

SENATE BILL 397

N1

71r1804
CF HB 452

By: **Senators Gladden, Della, McFadden, and Pugh**

Introduced and read first time: February 2, 2007

Assigned to: Judicial Proceedings

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 20, 2007

CHAPTER _____

1 AN ACT concerning

2 **Ground Rents – Conversion of Irredeemable Ground Rents**

3 FOR the purpose of providing for the conversion of an irredeemable ground rent to a
4 redeemable ground rent unless a notice of intention to preserve irredeemability
5 is recorded within a certain period of time; providing that a disability or lack of
6 knowledge does not prevent the conversion of an irredeemable ground rent if a
7 notice of intention to preserve irredeemability is not recorded within a certain
8 period of time; authorizing certain persons to file a notice in the land records of
9 the county where the land is located; requiring a notice to be executed in a
10 certain manner and to contain certain information; requiring a notice that
11 meets certain requirements to be accepted for recording on payment of certain
12 fees; exempting a notice from certain taxes; providing for the indexing of
13 notices; requiring notices to be filed on or before a certain date; providing that a
14 ground rent becomes redeemable if a notice is not recorded on or before a
15 certain date; establishing the period of effectiveness of a filed notice; providing
16 for the filing of renewal notices and the extension of the period of effectiveness
17 of a filed notice; establishing the sum for which a converted ground rent may be
18 redeemed; defining certain terms; and generally relating to the conversion of
19 irredeemable ground rents.

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 BY adding to
 2 Article – Real Property
 3 Section 8–110.1
 4 Annotated Code of Maryland
 5 (2003 Replacement Volume and 2006 Supplement)

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

8 **Article – Real Property**

9 **8–110.1.**

10 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE
 11 MEANINGS INDICATED.

12 ~~(2) “GROUND LEASE” MEANS A RESIDENTIAL LEASE OR~~
 13 ~~SUBLEASE IN EFFECT ON OR AFTER JULY 1, 2007, THAT HAS AN INITIAL TERM~~
 14 ~~OF 99 YEARS RENEWABLE FOREVER AND IS SUBJECT TO THE PAYMENT OF AN~~
 15 ~~ANNUAL GROUND RENT.~~

16 ~~(3) “GROUND RENT” MEANS A RENT ISSUING OUT OF, OR~~
 17 ~~COLLECTIBLE IN CONNECTION WITH, THE REVERSION IN FEE SIMPLE RESERVED~~
 18 ~~IN A GROUND LEASE.~~

19 ~~(4) “IRREDEEMABLE GROUND RENT” MEANS A GROUND RENT~~
 20 ~~CREATED UNDER A GROUND LEASE EXECUTED BEFORE APRIL 9, 1884, THAT~~
 21 ~~DOES NOT CONTAIN A PROVISION ALLOWING THE TENANT TO REDEEM THE~~
 22 ~~GROUND RENT.~~

23 ~~(5) “LEASEHOLD ESTATE” MEANS THE TENANCY IN REAL~~
 24 ~~PROPERTY CREATED UNDER A GROUND LEASE.~~

25 ~~(6) “REDEEMABLE GROUND RENT” MEANS A GROUND RENT THAT~~
 26 ~~MAY BE REDEEMED IN ACCORDANCE WITH THIS SECTION OR REDEEMED OR~~
 27 ~~EXTINGUISHED IN ACCORDANCE WITH § 8-110(C) OF THIS SUBTITLE.~~

28 ~~(7) (i) “RESIDENTIAL” MEANS REAL PROPERTY ON WHICH~~
 29 ~~THERE IS OR WAS ONCE CONSTRUCTED IMPROVEMENTS USED OR INTENDED TO~~
 30 ~~BE USED, FOR RESIDENTIAL PURPOSES.~~

1 ~~(H) “RESIDENTIAL” DOES NOT INCLUDE:~~

2 ~~1. AN APARTMENT OR COOPERATIVE TENANCY;~~

3 ~~2. THE GROUND OR SITE UPON WHICH DWELLINGS~~
4 ~~OR MOBILE HOMES ARE ERECTED OR PLACED IN A MOBILE HOME~~
5 ~~DEVELOPMENT OR MOBILE HOME PARK; OR~~

6 ~~3. PROPERTY LEASED FOR BUSINESS, COMMERCIAL,~~
7 ~~MANUFACTURING, MERCANTILE, OR INDUSTRIAL PURPOSES.~~

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

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

13 (II) “GROUND LEASE HOLDER” INCLUDES AN AGENT OF THE
14 GROUND LEASE HOLDER.

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

18 (5) “IRREDEEMABLE GROUND RENT” MEANS A GROUND RENT
19 CREATED UNDER A GROUND LEASE EXECUTED BEFORE APRIL 9, 1884, THAT
20 DOES NOT CONTAIN A PROVISION ALLOWING THE LEASEHOLD TENANT TO
21 REDEEM THE GROUND RENT.

22 (6) “LEASEHOLD INTEREST” MEANS THE TENANCY IN REAL
23 PROPERTY CREATED UNDER A GROUND LEASE.

24 (7) “LEASEHOLD TENANT” MEANS THE HOLDER OF THE
25 LEASEHOLD INTEREST UNDER A GROUND LEASE.

26 (8) “REDEEMABLE GROUND RENT” MEANS A GROUND RENT THAT
27 MAY BE REDEEMED IN ACCORDANCE WITH THIS SECTION OR REDEEMED OR
28 EXTINGUISHED IN ACCORDANCE WITH § 8-110(G) OF THIS SUBTITLE.

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 ~~(B)~~ **(C) (1) AN IRREDEEMABLE GROUND RENT SHALL BE CONVERTED TO,**
 15 **AND BECOME, A REDEEMABLE GROUND RENT, UNLESS WITHIN THE TIME**
 16 **SPECIFIED IN SUBSECTION ~~(E)~~ (F) OF THIS SECTION, A NOTICE OF INTENTION**
 17 **TO PRESERVE IRREDEEMABILITY IS RECORDED.**

18 **(2) THE CONVERSION OF AN IRREDEEMABLE GROUND RENT TO A**
 19 **REDEEMABLE GROUND RENT OCCURS ON THE DAY FOLLOWING THE END OF THE**
 20 **PERIOD IN WHICH THE NOTICE MAY BE RECORDED.**

21 **(3) A DISABILITY OR LACK OF KNOWLEDGE OF ANY KIND DOES**
 22 **NOT PREVENT THE CONVERSION OF AN IRREDEEMABLE GROUND RENT TO A**
 23 **REDEEMABLE GROUND RENT IF NO NOTICE OF INTENTION TO PRESERVE**
 24 **IRREDEEMABILITY IS FILED WITHIN THE TIME SPECIFIED IN SUBSECTION ~~(E)~~ (F)**
 25 **OF THIS SECTION.**

26 ~~(C)~~ **(D) (1) ANY ~~PERSON HOLDING AN IRREDEEMABLE GROUND RENT~~**
 27 **GROUND LEASE HOLDER OF AN IRREDEEMABLE GROUND RENT MAY RECORD A**
 28 **NOTICE OF INTENTION TO PRESERVE IRREDEEMABILITY AMONG THE LAND**
 29 **RECORDS OF THE COUNTY WHERE THE LAND IS LOCATED.**

30 **(2) THE NOTICE MAY BE RECORDED BY:**

1 (I) THE PERSON CLAIMING TO BE THE ~~OWNER OF THE~~
2 ~~IRREDEEMABLE GROUND RENT~~ GROUND LEASE HOLDER; OR

3 (II) IF THE ~~CLAIMANT~~ GROUND LEASE HOLDER IS UNDER A
4 DISABILITY OR OTHERWISE UNABLE TO ASSERT A CLAIM ON THE ~~PERSON'S~~
5 GROUND LEASE HOLDER'S OWN BEHALF, ANY OTHER PERSON ACTING ON THE
6 ~~PERSON'S~~ GROUND LEASE HOLDER'S BEHALF.

7 ~~(D)~~ (E) (1) TO BE EFFECTIVE AND TO BE ENTITLED TO BE RECORDED, THE
8 NOTICE SHALL BE EXECUTED BY THE ~~PERSON FILING THE NOTICE~~ GROUND
9 LEASE HOLDER, ACKNOWLEDGED BEFORE A NOTARY PUBLIC, AND CONTAIN
10 SUBSTANTIALLY THE FOLLOWING INFORMATION:

11 (I) AN ACCURATE DESCRIPTION OF THE LEASEHOLD
12 ~~ESTATE~~ INTEREST AFFECTED BY THE NOTICE, INCLUDING, IF KNOWN, THE
13 PROPERTY IMPROVEMENT ADDRESS;

14 (II) THE NAME OF EVERY ~~OWNER OF THE IRREDEEMABLE~~
15 ~~GROUND RENT~~ GROUND LEASE HOLDER OF AN IRREDEEMABLE GROUND RENT;

16 (III) THE NAME OF EVERY ~~OWNER OF THE LEASEHOLD~~
17 ~~ESTATE~~ LEASEHOLD TENANT AS OF THE TIME THE NOTICE IS FILED ACCORDING
18 TO THE LAND RECORDS OR THE RECORDS OF THE STATE DEPARTMENT OF
19 ASSESSMENTS AND TAXATION;

20 (IV) THE RECORDING REFERENCE OF THE GROUND LEASE;

21 (V) THE RECORDING REFERENCE OF EVERY LEASEHOLD
22 ~~OWNER'S~~ TENANT'S LEASEHOLD DEED, AS OF THE TIME THE NOTICE IS FILED,
23 ACCORDING TO THE LAND RECORDS OR THE RECORDS OF THE STATE
24 DEPARTMENT OF ASSESSMENTS AND TAXATION;

25 (VI) THE RECORDING REFERENCE OF EVERY
26 IRREDEEMABLE GROUND RENT OWNER'S RENT GROUND LEASE HOLDER'S DEED;
27 AND

28 (VII) THE BLOCK NUMBER FOR THE LEASEHOLD ~~ESTATE~~
29 INTEREST IF THE PROPERTY IS LOCATED IN BALTIMORE CITY.

1 (2) (I) A NOTICE THAT SUBSTANTIALLY MEETS THE
2 REQUIREMENTS OF THIS SECTION SHALL BE ACCEPTED FOR RECORDING
3 AMONG THE LAND RECORDS ON PAYMENT OF THE SAME FEES AS ARE CHARGED
4 FOR THE RECORDING OF DEEDS.

5 (II) THE FILING OF A NOTICE IS EXEMPT FROM THE
6 IMPOSITION OF A STATE OR LOCAL EXCISE TAX.

7 (3) THE NOTICE SHALL BE INDEXED AS “NOTICE OF INTENTION
8 TO PRESERVE IRREDEEMABILITY”:

9 (I) IN THE GRANTEE INDICES OF DEEDS UNDER THE NAME
10 OF EVERY ~~OWNER OF THE IRREDEEMABLE GROUND RENT~~ GROUND LEASE
11 HOLDER OF AN IRREDEEMABLE GROUND RENT;

12 (II) IN THE GRANTOR INDICES OF DEEDS UNDER THE NAME
13 OF EVERY ~~OWNER OF THE~~ LEASEHOLD ESTATE TENANT AS OF THE TIME THE
14 NOTICE IS FILED ACCORDING TO THE LAND RECORDS OR THE RECORDS OF THE
15 STATE DEPARTMENT OF ASSESSMENTS AND TAXATION; AND

16 (III) IN THE BLOCK INDEX IN BALTIMORE CITY.

17 ~~(E)~~ (F) (1) TO PRESERVE THE IRREDEEMABILITY OF AN IRREDEEMABLE
18 GROUND RENT, A NOTICE OF INTENTION TO PRESERVE SHALL BE RECORDED ON
19 OR BEFORE DECEMBER 31, 2010.

20 (2) IF A NOTICE OF INTENTION TO PRESERVE IS NOT RECORDED
21 ON OR BEFORE DECEMBER 31, 2010, THE GROUND RENT BECOMES A
22 REDEEMABLE GROUND RENT.

23 (3) IF A NOTICE IS RECORDED ON OR BEFORE DECEMBER 31,
24 2010, THE GROUND RENT SHALL REMAIN IRREDEEMABLE FOR A PERIOD OF 10
25 YEARS FROM JANUARY 1, 2011, TO DECEMBER 31, 2020, BOTH INCLUSIVE.

26 (4) (I) THE EFFECTIVENESS OF A FILED NOTICE TO PRESERVE
27 IRREDEEMABILITY SHALL LAPSE ON JANUARY 1, 2021, AND THE GROUND RENT
28 SHALL BECOME A REDEEMABLE GROUND RENT, UNLESS A RENEWAL NOTICE
29 CONTAINING SUBSTANTIALLY THE SAME INFORMATION AS THE NOTICE OF
30 INTENTION TO PRESERVE IRREDEEMABILITY IS RECORDED WITHIN 6 MONTHS

1 BEFORE THE EXPIRATION OF THE 10-YEAR PERIOD SET FORTH IN PARAGRAPH
2 (3) OF THIS SUBSECTION.

3 (II) THE EFFECTIVENESS OF ANY SUBSEQUENTLY FILED
4 RENEWAL NOTICE SHALL LAPSE AFTER THE EXPIRATION OF THE APPLICABLE
5 10-YEAR PERIOD AND THE GROUND RENT SHALL BECOME A REDEEMABLE
6 GROUND RENT, UNLESS FURTHER RENEWAL NOTICES ARE RECORDED WITHIN 6
7 MONTHS BEFORE THE EXPIRATION OF THE APPLICABLE 10-YEAR PERIOD.

8 ~~(F)~~ (G) A GROUND RENT MADE REDEEMABLE IN ACCORDANCE WITH
9 THIS SECTION:

10 (1) IS REDEEMABLE AT ANY TIME FOLLOWING THE DATE OF
11 CONVERSION OF THE IRREDEEMABLE GROUND RENT TO A REDEEMABLE
12 GROUND RENT; AND

13 (2) SHALL BE REDEEMABLE FOR A SUM EQUAL TO THE ANNUAL
14 RENT RESERVED MULTIPLIED BY 16.66, WHICH IS CAPITALIZATION AT 6
15 PERCENT.

16 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
17 October 1, 2007.

Approved:

Governor.

President of the Senate.

Speaker of the House of Delegates.