

SENATE BILL 655

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2003 Regular Session  
3r2170  
CF 3r1777

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By: **Senator Klausmeier**

Introduced and read first time: February 12, 2003

Assigned to: Rules

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A BILL ENTITLED

1 AN ACT concerning

2 **Real Property - Redemption of Ground Rents**

3 FOR the purpose of authorizing a tenant to redeem a reversion reserved in certain  
4 leases under certain circumstances by providing certain documentation and  
5 paying the redemption amount and certain fees to the State Department of  
6 Assessments and Taxation; requiring the Department to issue a certain  
7 certificate to the tenant; establishing that the redemption is effective when the  
8 certificate is recorded in the land records of the county where the property is  
9 located; authorizing the landlord to collect the redemption amount without  
10 interest by providing certain documentation and paying certain fees to the  
11 Department; requiring the Department to credit certain fees and funds collected  
12 under this Act to a certain fund; requiring the Department to maintain a list of  
13 properties for which the reversion has been redeemed; requiring the  
14 Department to adopt certain regulations; requiring that certain redemptions not  
15 collected by the landlord escheat to the State; requiring the Department to  
16 annually transfer certain uncollected funds to the State General Fund;  
17 establishing certain fees; requiring a certain continuing, nonlapsing fund to be  
18 used for a certain purpose; altering notice requirements to redeem a reversion;  
19 providing for a delayed effective date; and generally relating to the redemption  
20 of reversions reserved in certain leases.

21 BY repealing and reenacting, with amendments,  
22 Article - Corporations and Associations  
23 Section 1-203(8) and 1-203.3  
24 Annotated Code of Maryland  
25 (1999 Replacement Volume and 2002 Supplement)

26 BY repealing and reenacting, with amendments,  
27 Article - Real Property  
28 Section 3-102(a) and 8-110  
29 Annotated Code of Maryland  
30 (1996 Replacement Volume and 2002 Supplement)

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

3 **Article - Corporations and Associations**

4 1-203.

5 In addition to any organization and capitalization fee required under § 1-204 of  
6 this article, the Department shall collect the following fees:

7 (8) For processing each of the following documents on an expedited basis,  
8 the additional fee is as indicated:

9 Recording any document, including financing statements ..... \$50

10 Certificate of status of a corporation, partnership, limited partnership, limited  
11 liability partnership, or limited liability company, or a name reservation ..... \$9

12 A copy of any document recorded or filed with the Department, or a corporate  
13 abstract ..... \$20

14 ISSUANCE OF A GROUND RENT REDEMPTION CERTIFICATE OR PAYMENT OF A  
15 REDEMPTION AMOUNT TO THE FORMER OWNER OF THE GROUND RENT ..... \$50

16 1-203.3.

17 (a) There is a continuing, nonlapsing fund that is not subject to § 7-302 of the  
18 State Finance and Procurement Article.

19 (b) Subject to the appropriation process in the State budget, the Department  
20 shall use the fund [for]:

21 (1) FOR the costs of reviewing, processing, and auditing documents filed  
22 or requested under this article or other articles of the Code; AND

23 (2) TO PAY REDEMPTION AMOUNTS TO FORMER OWNERS OF GROUND  
24 RENTS.

25 (c) The State Treasurer shall hold and the State Comptroller shall account for  
26 the fund.

27 (d) The fund shall be invested and reinvested in the same manner as other  
28 State funds.

29 (e) Investment earnings shall accrue to the benefit of the fund.

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**Article - Real Property**

2 3-102.

3 (a) (1) Any other instrument affecting property, including any contract for  
4 the grant of property, or any subordination agreement establishing priorities between  
5 interests in property may be recorded.

6 (2) The following instruments also may be recorded:

7 (i) Any notice of deferred property footage assessment for street  
8 construction;

9 (ii) Any boundary survey plat signed and sealed by a professional  
10 land surveyor or property line surveyor licensed in the State;

11 (iii) Any assumption agreement by which a person agrees to assume  
12 the liability of a debt or other obligation secured by a mortgage or deed of trust; [or]

13 (iv) Any release of personal liability of a borrower or guarantor  
14 under a mortgage or under a note or other obligation secured by a deed of trust; OR

15 (V) A GROUND RENT REDEMPTION CERTIFICATE ISSUED UNDER §  
16 8-110 OF THIS ARTICLE.

17 (3) The recording of any instrument constitutes constructive notice from  
18 the date of recording.

19 8-110.

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

28 (2) This section does not apply to irredeemable leases executed before  
29 April 9, 1884.

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

33 (b) (1) Except for apartment and cooperative leases, any reversion reserved  
34 in a lease for longer than 15 years is redeemable, at the option of the tenant, after [a]  
35 30 DAYS' notice [of one month] to the landlord. NOTICE SHALL BE GIVEN BY

1 CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO THE LAST KNOWN ADDRESS OF  
2 THE LANDLORD.

3 (2) THE REVERSION IS REDEEMABLE:

4 [(1)] (I) For a sum equal to the annual rent reserved multiplied by:

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

7 [(ii)] 2. 8.33, which is capitalization at 12 percent, if the lease was  
8 or is created after July 1, 1982; or

9 [(iii)] 3. 16.66, which is capitalization at 6 percent, if the lease was  
10 created at any other time;

11 [(2)] (II) For a lesser sum if specified in the lease; or

12 [(3)] (III) For a sum to which the parties may agree at the time of  
13 redemption.

14 (c) If the lease is executed on or after July 1, 1971, the reversion is  
15 redeemable at the expiration of 3 years from the date of the lease. If the lease is  
16 executed on or after July 1, 1982 or between July 1, 1969 and July 1, 1971, the  
17 reversion is redeemable at the expiration of 5 years from the date of the lease. If the  
18 lease is executed before July 1, 1969, the reversion is redeemable at any time.

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

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

28 (f) (1) Before the entry of a judgment foreclosing an owner's right of  
29 redemption, a reversion in a ground rent or lease for 99 years renewable forever held  
30 on abandoned property in Baltimore City, as defined in § 14-817 of the Tax - Property  
31 Article, may be donated to Baltimore City or, at the option of Baltimore City, to an  
32 entity designated by Baltimore City.

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

35 (G) (1) IF A TENANT HAS GIVEN THE LANDLORD NOTICE IN ACCORDANCE  
36 WITH SUBSECTION (B) OF THIS SECTION AND THE LANDLORD DOES NOT RESPOND  
37 WITHIN 60 DAYS AFTER THE DATE THE NOTICE WAS MAILED OR THE NOTICE IS

1 RETURNED AS UNDELIVERABLE, THE TENANT MAY REDEEM A GROUND RENT AS  
2 PROVIDED IN THIS SUBSECTION.

3 (2) THE TENANT SHALL PROVIDE TO THE STATE DEPARTMENT OF  
4 ASSESSMENTS AND TAXATION:

5 (I) DOCUMENTATION SATISFACTORY TO THE DEPARTMENT OF  
6 THE LEASE AND THE NOTICE GIVEN TO THE LANDLORD;

7 (II) PAYMENT OF A \$20 FEE, AND ANY EXPEDITING FEE REQUIRED  
8 UNDER § 1-203 OF THE CORPORATIONS AND ASSOCIATIONS ARTICLE; AND

9 (III) PAYMENT OF THE REDEMPTION AMOUNT IN A FORM  
10 SATISFACTORY TO THE DEPARTMENT.

11 (3) UPON RECEIPT OF THE DOCUMENTATION, FEES, AND REDEMPTION  
12 AMOUNT REQUIRED UNDER THIS SUBSECTION, THE DEPARTMENT SHALL ISSUE A  
13 GROUND RENT REDEMPTION CERTIFICATE TO THE TENANT.

14 (4) THE REDEMPTION OF THE GROUND RENT IS EFFECTIVE WHEN THE  
15 TENANT RECORDS THE CERTIFICATE IN THE LAND RECORDS OF THE COUNTY IN  
16 WHICH THE PROPERTY IS LOCATED.

17 (5) THE LANDLORD MAY COLLECT THE REDEMPTION AMOUNT,  
18 WITHOUT INTEREST, BY PROVIDING TO THE DEPARTMENT:

19 (I) DOCUMENTATION SATISFACTORY TO THE DEPARTMENT OF  
20 THE LANDLORD'S OWNERSHIP INTEREST; AND

21 (II) PAYMENT OF A \$20 FEE, AND ANY EXPEDITING FEE REQUIRED  
22 UNDER § 1-203 OF THE CORPORATIONS AND ASSOCIATIONS ARTICLE.

23 (6) THE DEPARTMENT SHALL CREDIT ALL FEES AND FUNDS COLLECTED  
24 UNDER THIS SUBSECTION TO THE FUND ESTABLISHED UNDER § 1-203.3 OF THE  
25 CORPORATIONS AND ASSOCIATIONS ARTICLE. REDEMPTION AMOUNTS RECEIVED  
26 SHALL BE HELD IN A GROUND RENT REDEMPTION ACCOUNT IN THAT FUND.

27 (7) THE DEPARTMENT SHALL MAINTAIN A LIST OF PROPERTIES FOR  
28 WHICH GROUND RENTS HAVE BEEN REDEEMED UNDER THIS SUBSECTION.

29 (8) THE DEPARTMENT SHALL ADOPT REGULATIONS TO CARRY OUT THE  
30 PROVISIONS OF THIS SUBSECTION.

31 (9) ANY FUNDS NOT COLLECTED BY A LANDLORD UNDER THIS  
32 SUBSECTION WITHIN 20 YEARS AFTER THE DATE OF THE PAYMENT TO THE  
33 DEPARTMENT BY THE TENANT SHALL ESCHEAT TO THE STATE. THE DEPARTMENT  
34 SHALL ANNUALLY TRANSFER ANY FUNDS THAT REMAIN UNCOLLECTED AFTER 20  
35 YEARS TO THE STATE GENERAL FUND AT THE END OF EACH FISCAL YEAR.

1 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
2 January 1, 2004.