

## Chapter 462

(Senate Bill 366)

AN ACT concerning

### **Baltimore City – Extinguishment or Redemption of Ground Rents**

FOR the purpose of altering the scope of a certain procedure in law that authorizes Baltimore City to apply to the State Department of Assessments and Taxation in order to extinguish or redeem a ground rent on property acquired by Baltimore City under certain circumstances; altering the contents of a certain affidavit required in a certain procedure to extinguish or redeem a ground rent on property acquired by Baltimore City under certain circumstances; altering the scope of a certain procedure to authorize a landlord of abandoned or distressed property acquired by Baltimore City to collect a certain redemption amount under certain circumstances; and generally relating to ground rents in Baltimore City.

BY repealing and reenacting, with amendments,

Article – Real Property

Section 8–110

Annotated Code of Maryland

(2010 Replacement Volume and 2012 Supplement)

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

### **Article – Real Property**

8–110.

(a) (1) This section does not apply to leases of property leased for business, commercial, manufacturing, mercantile, or industrial purposes or any other purpose which is not primarily residential, where the term of the lease, including all renewals provided for, does not exceed 99 years. A lease of the entire property improved or to be improved by any apartment, condominium, cooperative, or other building for multiple–family use on the property constitutes a business and not a residential purpose. The term “multiple–family use” does not apply to any duplex or single–family structure converted to a multiple–dwelling unit.

(2) Except as provided in subsection (f) of this section, this section does not apply to irredeemable leases executed before April 9, 1884.

(3) This section does not apply to leases of the ground or site upon which dwellings or mobile homes are erected or placed in a mobile home development or mobile home park.

(4) This section does not apply to an affordable housing land trust agreement executed under Title 14, Subtitle 5 of this article.

(b) (1) Except for apartment and cooperative leases, any reversion reserved in a lease for longer than 15 years is redeemable at any time, at the option of the tenant, after 30 days' notice to the landlord. Notice shall be given by certified mail, return receipt requested, and by first-class mail to the last known address of the landlord.

(2) The reversion is redeemable:

(i) For a sum equal to the annual rent reserved multiplied by:

1. 25, which is capitalization at 4 percent, if the lease was executed from April 8, 1884 to April 5, 1888, both inclusive;

2. 8.33, which is capitalization at 12 percent, if the lease was or is created after July 1, 1982; or

3. 16.66, which is capitalization at 6 percent, if the lease was created at any other time;

(ii) For a lesser sum if specified in the lease; or

(iii) For a sum to which the parties may agree at the time of redemption.

(c) If a tenant has power to redeem the reversion from a trustee or other person who does not have a power of sale, the reversion nevertheless may be redeemed in accordance with the procedures prescribed in the Maryland Rules.

(d) Notwithstanding subsection (b) of this section, any regulatory changes made by a federal agency, instrumentality, or subsidiary, including the Department of Housing and Urban Development, the Federal Housing Administration, the Government National Mortgage Association, the Federal National Mortgage Association, and the Veterans' Administration, shall be applicable to redemption of reversions of leases for longer than 15 years.

(e) (1) Before the entry of a judgment foreclosing an owner's right of redemption, a reversion in a ground rent or lease for 99 years renewable forever held on abandoned property in Baltimore City, as defined in § 14-817 of the Tax – Property

Article, may be donated to Baltimore City or, at the option of Baltimore City, to an entity designated by Baltimore City.

(2) Valuation of the donation of a reversionary interest pursuant to this subsection shall be in accordance with subsection (b) of this section.

(f) (1) (i) A tenant who has given the landlord notice in accordance with subsection (b) of this section may apply to the State Department of Assessments and Taxation to redeem a ground rent as provided in this subsection.

(ii) When the Mayor and City Council of Baltimore City [condemns] **ACQUIRES** property that is subject to an irredeemable ground rent, the City shall become the tenant of the ground rent and, after giving the landlord notice in accordance with subsection (b) of this section, may apply to the State Department of Assessments and Taxation to extinguish the ground rent as provided in this subsection.

(iii) When the Mayor and City Council of Baltimore City [condemns] **ACQUIRES** abandoned or distressed property that is subject to a redeemable ground rent, the City shall become the tenant of the ground rent and, after giving the landlord notice in accordance with subsection (b) of this section, may apply to the State Department of Assessments and Taxation to redeem the ground rent as provided in this subsection.

(2) The tenant shall provide to the State Department of Assessments and Taxation:

(i) Documentation satisfactory to the Department of the lease and the notice given to the landlord; and

(ii) Payment of a \$20 fee, and any expediting fee required under § 1–203 of the Corporations and Associations Article.

(3) (i) On receipt of the items stated in paragraph (2) of this subsection, the Department shall post notice on its website that application has been made to redeem or extinguish the ground rent.

(ii) The notice shall remain posted for at least 90 days.

(4) Except as provided in paragraph (5) of this subsection, no earlier than 90 days after the application has been posted as provided in paragraph (3) of this subsection, a tenant seeking to redeem a ground rent shall provide to the Department:

(i) Payment of the redemption amount and up to 3 years' back rent to the extent required under this section and § 8–111.1 of this subtitle, in a form satisfactory to the Department; and

(ii) An affidavit made by the tenant, in the form adopted by the Department, certifying that:

1. The tenant has not received a bill for ground rent due or other communication from the landlord regarding the ground rent during the 3 years immediately before the filing of the documentation required for the issuance of a redemption certificate under this subsection; or

2. The last payment for ground rent was made to the landlord identified in the affidavit and sent to the same address where the notice required under subsection (b) of this section was sent.

(5) No earlier than 90 days after the application has been posted as provided in paragraph (3) of this subsection, a tenant seeking to extinguish an irredeemable ground rent or to redeem a redeemable ground rent on abandoned or distressed property that was acquired or is being acquired by the Mayor and City Council of Baltimore [through condemnation] shall provide to the Department:

(i) Payment of up to 3 years' back rent to the extent required under this section and § 8–111.1 of this subtitle, in a form satisfactory to the Department; and

(ii) An affidavit made by the Director of the Office of Property Acquisition and Relocation in the Baltimore City Department of Housing and Community Development certifying that:

1. The property is abandoned property, as defined in § 21–17(a)(2) of the Public Local Laws of Baltimore City, or distressed property, as defined in § 21–17(a)(3) of the Public Local Laws of Baltimore City;

2. The property was acquired or is being acquired by the Mayor and City Council of Baltimore City [through condemnation];

3. [A thorough title search has been conducted;

4.] The landlord of the property [cannot be located or identified] **HAS NOT REGISTERED THE GROUND LEASE WITH THE STATE DEPARTMENT OF ASSESSMENTS AND TAXATION UNDER SUBTITLE 7 OF THIS TITLE;** and

[5.] **4.** The existence of the ground rent is an impediment to redevelopment of the site.

(6) At any time, the tenant may submit to the Department notice that the tenant is no longer seeking redemption or extinguishment under this subsection.

(7) Upon receipt of the documentation, fees, and where applicable, the redemption amount and 3 years' back rent to the extent required under this section and § 8-111.1 of this subtitle, the Department shall issue to the tenant a ground rent redemption certificate or a ground rent extinguishment certificate, as appropriate.

(8) The redemption or extinguishment of the ground rent is effective to conclusively vest a fee simple title in the tenant, free and clear of any and all right, title, or interest of the landlord, any lien of a creditor of the landlord, and any person claiming by, through, or under the landlord when the tenant records the certificate in the land records of the county in which the property is located.

(9) The landlord, any creditor of the landlord, or any other person claiming by, through, or under the landlord may file a claim with the Department in order to collect all, or any portion of, where applicable, the redemption amount and 3 years' back rent to the extent required under this section and § 8-111.1 of this subtitle, without interest, by providing to the Department:

(i) Documentation satisfactory to the Department of the claimant's interest; and

(ii) Payment of a \$20 fee, and any expediting fee required under § 1-203 of the Corporations and Associations Article.

(10) (i) A landlord whose ground rent has been extinguished may file a claim with the Baltimore City Director of Finance to collect an amount equal to the annual rent reserved multiplied by 16.66, which is capitalization at 6 percent, by providing to the Director:

1. Proof of payment to the landlord by the Department of back rent under paragraph (9) of this subsection; and

2. Payment of a \$20 fee.

(ii) A landlord of abandoned or distressed property [condemned] **ACQUIRED** by the Mayor and City Council of Baltimore City whose ground rent has been redeemed may file a claim with the Baltimore City Director of Finance to collect the redemption amount, by providing to the Director:

1. Proof of payment to the landlord by the Department of back rent under paragraph (9) of this subsection; and

2. Payment of a \$20 fee.

(11) (i) In the event of a dispute regarding the extinguishment amount as calculated under paragraph (10)(i) of this subsection, the landlord may refuse payment from the Baltimore City Director of Finance and file an appeal regarding the valuation in the Circuit Court of Baltimore City.

(ii) In an appeal, the landlord is entitled to receive the fair market value of the landlord's interest in the property at the time of the extinguishment.

(12) In the event of a dispute regarding the payment by the Department to any person of all or any portion of the collected redemption amount and up to 3 years' back rent to the extent required by this section and § 8-111.1 of this subtitle, the Department may:

(i) File an interpleader action in the circuit court of the county where the property is located; or

(ii) Reimburse the landlord from the fund established in § 1-203.3 of the Corporations and Associations Article.

(13) The Department is not liable for any sum received by the Department that exceeds the sum of:

(i) The redemption amount; and

(ii) Up to 3 years' back rent to the extent required by this section and § 8-111.1 of this subtitle.

(14) The Department shall credit all fees and funds collected under this subsection to the fund established under § 1-203.3 of the Corporations and Associations Article. Redemption and extinguishment amounts received shall be held in a ground rent redemption and ground rent extinguishment account in that fund.

(15) The Department shall maintain a list of properties for which ground rents have been redeemed or extinguished under this subsection.

(16) The Department shall adopt regulations to carry out the provisions of this subsection.

(17) Any redemption or extinguishment funds not collected by a landlord under this subsection within 20 years after the date of the payment to the Department by the tenant shall escheat to the State. The Department shall annually transfer any funds that remain uncollected after 20 years to the State General Fund at the end of each fiscal year.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect October 1, 2013.

**Approved by the Governor, May 16, 2013.**