

SENATE BILL 397

N1

7lr1804
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 SUBLICENSE 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(G) 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.~~

(II) ~~“RESIDENTIAL” DOES NOT INCLUDE:~~

1. AN APARTMENT OR COOPERATIVE TENANCY;

**2. THE GROUND OR SITE UPON WHICH DWELLINGS
ARE ERECTED OR PLACED IN A MOBILE HOME
SLE HOME PARK, OR**

**3. PROPERTY LEASED FOR BUSINESS, COMMERCIAL,
MANUFACTURING, MERCANTILE, OR INDUSTRIAL PURPOSES.**

(3) (I) "GROUND LEASE HOLDER" MEANS THE HOLDER OF THE REVERSIONARY INTEREST UNDER A GROUND LEASE.

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

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

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

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

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

(8) "REDEEMABLE GROUND RENT" MEANS A GROUND RENT THAT MAY BE REDEEMED IN ACCORDANCE WITH THIS SECTION OR REDEEMED OR 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:**

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

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

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

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

(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.

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.