

SENATE BILL 397

N1

7lr1804
CF 7lr1803

By: **Senators Gladden, Della, McFadden, and Pugh**
Introduced and read first time: February 2, 2007
Assigned to: Judicial Proceedings

A BILL ENTITLED

1 AN ACT concerning

2 **Ground Rents – Conversion of Irredeemable Ground Rents**

3 FOR the purpose of providing for the conversion of an irredeemable ground rent to a
4 redeemable ground rent unless a notice of intention to preserve irredeemability
5 is recorded within a certain period of time; providing that a disability or lack of
6 knowledge does not prevent the conversion of an irredeemable ground rent if a
7 notice of intention to preserve irredeemability is not recorded within a certain
8 period of time; authorizing certain persons to file a notice in the land records of
9 the county where the land is located; requiring a notice to be executed in a
10 certain manner and to contain certain information; requiring a notice that
11 meets certain requirements to be accepted for recording on payment of certain
12 fees; exempting a notice from certain taxes; providing for the indexing of
13 notices; requiring notices to be filed on or before a certain date; providing that a
14 ground rent becomes redeemable if a notice is not recorded on or before a
15 certain date; establishing the period of effectiveness of a filed notice; providing
16 for the filing of renewal notices and the extension of the period of effectiveness
17 of a filed notice; establishing the sum for which a converted ground rent may be
18 redeemed; defining certain terms; and generally relating to the conversion of
19 irredeemable ground rents.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 BY adding to
2 Article – Real Property
3 Section 8–110.1
4 Annotated Code of Maryland
5 (2003 Replacement Volume and 2006 Supplement)

6 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
7 MARYLAND, That the Laws of Maryland read as follows:

8 **Article – Real Property**

9 **8–110.1.**

10 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE
11 MEANINGS INDICATED.

12 (2) “GROUND LEASE” MEANS A RESIDENTIAL LEASE OR
13 SUBLEASE IN EFFECT ON OR AFTER JULY 1, 2007, THAT HAS AN INITIAL TERM
14 OF 99 YEARS RENEWABLE FOREVER AND IS SUBJECT TO THE PAYMENT OF AN
15 ANNUAL GROUND RENT.

16 (3) “GROUND RENT” MEANS A RENT ISSUING OUT OF, OR
17 COLLECTIBLE IN CONNECTION WITH, THE REVERSION IN FEE SIMPLE RESERVED
18 IN A GROUND LEASE.

19 (4) “IRREDEEMABLE GROUND RENT” MEANS A GROUND
20 RENT CREATED UNDER A GROUND LEASE EXECUTED BEFORE APRIL 9, 1884,
21 THAT DOES NOT CONTAIN A PROVISION ALLOWING THE TENANT TO REDEEM
22 THE GROUND RENT.

23 (5) “LEASEHOLD ESTATE” MEANS THE TENANCY IN REAL
24 PROPERTY CREATED UNDER A GROUND LEASE.

25 (6) “REDEEMABLE GROUND RENT” MEANS A GROUND RENT
26 THAT MAY BE REDEEMED IN ACCORDANCE WITH THIS SECTION OR REDEEMED
27 OR EXTINGUISHED IN ACCORDANCE WITH § 8-110(G) OF THIS SUBTITLE.

1 (7) (I) **“RESIDENTIAL” MEANS REAL PROPERTY ON**
2 **WHICH THERE IS OR WAS ONCE CONSTRUCTED IMPROVEMENTS USED OR**
3 **INTENDED TO BE USED, FOR RESIDENTIAL PURPOSES.**

4 (II) **“RESIDENTIAL” DOES NOT INCLUDE:**

5 1. **AN APARTMENT OR COOPERATIVE**
6 **TENANCY;**

7 2. **THE GROUND OR SITE UPON WHICH**
8 **DWELLINGS OR MOBILE HOMES ARE ERECTED OR PLACED IN A MOBILE HOME**
9 **DEVELOPMENT OR MOBILE HOME PARK; OR**

10 3. **PROPERTY LEASED FOR BUSINESS,**
11 **COMMERCIAL, MANUFACTURING, MERCANTILE, OR INDUSTRIAL PURPOSES.**

12 (B) (1) **AN IRREDEEMABLE GROUND RENT SHALL BE**
13 **CONVERTED TO, AND BECOME, A REDEEMABLE GROUND RENT, UNLESS WITHIN**
14 **THE TIME SPECIFIED IN SUBSECTION (E) OF THIS SECTION, A NOTICE OF**
15 **INTENTION TO PRESERVE IRREDEEMABILITY IS RECORDED.**

16 (2) **THE CONVERSION OF AN IRREDEEMABLE GROUND RENT**
17 **TO A REDEEMABLE GROUND RENT OCCURS ON THE DAY FOLLOWING THE END**
18 **OF THE PERIOD IN WHICH THE NOTICE MAY BE RECORDED.**

19 (3) **A DISABILITY OR LACK OF KNOWLEDGE OF ANY KIND**
20 **DOES NOT PREVENT THE CONVERSION OF AN IRREDEEMABLE GROUND RENT TO**
21 **A REDEEMABLE GROUND RENT IF NO NOTICE OF INTENTION TO PRESERVE**
22 **IRREDEEMABILITY IS FILED WITHIN THE TIME SPECIFIED IN SUBSECTION (E) OF**
23 **THIS SECTION.**

24 (C) (1) **ANY PERSON HOLDING AN IRREDEEMABLE GROUND**
25 **RENT MAY RECORD A NOTICE OF INTENTION TO PRESERVE IRREDEEMABILITY**
26 **AMONG THE LAND RECORDS OF THE COUNTY WHERE THE LAND IS LOCATED.**

27 (2) **THE NOTICE MAY BE RECORDED BY:**

28 (I) **THE PERSON CLAIMING TO BE THE OWNER OF**
29 **THE IRREDEEMABLE GROUND RENT; OR**

1 **(II) IF THE CLAIMANT IS UNDER A DISABILITY OR**
2 **OTHERWISE UNABLE TO ASSERT A CLAIM ON THE PERSON'S OWN BEHALF, ANY**
3 **OTHER PERSON ACTING ON THE PERSON'S BEHALF.**

4 **(D) (1) TO BE EFFECTIVE AND TO BE ENTITLED TO BE**
5 **RECORDED, THE NOTICE SHALL BE EXECUTED BY THE PERSON FILING THE**
6 **NOTICE, ACKNOWLEDGED BEFORE A NOTARY PUBLIC, AND CONTAIN**
7 **SUBSTANTIALLY THE FOLLOWING INFORMATION:**

8 **(I) AN ACCURATE DESCRIPTION OF THE LEASEHOLD**
9 **ESTATE AFFECTED BY THE NOTICE, INCLUDING, IF KNOWN, THE PROPERTY**
10 **IMPROVEMENT ADDRESS;**

11 **(II) THE NAME OF EVERY OWNER OF THE**
12 **IRREDEEMABLE GROUND RENT;**

13 **(III) THE NAME OF EVERY OWNER OF THE LEASEHOLD**
14 **ESTATE AS OF THE TIME THE NOTICE IS FILED ACCORDING TO THE LAND**
15 **RECORDS OR THE RECORDS OF THE STATE DEPARTMENT OF ASSESSMENTS**
16 **AND TAXATION;**

17 **(IV) THE RECORDING REFERENCE OF THE LEASE;**

18 **(V) THE RECORDING REFERENCE OF EVERY**
19 **LEASEHOLD OWNER'S LEASEHOLD DEED, AS OF THE TIME THE NOTICE IS FILED,**
20 **ACCORDING TO THE LAND RECORDS OR THE RECORDS OF THE STATE**
21 **DEPARTMENT OF ASSESSMENTS AND TAXATION;**

22 **(VI) THE RECORDING REFERENCE OF EVERY**
23 **IRREDEEMABLE GROUND RENT OWNER'S DEED; AND**

24 **(VII) THE BLOCK NUMBER FOR THE LEASEHOLD**
25 **ESTATE IF THE PROPERTY IS LOCATED IN BALTIMORE CITY.**

26 **(2) (I) A NOTICE THAT SUBSTANTIALLY MEETS THE**
27 **REQUIREMENTS OF THIS SECTION SHALL BE ACCEPTED FOR RECORDING**
28 **AMONG THE LAND RECORDS ON PAYMENT OF THE SAME FEES AS ARE CHARGED**
29 **FOR THE RECORDING OF DEEDS.**

1 **(II) THE FILING OF A NOTICE IS EXEMPT FROM THE**
2 **IMPOSITION OF A STATE OR LOCAL EXCISE TAX.**

3 **(3) THE NOTICE SHALL BE INDEXED AS “NOTICE OF**
4 **INTENTION TO PRESERVE IRREDEEMABILITY”:**

5 **(I) IN THE GRANTEE INDICES OF DEEDS UNDER THE**
6 **NAME OF EVERY OWNER OF THE IRREDEEMABLE GROUND RENT;**

7 **(II) IN THE GRANTOR INDICES OF DEEDS UNDER THE**
8 **NAME OF EVERY OWNER OF THE LEASEHOLD ESTATE AS OF THE TIME THE**
9 **NOTICE IS FILED ACCORDING TO THE LAND RECORDS OR THE RECORDS OF THE**
10 **STATE DEPARTMENT OF ASSESSMENTS AND TAXATION; AND**

11 **(III) IN THE BLOCK INDEX IN BALTIMORE CITY.**

12 **(E) (1) TO PRESERVE THE IRREDEEMABILITY OF AN**
13 **IRREDEEMABLE GROUND RENT, A NOTICE OF INTENTION TO PRESERVE SHALL**
14 **BE RECORDED ON OR BEFORE DECEMBER 31, 2010.**

15 **(2) IF A NOTICE OF INTENTION TO PRESERVE IS NOT**
16 **RECORDED ON OR BEFORE DECEMBER 31, 2010, THE GROUND RENT BECOMES**
17 **A REDEEMABLE GROUND RENT.**

18 **(3) IF A NOTICE IS RECORDED ON OR BEFORE DECEMBER**
19 **31, 2010, THE GROUND RENT SHALL REMAIN IRREDEEMABLE FOR A PERIOD OF**
20 **10 YEARS FROM JANUARY 1, 2011, TO DECEMBER 31, 2020, BOTH INCLUSIVE.**

21 **(4) (I) THE EFFECTIVENESS OF A FILED NOTICE TO**
22 **PRESERVE IRREDEEMABILITY SHALL LAPSE ON JANUARY 1, 2021, AND THE**
23 **GROUND RENT SHALL BECOME A REDEEMABLE GROUND RENT, UNLESS A**
24 **RENEWAL NOTICE CONTAINING SUBSTANTIALLY THE SAME INFORMATION AS**
25 **THE NOTICE OF INTENTION TO PRESERVE IRREDEEMABILITY IS RECORDED**
26 **WITHIN 6 MONTHS BEFORE THE EXPIRATION OF THE 10-YEAR PERIOD SET**
27 **FORTH IN PARAGRAPH (3) OF THIS SUBSECTION.**

28 **(II) THE EFFECTIVENESS OF ANY SUBSEQUENTLY**
29 **FILED RENEWAL NOTICE SHALL LAPSE AFTER THE EXPIRATION OF THE**

1 **APPLICABLE 10-YEAR PERIOD AND THE GROUND RENT SHALL BECOME A**
2 **REDEEMABLE GROUND RENT, UNLESS FURTHER RENEWAL NOTICES ARE**
3 **RECORDED WITHIN 6 MONTHS BEFORE THE EXPIRATION OF THE APPLICABLE**
4 **10-YEAR PERIOD.**

5 **(F) A GROUND RENT MADE REDEEMABLE IN ACCORDANCE WITH**
6 **THIS SECTION:**

7 **(1) IS REDEEMABLE AT ANY TIME FOLLOWING THE DATE OF**
8 **CONVERSION OF THE IRREDEEMABLE GROUND RENT TO A REDEEMABLE**
9 **GROUND RENT; AND**

10 **(2) SHALL BE REDEEMABLE FOR A SUM EQUAL TO THE**
11 **ANNUAL RENT RESERVED MULTIPLIED BY 16.66, WHICH IS CAPITALIZATION AT**
12 **6 PERCENT.**

13 **SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect**
14 **October 1, 2007.**