

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

Senate Bill 489 (Senator Della)
Judicial Proceedings

Real Property - Ground Rents - Prohibition on Creation of Ground Rent Lease

This bill prohibits the creation, on or after October 1, 2006, of a residential lease or sublease that has an initial term of 99 years and that creates a leasehold estate or subleasehold estate, subject to the payment of a ground rent.

Fiscal Summary

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

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: Leasehold estates of the type prohibited by the bill are recognized at common law and are not prohibited by statute for residential or commercial properties.

Background: Generally, “ground rent” is paid to the owner of land for the use of the property under a long-term (*e.g.*, 99 years) lease with the lessor retaining title to the land, commonly called a “ground lease.” 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. The number of properties currently subject to ground rent is unknown.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Office of the Attorney General (Consumer Protection Division),
Department of Legislative Services

Fiscal Note History: First Reader - February 13, 2006
nas/jr

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