

HOUSE BILL 1125

N1

71r2934

By: **Delegate Conaway**

Introduced and read first time: February 16, 2007

Assigned to: Rules and Executive Nominations

Re-referred to: Environmental Matters, February 26, 2007

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 16, 2007

CHAPTER _____

1 AN ACT concerning

2 **Real Property – Contract for Sale – Notice of ~~Option to Redeem~~ Regarding a**
3 **Ground Rent**

4 FOR the purpose of ~~requiring contracts for sale of real property subject to a~~
5 ~~redeemable ground rent to include notice of the option of redeeming the ground~~
6 ~~rent for a certain sum;~~ altering the notice requirements contained in a contract
7 for the sale of real property that is subject to a certain ground rent to include a
8 certain notice regarding the ground lease and the rights and responsibilities of
9 the leasehold tenant under the ground lease; defining certain terms; providing
10 for the application of certain provisions of this Act; and generally relating to
11 contracts for sale of real property.

12 BY repealing and reenacting, ~~without~~ with amendments,
13 Article – Real Property
14 Section 14–117(a)
15 Annotated Code of Maryland
16 (2003 Replacement Volume and 2006 Supplement)

17 ~~BY adding to~~
18 ~~Article – Real Property~~

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.



~~Section 14-117(a-1)~~
~~Annotated Code of Maryland~~
~~(2003 Replacement Volume and 2006 Supplement)~~

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That the Laws of Maryland read as follows:

Article - Real Property

14-117.

(a) **(1) (I) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.**

(II) "GROUND LEASE" MEANS A RESIDENTIAL LEASE OR SUBLEASE FOR A TERM OF YEARS RENEWABLE FOREVER SUBJECT TO THE PAYMENT OF A PERIODIC GROUND RENT.

(III) 1. "GROUND LEASE HOLDER" MEANS THE HOLDER OF THE REVERSIONARY INTEREST UNDER A GROUND LEASE.

2. "GROUND LEASE HOLDER" INCLUDES AN AGENT OF THE GROUND LEASE HOLDER.

(IV) "GROUND RENT" MEANS A RENT ISSUING OUT OF, OR COLLECTIBLE IN CONNECTION WITH, THE REVERSIONARY INTEREST UNDER A GROUND LEASE.

(V) "LEASEHOLD INTEREST" MEANS THE TENANCY IN REAL PROPERTY CREATED UNDER A GROUND LEASE.

(VI) "LEASEHOLD TENANT" MEANS THE HOLDER OF THE LEASEHOLD INTEREST UNDER A GROUND LEASE.

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

(II) THIS SECTION DOES NOT APPLY TO PROPERTY:

1 1. LEASED FOR BUSINESS, COMMERCIAL,
2 MANUFACTURING, MERCANTILE, OR INDUSTRIAL PURPOSES, OR ANY OTHER
3 PURPOSE THAT IS NOT PRIMARILY RESIDENTIAL;

4 2. IMPROVED OR TO BE IMPROVED BY ANY
5 APARTMENT, CONDOMINIUM, COOPERATIVE, OR OTHER BUILDING FOR
6 MULTIFAMILY USE OF GREATER THAN FOUR DWELLING UNITS; OR

7 3. LEASED FOR DWELLINGS OR MOBILE HOMES
8 THAT ARE ERECTED OR PLACED IN A MOBILE HOME DEVELOPMENT OR MOBILE
9 HOME PARK.

10 (3) A contract for the sale of real property subject to a ground rent
11 shall contain the following:

12 (1) ~~Notice of the existence of the ground rent; and~~

13 (2) ~~Notice that if the ground rent is not timely paid the effect may be:~~

14 (i) ~~That the reversionary owner of the ground rent may bring~~
15 ~~an action for possession against the ground rent tenant under § 8-402.2 of this article;~~
16 ~~and~~

17 (ii) ~~As a result of the action for possession, the reversionary~~
18 ~~owner of the ground rent may own the property in fee, discharged from the lease~~

19 NOTICE IN BOLDFACE TYPE, AT LEAST AS LARGE AS 14 POINT, IN
20 SUBSTANTIALLY THE FOLLOWING FORM:

21 “NOTICE REQUIRED BY MARYLAND LAW
22 REGARDING YOUR GROUND RENT”

23 THIS PROPERTY (ADDRESS) IS SUBJECT TO A GROUND LEASE. THE ANNUAL
24 PAYMENT ON THE GROUND LEASE (“GROUND RENT”) IS \$ (DOLLAR AMOUNT),
25 PAYABLE IN YEARLY OR HALF-YEARLY INSTALLMENTS ON (DATE OR DATES).

26 THE NEXT GROUND RENT PAYMENT IS DUE (DAY, MONTH, YEAR) IN THE
27 AMOUNT OF \$ (DOLLAR AMOUNT).

28 THE PAYMENT OF THE GROUND RENT SHOULD BE SENT TO:
29 (NAME OF GROUND LEASE HOLDER)

1 (ADDRESS)

2 (PHONE NUMBER)

3 **NOTE REGARDING YOUR RIGHTS AND RESPONSIBILITIES UNDER**
 4 **MARYLAND LAW:**

5 **AS THE OWNER OF THIS PROPERTY, YOU ARE OBLIGATED TO PAY THE GROUND**
 6 **RENT TO THE GROUND LEASE HOLDER. IT IS ALSO YOUR RESPONSIBILITY TO**
 7 **NOTIFY THE GROUND LEASE HOLDER IF YOU CHANGE YOUR ADDRESS OR**
 8 **TRANSFER OWNERSHIP OF THE PROPERTY.**

9 **IF YOU FAIL TO PAY THE GROUND RENT ON TIME, YOU ARE STILL RESPONSIBLE**
 10 **FOR PAYING THE GROUND RENT. IN ADDITION, THE GROUND LEASE HOLDER**
 11 **MAY TAKE ACTION TO COLLECT THE PAST DUE GROUND RENT WHICH MAY**
 12 **RESULT ULTIMATELY IN YOUR LOSS OF THE PROPERTY. PLEASE NOTE THAT**
 13 **UNDER MARYLAND LAW, A GROUND LEASE HOLDER MAY DEMAND NOT MORE**
 14 **THAN 3 YEARS OF PAST DUE GROUND RENT. IF YOU FAIL TO PAY THE GROUND**
 15 **RENT ON TIME, YOU SHOULD CONTACT A LAWYER FOR ADVICE.**

16 **AS THE OWNER OF THIS PROPERTY, YOU ARE ENTITLED TO REDEEM, OR**
 17 **PURCHASE, THE GROUND LEASE FROM THE GROUND LEASE HOLDER AND**
 18 **OBTAIN ABSOLUTE OWNERSHIP OF THE PROPERTY. THE REDEMPTION AMOUNT**
 19 **IS FIXED BY LAW BUT MAY ALSO BE NEGOTIATED WITH THE GROUND LEASE**
 20 **HOLDER FOR A DIFFERENT AMOUNT. FOR INFORMATION ON REDEEMING THE**
 21 **GROUND LEASE, CONTACT THE GROUND LEASE HOLDER. IF THE IDENTITY OF**
 22 **THE GROUND LEASE HOLDER IS UNKNOWN, THE STATE DEPARTMENT OF**
 23 **ASSESSMENTS AND TAXATION PROVIDES A PROCESS TO REDEEM THE GROUND**
 24 **LEASE THAT MAY RESULT IN YOUR OBTAINING ABSOLUTE OWNERSHIP OF THE**
 25 **PROPERTY. IF YOU WOULD LIKE TO OBTAIN ABSOLUTE OWNERSHIP OF THIS**
 26 **PROPERTY, YOU SHOULD CONTACT A LAWYER FOR ADVICE.”** .

27 ~~(A-1) A CONTRACT FOR THE SALE OF REAL PROPERTY SUBJECT TO A~~
 28 ~~REDEEMABLE GROUND RENT SHALL CONTAIN A PROVISION NOTIFYING THE~~
 29 ~~BUYER OF THE OPTION OF REDEEMING THE GROUND RENT, IN ACCORDANCE~~
 30 ~~WITH § 8-110 OF THIS ARTICLE, FOR:~~

31 ~~(1) A SUM EQUAL TO THE ANNUAL RENT RESERVED MULTIPLIED~~
 32 ~~BY:~~

1 ~~(I) 25, WHICH IS CAPITALIZATION AT 4%, IF THE LEASE WAS~~
2 ~~EXECUTED FROM APRIL 8, 1884, TO APRIL 5, 1888, BOTH INCLUSIVE;~~

3 ~~(II) 8.33, WHICH IS CAPITALIZATION AT 12%, IF THE LEASE~~
4 ~~WAS OR IS CREATED AFTER JULY 1, 1982; OR~~

5 ~~(III) 16.66, WHICH IS CAPITALIZATION AT 6%, IF THE LEASE~~
6 ~~WAS CREATED AT ANY OTHER TIME;~~

7 ~~(2) A LESSER SUM IF SPECIFIED IN THE LEASE; OR~~

8 ~~(3) A SUM TO WHICH THE GROUND RENT LANDLORD AND BUYER~~
9 ~~MAY AGREE AT THE TIME OF REDEMPTION.~~

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

Approved:

Governor.

Speaker of the House of Delegates.

President of the Senate.