

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

House Bill 853

(Delegate V. Clagett, *et al.*)

Environmental Matters

Real Property - Ground Rents - Community Land Trusts

This bill exempts a lease of residential real property from the statutory right to redeem a lease (including a ground lease) by the tenant, if: (1) the lessor is a community land trust; and (2) the lease contains restrictions on the transfer of the property concerning potential transferees and the price at which the property may be transferred. Under the bill, a community land trust is a nonprofit entity that is: (1) formed to provide or facilitate the provision of decent, affordable housing to low and moderate income individuals; and (2) exempt from taxation under specified provisions of the Internal Revenue Code.

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 the 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: A similar bill, HB 1329, was introduced during the 2004 session. The bill was heard in the House Environmental Matters Committee; however, no further action was taken.

Cross File: SB 267 (Senator Pinsky, *et al.*) – Judicial Proceedings.

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

Fiscal Note History: First Reader - February 20, 2005
mll/jr

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