow municipalities as defined and other qualified entities meeting specific, reasonable criteria and meeting requirements outlined in the regulations.

By expanding the eligible partners who can support ROFR transactions across Montgomery County, the amendments will allow for greater public private partnerships, expanded capacity to respond to the needs of Montgomery residents for quality, committed housing affordability, and increased use of this important tool to help support anti-displacement and preservation efforts in the County.

We also support the 5% cap on deposit to help make fair-market transactions easier to assemble and pay within the short turnaround time required by ROFR execution. Alongside the additional benefits in helping the County to manage its own resources more effectively without reserving millions of dollars in such a short time period, the tool can be deployed more efficiently without loss to the property owner on value or sale.

Across the DC Metro region, we have seen the success of other ROFR programs in preserving housing affordability, increasing its quality, and importantly, doing so while mitigating the threat of resident displacement and loss of access to housing in their chosen locations. We believe these amendments will make the Montgomery County program even more effective in these same important areas of impact.

Thank you for the opportunity to share our views. I would be happy to answer any questions you may have; please contact me at [MBondi@EnterpriseCommunity.org](mailto:MBondi@EnterpriseCommunity.org). On behalf of Enterprise Community Partners, we appreciate your consideration of our views.

CC: Rev. David Bowers, Vice President and Mid-Atlantic Market Leader



Henry Investment Partners

December 5, 2023

County Council for Montgomery County  
Council Office Building  
100 Maryland Avenue, 6<sup>th</sup> Floor  
Rockville, MD 20850  
Attn: Stephen Mathany, Legislative Svc. Coordinator

RE: Expedited Bill No. 38-23  
Tenant Displacement – Right of First Refusal to Buy Rental Housing  
Proposed Amendment to Montgomery County Code  
Chapter 53A, Tenant Displacement, Sections 53A-2 and 53A-4

Dear Council Members:

We wanted to thank you for the opportunity to testify concerning the proposed right of first refusal bill, which we spoke in favor of. We need affordable housing – which is why we were the first developer to offer it in the City of Gaithersburg in 2005.

Having had that opportunity, we wanted to follow up with a few points that have proven important in Prince Georges County and other jurisdictions to not have the proposed ROFR discourage new multifamily development in the County by making tranches of capital significantly more difficult to raise.

For ease in review of the proposed language we see as necessary to assure its smooth and fair application in practice, we have attached (a) the current Code Section 53A with the current proposed language of Bill No. 38-23 in **blue text**, and (b) the proposed tweaks below interlined in **red text**.

Reflecting on other Jurisdictions ordinances, these are the changes which we believe to be necessary to have the proposed legislation work to increase affordable rental housing stock:

**53A-5(b) – An owner should be able to convey the property to a family member, into a trust, or an LLC.**

**Trusts:** Many families have spent years – even decades – sacrificing to purchase and hold the real estate for their spouses, children and future generations. These are usually transferred into and held in Trusts or limited liability corporations under Maryland Law. They are often gifted for a zero dollar or conveyed at a nominal amount. To require them to sell the property at the gifted amount does not work.

Transfers should be permitted without a ROFR in cases of:

- (a) to a family member(s);
- (b) to a trust or LLC for their benefit;
- (c) a transfer into a partnership, limited liability company, or corporation the majority of which is owned by the person or persons so contributing;

**53A-2(g) – The ROFR should not apply to new construction.**

Most developers of new projects have a capital partner (or several), which often includes the ability for the capital partner to sell their interest. This is often accomplished by the developer buying out the existing capital partners interest (often 50% or more) utilizing a replacement capital source to allow it to continue in its investment. For a ROFR to kick in before the project has had a change to stabilize and generate its initial sets of returns allowing the initial investor to recover its capital and anticipated return (typically in the first 7 years) will act to discourage both the developer and investor from taking on new projects and act to discourage *new* multifamily construction in Montgomery County.

**53A-4(d)(2) – Deposit be refundable in case of Default.**

Proper incentives are important Deposits which move from refundable to non-refundable as feasibility requirements are met force the buyer to be “real” – and the Seller to gain assurance that the transaction will close. Allowing the Deposit to be fully refundable – and immunity granted to the assigned buyer – encourages bad acts -- it should not be unexpected to see some less scrupulous buyers ‘taking a shot’ at squeezing the seller’s price as the 6<sup>th</sup> month winds down.

**53A-4(d)(3) – “...or any qualified entity...” should not be omitted from this section.**

. This section required the ROFR buyer to complete the sale within 180 days. The language “...or any qualified entity...” should be included, lest it be interpreted that qualified entities have an unlimited period to complete the sale. We assume this was an oversight, and that it was not the intent of the drafters to give ‘..qualified entities...’ unlimited time to close.

**53A-4(e) – After the owner/seller has gone through the ROFR process and the buyer designated by the County fails to perform, there should there be a window where the owner/seller can sell to another third party on substantially the same terms rather than being subjected to yet another 180 day process.**

This situation will arise when, after 180 days the County assigned purchaser drops the contract – leaving the owner/seller hanging. At this point there has been a lot of effort and waiting on the sellers part – and if the original contract buyer does not wait around, the seller is back to ground zero.

It would be equitable to let the Seller sell the property upon the same terms and conditions as the original contract to a buyer for a window of time – 12 months – without having to go through the failed process again.

**53A-4(f) – County assigned purchaser should be responsible for their actions.**

The proposed language seeks to grant fully immunity to the County and other assigned buyers. This is not found in other jurisdictions' ROFR languages we have reviewed. Common practice is that if a prospective buyer fails to close, it is responsible for the (a) loss of the deposit, (b) repairs of any physical damage to the property and similar bad acts, but not (c) consequential damages.

**53A-4(g) – The County designated Buyer should have tangible net worth.**

The ability for the County to assign the Contract to a qualified entity currently does not have a net worth requirement – at all. We are used to seeing a tangible net worth requirement of two times the purchase price or more (often with some liquidity requirements as well) to accommodate the typical financial requirements need to complete a transaction.

Having developed more than \$1.2 billion in real estate, we believe these changes will keep the County from creating another barrier to the development of new housing – while protecting the interest of maintaining existing affordable units.

Respectfully submitted,

Sincerely,



Peter J. Henry, JD, CPA



Leigh H Henry, JD

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**Expedited Bill 38-23 – Right of First Refusal to Buy Rental Housing**

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**Sec. 53A-1. Legislative findings.**

The County Council finds that:

- (a) there is a continuing severe shortage of low and moderate-income rental housing in the County;
- (b) tenants often experience significant hardship when they are displaced by conversion of rental housing; and
- (c) it is in the best interests of public health, safety, and welfare to regulate the conversion of rental housing in the County.

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**Sec. 53A-2. Definitions.**

(a) *Convert* and *conversion* mean:

- (1) (A) changing the use of rental housing to nonresidential use;
- (B) demolishing at least one-third of the units in rental housing in a 12- month period;
- (C) displacing tenants from at least one-third of the occupied units in rental housing in a 12-month period by:
  - (i) raising rents; or
  - (ii) preparing to rehabilitate the rental housing; or
- (D) any other act that ends the use of the property as rental housing.

(2) *Conversion* does not include establishing a **condominium** or cooperative.

- (b) *Department* means the Department of Housing and Community Affairs.
- (c) *HOC* means the Montgomery County Housing Opportunities Commission.
- (d) *Owner* means a person holding title to rental housing.
- (e) *Qualified entity* means a legal entity that is:

- (1) designated under 53A-4(g); and

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Existing Code Language in Black Text

Expedited Bill No-28-23 Language in Blue Bold Text

Proposed modifications in red text

## Expedited Bill 38-23 – Right of First Refusal to Buy Rental Housing

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(2) assigned a right of first refusal by the County Executive.

The following are designated *qualified entities*: Rockville Housing Enterprises of the City of Rockville, the Division of Housing and Community Development of the City of Gaithersburg, and the Department of Housing and Community Development of the City of Takoma Park.

~~(e)~~ **(f)** *Rental housing* means a multiple-family dwelling, or a group of multiple-family dwellings operated as one entity, with a total of at least 4 rental units. *Rental housing* does not include a dwelling operated for a religious or charitable purpose.

~~(f)~~ **(g)** (1) *Sale, sell, or selling* means **for Rental Housing which has been constructed within the prior seven (7) year period:**

(A) transfer of title to rental housing;

(B) transfer in a 12-month period of a majority interest in owner; or

(C) lease of rental housing for more than 7 years.

(2) These terms do not include entering into a contract for the sale of rental housing that gives the County, HOC, or a tenant organization or a qualified entity a right of first refusal under this Chapter.

~~(g)~~ **(h)** *Tenant* means an individual who lives in a rental housing unit with the owner's consent and is responsible for paying rent to the owner.

~~(h)~~ **(i)** *Tenant organization* means an association of tenants of rental housing that:

(1) represents tenants of at least 30 percent ~~[(30%)]~~ of the occupied units in the rental housing; and

(2) is certified by the Department according to Executive regulations.

~~(i)~~ **(j)** *Title* means:

(1) a legal or equitable ownership interest in rental housing; or

(2) a legal, equitable, or beneficial interest in a partnership, limited partnership, corporation, trust or other person who is not an individual, that has a legal or equitable ownership interest in rental housing.

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**Expedited Bill 38-23 – Right of First Refusal to Buy Rental Housing**

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**Sec. 53A-3. Notice of sale.**(a) *Notice required.*

(1) Within 5 days after an owner enters into a bona fide contract of sale to sell rental housing, the owner must provide written notice of the sale:

- (A) to each tenant in the rental housing by first class mail;
- (B) posted in the public areas of the rental housing; and
- (C) to the Department with a list identifying each tenant and the tenant's address.

(2) The notice of sale must offer to sell the rental housing to any tenant organization under Section 53A-4, and include any other information required by Executive regulations.

(b) *Tenant organization.* If there is no certified tenant organization for the rental housing when the notice of sale is due under subsection (a), then a tenant organization may be formed to exercise the right of first refusal if the Department certifies the organization within 45 days after the owner provides notice to the tenants under subsection (a).

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**Sec. 53A-4. Right of first refusal to buy rental housing.**

- (a) *Right of first refusal.* An owner must offer the County, HOC, and any tenant organization the right to buy rental housing before selling the rental housing to another party, except as provided under Section 53A-5.
- (b) *Requirements for offer.* An offer required by subsection (a) must:
  - (1) be in writing;
  - (2) be sent by certified mail, return receipt requested, within 5 business days after:
    - (A) the execution of a bona fide contract of sale, for the County, HOC, and any existing tenant organization; or
    - (B) the Department certifies a tenant organization, for a new tenant organization formed under Section 53A-3(b);

## Expedited Bill 38-23 – Right of First Refusal to Buy Rental Housing

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(3) include substantially the same terms and conditions as a pending bona fide contract of sale from a third party to buy the rental housing; ~~and~~

(4) remain open for

(A) 60 days after it is received, for the County ~~and~~ HOC, and any qualified entity that receives an assignment under 53A-4(g), and

(B) 90 days after it is received by any tenant organization, including a new tenant organization formed under Section 53A-3(b), and

(5) an owner must send a copy of the offer to all qualified entities contemporaneously with providing the offer to the County, HOC, and any tenant organization.

(c) *Information and inspection.* The owner must give the County, HOC, ~~and~~ any tenant organization, and any qualified entity:

(1) any information about the rental housing relevant to exercising the right of first refusal, such as architectural and engineering plans and specifications, and operating data; and

(2) access to the rental housing to inspect the property and conduct reasonable tests at reasonable times after reasonable notice.

The County, HOC, ~~and~~ any tenant organization, and any qualified entity must pay the owner a reasonable deposit for any architectural and engineering plans that the owner provides. The owner must refund the deposit when the plans are returned to the owner. The County Executive must issue regulations to implement this subsection.

(d) *Exercise of right of first refusal.*

(1) The County, HOC, ~~and~~ any tenant organization, or any qualified entity that receives an assignment under 53A-4(g) may exercise the right of first refusal by accepting the offer within the applicable period under subsection (b)(4). The County and HOC may accept an offer to buy rental housing in a municipality only if the municipality approves.

(2) The owner must sell the rental housing under the right of first refusal if the acceptance includes substantially the same terms and conditions contained in the owner's bona fide contract of sale with the third party, including any

## Expedited Bill 38-23 – Right of First Refusal to Buy Rental Housing

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contract term that provides for a bona fide real estate commission payable to an independent broker. Notwithstanding this general requirement or any term of the contract, the County, HOC, ~~or~~ a tenant organization or any qualified entity may condition its acceptance on obtaining financing at any time before the deadline in paragraph (3) for completing the sale. The County, HOC, any tenant organization, or any qualified entity must not be required to pay [to] the owner a deposit of more than five percent [(5%)] of the contract price to accept the offer and exercise its right of first refusal. **The deposit shall be refundable under the same terms and conditions as the original contract.** ~~The deposit is refundable in the event of a good faith failure of the County, HOC, any tenant organization, or any qualified entity to perform under the contract.~~

- (3) The owner and the County, HOC, ~~or~~ tenant organization or any qualified entity that receives an assignment under 53A-4(g) must complete a sale under this subsection within 180 days after the County, HOC, or tenant organization **or any qualified entity** receives the owner's offer unless the owner agrees to extend the 180-day period.
- (4) Before a tenant organization completes a sale under paragraph (3), a majority of all of the tenants must ratify the purchase.
- (5) The right of first refusal applies in the following order of priority:
- (A) the County;
  - (B) any qualified entity that receives an assignment under 53A-4(g);
  - ~~(B)~~ (C) HOC; and
  - ~~(C)~~ (D) any tenant organization.
- (6) The Executive must issue regulations that establish procedures and guidelines for exercising the County's right of first refusal.
- (e) *Expiration of right of first refusal.* If the County, HOC, ~~and~~ any tenant organization or any qualified entity that receives an assignment under 53A-4(g), do not exercise their rights of first refusal within the applicable period under subsection (b)(4), the owner may sell the rental housing to **the a** third-party buyer under substantially the same terms and conditions offered to the County, HOC, and any tenant organization,

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**Expedited Bill 38-23 – Right of First Refusal to Buy Rental Housing**

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**however if the property is not sold within twelve months following the expiration of the right of first refusal without, the Owner shall be subject to repeating the right of first refusal process.**

- (f) *Immunity.* The County, HOC, ~~and~~ any tenant organization or any qualified entity are not liable for any **consequential** damages incurred by the owner, a third-party buyer, a tenant, or any other person in connection with a **good faith** decision to exercise or not exercise a right of first refusal under this Section.

*(g) Assignment.*

- (1) The County Executive may assign the right of first refusal, or a contract to purchase rental housing, to an entity qualified by the Department to receive such assignment that:

(A) has demonstrated expertise in acquiring, maintaining, and managing rental and affordable housing;

(B) is a bona fide nonprofit or a for-profit entity in good standing under the laws of the State of Maryland at the time of assignment;

(C) is registered and licensed to do business in Maryland; and

(D) commits in writing to maintain the affordability of housing acquired under this subsection.

**(E) Has a tangible net worth equal to two (2) times the purchase price.**

- (2) The County Executive must adopt regulations under Method (3) to establish a process for qualifying and selecting entities to receive an assignment under this subsection. The regulations must establish:

(A) a process that provides entities a fair opportunity to demonstrate to the County Executive or the County Executive's designee its qualifications to receive an assignment;

(B) factors that an entity must demonstrate to be deemed eligible to receive an assignment;

(C) affordable housing restrictions that an entity must commit in writing to maintain, if selected as an assignee; and

**Expedited Bill 38-23 – Right of First Refusal to Buy Rental Housing**

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(D) criteria the County Executive or the County Executive’s designee must use for selecting assignees from among qualified entities.

(3) An assignment by the County Executive of the County’s right of first refusal must be accomplished by a written agreement with the assignee that includes an assignment of the County’s rights and obligations under this Chapter as to its right of first refusal.

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**Sec. 53A-5. Sales not requiring right of first refusal.**

(a) *Agreement not to convert.*

(1) An owner may sell rental housing without providing any right of first refusal under Section 53A-4 if the Department approves a written agreement that:

(A) prohibits the buyer from converting the rental housing for at least 5 years after the sale;

(B) the Department received from the prospective buyer at least 30 days before the sale; and

(C) except as provided in paragraph (2)(B), requires the buyer to follow the voluntary rent increase guidelines published annually under Section 29-53 during:

(i) the first 3 years of the agreement, for all tenants who resided in the rental housing when the Department approved the agreement; and

(ii) the last 2 years, for each of these tenants who qualifies as a low- or moderate-income tenant under Department regulations.

(2) The Department may:

(A) approve or reject an agreement with the buyer under this subsection only after considering the:

(i) physical condition of the rental housing, including any rehabilitation necessary to correct dangerous defects;

(ii) tenants' ability to afford rent increases; and

(iii) need to preserve low- and moderate-income rental housing in the County;

**Expedited Bill 38-23 – Right of First Refusal to Buy Rental Housing**

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(B) allow the buyer to increase rents above the limits in paragraph (1)(C) only when the Department decides that a greater increase is justified by:

- (i) unforeseen circumstances beyond the buyer's control; or
- (ii) rehabilitation or renovation to the rental housing.

(3) The Department annually must verify the buyer's compliance with the rent increase limits required by this subsection.

(b) *Other exceptions.* An owner also does not have to provide a right of first refusal for a sale:

- (1) under the terms of a bona fide mortgage or deed of trust;
- (2) to a mortgagee in lieu of foreclosure;
- (3) under a court order;
- (4) from one co-tenant to another co-tenant by operation of law;
- (5) under a will or intestate distribution;
- (6) to the State or a local government; or
- (7) of a minority title interest;
- (8) to a spouse, son, daughter, grandchildren, or to a trust for their benefit, or to a qualified 501(c)(3) organization.**
- (9) made pursuant to the liquidation of a partnership, limited liability company, or corporation, or consolidation or merger between two publicly traded entities (e.g., REIT); or**
- (10) into a partnership, limited liability company, trust or corporation the majority of which is owned by the person(s) so contributing.**

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**Sec. 53A-6. Conversion of rental housing.**

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Existing Code Language in Black Text

Expedited Bill No-28-23 Language in Blue Bold Text

**Proposed modifications in red text**

**Expedited Bill 38-23 – Right of First Refusal to Buy Rental Housing**

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(a) *Notice of conversion.* An owner must not convert rental housing unless the owner notified each tenant in the rental housing at least 120 days before converting the building. Before renting to a prospective tenant during this 120-day period, the owner must notify the prospective tenant about the conversion.

(b) *Termination of lease.* A tenant who receives a notice of conversion may terminate a lease without penalty at least 30 days after notifying the owner in writing.

(c) *Tenant relocation assistance.* The owner must pay a tenant relocation assistance equal to 2 months' rent if the tenant moves out of the rental housing within 180 days after the tenant received the notice of conversion required by subsection (a). The owner must pay the relocation assistance not more than 10 days after the owner received the tenants' notice of termination under subsection (b).





**MONTGOMERY COUNTY COUNCIL  
ROCKVILLE, MARYLAND**

**KATE STEWART**  
COUNCILMEMBER  
DISTRICT 4

November 27, 2023

To: Andrew Friedson, Councilmember Montgomery County Council District 1  
Natali Fani-González, Councilmember Montgomery County Council District 6  
Will Jawando, Councilmember Montgomery County Council At-Large

From: Kate Stewart, Councilmember Montgomery County Council District 4

Subject: Requested Amendment to Expedited Bill 38-23

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Dear Planning, Housing, and Parks Committee Members,

I write today to request an amendment to Expedited Bill 38-23, Tenant Displacement – Right of First Refusal to Buy Rental Housing - Amendments you are considering during your December 4<sup>th</sup> meeting.

The amendment would be to delete from the Right of First Refusal (ROFR) exclusion of multifamily buildings operated for a religious or charitable purpose.

The proposed amendment language would be:

*Rental housing* means a multiple-family dwelling, or a group of multiple-family dwellings operated as one entity, with a total of at least 4 rental units. *Rental housing* [does not] may include a dwelling operated for a religious or charitable purpose.

Currently, we have at least 27 multifamily properties that are owned by a religious institution or charitable organization in the County. The SDAT data are not very good or readily accessible to provide an exact count, but the Planning Department staff went through all the exempt multifamily properties in the County and all the parcels owned by institutions, and found that at least 27 properties countywide are owned by a religious institution/charitable organization and have multifamily housing on the parcel.

This past year, the Town of Kensington and the County were unable to move forward with an affordable housing project because the property was exempt by the current language in the County's policy.

Given the need to address our affordable housing crisis and the benefits of ROFR to help tenants become first-time home buyers if the rental where they live is going to be sold, I ask the committee to consider removing this barrier to the County or residents of a multifamily property having the option to purchase the property.

Specifically, the amendment states "may include" because it is not my intent to have the policy cover convents or other housing for members of a religious order, but rather to cover housing that is being rented to tenants.

Mayor Tracey Furman

Council Member Darin Bartram  
Council Member Nate Engle



Council Member Conor Crimmins  
Council Member Ann Lichter

November 28, 2023

The Honorable Andrew Friedson  
Chair, Planning, Housing, and Parks Committee – Montgomery County Council  
100 Maryland Avenue  
Rockville MD 20850

**RE: Amendment to Expedited Bill 38-23  
Tenant Displacement – Right of First Refusal to Buy Rental Housing**

Dear Chairman Friedson and Planning, Housing, and Parks Committee Members:

Please accept this letter in support of the requested amendment to Expedited Bill 38-23, which would delete from the Right of First Refusal (ROFR) exclusion of multifamily buildings operated for a religious or charitable purpose.

The requested amendment from Council Member Stewart would be beneficial in allowing the County and municipalities to help address affordable housing in our community. In November 2022, the Town coordinated with Montgomery County to acquire the Brookside Apartment complex in Kensington to serve as a pilot program to establish a Community Land Trust that would preserve and enhance affordable housing within our community with a commitment to equitable access. The Brookside Apartment complex was owned by the Church of Jesus Christ of Latter-day Saints ("the Church") and put up for sale on the competitive market. Unfortunately, the County's attempts to acquire the property failed, as the Church claimed the sale of the multifamily housing unit was exempt from the County's Right of First Refusal policy. The property was subsequently sold to a private company and has since been leased as market-rate housing.

We encourage the Planning, Housing, and Parks Committee to support the requested amendment to Expedited Bill 38-23, as it would be regrettable if a similar situation to the Brookside Apartment property were to happen again and prevent the County and local communities from preserving and enhancing affordable housing.

Sincerely,

  
Tracey Furman  
Mayor

CC: Natali Fani-Gonzalez, County Council – District 6  
Will Jawando, County Council – At-large  
Kate Stewart, County Council – District 4  
Kensington Town Council

Town of Kensington 3710 Mitchell Street Kensington, MD 20895  
Phone 301.949.2424 Fax 301.949.4925  
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# MONTGOMERY HOUSING ALLIANCE

[www.montgomeryhousingalliance.org](http://www.montgomeryhousingalliance.org)

*A coalition of organizations focused on increasing the rate of preservation and development of affordable housing in Montgomery County*

Action in Montgomery  
Advocates for Social Justice of  
Montgomery County  
Affordable Housing Conference of  
Montgomery County  
AHC, Inc.  
APAH  
Coalition Homes, Inc.  
Coalition for Smarter Growth  
Enterprise Community Partners  
Habitat for Humanity  
Metro Maryland  
HAND  
Housing Initiative Partnership  
Housing Opportunities Commission of  
Montgomery County  
Housing Unlimited  
Interfaith Works  
Jewish Community Relations  
Council of Greater Washington  
Keystar Real Estate  
Latino Economic Development  
Center  
MHP  
Montgomery County Coalition  
for the Homeless  
National Center for Children  
and Families  
National Housing Trust  
Rebuilding Together  
Montgomery County  
Victory Housing

January 19, 2024

Hon. Andrew Friedson, President  
Montgomery County Council

Re: Bill 38-23, Tenant Displacement – Right of First Refusal to Buy Rental  
Housing – Amendments

Dear Council President Friedson and Members of the PHP Committee,

Montgomery Housing Alliance strongly urges you to support Bill 38-23, which will improve the county’s ability to use the Right of First Refusal (ROFR) to preserve affordable housing. We reiterate our support for the bill, provided in our public testimony on October 10, 2023.

In addition to supporting the bill, we urge you to consider adding an exemption for the sale of a property financed or to be financed by the Low Income Housing Tax Credit (LIHTC) Program. The enclosed proposed language defines a LIHTC transfer as well as the process by which these transactions would be exempt, requiring approval from the Department of Housing and Community Affairs (DHCA), and providing that if DHCA does not approve the exemption, the owner may pursue an agreement not to convert, as set forth in the law.

We also urge you not to support any changes to the bill that would alter the current ROFR timeframe. The existing timeframe for ROFR deals is adequate and workable; changes, especially reductions, in the timeline would pose challenges to these transactions. Bill 38-23 makes important updates and clarifications to the ROFR law that will make it a more robust and effective tool; changes to the existing timeframe would instead weaken it and undermine its intent.

To meet the county’s goal of preserving and increase the supply of housing, *especially affordable housing*, we know that we need numerous strategies and tools; the county’s right of first refusal is one such tool. Right now, however, its effectiveness is limited. The technical amendments offered in Bill 38-23 will enable the county to exercise the right in a more meaningful way, preventing harmful tenant displacement.

We applaud the Council as a whole, and the PHP Committee especially, for your ongoing commitment to housing issues. Bill 38-23 will amplify the county’s



*The Montgomery Housing Alliance is a committee of the Community Development Network of Maryland*

[www.communitydevelopmentmd.org](http://www.communitydevelopmentmd.org)



# MONTGOMERY HOUSING ALLIANCE

[www.montgomeryhousingalliance.org](http://www.montgomeryhousingalliance.org)

*A coalition of organizations focused on increasing the rate of preservation and development of affordable housing in Montgomery County*

investments in affordable housing, especially the nonprofit preservation fund. Too often, economic development leads to the displacement of low income people and people of color. This outcome is not inevitable, but preventing it requires deliberate policy choices. Bill 38-23 will help the county make important strides in affordable housing preservation, keep communities intact, and ensure that current residents benefit from economic growth and investment in the county.

Sincerely,

Montgomery Housing Alliance



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[www.communitydevelopmentmd.org](http://www.communitydevelopmentmd.org)

**AMENDMENTS FROM MARYLAND HOUSING ALLIANCE (MHA) AND HOUSING  
OPPORTUNITIES COMMISSION (HOC)**

**Insert on line 181:**

181 **Sec. 53A-5. Sales not requiring right of first refusal.**

182 *Sale of property financed or to be financed by the low income housing tax credit:*

183 (1) Definitions. For the purposes of the Section:

184 *Low Income Housing Tax Credit (LIHTC)* means the low income housing tax  
185 credit program used to finance affordable housing as set forth the section 42 of  
186 the United States Internal Revenue Code of 1986 approved October 22, 1986  
187 (100 Stat. 2189; 26 U.S.C. § 42), as amended.

188 *LIHTC Transfer* means:

189 (A) A transfer of interests in a partnership or limited liability  
190 company that owns rental housing as its sole or principal asset;  
191 provided, that the sole purpose of the transfer is to admit one or  
192 more limited partners or investor members who will make capital  
193 contributions and receive tax benefits pursuant to section 42 of  
194 the United States Internal Revenue Code of 1986 approved  
195 October 22, 1986 (100 Stat. 2189; 26 U.S.C. § 42), as amended,  
196 or a comparable County or State of Maryland program;

197 (B) A transfer of interest in an entity that owns rental housing or a  
198 transfer of title to rental housing, if each of the following  
199 conditions is satisfied:

200 (i) The credit period, as defined in Section 26 U.S.C. § 42(f)  
201 of the IRC, as amended, for the rental housing has ended  
202 or a comparable period as a result of a federal, County, or

203 State of Maryland program at least as long as the credit  
204 period under section 42 of the IRC; and

205 (ii) Immediately prior to the transfer, the rental housing is  
206 subject to:

207 a. An extended low-income housing commitment, as that  
208 term is defined in section 42(h)(6)(B) of the IRC; or a  
209 comparable restrictive covenant as a result of a federal,  
210 County, or State of Maryland program with occupancy,  
211 rent, and income requirements at least as restrictive as  
212 under section 42 of the IRC;

213 b. Before and after the transfer, the owner of the rental  
214 housing is controlled, directly or indirectly, by the  
215 same person or entity; and

216 c. Immediately following the transfer, the rental housing  
217 must for a term of not less than 10 years either remain  
218 subject to an existing or become subject to a new  
219 extended low-income housing commitment or a  
220 comparable restrictive covenant as a result of a federal,  
221 County, or State of Maryland program with occupancy,  
222 rent, and income requirements at least as restrictive as  
223 under section 42 of the IRC.

224 (C) A transfer of interests in a partnership or limited liability  
225 company that owns rental housing as its sole or principal asset;  
226 provided, that the sole purpose of the transfer is to allow for the  
227 exit of one or more limited partners or investor members who  
228 have made capital contributions and received tax benefits  
229 pursuant to section 42 of the IRC or a comparable federal,

230 County, or State of Maryland program with occupancy, rent, and  
231 income requirements at least as restrictive as under section 42 of  
232 the IRC.

233 (D) A transfer of interest in an entity that owns rental housing as its  
234 sole or principal asset or a transfer of title to rental housing, if the  
235 sole purpose of the transfer is to qualify for and enter into a new  
236 credit period, as defined in section 42 of the IRC or as defined in  
237 a comparable federal, County or State of Maryland program with  
238 a comparable period at least as long as the credit period under  
239 Section 42 of the IRC, for purposes of the rehabilitation of the  
240 rental housing; provided that, before and after the transfer, the  
241 owner of the rental housing is controlled, directly or indirectly,  
242 by the same person or entity.

243 *LIHTC Transfer Notice* means: the notice set forth in Section 53-5(c)(2).

244 (2) LIHTC Transfer Notice – required. An owner may sell rental housing without  
245 providing any right of first refusal under Section 53A-4 if:

- 246 (A) the property is financed or to be financed by the LIHTC; and
- 247 (B) the sale or transfer is a LIHTC Transfer; and
- 248 (C) if no less than ninety (90) days prior to the projected transfer date  
249 of the property or interest in the property the owner provides  
250 written notice to the Department of such transfer, which notice  
251 must contain:
  - 252 (i) the draft transfer agreement;
  - 253 (ii) the existing low income tax credit covenant recorded on  
254 the property or, if none is recorded on the property, the  
255 draft low income tax credit covenant to be recorded on the  
256 property; and

257 (iii) the proposed date of closing.

258 (3) Agreement Not to Convert for LIHTC. Upon receipt of the LIHTC Transfer  
259 Notice, the Department shall have thirty (30) days to approve or deny the  
260 LIHTC Transfer set forth in the LIHTC Transfer Notice. If the Department  
261 denies the LIHTC Transfer Notice, the owner may pursue an agreement not  
262 to convert as set forth in Section 53A-5(a).

263 (4) Properties funded by LIHTC and the County – no additional notice required.  
264 An owner may sell rental housing without providing any right of first refusal  
265 under Section 53A-4 and without providing a LIHTC Transfer Notice if:

266 (A) the property is financed or to be financed by the LIHTC; and  
267 (B) the sale or transfer is a LIHTC Transfer; and  
268 (C) Either:

269 (i) Immediately prior to the transfer, the rental housing is subject  
270 to a regulatory agreement or deed of trust with Montgomery  
271 County that requires that the owner provide Montgomery  
272 County with notice and approval rights over any transfer; or  
273 (ii) Simultaneously with the transfer, the rental housing will  
274 become subject to a regulatory agreement or deed of trust with  
275 Montgomery County that requires that the owner provide  
276 Montgomery County with notice and approval rights over any  
277 transfer.

**Expedited Bill 38-23; Tenant Displacement – Right of First Refusal to Buy  
Rental Housing – Amendments**

**Amendment for effective date, transition clause, and sunset date.**

184 **Sec. 2. Effective date.** This Act takes effect on the day it becomes law and applies  
185 retroactively to any right of first refusal offer of sale received by the County after  
186 January 1, 2024. The Council declares that this legislation is necessary for the  
187 immediate protection of the public interest.

188 **Sec. 3. Transition.** As to any offer of sale received by the County after January 1,  
189 2024, and prior to the effective date of Method (2) regulations adopted by the  
190 Council under this Act, the County Executive, by executive order, may assign to an  
191 entity qualified by the Department the right of first refusal when the qualified entity  
192 has met the following criteria:

193 (a) demonstrate that the entity is either a bona fide nonprofit, for-profit entity,  
194 or designated qualified entities under 53A-2 (e) in good standing under the  
195 laws of the State of Maryland;

196 (b) certify in writing that for the past ten (10) years the person or each principal  
197 in the [applicant] entity has complied with all laws related to the  
198 acquisition, maintenance, and management of rental and affordable  
199 housing;

200 (c) demonstrate that the entity has expertise and experience acquiring, owning,  
201 operating, managing, and developing multi-unit affordable rental housing  
202 projects in the last five years, including a certification that the entity has  
203 never been in financial default as either a borrower or guarantor, or if to  
204 the contrary, explaining in complete detail all the circumstances;

205 (d) demonstrate proof of readiness to purchase the property; and

206 (e) demonstrate a commitment to community engagement, such as working  
207 with community-based organizations and/or tenant counseling  
208 organizations on anti-displacement activities.

209 **Sec. 4. Sunset.** Section 3 must sunset and expire 90 days after enactment of this  
210 Act.