
By: **Senator Klausmeier**
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CHAPTER _____

1 AN ACT concerning

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

3 FOR the purpose of authorizing a tenant to apply to redeem a reversion reserved in
4 certain leases under certain circumstances by providing certain documentation
5 and paying the redemption ~~amount~~ amount, certain back rents, if required, and
6 certain fees to the State Department of Assessments and Taxation; requiring the
7 Department to ~~issue~~ post a certain notice on its website for a certain period of
8 time before issuing a certain certificate to the tenant; establishing that the
9 redemption is effective when the certificate is recorded in the land records of the
10 county where the property is located; providing that recordation of the
11 certificate conclusively vests a certain fee simple title in the tenant; authorizing
12 the landlord to collect the redemption amount without interest by filing a claim,
13 providing certain ~~documentation~~ documentation, and paying certain fees to the
14 Department; providing a procedure for resolving certain disputes over the
15 amount of payment of a certain redemption; limiting the liability of the
16 Department to the payment of a certain redemption amount and back rent;
17 requiring the Department to credit certain fees and funds collected under this
18 Act to a certain fund; requiring the Department to maintain a list of properties
19 for which the reversion has been redeemed; requiring the Department to adopt
20 certain regulations; requiring that certain redemptions not collected by the
21 landlord escheat to the State; requiring the Department to annually transfer
22 certain uncollected funds to the State General Fund; establishing certain fees;
23 requiring a certain continuing, nonlapsing fund to be used for a certain purpose;
24 altering notice requirements to redeem a reversion; providing for a delayed
25 effective date; and generally relating to the redemption of reversions reserved in
26 certain leases.

1 BY repealing and reenacting, with amendments,
 2 Article - Corporations and Associations
 3 Section 1-203(8) and 1-203.3
 4 Annotated Code of Maryland
 5 (1999 Replacement Volume and 2002 Supplement)

6 BY repealing and reenacting, with amendments,
 7 Article - Real Property
 8 Section 3-102(a) and 8-110
 9 Annotated Code of Maryland
 10 (1996 Replacement Volume and 2002 Supplement)

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

13 **Article - Corporations and Associations**

14 1-203.

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

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

19 Recording any document, including financing statements \$50

20 Certificate of status of a corporation, partnership, limited partnership, limited
 21 liability partnership, or limited liability company, or a name reservation \$9

22 A copy of any document recorded or filed with the Department, or a corporate
 23 abstract \$20

24 ~~ISSUANCE OF APPLICATION FOR A GROUND RENT REDEMPTION CERTIFICATE OR~~
 25 ~~PAYMENT OF A REDEMPTION AMOUNT TO THE FORMER OWNER OF THE GROUND~~
 26 ~~RENT~~ \$50

27 1-203.3.

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

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

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

1 (2) TO PAY REDEMPTION AMOUNTS TO FORMER OWNERS OF GROUND
2 RENTS REDEEMED IN ACCORDANCE WITH § 8-110 OF THE REAL PROPERTY ARTICLE.

3 (c) The State Treasurer shall hold and the State Comptroller shall account for
4 the fund.

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

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

8 **Article - Real Property**

9 3-102.

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

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

14 (i) Any notice of deferred property footage assessment for street
15 construction;

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

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

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

22 (V) A GROUND RENT REDEMPTION CERTIFICATE ISSUED UNDER §
23 8-110 OF THIS ARTICLE.

24 (3) The recording of any instrument constitutes constructive notice from
25 the date of recording.

26 8-110.

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

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

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

6 (b) (1) Except for apartment and cooperative leases, any reversion reserved
7 in a lease for longer than 15 years is redeemable, at the option of the tenant, after [a]
8 30 DAYS' notice [of one month] to the landlord. NOTICE SHALL BE GIVEN BY
9 CERTIFIED MAIL, RETURN RECEIPT REQUESTED, AND BY FIRST-CLASS MAIL TO THE
10 LAST KNOWN ADDRESS OF THE LANDLORD.

11 (2) THE REVERSION IS REDEEMABLE:

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

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

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

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

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

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

22 (c) If the lease is executed on or after July 1, 1971, the reversion is
23 redeemable at the expiration of 3 years from the date of the lease. If the lease is
24 executed on or after July 1, 1982 or between July 1, 1969 and July 1, 1971, the
25 reversion is redeemable at the expiration of 5 years from the date of the lease. If the
26 lease is executed before July 1, 1969, the reversion is redeemable at any time.

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

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

36 (f) (1) Before the entry of a judgment foreclosing an owner's right of
37 redemption, a reversion in a ground rent or lease for 99 years renewable forever held

1 on abandoned property in Baltimore City, as defined in § 14-817 of the Tax - Property
 2 Article, may be donated to Baltimore City or, at the option of Baltimore City, to an
 3 entity designated by Baltimore City.

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

6 (G) (1) ~~IF A~~ A TENANT WHO HAS GIVEN THE LANDLORD NOTICE IN
 7 ACCORDANCE WITH SUBSECTION (B) OF THIS SECTION AND THE LANDLORD DOES
 8 NOT RESPOND WITHIN 60 DAYS AFTER THE DATE THE NOTICE WAS MAILED OR THE
 9 NOTICE IS RETURNED AS UNDELIVERABLE, THE TENANT MAY APPLY TO THE STATE
 10 DEPARTMENT OF ASSESSMENTS AND TAXATION TO REDEEM A GROUND RENT AS
 11 PROVIDED IN THIS SUBSECTION.

12 (2) THE TENANT SHALL PROVIDE TO THE STATE DEPARTMENT OF
 13 ASSESSMENTS AND TAXATION:

14 (I) DOCUMENTATION SATISFACTORY TO THE DEPARTMENT OF
 15 THE LEASE AND THE NOTICE GIVEN TO THE LANDLORD; AND

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

18 (3) (I) ON RECEIPT OF THE ITEMS STATED IN PARAGRAPH (2) OF THIS
 19 SUBSECTION, THE DEPARTMENT SHALL POST NOTICE ON ITS WEBSITE THAT
 20 APPLICATION HAS BEEN MADE TO REDEEM THE GROUND RENT.

21 (II) THE NOTICE SHALL REMAIN POSTED FOR AT LEAST 90 DAYS.

22 (4) NO EARLIER THAN 90 DAYS AFTER THE APPLICATION HAS BEEN
 23 POSTED AS PROVIDED IN PARAGRAPH (3) OF THIS SUBSECTION, THE TENANT SHALL
 24 PROVIDE TO THE DEPARTMENT:

25 ~~(H)~~ (I) PAYMENT OF THE REDEMPTION AMOUNT AND UP TO 3
 26 YEARS' BACK RENT TO THE EXTENT REQUIRED UNDER THIS SECTION AND § 8-111.1
 27 OF THIS SUBTITLE, IN A FORM SATISFACTORY TO THE DEPARTMENT; AND

28 (II) AN AFFIDAVIT MADE BY THE TENANT, IN THE FORM ADOPTED
 29 BY THE DEPARTMENT, CERTIFYING THAT:

30 1. THE TENANT HAS NOT RECEIVED A BILL FOR GROUND
 31 RENT DUE OR OTHER COMMUNICATION FROM THE LANDLORD REGARDING THE
 32 GROUND RENT DURING THE 3 YEARS IMMEDIATELY BEFORE THE FILING OF THE
 33 DOCUMENTATION REQUIRED FOR THE ISSUANCE OF A REDEMPTION CERTIFICATE
 34 UNDER THIS SUBSECTION; OR

35 2. THE LAST PAYMENT FOR GROUND RENT WAS MADE TO
 36 THE LANDLORD IDENTIFIED IN THE AFFIDAVIT AND SENT TO THE SAME ADDRESS
 37 WHERE THE NOTICE REQUIRED UNDER SUBSECTION (B) OF THIS SECTION WAS SENT.

1 (5) AT ANY TIME, THE TENANT MAY SUBMIT TO THE DEPARTMENT
2 NOTICE THAT THE TENANT IS NO LONGER SEEKING REDEMPTION UNDER THIS
3 SUBSECTION.

4 ~~(3)~~ (6) UPON RECEIPT OF THE DOCUMENTATION, FEES, AND
5 REDEMPTION AMOUNT AND 3 YEARS' BACK RENT TO THE EXTENT REQUIRED UNDER
6 THIS SECTION AND § 8-111.1 OF THIS SUBTITLE ~~REQUIRED UNDER THIS SUBSECTION,~~
7 THE DEPARTMENT SHALL ISSUE A GROUND RENT REDEMPTION CERTIFICATE TO
8 THE TENANT.

9 ~~(4)~~ (7) THE REDEMPTION OF THE GROUND RENT IS EFFECTIVE TO
10 CONCLUSIVELY VEST A FEE SIMPLE TITLE IN THE TENANT, FREE AND CLEAR OF ANY
11 AND ALL RIGHT, TITLE, OR INTEREST OF THE LANDLORD, ANY LIEN OF A CREDITOR
12 OF THE LANDLORD, AND ANY PERSON CLAIMING BY, THROUGH, OR UNDER THE
13 LANDLORD WHEN THE TENANT RECORDS THE CERTIFICATE IN THE LAND RECORDS
14 OF THE COUNTY IN WHICH THE PROPERTY IS LOCATED.

15 ~~(5)~~ (8) THE LANDLORD, ANY CREDITOR OF THE LANDLORD, OR ANY
16 OTHER PERSON CLAIMING BY, THROUGH, OR UNDER THE LANDLORD MAY FILE A
17 CLAIM WITH THE DEPARTMENT IN ORDER TO COLLECT ALL, OR ANY PORTION OF,
18 THE REDEMPTION AMOUNT AND 3 YEARS' BACK RENT TO THE EXTENT REQUIRED
19 UNDER THIS SECTION AND § 8-111.1 OF THIS SUBTITLE, WITHOUT INTEREST, BY
20 PROVIDING TO THE DEPARTMENT:

21 (I) DOCUMENTATION SATISFACTORY TO THE DEPARTMENT OF
22 THE LANDLORD'S OWNERSHIP CLAIMANT'S INTEREST; AND

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

25 (9) IN THE EVENT OF A DISPUTE REGARDING THE PAYMENT BY THE
26 DEPARTMENT TO ANY PERSON OF ALL OR ANY PORTION OF THE COLLECTED
27 REDEMPTION AMOUNT AND UP TO 3 YEARS' BACK RENT TO THE EXTENT REQUIRED
28 BY THIS SECTION AND § 8-111.1 OF THIS SUBTITLE, THE DEPARTMENT MAY:

29 (I) FILE AN INTERPLEADER ACTION IN THE CIRCUIT COURT OF
30 THE COUNTY WHERE THE PROPERTY IS LOCATED; OR

31 (II) REIMBURSE THE LANDLORD FROM THE FUND ESTABLISHED IN
32 § 1-203.3 OF THE CORPORATIONS AND ASSOCIATIONS ARTICLE.

33 (10) THE DEPARTMENT IS NOT LIABLE FOR ANY SUM RECEIVED BY THE
34 DEPARTMENT THAT EXCEEDS THE SUM OF:

35 (I) THE REDEMPTION AMOUNT; AND

36 (II) UP TO 3 YEARS' BACK RENT TO THE EXTENT REQUIRED BY THIS
37 SECTION AND § 8-111.1 OF THIS SUBTITLE.

1 ~~(6)~~ (11) THE DEPARTMENT SHALL CREDIT ALL FEES AND FUNDS
2 COLLECTED UNDER THIS SUBSECTION TO THE FUND ESTABLISHED UNDER § 1-203.3
3 OF THE CORPORATIONS AND ASSOCIATIONS ARTICLE. REDEMPTION AMOUNTS
4 RECEIVED SHALL BE HELD IN A GROUND RENT REDEMPTION ACCOUNT IN THAT
5 FUND.

6 ~~(7)~~ (12) THE DEPARTMENT SHALL MAINTAIN A LIST OF PROPERTIES
7 FOR WHICH GROUND RENTS HAVE BEEN REDEEMED UNDER THIS SUBSECTION.

8 ~~(8)~~ (13) THE DEPARTMENT SHALL ADOPT REGULATIONS TO CARRY OUT
9 THE PROVISIONS OF THIS SUBSECTION.

10 ~~(9)~~ (14) ANY FUNDS NOT COLLECTED BY A LANDLORD UNDER THIS
11 SUBSECTION WITHIN 20 YEARS AFTER THE DATE OF THE PAYMENT TO THE
12 DEPARTMENT BY THE TENANT SHALL ESCHEAT TO THE STATE. THE DEPARTMENT
13 SHALL ANNUALLY TRANSFER ANY FUNDS THAT REMAIN UNCOLLECTED AFTER 20
14 YEARS TO THE STATE GENERAL FUND AT THE END OF EACH FISCAL YEAR.

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