

HOUSE BILL 1225

N1

4lr3108

By: **Delegate Holmes**

Introduced and read first time: February 8, 2024

Assigned to: Environment and Transportation

A BILL ENTITLED

1 AN ACT concerning

2 **Ground Leases – Application for Redemption – Procedures**

3 FOR the purpose of altering certain requirements for a leasehold tenant to redeem a certain
4 ground lease; and generally relating to ground lease redemption.

5 BY repealing and reenacting, without amendments,

6 Article – Real Property

7 Section 8–804(a) and (f)(3)

8 Annotated Code of Maryland

9 (2023 Replacement Volume)

10 BY repealing and reenacting, with amendments,

11 Article – Real Property

12 Section 8–804(b) and (f)(1), (2), and (4)

13 Annotated Code of Maryland

14 (2023 Replacement Volume)

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

17 **Article – Real Property**

18 8–804.

19 (a) (1) Except as provided in subsection (f) of this section, this section does not
20 apply to irredeemable ground leases preserved under § 8–805 of this subtitle.

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

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (b) (1) (I) Except for apartment and cooperative leases **AND SUBJECT TO**
2 **SUBPARAGRAPH (II) OF THIS PARAGRAPH**, any reversion reserved in a ground lease for
3 longer than 15 years is redeemable at any time, at the option of the leasehold tenant[,
4 after].

5 (II) **IF A GROUND LEASE IS REGISTERED IN ACCORDANCE WITH**
6 **SUBTITLE 7 OF THIS TITLE, THE LEASEHOLD TENANT MUST PROVIDE** 30 days' notice
7 to the ground lease holder[. Notice shall be given by certified mail, return receipt requested,
8 and] by first-class mail **WITH A CERTIFICATE OF MAILING** to the last known address of
9 the ground lease holder, **BEFORE THE LEASEHOLD TENANT MAY REDEEM THE GROUND**
10 **LEASE.**

11 (2) The reversion is redeemable:

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

14 1. 25, which is capitalization at 4 percent, if the ground lease
15 was executed from April 8, 1884 to April 5, 1888, both inclusive;

16 2. 8.33, which is capitalization at 12 percent, if the ground
17 lease was or is created after July 1, 1982; or

18 3. 16.66, which is capitalization at 6 percent, if the ground
19 lease was created at any other time;

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

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

23 (3) (i) If the leasehold tenant is in default under a security instrument,
24 the holder of the secured interest in the property that is subject to a ground lease, or any
25 portion of a ground lease, that is recorded in the land records of the county in which the
26 property is located may apply to the State Department of Assessments and Taxation to
27 redeem the reversion as provided under this section.

28 (ii) If a holder of a secured interest applies to redeem a reversion as
29 authorized under subparagraph (i) of this paragraph, the holder also shall pay to the
30 ground lease holder the outstanding amount due, including, if authorized under the ground
31 lease, reasonable late fees, interest, collection costs, and expenses as provided under §
32 8-807 of this subtitle.

33 (f) (1) (i) A leasehold tenant who [has given the ground lease holder notice
34 in accordance with] **IS AUTHORIZED TO REDEEM A GROUND RENT UNDER** subsection

1 (b) of this section may apply to the Department to redeem [a] THE ground rent as provided
2 in this subsection.

3 (ii) When the Mayor and City Council of Baltimore City acquires
4 property that is subject to an irredeemable ground rent, the City shall become the leasehold
5 tenant of the ground rent and, after giving the ground lease holder notice in accordance
6 with subsection (b) of this section, may apply to the Department to extinguish the ground
7 rent as provided in this subsection.

8 (iii) When the Mayor and City Council of Baltimore City acquires
9 abandoned or distressed property that is subject to a redeemable ground rent, the City shall
10 become the leasehold tenant of the ground rent and, after giving the ground lease holder
11 notice in accordance with subsection (b) of this section, may apply to the Department to
12 redeem the ground rent as provided in this subsection.

13 (2) The leasehold tenant shall provide to the Department:

14 (i) Documentation satisfactory to the Department of the ground
15 lease and, **IF THE GROUND LEASE WAS REGISTERED IN ACCORDANCE WITH SUBTITLE**
16 **7 OF THIS TITLE WHEN THE LEASEHOLD TENANT APPLIED FOR THE ISSUANCE OF A**
17 **REDEMPTION CERTIFICATE, OF** the notice given to the ground lease holder; and

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

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

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

24 (4) Except as provided in paragraph (5) of this subsection, [a] **IF A**
25 **GROUND LEASE WAS REGISTERED IN ACCORDANCE WITH SUBTITLE 7 OF THIS TITLE**
26 **AT THE TIME OF APPLICATION FOR A REDEMPTION CERTIFICATE, THE** leasehold
27 tenant seeking to redeem a ground rent shall provide to the Department:

28 (i) Payment of [the redemption amount and] up to 3 years' past due
29 ground rent to the extent required under this section and § 8–806 of this subtitle, in a form
30 satisfactory to the Department; and

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

33 1. The leasehold tenant has not received a bill for ground
34 rent due or other communication from the ground lease holder regarding the ground rent

