

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 1329 (Delegate V. Clagett)
Environmental Matters

Real Property - Residential Leases - Community Land Trusts

This bill exempts a residential lease of real property leased by a community land trust from the statutory right to redeem a lease (including a ground lease) by the tenant, if the trust retains an option to purchase a structural improvement to the property at a price determined by a formula as provided in the terms of the residential lease.

Fiscal Summary

State Effect: The bill would not directly affect governmental operations or finances.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Generally, except for apartment and cooperative leases, any reversion reserved in a lease for longer than 15 years is redeemable, at the option of the tenant, after one month's notice to the landlord for a sum equal to the annual rent reserved multiplied by a factor determined by when the lease was entered into. The reversion may also be redeemed for a lesser sum specified in the lease or for a sum to which the parties agree at the time of redemption.

Chapter 464 of 2003 established an alternative method for redemption of a ground lease by a tenant through submission of documentation, if specified criteria are met, to the

State Department of Assessments and Taxation (SDAT) and obtaining from SDAT a ground rent certificate.

Background: Generally, under a lease like the one described in the bill, commonly called a “ground lease,” “ground rent” is paid to the owner of land for the use of the property for a long-term (*e.g.*, 99 years) lease with the lessor retaining title to the land. The lease creates a leasehold estate in the lessee and is commonly renewable. Redemption is a statutorily created right by which a tenant may obtain fee simple title to the property by paying a fee to the landowner.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): State Department of Assessments and Taxation, Department of Legislative Services

Fiscal Note History: First Reader - March 17, 2004
mh/jr

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