

# HOUSE BILL 489

N1

71r0869  
CF SB 623

---

By: **Delegate Glenn and the Speaker (By Request - Administration) and Delegates Anderson, Beidle, Beitzel, Benson, Branch, Bromwell, Burns, Busch, Carter, V. Clagett, Conaway, Doory, Dumais, Hammen, Harrison, Haynes, Ivey, Jones, Kach, Kirk, Krysiak, Lafferty, Lawton, Love, McIntosh, Nathan-Pulliam, Oaks, Olszewski, Pena-Melnyk, Robinson, Schuler, Sophocleus, Stein, Stukes, and Tarrant**

Introduced and read first time: February 6, 2007

Assigned to: Environmental Matters

---

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 16, 2007

---

## CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Ground Rents - Redemption**

3 FOR the purpose of repealing a certain waiting period for redeeming certain ground  
4 rents; ~~requiring, before a voluntary transfer of a redeemable ground rent to a~~  
5 ~~third party, that the landlord give the tenant notice of the tenant's right to~~  
6 ~~redeem the ground rent and offer the tenant the opportunity to exercise the~~  
7 ~~right; requiring the notice to contain certain information and to be given in a~~  
8 ~~certain manner; establishing procedures for the tenant to exercise the right to~~  
9 ~~redeem; requiring the transferee of a ground lease to notify the leasehold tenant~~  
10 of the transfer within a certain period of time after the transfer; requiring the  
11 notification to include certain information and to be sent to a certain address;  
12 requiring a settlement agent, before settlement of a certain loan, to notify the  
13 borrower of the right to redeem a redeemable ground rent and the redemption  
14 amount; ~~requiring the Department of Housing and Community Development to~~  
15 ~~study the feasibility of establishing or expanding a certain program to redeem~~  
16 ~~certain ground rents and to report its findings to certain committees; defining~~

---

**EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.**

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 certain terms; providing for the application of certain provisions of this Act; and  
 2 generally relating to ~~encouraging~~ the redemption of existing ground rents.

3 BY repealing and reenacting, with amendments,  
 4 Article – Real Property  
 5 Section 8–110  
 6 Annotated Code of Maryland  
 7 (2003 Replacement Volume and 2006 Supplement)

8 BY adding to  
 9 Article – Real Property  
 10 Section ~~8–110.1~~ 14–116.1 and 14–129  
 11 Annotated Code of Maryland  
 12 (2003 Replacement Volume and 2006 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) This section does not apply to leases of property leased for  
 18 business, commercial, manufacturing, mercantile, or industrial purposes or any other  
 19 purpose which is not primarily residential, where the term of the lease, including all  
 20 renewals provided for, does not exceed 99 years. A lease of the entire property  
 21 improved or to be improved by any apartment, condominium, cooperative, or other  
 22 building for multiple–family use on the property constitutes a business and not a  
 23 residential purpose. The term “multiple–family use” does not apply to any duplex or  
 24 single–family structure converted to a multiple–dwelling unit.

25 (2) Except as provided in subsection [(g)] (F) of this section, this  
 26 section does not apply to irredeemable leases executed before April 9, 1884.

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

30 (b) (1) Except for apartment and cooperative leases, any reversion  
 31 reserved in a lease for longer than 15 years is redeemable **AT ANY TIME**, at the option  
 32 of the tenant, after 30 days’ notice to the landlord. Notice shall be given by certified

1 mail, return receipt requested, and by first-class mail to the last known address of the  
2 landlord.

3 (2) The reversion is redeemable:

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

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

7 2. 8.33, which is capitalization at 12 percent, if the lease  
8 was or is created after July 1, 1982; or

9 3. 16.66, which is capitalization at 6 percent, if the lease  
10 was created at any other time;

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

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

14 (c) [If the lease is executed on or after July 1, 1971, the reversion is  
15 redeemable at the expiration of 3 years from the date of the lease. If the lease is  
16 executed on or after July 1, 1982 or between July 1, 1969 and July 1, 1971, the  
17 reversion is redeemable at the expiration of 5 years from the date of the lease. If the  
18 lease is executed before July 1, 1969, the reversion is redeemable at any time.

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

22 [(e)] (D) Notwithstanding [subsections (b) and (c)] **SUBSECTION (B)** of this  
23 section, any regulatory changes made by a federal agency, instrumentality, or  
24 subsidiary, including the Department of Housing and Urban Development, the  
25 Federal Housing Administration, the Government National Mortgage Association, the  
26 Federal National Mortgage Association, and the Veterans' Administration, shall be  
27 applicable to redemption of reversions of leases for longer than 15 years.

28 [(f)] (E) (1) Before the entry of a judgment foreclosing an owner's right  
29 of redemption, a reversion in a ground rent or lease for 99 years renewable forever  
30 held on abandoned property in Baltimore City, as defined in § 14-817 of the Tax –

1 Property Article, may be donated to Baltimore City or, at the option of Baltimore City,  
2 to an entity designated by Baltimore City.

3 (2) Valuation of the donation of a reversionary interest pursuant to  
4 this subsection shall be in accordance with subsection (b) of this section.

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

8 (ii) When the Mayor and City Council of Baltimore City  
9 condemns property that is subject to an irredeemable ground rent, the City shall  
10 become the tenant of the ground rent and, after giving the landlord notice in  
11 accordance with subsection (b) of this section, may apply to the State Department of  
12 Assessments and Taxation to extinguish the ground rent as provided in this  
13 subsection.

14 (iii) When the Mayor and City Council of Baltimore City  
15 condemns abandoned or distressed property that is subject to a redeemable ground  
16 rent, the City shall become the tenant of the ground rent and, after giving the landlord  
17 notice in accordance with subsection (b) of this section, may apply to the State  
18 Department of Assessments and Taxation to redeem the ground rent as provided in  
19 this subsection.

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

22 (i) Documentation satisfactory to the Department of the lease  
23 and the notice given to the landlord; and

24 (ii) Payment of a \$20 fee, and any expediting fee required under  
25 § 1–203 of the Corporations and Associations Article.

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

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

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

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

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

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

10 2. The last payment for ground rent was made to the  
11 landlord identified in the affidavit and sent to the same address where the notice  
12 required under subsection (b) of this section was sent.

13 (5) No earlier than 90 days after the application has been posted as  
14 provided in paragraph (3) of this subsection, a tenant seeking to extinguish an  
15 irredeemable ground rent or to redeem a redeemable ground rent on abandoned or  
16 distressed property that was acquired or is being acquired by the Mayor and City  
17 Council of Baltimore through condemnation shall provide to the Department:

18 (i) Payment of up to 3 years' back rent to the extent required  
19 under this section and § 8–111.1 of this subtitle, in a form satisfactory to the  
20 Department; and

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

24 1. The property is abandoned property, as defined in §  
25 21–17(a)(2) of the Public Local Laws of Baltimore City, or distressed property, as  
26 defined in § 21–17(a)(3) of the Public Local Laws of Baltimore City;

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

29 3. A thorough title search has been conducted;

30 4. The landlord of the property cannot be located or  
31 identified; and

1                                   5.     The existence of the ground rent is an impediment to  
2 redevelopment of the site.

3                                   (6)     At any time, the tenant may submit to the Department notice that  
4 the tenant is no longer seeking redemption or extinguishment under this subsection.

5                                   (7)     Upon receipt of the documentation, fees, and where applicable, the  
6 redemption amount and 3 years' back rent to the extent required under this section  
7 and § 8–111.1 of this subtitle, the Department shall issue to the tenant a ground rent  
8 redemption certificate or a ground rent extinguishment certificate, as appropriate.

9                                   (8)     The redemption or extinguishment of the ground rent is effective to  
10 conclusively vest a fee simple title in the tenant, free and clear of any and all right,  
11 title, or interest of the landlord, any lien of a creditor of the landlord, and any person  
12 claiming by, through, or under the landlord when the tenant records the certificate in  
13 the land records of the county in which the property is located.

14                                  (9)     The landlord, any creditor of the landlord, or any other person  
15 claiming by, through, or under the landlord may file a claim with the Department in  
16 order to collect all, or any portion of, where applicable, the redemption amount and 3  
17 years' back rent to the extent required under this section and § 8–111.1 of this  
18 subtitle, without interest, by providing to the Department:

19                                   (i)     Documentation satisfactory to the Department of the  
20 claimant's interest; and

21                                   (ii)    Payment of a \$20 fee, and any expediting fee required under  
22 § 1–203 of the Corporations and Associations Article.

23                                  (10) (i)    A landlord whose ground rent has been extinguished may  
24 file a claim with the Baltimore City Director of Finance to collect an amount equal to  
25 the annual rent reserved multiplied by 16.66, which is capitalization at 6 percent, by  
26 providing to the Director:

27                                   1.     Proof of payment to the landlord by the Department of  
28 back rent under paragraph (9) of this subsection; and

29                                   2.     Payment of a \$20 fee.

30                                  (ii)    A landlord of abandoned or distressed property condemned  
31 by the Mayor and City Council of Baltimore City whose ground rent has been  
32 redeemed may file a claim with the Baltimore City Director of Finance to collect the  
33 redemption amount, by providing to the Director:

1                   1.     Proof of payment to the landlord by the Department of  
2 back rent under paragraph (9) of this subsection; and

3                   2.     Payment of a \$20 fee.

4                   (11) (i)    In the event of a dispute regarding the extinguishment  
5 amount as calculated under paragraph (10)(i) of this subsection, the landlord may  
6 refuse payment from the Baltimore City Director of Finance and file an appeal  
7 regarding the valuation in the Circuit Court of Baltimore City.

8                   (ii)   In an appeal, the landlord is entitled to receive the fair  
9 market value of the landlord's interest in the property at the time of the  
10 extinguishment.

11                  (12) In the event of a dispute regarding the payment by the  
12 Department to any person of all or any portion of the collected redemption amount and  
13 up to 3 years' back rent to the extent required by this section and § 8-111.1 of this  
14 subtitle, the Department may:

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

17                  (ii)   Reimburse the landlord from the fund established in §  
18 1-203.3 of the Corporations and Associations Article.

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

21                  (i)    The redemption amount; and

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

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

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

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

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

8 ~~§ 110.1.~~

9           ~~(A) (1) BEFORE A VOLUNTARY TRANSFER OF A REDEEMABLE~~  
10 ~~GROUND RENT TO A THIRD PARTY MAY OCCUR, THE LANDLORD SHALL GIVE THE~~  
11 ~~TENANT NOTICE OF THE TENANT'S RIGHT TO REDEEM THE GROUND RENT~~  
12 ~~UNDER § 8 110 OF THIS SUBTITLE AND OFFER THE TENANT THE OPPORTUNITY~~  
13 ~~TO EXERCISE THE RIGHT TO REDEEM.~~

14           ~~(2) THE NOTICE SHALL STATE:~~

15           ~~(I) THE REDEMPTION AMOUNT CALCULATED IN~~  
16 ~~ACCORDANCE WITH § 8 110(B)(2) OF THIS SUBTITLE; AND~~

17           ~~(II) SUBJECT TO § 8 111.1 OF THIS SUBTITLE, THE AMOUNT~~  
18 ~~OF ANY BACK RENT DUE.~~

19           ~~(3) NOTICE SHALL BE GIVEN BY CERTIFIED MAIL, RETURN~~  
20 ~~RECEIPT REQUESTED, AND BY FIRST CLASS MAIL TO THE LAST KNOWN~~  
21 ~~ADDRESS OF THE TENANT AND, IF DIFFERENT, TO THE ADDRESS LISTED IN THE~~  
22 ~~RECORDS OF THE STATE DEPARTMENT OF ASSESSMENTS AND TAXATION.~~

23           ~~(B) (1) THE TENANT SHALL HAVE 30 DAYS AFTER THE DATE OF~~  
24 ~~RECEIPT OF THE NOTICE TO NOTIFY THE LANDLORD OF THE TENANT'S INTENT~~  
25 ~~TO EXERCISE THE RIGHT TO REDEEM.~~

26           ~~(2) IF THE TENANT DOES NOT RESPOND TO THE NOTICE OR~~  
27 ~~NOTIFIES THE LANDLORD THAT THE TENANT WAIVES THE RIGHT TO REDEEM~~  
28 ~~WITHIN 30 DAYS AFTER RECEIPT OF THE NOTICE, THE LANDLORD MAY~~  
29 ~~PROCEED WITH THE TRANSFER OF THE GROUND RENT TO A THIRD PARTY.~~

30           ~~(C) (1) IF THE TENANT NOTIFIES THE LANDLORD WITHIN THE~~  
31 ~~30-DAY PERIOD OF THE TENANT'S INTENT TO EXERCISE THE RIGHT TO REDEEM,~~

~~1 THE TENANT SHALL HAVE AN ADDITIONAL 30 DAYS AFTER THE DATE OF  
2 MAILING THE NOTIFICATION TO THE LANDLORD TO TENDER THE REDEMPTION  
3 AMOUNT AND ANY BACK RENT DUE.~~

~~4 (2) WITHIN 30 DAYS AFTER RECEIPT OF THE REDEMPTION  
5 AMOUNT AND ANY BACK RENT DUE, THE LANDLORD SHALL PROVIDE TO THE  
6 TENANT A DEED OF REDEMPTION OF GROUND RENT.~~

~~7 (3) UNLESS THE LANDLORD AND THE TENANT AGREE TO A  
8 LONGER TIME PERIOD, IF THE TENANT FAILS TO TENDER THE REDEMPTION  
9 AMOUNT AND ANY BACK RENT DUE WITHIN 30 DAYS AFTER THE DATE OF  
10 MAILING THE NOTIFICATION OF INTENT TO REDEEM TO THE LANDLORD, THE  
11 TENANT SHALL BE DEEMED TO HAVE WAIVED THE RIGHT TO REDEEM AND THE  
12 LANDLORD MAY PROCEED WITH THE TRANSFER OF THE GROUND RENT TO A  
13 THIRD PARTY.~~

14 14-116.1.

15 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE  
16 MEANINGS INDICATED.

17 (2) “GROUND LEASE” MEANS A RESIDENTIAL LEASE OR  
18 SUBLEASE FOR A TERM OF YEARS RENEWABLE FOREVER SUBJECT TO THE  
19 PAYMENT OF A PERIODIC GROUND RENT.

20 (3) (I) “GROUND LEASE HOLDER” MEANS THE HOLDER OF THE  
21 REVERSIONARY INTEREST UNDER A GROUND LEASE.

22 (II) “GROUND LEASE HOLDER” INCLUDES AN AGENT OF THE  
23 GROUND LEASE HOLDER.

24 (4) “GROUND RENT” MEANS A RENT ISSUING OUT OF, OR  
25 COLLECTIBLE IN CONNECTION WITH, THE REVERSIONARY INTEREST UNDER A  
26 GROUND LEASE.

27 (5) “LEASEHOLD TENANT” MEANS THE HOLDER OF THE  
28 LEASEHOLD INTEREST UNDER A GROUND LEASE.

29 (6) “REDEEMABLE GROUND RENT” MEANS A GROUND RENT THAT  
30 MAY BE REDEEMED IN ACCORDANCE WITH § 8-110 OF THIS ARTICLE.

1           **(B) (1) THIS SECTION APPLIES TO RESIDENTIAL PROPERTY THAT IS**  
2 **OR WAS USED, INTENDED TO BE USED, OR AUTHORIZED TO BE USED FOR FOUR**  
3 **OR FEWER DWELLING UNITS.**

4           **(2) THIS SECTION DOES NOT APPLY TO PROPERTY:**

5                   **(I) LEASED FOR BUSINESS, COMMERCIAL,**  
6 **MANUFACTURING, MERCANTILE, OR INDUSTRIAL PURPOSES, OR ANY OTHER**  
7 **PURPOSE THAT IS NOT PRIMARILY RESIDENTIAL;**

8                   **(II) IMPROVED OR TO BE IMPROVED BY ANY APARTMENT,**  
9 **CONDOMINIUM, COOPERATIVE, OR OTHER BUILDING FOR MULTIFAMILY USE OF**  
10 **GREATER THAN FOUR DWELLING UNITS; OR**

11                   **(III) LEASED FOR DWELLINGS OR MOBILE HOMES THAT ARE**  
12 **ERECTED OR PLACED IN A MOBILE HOME DEVELOPMENT OR MOBILE HOME**  
13 **PARK.**

14           **(C) WITHIN 30 DAYS AFTER ANY TRANSFER OF A GROUND LEASE, THE**  
15 **TRANSFeree SHALL NOTIFY THE LEASEHOLD TENANT OF THE TRANSFER.**

16           **(D) (1) THE NOTIFICATION SHALL INCLUDE THE NAME AND ADDRESS**  
17 **OF THE NEW GROUND LEASE HOLDER AND THE DATE OF THE TRANSFER.**

18                   **(2) IF THE PROPERTY IS SUBJECT TO A REDEEMABLE GROUND**  
19 **RENT, THE NOTIFICATION SHALL ALSO INCLUDE THE FOLLOWING NOTICE:**

20                   **“AS THE OWNER OF THE PROPERTY SUBJECT TO THIS GROUND LEASE,**  
21 **YOU ARE ENTITLED TO REDEEM, OR PURCHASE, THE GROUND LEASE FROM THE**  
22 **GROUND LEASE HOLDER AND OBTAIN ABSOLUTE OWNERSHIP OF THE**  
23 **PROPERTY. THE REDEMPTION AMOUNT IS FIXED BY LAW BUT MAY ALSO BE**  
24 **NEGOTIATED WITH THE GROUND LEASE HOLDER FOR A DIFFERENT AMOUNT.**  
25 **FOR INFORMATION ON REDEEMING THE GROUND LEASE, CONTACT THE**  
26 **GROUND LEASE HOLDER.”**

27           **(E) A GROUND LEASE HOLDER SHALL SEND NOTICE UNDER THIS**  
28 **SECTION TO THE LAST KNOWN ADDRESS OF THE LEASEHOLD TENANT.**

29 **14-129.**

1           **(A) THIS SECTION DOES NOT APPLY TO A:**

2                   **(1) HOME EQUITY LINE OF CREDIT;**

3                   **(2) LOAN SECURED BY AN INDEMNITY DEED OF TRUST; OR**

4                   **(3) COMMERCIAL LOAN.**

5           **(B) BEFORE THE SETTLEMENT OF A LOAN SECURED BY A MORTGAGE OR**  
 6 **DEED OF TRUST ON RESIDENTIAL REAL PROPERTY IMPROVED BY FOUR OR**  
 7 **FEWER SINGLE-FAMILY UNITS THAT IS SUBJECT TO A REDEEMABLE GROUND**  
 8 **RENT, THE SETTLEMENT AGENT SHALL NOTIFY THE BORROWER ~~OF THAT:~~**

9                   **(1) THE BORROWER HAS THE RIGHT TO REDEEM THE GROUND**  
 10 **RENT UNDER § 8-110 OF THIS ARTICLE; ~~AND~~**

11                   **(2) THE REDEMPTION AMOUNT ~~CALCULATED UNDER § 8-110(B)~~**  
 12 **~~OF THIS ARTICLE~~ IS FIXED BY LAW BUT MAY ALSO BE NEGOTIATED WITH THE**  
 13 **GROUND LEASE HOLDER FOR A DIFFERENT AMOUNT;**

14                   **(3) IT MAY BE POSSIBLE TO INCLUDE THE AMOUNT OF THE**  
 15 **REDEMPTION IN THIS LOAN;**

16                   **(4) FOR INFORMATION ON REDEEMING THE GROUND RENT, THE**  
 17 **BORROWER SHOULD CONTACT THE GROUND LEASE HOLDER; AND**

18                   **(5) FOR INFORMATION ON INCLUDING THE AMOUNT OF THE**  
 19 **REDEMPTION IN THIS LOAN, THE BORROWER SHOULD CONTACT THE LENDER**  
 20 **OR CREDIT GRANTOR MAKING THIS LOAN.**

21           ~~SECTION 2. AND BE IT FURTHER ENACTED, That the Department of~~  
 22 ~~Housing and Community Development shall study the feasibility of establishing a loan~~  
 23 ~~program, or expanding an existing program, to assist families of limited income who~~  
 24 ~~own homes subject to redeemable ground rents to redeem those ground rents, and~~  
 25 ~~report its findings and the estimated cost of the program to the House Environmental~~  
 26 ~~Matters Committee, the Senate Judicial Proceedings Committee, and the Senate~~  
 27 ~~Education, Health, and Environmental Affairs Committee on or before December 1,~~  
 28 ~~2008.~~

1           SECTION ~~3~~ 2. AND BE IT FURTHER ENACTED, That this Act shall take  
2 effect July 1, 2007.

Approved:

---

Governor.

---

Speaker of the House of Delegates.

---

President of the Senate.