
By: **Delegate V. Clagett**

Introduced and read first time: February 16, 2004

Assigned to: Rules and Executive Nominations

A BILL ENTITLED

1 AN ACT concerning

2 **Real Property - Residential Leases - Community Land Trusts**

3 FOR the purpose of providing that certain provisions of law relating to residential
4 leases do not apply to a residential lease of property leased by a community land
5 trust if the community land trust retains a certain option to purchase a
6 structural improvement to the property; defining certain terms; and generally
7 relating to community land trusts.

8 BY repealing and reenacting, with amendments,
9 Article - Real Property
10 Section 8-110
11 Annotated Code of Maryland
12 (2003 Replacement Volume and 2003 Supplement)

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

15 **Article - Real Property**

16 8-110.

17 (a) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
18 INDICATED.

19 (2) "COMMUNITY LAND TRUST" MEANS A NONPROFIT CORPORATION
20 FORMED TO PROVIDE DECENT, AFFORDABLE HOUSING TO LOW-INCOME
21 INDIVIDUALS AND MODERATE-INCOME INDIVIDUALS.

22 (3) "LOW-INCOME INDIVIDUAL" MEANS A MEMBER OF A HOUSEHOLD
23 WITH A HOUSEHOLD INCOME THAT DOES NOT EXCEED 80% OF THE AREA MEDIAN
24 INCOME FOR A HOUSEHOLD OF THE SAME SIZE.

25 (4) "MODERATE-INCOME INDIVIDUAL" MEANS A MEMBER OF A
26 HOUSEHOLD WITH A HOUSEHOLD INCOME THAT DOES NOT EXCEED 140% OF THE
27 AREA MEDIAN INCOME FOR A HOUSEHOLD OF THE SAME SIZE.

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

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

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

14 (4) THIS SECTION DOES NOT APPLY TO A RESIDENTIAL LEASE OF
 15 PROPERTY LEASED BY A COMMUNITY LAND TRUST IF THE COMMUNITY LAND TRUST
 16 RETAINS AN OPTION TO PURCHASE A STRUCTURAL IMPROVEMENT TO THE
 17 PROPERTY AT A PRICE DETERMINED BY FORMULA AS PROVIDED BY THE TERMS OF
 18 THE RESIDENTIAL LEASE.

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

23 (2) The reversion is redeemable:

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

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

27 2. 8.33, which is capitalization at 12 percent, if the lease was
 28 or is created after July 1, 1982; or

29 3. 16.66, which is capitalization at 6 percent, if the lease was
 30 created at any other time;

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

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

34 [(c)] (D) If the lease is executed on or after July 1, 1971, the reversion is
 35 redeemable at the expiration of 3 years from the date of the lease. If the lease is
 36 executed on or after July 1, 1982 or between July 1, 1969 and July 1, 1971, the
 37 reversion is redeemable at the expiration of 5 years from the date of the lease. If the
 38 lease is executed before July 1, 1969, the reversion is redeemable at any time.

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

4 [(e)] (F) Notwithstanding subsections [(b) and] (c) AND (D) of this section,
5 any regulatory changes made by a federal agency, instrumentality, or subsidiary,
6 including the Department of Housing and Urban Development, the Federal Housing
7 Administration, the Government National Mortgage Association, the Federal
8 National Mortgage Association, and the Veterans' Administration, shall be applicable
9 to redemption of reversions of leases for longer than 15 years.

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

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

17 [(g)] (H) (1) A tenant who has given the landlord notice in accordance with
18 subsection [(b)] (C) of this section may apply to the State Department of Assessments
19 and Taxation to redeem a ground rent as provided in this subsection.

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

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

24 (ii) Payment of a \$20 fee, and any expediting fee required under §
25 1-203 of the Corporations and Associations Article.

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

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

30 (4) No earlier than 90 days after the application has been posted as
31 provided in paragraph (3) of this subsection, the tenant shall provide to the
32 Department:

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

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

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

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

7 (12) The Department shall maintain a list of properties for which ground
8 rents have been redeemed under this subsection.

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

11 (14) Any funds not collected by a landlord under this subsection within 20
12 years after the date of the payment to the Department by the tenant shall escheat to
13 the State. The Department shall annually transfer any funds that remain uncollected
14 after 20 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
16 effect October 1, 2004.