

SENATE BILL 622

N1

71r0861
CF 71r0866

By: **Senator Gladden**

Introduced and read first time: February 2, 2007

Assigned to: Judicial Proceedings

A BILL ENTITLED

1 AN ACT concerning

2 **Ground Rents – Limitation of Actions – Registry of Ground Leases**

3 FOR the purpose of authorizing the recordation of a certain ground lease
4 extinguishment certificate under certain circumstances; providing that a ground
5 rent is extinguished if there is no demand or payment for more than a certain
6 number of years of any specific ground rent under certain circumstances;
7 requiring the State Department of Assessments and Taxation to maintain and
8 update regularly on-line registries of landlords and properties that are subject
9 to ground leases; requiring a landlord to apply to register a ground lease with
10 the Department by submitting a certain registration application and a certain
11 fee; requiring the Department to register a ground lease under certain
12 circumstances; requiring a landlord to notify the Department of certain
13 information after a ground lease is registered; requiring a landlord to apply to
14 register a ground lease by a certain date; providing for the extinguishment of a
15 ground lease if the ground lease is not registered under certain circumstances;
16 requiring the Department to credit all fees collected under this Act to a certain
17 fund; requiring the Department to adopt regulations to carry out the provisions
18 of this Act; defining certain terms; and generally relating to ground rents.

19 BY repealing and reenacting, with amendments,
20 Article – Real Property
21 Section 3–102(a) and 8–107
22 Annotated Code of Maryland
23 (2003 Replacement Volume and 2006 Supplement)

24 BY adding to

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 Article – Real Property

2 Section 8–701 through 8–709 to be under the new subtitle “Subtitle 7. Registry
3 of Ground Leases”

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 3–102.

10 (a) (1) Any other instrument affecting property, including any contract for
11 the grant of property, or any subordination agreement establishing priorities between
12 interests in property may be recorded.

13 (2) The following instruments also may be recorded:

14 (i) Any notice of deferred property footage assessment for street
15 construction;

16 (ii) Any boundary survey plat signed and sealed by a
17 professional land surveyor or property line surveyor licensed in the State;

18 (iii) Any assumption agreement by which a person agrees to
19 assume the liability of a debt or other obligation secured by a mortgage or deed of
20 trust;

21 (iv) Any release of personal liability of a borrower or guarantor
22 under a mortgage or under a note or other obligation secured by a deed of trust; or

23 (v) A ground rent redemption certificate or a ground rent
24 extinguishment certificate issued under § 8–110 of this article **OR A GROUND LEASE**
25 **EXTINGUISHMENT CERTIFICATE ISSUED UNDER § 8–707 OF THIS ARTICLE.**

26 (3) The recording of any instrument constitutes constructive notice
27 from the date of recording.

28 8–107.

1 (A) If there is no demand or payment for more than 20 consecutive years of
2 any specific rent reserved out of a particular property or any part of a particular
3 property under any form of lease, the rent conclusively is presumed to be extinguished
4 and the landlord may not set up any claim for the rent or to the reversion in the
5 property out of which it issued. The landlord also may not institute any suit, action, or
6 proceeding to recover the rent or the property. However, if the landlord is under any
7 legal disability when the period of 20 years of nondemand or nonpayment expires, the
8 landlord has two years after the removal of the disability within which to assert the
9 landlord's rights.

10 (B) (1) (I) IN THIS SUBSECTION THE FOLLOWING WORDS HAVE
11 THE MEANINGS INDICATED.

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

16 (III) "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 (IV) "LANDLORD" MEANS THE HOLDER OF THE
20 REVERSIONARY INTEREST UNDER A GROUND LEASE.

21 (V) "TENANT" MEANS THE HOLDER OF THE LEASEHOLD
22 INTEREST UNDER A GROUND LEASE.

23 (2) EXCEPT AS PROVIDED IN PARAGRAPH (3) OF THIS
24 SUBSECTION, IF THERE IS NO DEMAND OR PAYMENT FOR MORE THAN 3
25 CONSECUTIVE YEARS OF ANY SPECIFIC GROUND RENT RESERVED OUT OF A
26 PARTICULAR PROPERTY UNDER A GROUND LEASE:

27 (I) THE GROUND RENT IS EXTINGUISHED AND THE
28 LANDLORD MAY NOT SET UP ANY CLAIM FOR THE GROUND RENT OR TO THE
29 REVERSION IN THE PROPERTY OUT OF WHICH THE GROUND RENT ISSUED; AND

30 (II) THE LANDLORD MAY NOT INSTITUTE ANY SUIT, ACTION,
31 OR PROCEEDING AGAINST THE TENANT TO RECOVER THE GROUND RENT OR
32 THE PROPERTY.

1 **(3) IF THE LANDLORD IS UNDER ANY LEGAL DISABILITY WHEN**
2 **THE PERIOD OF 3 YEARS OF NONDEMAND AND NONPAYMENT EXPIRES, THE**
3 **LANDLORD HAS 2 YEARS AFTER THE REMOVAL OF THE DISABILITY WITHIN**
4 **WHICH TO ASSERT THE LANDLORD’S RIGHTS.**

5 **(4) NOTWITHSTANDING THE PROVISIONS OF THIS SUBSECTION, A**
6 **GROUND LEASE MAY NOT BE EXTINGUISHED UNDER THIS SUBSECTION BEFORE**
7 **APRIL 1, 2008.**

8 **SUBTITLE 7. REGISTRY OF GROUND LEASES.**

9 **8-701.**

10 **(A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS**
11 **INDICATED.**

12 **(B) “DEPARTMENT” MEANS THE STATE DEPARTMENT OF**
13 **ASSESSMENTS AND TAXATION.**

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

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

21 **(E) “LANDLORD” MEANS THE HOLDER OF THE REVERSIONARY**
22 **INTEREST UNDER A GROUND LEASE.**

23 **(F) “TENANT” MEANS THE HOLDER OF THE LEASEHOLD INTEREST**
24 **UNDER A GROUND LEASE.**

25 **8-702.**

1 **THE DEPARTMENT SHALL MAINTAIN AND UPDATE REGULARLY ON-LINE**
2 **REGISTRIES OF LANDLORDS AND PROPERTIES THAT ARE SUBJECT TO GROUND**
3 **LEASES.**

4 **8-703.**

5 **(A) A LANDLORD SHALL APPLY TO REGISTER A GROUND LEASE WITH**
6 **THE DEPARTMENT BY SUBMITTING:**

7 **(1) A REGISTRATION APPLICATION ON A FORM THAT THE**
8 **DEPARTMENT REQUIRES; AND**

9 **(2) A \$20 REGISTRATION APPLICATION FEE FOR EACH GROUND**
10 **LEASE.**

11 **(B) THE REGISTRATION APPLICATION SHALL INCLUDE:**

12 **(1) THE PREMISE ADDRESS AND TAX IDENTIFICATION NUMBER**
13 **OF THE PROPERTY FOR WHICH THE GROUND LEASE WAS CREATED;**

14 **(2) THE NAME AND ADDRESS OF THE LANDLORD;**

15 **(3) THE NAME AND ADDRESS OF THE TENANT;**

16 **(4) THE NAME AND ADDRESS OF THE PERSON TO WHOM THE**
17 **GROUND RENT PAYMENT IS SENT;**

18 **(5) THE AMOUNT AND DUE DATES OF THE PAYMENTS FOR THE**
19 **GROUND RENT;**

20 **(6) A STATEMENT OF THE RANGE OF YEARS IN WHICH THE**
21 **GROUND LEASE WAS CREATED;**

22 **(7) A COPY OF THE LANDLORD'S DEED;**

23 **(8) THE LIBER AND FOLIO INFORMATION FOR THE LAND**
24 **RECORDS OF THE COUNTY IN WHICH THE GROUND LEASE WAS RECORDED; AND**

1 **(9) A STATEMENT OF ANY NOTIFICATION SENT TO THE TENANT**
2 **OF ANY PAST DUE GROUND RENT OR A FILING FOR AN EJECTMENT ACTION.**

3 **8-704.**

4 **THE DEPARTMENT SHALL REGISTER A GROUND LEASE IF THE**
5 **DEPARTMENT:**

6 **(1) IS SATISFIED THAT A REGISTRATION APPLICATION IS**
7 **COMPLETE; AND**

8 **(2) RECEIVES THE \$20 REGISTRATION APPLICATION FEE FOR**
9 **EACH GROUND LEASE.**

10 **8-705.**

11 **(A) AFTER A GROUND LEASE IS REGISTERED, THE LANDLORD SHALL**
12 **PROMPTLY NOTIFY THE DEPARTMENT OF:**

13 **(1) A CHANGE IN THE NAME OR ADDRESS OF THE LANDLORD,**
14 **TENANT, OR PERSON TO WHOM THE GROUND RENT PAYMENT IS SENT;**

15 **(2) A STATEMENT OF ANY NOTIFICATION SENT TO THE TENANT**
16 **OF ANY PAST DUE GROUND RENT OR A FILING FOR AN EJECTMENT ACTION;**

17 **(3) A REDEMPTION OF THE GROUND LEASE; AND**

18 **(4) ANY OTHER INFORMATION THE DEPARTMENT REQUIRES.**

19 **(B) FOR EACH NOTIFICATION MADE UNDER THIS SECTION, THE**
20 **LANDLORD SHALL PAY A \$5 FEE.**

21 **8-706.**

22 **(A) (1) FOR A GROUND LEASE CREATED BEFORE OCTOBER 1, 2007,**
23 **THE LANDLORD SHALL APPLY TO REGISTER THE GROUND LEASE UNDER THIS**
24 **SUBTITLE BEFORE SEPTEMBER 30, 2010.**

1 **(2) FOR A GROUND LEASE CREATED ON OR AFTER OCTOBER 1,**
2 **2007, THE LANDLORD SHALL APPLY TO REGISTER THE GROUND LEASE UNDER**
3 **THIS SUBTITLE WITHIN 6 MONTHS OF THE DATE OF THE EXECUTION OF THE**
4 **GROUND LEASE.**

5 **(B) IF A LANDLORD IS UNDER A LEGAL DISABILITY AT THE EXPIRATION**
6 **OF THE REGISTRATION PERIOD UNDER SUBSECTION (A) OF THIS SECTION, THE**
7 **LANDLORD HAS 2 YEARS AFTER THE REMOVAL OF THE DISABILITY TO APPLY TO**
8 **REGISTER THE GROUND LEASE.**

9 **8-707.**

10 **(A) IF A LANDLORD DOES NOT SATISFY THE REQUIREMENTS OF § 8-706**
11 **OF THIS SUBTITLE, THE REVERSIONARY INTEREST OF THE LANDLORD UNDER**
12 **THE GROUND LEASE IS EXTINGUISHED AND GROUND RENT IS NO LONGER**
13 **PAYABLE TO THE LANDLORD.**

14 **(B) IF A GROUND LEASE IS EXTINGUISHED UNDER THIS SECTION, ON**
15 **APPLICATION OF A TENANT, THE DEPARTMENT SHALL ISSUE TO THE TENANT A**
16 **GROUND LEASE EXTINGUISHMENT CERTIFICATE.**

17 **(C) THE EXTINGUISHMENT OF THE GROUND LEASE IS EFFECTIVE TO**
18 **CONCLUSIVELY VEST A FEE SIMPLE TITLE IN THE TENANT, FREE AND CLEAR OF**
19 **ANY AND ALL RIGHT, TITLE, OR INTEREST OF THE LANDLORD, ANY LIEN OF A**
20 **CREDITOR OF THE LANDLORD, AND ANY PERSON CLAIMING BY, THROUGH, OR**
21 **UNDER THE LANDLORD WHEN THE TENANT RECORDS THE CERTIFICATE IN THE**
22 **LAND RECORDS OF THE COUNTY IN WHICH THE PROPERTY IS LOCATED.**

23 **8-708.**

24 **THE DEPARTMENT SHALL CREDIT ALL FEES COLLECTED UNDER THIS**
25 **SUBTITLE TO THE FUND ESTABLISHED UNDER § 1-203.3 OF THE**
26 **CORPORATIONS AND ASSOCIATIONS ARTICLE. FEES RECEIVED SHALL BE HELD**
27 **IN A GROUND LEASE REGISTRY ACCOUNT IN THAT FUND.**

28 **8-709.**

29 **THE DEPARTMENT SHALL ADOPT REGULATIONS TO CARRY OUT THIS**
30 **SUBTITLE.**

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