

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1225 (Delegate Holmes)
Environment and Transportation

Ground Leases – Application for Redemption – Procedures

This bill alters statutory provisions governing the process by which a leasehold tenant may redeem an eligible ground lease, generally by specifying that certain procedural requirements prior to redemption are only applicable if a ground lease is registered in accordance with statutory requirements.

Fiscal Summary

State Effect: The bill is not anticipated to materially affect State operations or finances.

Local Effect: The bill is not anticipated to materially affect local government operations or finances.

Small Business Effect: Minimal.

Analysis

Bill Summary/Current Law: Generally, under current law, a ground lease creates a leasehold estate in the grantee that is personal – not real – property. The grantor retains a reversion in the ground lease property and fee simple title to the land. Ground rent is paid to the grantor (the ground lease holder) for the use of the property for the term of the lease in annual or semiannual installments.

Under current law, a ground lease holder must register a ground lease with the State Department of Assessments and Taxation (SDAT), as specified. Under a typical ground lease contract, the tenant agrees to pay all fees, taxes, and other costs associated with ownership of the property. An irredeemable ground rent is a ground rent created under a

ground lease executed before April 9, 1884, that does not contain a provision allowing the leasehold tenant to redeem the ground rent. Statutory provisions authorize any ground lease holder of an irredeemable ground rent to record a notice of intention to preserve irredeemability in the land records.

SDAT is required under existing statute to maintain an online registry of all properties that are subject to ground leases. If a ground lease is not registered in accordance with statutory provisions, the ground lease holder may not (1) collect or attempt to collect any ground rent payments, late fees, interest, collection costs, or other expenses under the ground lease; (2) bring a civil action against the leasehold tenant to enforce any applicable rights; or (3) bring an action against the leasehold tenant under Subtitle 8 of the Real Property Article.

Statutory provisions under § 8-804 of the Real Property Article specify the process by which a reversion in a ground lease may be redeemed (subject to restrictions on applicability unchanged by the bill). Under these provisions, any reversion reserved in a ground lease for longer than 15 years is redeemable at any time, at the option of the leasehold tenant. Under current law, a leasehold tenant must first give 30 days' notice to the ground lease holder by certified mail, return receipt requested, and by first-class mail to the last known address of the ground lease holder. The bill specifies that *if a ground lease is registered in accordance with statutory requirements*, the leasehold tenant must provide 30 days' notice to the ground lease holder by first-class mail *with a certificate of mailing* to the last known address of the ground lease holder, before the leasehold tenant may redeem the ground lease.

Under current law, among other items, a leasehold tenant seeking to redeem a ground rent must provide to SDAT documentation satisfactory to the department of the ground lease and the notice given to the ground lease holder. Subject to limited exception (unaffected by the bill), the leasehold tenant must also, among other things, provide payment of the redemption amount and up to three years' past due ground rent, as specified. The bill generally specifies that, subject to the limited exception, such items must be provided *if a ground lease was registered in accordance with statutory requirements at the time of application for a redemption certificate*.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Judiciary (Administrative Office of the Courts); Department of Legislative Services

Fiscal Note History: First Reader - March 3, 2024
km/jkb

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