

Department of Legislative Services  
Maryland General Assembly  
2005 Session

FISCAL AND POLICY NOTE

Senate Bill 267

(Senator Pinsky, *et al.*)

Judicial Proceedings

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Real Property - Ground Rents - Community Land Trusts

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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.

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Fiscal Summary

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

**Local Effect:** None.

**Small Business Effect:** None.

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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.

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### **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:** None.

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

**Fiscal Note History:** First Reader - February 10, 2005  
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