
By: **Senators Pinsky, Britt, Conway, Gladden, and Grosfeld**

Introduced and read first time: January 27, 2005

Assigned to: Judicial Proceedings

A BILL ENTITLED

1 AN ACT concerning

2 **Real Property - Ground Rents - Community Land Trusts**

3 FOR the purpose of providing that certain provisions of law relating to redemption of
4 reversions reserved in certain residential leases do not apply to a lease of
5 residential property leased by a community land trust under certain
6 circumstances; defining certain terms; and generally relating to community
7 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 2004 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 ENTITY THAT IS:

20 (I) FORMED TO PROVIDE OR FACILITATE THE PROVISION OF
21 DECENT, AFFORDABLE HOUSING TO LOW-INCOME INDIVIDUALS AND
22 MODERATE-INCOME INDIVIDUALS; AND

23 (II) EXEMPT FROM TAXATION UNDER § 501 (C)(2), (3), OR (4) OF THE
24 INTERNAL REVENUE CODE.

25 (3) "LOW-INCOME INDIVIDUAL" MEANS A MEMBER OF A HOUSEHOLD
26 WITH A HOUSEHOLD INCOME THAT DOES NOT EXCEED 80 PERCENT OF THE AREA
27 MEDIAN INCOME FOR A HOUSEHOLD OF THE SAME SIZE.

1 (4) "MODERATE-INCOME INDIVIDUAL" MEANS A MEMBER OF A
2 HOUSEHOLD WITH A HOUSEHOLD INCOME THAT DOES NOT EXCEED 140 PERCENT OF
3 THE AREA MEDIAN INCOME FOR A HOUSEHOLD OF THE SAME SIZE.

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

12 (2) Except as provided in subsection (g) of this section, this section does
13 not apply to irredeemable leases executed before April 9, 1884.

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

17 (4) THIS SECTION DOES NOT APPLY TO A LEASE OF RESIDENTIAL
18 PROPERTY THE LESSOR OF WHICH IS A COMMUNITY LAND TRUST IF THE LEASE
19 CONTAINS LANGUAGE RESTRICTING THE TRANSFER OF THE PROPERTY WITH
20 REGARD TO:

21 (I) POTENTIAL TRANSFEREES OF THE PROPERTY; AND

22 (II) THE PRICE AT WHICH THE PROPERTY MAY BE TRANSFERRED.

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

27 (2) The reversion is redeemable:

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

29 1. 25, which is capitalization at 4 percent, if the lease was
30 executed from April 8, 1884 to April 5, 1888, both inclusive;

31 2. 8.33, which is capitalization at 12 percent, if the lease was
32 or is created after July 1, 1982; or

33 3. 16.66, which is capitalization at 6 percent, if the lease was
34 created at any other time;

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

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

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

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

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

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

22 (2) Valuation of the donation of a reversionary interest pursuant to this
23 subsection shall be in accordance with subsection [(b)] (C) of this section.

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

27 (ii) When the Mayor and City Council of Baltimore City condemn
28 property that is subject to an irredeemable ground rent, the City shall become the
29 tenant of the ground rent and, after giving the landlord notice in accordance with
30 subsection [(b)] (C) of this section, may apply to the State Department of Assessments
31 and Taxation to extinguish the ground rent as provided in this subsection.

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

34 (i) Documentation satisfactory to the Department of the lease and
35 the notice given to the landlord; and

36 (ii) Payment of a \$20 fee, and any expediting fee required under §
37 1-203 of the Corporations and Associations Article.

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

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

5 (4) No earlier than 90 days after the application has been posted as
6 provided in paragraph (3) of this subsection, a tenant seeking to redeem a ground rent
7 shall provide to the Department:

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

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

13 1. The tenant has not received a bill for ground rent due or
14 other communication from the landlord regarding the ground rent during the 3 years
15 immediately before the filing of the documentation required for the issuance of a
16 redemption certificate under this subsection; or

17 2. The last payment for ground rent was made to the
18 landlord identified in the affidavit and sent to the same address where the notice
19 required under subsection [(b)] (C) of this section was sent.

20 (5) No earlier than 90 days after the application has been posted as
21 provided in paragraph (3) of this subsection, a tenant seeking to extinguish an
22 irredeemable ground rent shall provide to the Department:

23 (i) Payment of up to 3 years' back rent to the extent required under
24 this section and § 8-111.1 of this subtitle, in a form satisfactory to the Department;
25 and

26 (ii) An affidavit made by the Director of the Office of Property
27 Acquisition and Relocation in the Baltimore City Department of Housing and
28 Community Development certifying that:

29 1. The property is abandoned property, as defined in §
30 21-17(a)(2) of the Public Local Laws of Baltimore City, or distressed property, as
31 defined in § 21-17(a)(3) of the Public Local Laws of Baltimore City;

32 2. The property was acquired or is being acquired by the
33 Mayor and City Council of Baltimore City through condemnation;

34 3. A thorough title search has been conducted;

35 4. The landlord of the property cannot be located or
36 identified; and

1 years' back rent to the extent required by this section and § 8-111.1 of this subtitle,
2 the Department may:

3 (i) File an interpleader action in the circuit court of the county
4 where the property is located; or

5 (ii) Reimburse the landlord from the fund established in § 1-203.3
6 of the Corporations and Associations Article.

7 (13) The Department is not liable for any sum received by the Department
8 that exceeds the sum of:

9 (i) The redemption amount; and

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

12 (14) The Department shall credit all fees and funds collected under this
13 subsection to the fund established under § 1-203.3 of the Corporations and
14 Associations Article. Redemption and extinguishment amounts received shall be held
15 in a ground rent redemption and ground rent extinguishment account in that fund.

16 (15) The Department shall maintain a list of properties for which ground
17 rents have been redeemed or extinguished under this subsection.

18 (16) The Department shall adopt regulations to carry out the provisions of
19 this subsection.

20 (17) Any redemption or extinguishment funds not collected by a landlord
21 under this subsection within 20 years after the date of the payment to the
22 Department by the tenant shall escheat to the State. The Department shall annually
23 transfer any funds that remain uncollected after 20 years to the State General Fund
24 at the end of each fiscal year.

25 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take
26 effect October 1, 2005.