

SENATE BILL 398

N1

71r0860
CF HB 502

By: **Senators Gladden, Della, Conway, McFadden, ~~and Pugh~~ Pugh, Stone, and Raskin**

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 – Notices Regarding Ground Leases on Residential Property**

3 FOR the purpose of requiring a leasehold tenant under a certain ground lease to notify
4 the ~~landlord~~ ground lease holder of any change of address of the leasehold
5 tenant within a certain time period; altering the method by which a leasehold
6 tenant is required to give certain notices to a ground lease holder; requiring a
7 ~~landlord~~ ground lease holder under a certain ground lease to mail to the
8 leasehold tenant a bill for the payment of ground rent due no later than a
9 certain amount of time before the payment is due; requiring the bill sent by the
10 ~~landlord~~ ground lease holder to include a certain notice regarding the ground
11 lease and the rights and responsibilities of the leasehold tenant under the
12 ground lease; altering the notice requirements contained in a contract for the
13 sale of real property that is subject to a certain ground rent to include a certain
14 notice regarding the ground lease and the rights and responsibilities of the
15 leasehold tenant under the ground lease; defining certain terms; providing for
16 the application of the provisions of this Act; making stylistic changes; and
17 generally relating to notices regarding ground leases on residential property.

18 BY repealing and reenacting, with amendments,
19 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.



1 Section 14-116 and 14-117(a)
 2 Annotated Code of Maryland
 3 (2003 Replacement Volume and 2006 Supplement)

4 BY adding to
 5 Article – Real Property
 6 Section 14-116.1
 7 Annotated Code of Maryland
 8 (2003 Replacement Volume and 2006 Supplement)

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

11 **Article – Real Property**

12 14-116.

13 ~~(A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE~~
 14 ~~MEANINGS INDICATED.~~

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

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

22 ~~(4) “LANDLORD” MEANS THE HOLDER OF THE REVERSIONARY~~
 23 ~~INTEREST UNDER A GROUND LEASE.~~

24 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE
 25 MEANINGS INDICATED.

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

29 (3) (1) “GROUND LEASE HOLDER” MEANS THE HOLDER OF THE
 30 REVERSIONARY INTEREST UNDER A GROUND LEASE.

1 **(II) "GROUND LEASE HOLDER" INCLUDES AN AGENT OF THE**
2 **GROUND LEASE HOLDER.**

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

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

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

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

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

14 **(I) LEASED FOR BUSINESS, COMMERCIAL,**
15 **MANUFACTURING, MERCANTILE, OR INDUSTRIAL PURPOSES, OR ANY OTHER**
16 **PURPOSE THAT IS NOT PRIMARILY RESIDENTIAL;**

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

20 **(III) LEASED FOR DWELLINGS OR MOBILE HOMES THAT ARE**
21 **ERECTED OR PLACED IN A MOBILE HOME DEVELOPMENT OR MOBILE HOME**
22 **PARK.**

23 ~~(B)~~ **(C) WITHIN 30 DAYS OF ANY CHANGE OF ADDRESS OF A**
24 **LEASEHOLD TENANT, THE LEASEHOLD TENANT SHALL NOTIFY THE LANDLORD**
25 **GROUND LEASE HOLDER OF THE CHANGE, INCLUDING THE NEW ADDRESS AND**
26 **THE DATE OF THE CHANGE.**

27 ~~(C)~~ **(D) Within 30 days of any transfer of improvements located on**
28 **property subject to a ground rent, the transferor LEASEHOLD TENANT shall notify**
29 **the [holder of the reversionary interest] LANDLORD GROUND LEASE HOLDER of the**

1 transfer. The notification shall include the name and address of the transferee, and
2 date of transfer.

3 ~~(D)~~ (E) [Notice shall be given] ~~A TRANSFEROR LEASEHOLD TENANT~~
4 ~~SHALL GIVE SEND NOTICE UNDER THIS SECTION by certified mail, return receipt~~
5 ~~requested, bearing a postmark from the United States Postal Service, to the last~~
6 ~~known address of the [holder of the reversionary interest] LANDLORD GROUND~~
7 ~~LEASE HOLDER.~~

8 **14-116.1.**

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

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

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

18 ~~(4) "LANDLORD" MEANS THE HOLDER OF THE REVERSIONARY~~
19 ~~INTEREST UNDER A GROUND LEASE.~~

20 ~~(5) "TENANT" MEANS THE HOLDER OF THE LEASEHOLD~~
21 ~~INTEREST UNDER A GROUND LEASE.~~

22 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE
23 MEANINGS INDICATED.

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

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

1 **REGARDING YOUR GROUND RENT**

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

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

7 **THE PAYMENT OF THE GROUND RENT SHOULD BE SENT TO:**
 8 **(NAME OF GROUND ~~RENT OWNER~~ LEASE HOLDER)**
 9 **(ADDRESS)**
 10 **(PHONE NUMBER)**

11 **NOTE REGARDING YOUR RIGHTS AND RESPONSIBILITIES UNDER**
 12 **MARYLAND LAW:**

13 **AS THE OWNER OF THIS PROPERTY, YOU ARE OBLIGATED TO PAY THE GROUND**
 14 **RENT TO THE GROUND ~~RENT OWNER~~ LEASE HOLDER. IT IS ALSO YOUR**
 15 **RESPONSIBILITY TO NOTIFY THE GROUND ~~RENT OWNER~~ LEASE HOLDER IF YOU**
 16 **CHANGE YOUR ADDRESS OR TRANSFER OWNERSHIP OF THE PROPERTY.**

17 **IF YOU FAIL TO PAY THE GROUND RENT ON TIME, YOU ARE STILL RESPONSIBLE**
 18 **FOR PAYING THE GROUND RENT. IN ADDITION, ~~IF THE GROUND ~~RENT OWNER~~~~**
 19 **~~LEASE HOLDER FILES AN ACTION IN COURT~~ MAY TAKE ACTION TO COLLECT THE**
 20 **~~PAST DUE GROUND RENT, YOU MAY BE REQUIRED TO PAY THE GROUND RENT~~**
 21 **~~OWNER FOR FEES AND COSTS ASSOCIATED WITH THE COLLECTION OF THE PAST~~**
 22 **~~DUE GROUND RENT. MOREOVER, THE GROUND RENT OWNER MAY ALSO FILE AN~~**
 23 **~~ACTION IN COURT TO TAKE POSSESSION OF THE PROPERTY~~ WHICH MAY RESULT**
 24 **~~IN YOUR BEING RESPONSIBLE FOR ADDITIONAL FEES AND COSTS AND~~**
 25 **ULTIMATELY IN YOUR LOSS OF THE PROPERTY. PLEASE NOTE THAT UNDER**
 26 **MARYLAND LAW, A GROUND ~~RENT OWNER~~ LEASE HOLDER MAY DEMAND NOT**
 27 **MORE THAN 3 YEARS OF PAST DUE GROUND RENT, ~~AND THERE ARE LIMITS ON~~**
 28 **~~HOW MUCH A GROUND RENT OWNER MAY BE REIMBURSED FOR SOME OF THE~~**
 29 **~~FEES AND COSTS. IF YOU FAIL TO PAY THE GROUND RENT ON TIME, YOU~~**
 30 **SHOULD CONTACT A LAWYER FOR ADVICE.**

31 **AS THE OWNER OF THIS PROPERTY, YOU ARE ENTITLED ~~TO OFFER~~ TO**
 32 **~~PURCHASE~~ REDEEM, OR PURCHASE, THE GROUND ~~RENT~~ LEASE FROM THE**
 33 **GROUND ~~RENT OWNER~~ LEASE HOLDER AND OBTAIN ABSOLUTE OWNERSHIP OF**

1 THE PROPERTY. THE REDEMPTION AMOUNT IS FIXED BY LAW BUT MAY ALSO BE
2 NEGOTIATED WITH THE GROUND LEASE HOLDER FOR A DIFFERENT AMOUNT.
3 FOR INFORMATION ON ~~PURCHASING~~ REDEEMING THE GROUND ~~RENT~~ LEASE,
4 CONTACT THE GROUND ~~RENT-OWNER~~ LEASE HOLDER. IF THE IDENTITY OF THE
5 GROUND ~~RENT-OWNER~~ LEASE HOLDER IS UNKNOWN, THE STATE DEPARTMENT
6 OF ASSESSMENTS AND TAXATION PROVIDES A PROCESS TO REDEEM THE
7 GROUND ~~RENT~~ LEASE THAT MAY RESULT IN YOUR OBTAINING ABSOLUTE
8 OWNERSHIP OF THE PROPERTY. IF YOU WOULD LIKE TO OBTAIN ABSOLUTE
9 OWNERSHIP OF THIS PROPERTY, YOU SHOULD CONTACT A LAWYER FOR
10 ADVICE.”.

11 14–117.

12 (a) (1) (I) IN THIS SUBSECTION THE FOLLOWING WORDS HAVE
13 THE MEANINGS INDICATED.

14 (II) “GROUND LEASE” MEANS A RESIDENTIAL LEASE OR
15 SUBLEASE FOR A TERM OF YEARS RENEWABLE FOREVER SUBJECT TO THE
16 PAYMENT OF A PERIODIC GROUND RENT.

17 (III) 1. “GROUND LEASE HOLDER” MEANS THE HOLDER
18 OF THE REVERSIONARY INTEREST UNDER A GROUND LEASE.

19 2. “GROUND LEASE HOLDER” INCLUDES AN AGENT
20 OF THE GROUND LEASE HOLDER.

21 (IV) “GROUND RENT” MEANS A RENT ISSUING OUT OF, OR
22 COLLECTIBLE IN CONNECTION WITH, THE REVERSIONARY INTEREST UNDER A
23 GROUND LEASE.

24 (V) “LEASEHOLD INTEREST” MEANS THE TENANCY IN REAL
25 PROPERTY CREATED UNDER A GROUND LEASE.

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

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

1 **(II) THIS SUBSECTION DOES NOT APPLY TO PROPERTY:**

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

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

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

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

13 (1) Notice of the existence of the ground rent; and

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

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

18 (ii) As a result of the action for possession, the reversionary
 19 owner of the ground rent may own the property in fee, discharged from the lease.]
 20 **NOTICE IN BOLDFACE TYPE, AT LEAST AS LARGE AS 14 POINT, IN**
 21 **SUBSTANTIALLY THE FOLLOWING FORM:**

22 **“NOTICE REQUIRED BY MARYLAND LAW**
 23 **REGARDING YOUR GROUND RENT**

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

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

29 **THE PAYMENT OF THE GROUND RENT SHOULD BE SENT TO:**

1 (NAME OF GROUND ~~RENT OWNER~~ LEASE HOLDER)
 2 (ADDRESS)
 3 (PHONE NUMBER)

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

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

10 **IF YOU FAIL TO PAY THE GROUND RENT ON TIME, YOU ARE STILL RESPONSIBLE**
 11 **FOR PAYING THE GROUND RENT. IN ADDITION, ~~IF~~ THE GROUND ~~RENT OWNER~~**
 12 **LEASE HOLDER FILES AN ACTION IN COURT MAY TAKE ACTION TO COLLECT THE**
 13 **PAST DUE GROUND RENT, YOU MAY BE REQUIRED TO PAY THE GROUND RENT**
 14 **OWNER FOR FEES AND COSTS ASSOCIATED WITH THE COLLECTION OF THE PAST**
 15 **DUE GROUND RENT. MOREOVER, THE GROUND RENT OWNER MAY ALSO FILE AN**
 16 **ACTION IN COURT TO TAKE POSSESSION OF THE PROPERTY WHICH MAY RESULT**
 17 **IN YOUR BEING RESPONSIBLE FOR ADDITIONAL FEES AND COSTS AND**
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 22 **~~FEES AND COSTS.~~ IF YOU FAIL TO PAY THE GROUND RENT ON TIME, YOU**
 23 **SHOULD CONTACT A LAWYER FOR ADVICE.**

24 **AS THE OWNER OF THIS PROPERTY, YOU ARE ENTITLED ~~TO OFFER~~ TO**
 25 **~~PURCHASE~~ REDEEM, OR PURCHASE, THE GROUND ~~RENT~~ LEASE FROM THE**
 26 **GROUND ~~RENT OWNER~~ LEASE HOLDER AND OBTAIN ABSOLUTE OWNERSHIP OF**
 27 **THE PROPERTY. THE REDEMPTION AMOUNT IS FIXED BY LAW BUT MAY ALSO BE**
 28 **NEGOTIATED WITH THE GROUND LEASE HOLDER FOR A DIFFERENT AMOUNT.**
 29 **FOR INFORMATION ON ~~PURCHASING~~ REDEEMING THE GROUND ~~RENT~~ LEASE,**
 30 **CONTACT THE GROUND ~~RENT OWNER~~ LEASE HOLDER. IF THE IDENTITY OF THE**
 31 **GROUND ~~RENT OWNER~~ LEASE HOLDER IS UNKNOWN, THE STATE DEPARTMENT**
 32 **OF ASSESSMENTS AND TAXATION PROVIDES A PROCESS TO REDEEM THE**
 33 **GROUND ~~RENT~~ LEASE THAT MAY RESULT IN YOUR OBTAINING ABSOLUTE**
 34 **OWNERSHIP OF THE PROPERTY. IF YOU WOULD LIKE TO OBTAIN ABSOLUTE**
 35 **OWNERSHIP OF THIS PROPERTY, YOU SHOULD CONTACT A LAWYER FOR**
 36 **ADVICE.”.**

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

Approved:

Governor.

President of the Senate.

Speaker of the House of Delegates.