

SENATE BILL 623

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71r0864
CF 71r0869

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 – Redemption**

3 FOR the purpose of repealing a certain waiting period for redeeming certain ground
4 rents; requiring, before a voluntary transfer of a redeemable ground rent to a
5 third party, that the landlord give the tenant notice of the tenant's right to
6 redeem the ground rent and offer the tenant the opportunity to exercise the
7 right; requiring the notice to contain certain information and to be given in a
8 certain manner; establishing procedures for the tenant to exercise the right to
9 redeem; requiring a settlement agent, before settlement of a certain loan, to
10 notify the borrower of the right to redeem a redeemable ground rent and the
11 redemption amount; requiring the Department of Housing and Community
12 Development to study the feasibility of establishing or expanding a certain
13 program to redeem certain ground rents and to report its findings to certain
14 committees; and generally relating to encouraging the redemption of existing
15 ground rents.

16 BY repealing and reenacting, with amendments,
17 Article – Real Property
18 Section 8–110
19 Annotated Code of Maryland
20 (2003 Replacement Volume and 2006 Supplement)

21 BY adding to
22 Article – Real Property
23 Section 8–110.1 and 14–129
24 Annotated Code of Maryland

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (2003 Replacement Volume and 2006 Supplement)

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

4 **Article – Real Property**

5 8–110.

6 (a) (1) This section does not apply to leases of property leased for
7 business, commercial, manufacturing, mercantile, or industrial purposes or any other
8 purpose which is not primarily residential, where the term of the lease, including all
9 renewals provided for, does not exceed 99 years. A lease of the entire property
10 improved or to be improved by any apartment, condominium, cooperative, or other
11 building for multiple–family use on the property constitutes a business and not a
12 residential purpose. The term “multiple–family use” does not apply to any duplex or
13 single–family structure converted to a multiple–dwelling unit.

14 (2) Except as provided in subsection [(g)] (F) of this section, this
15 section does not apply to irredeemable leases executed before April 9, 1884.

16 (3) This section does not apply to leases of the ground or site upon
17 which dwellings or mobile homes are erected or placed in a mobile home development
18 or mobile home park.

19 (b) (1) Except for apartment and cooperative leases, any reversion
20 reserved in a lease for longer than 15 years is redeemable **AT ANY TIME**, at the option
21 of the tenant, after 30 days’ notice to the landlord. Notice shall be given by certified
22 mail, return receipt requested, and by first–class mail to the last known address of the
23 landlord.

24 (2) The reversion is redeemable:

25 (i) For a sum equal to the annual rent reserved multiplied by:

26 1. 25, which is capitalization at 4 percent, if the lease
27 was executed from April 8, 1884 to April 5, 1888, both inclusive;

28 2. 8.33, which is capitalization at 12 percent, if the lease
29 was or is created after July 1, 1982; or

1 3. 16.66, which is capitalization at 6 percent, if the lease
2 was created at any other time;

3 (ii) For a lesser sum if specified in the lease; or

4 (iii) For a sum to which the parties may agree at the time of
5 redemption.

6 (c) [If the lease is executed on or after July 1, 1971, the reversion is
7 redeemable at the expiration of 3 years from the date of the lease. If the lease is
8 executed on or after July 1, 1982 or between July 1, 1969 and July 1, 1971, the
9 reversion is redeemable at the expiration of 5 years from the date of the lease. If the
10 lease is executed before July 1, 1969, the reversion is redeemable at any time.

11 (d) If a tenant has power to redeem the reversion from a trustee or other
12 person who does not have a power of sale, the reversion nevertheless may be redeemed
13 in accordance with the procedures prescribed in the Maryland Rules.

14 [(e)] (D) Notwithstanding [subsections (b) and (c)] **SUBSECTION (B)** of this
15 section, any regulatory changes made by a federal agency, instrumentality, or
16 subsidiary, including the Department of Housing and Urban Development, the
17 Federal Housing Administration, the Government National Mortgage Association, the
18 Federal National Mortgage Association, and the Veterans' Administration, shall be
19 applicable to redemption of reversions of leases for longer than 15 years.

20 [(f)] (E) (1) Before the entry of a judgment foreclosing an owner's right
21 of redemption, a reversion in a ground rent or lease for 99 years renewable forever
22 held on abandoned property in Baltimore City, as defined in § 14–817 of the Tax –
23 Property Article, may be donated to Baltimore City or, at the option of Baltimore City,
24 to an entity designated by Baltimore City.

25 (2) Valuation of the donation of a reversionary interest pursuant to
26 this subsection shall be in accordance with subsection (b) of this section.

27 [(g)] (F) (1) (i) A tenant who has given the landlord notice in
28 accordance with subsection (b) of this section may apply to the State Department of
29 Assessments and Taxation to redeem a ground rent as provided in this subsection.

30 (ii) When the Mayor and City Council of Baltimore City
31 condemns property that is subject to an irredeemable ground rent, the City shall
32 become the tenant of the ground rent and, after giving the landlord notice in
33 accordance with subsection (b) of this section, may apply to the State Department of

1 Assessments and Taxation to extinguish the ground rent as provided in this
2 subsection.

3 (iii) When the Mayor and City Council of Baltimore City
4 condemns abandoned or distressed property that is subject to a redeemable ground
5 rent, the City shall become the tenant of the ground rent and, after giving the landlord
6 notice in accordance with subsection (b) of this section, may apply to the State
7 Department of Assessments and Taxation to redeem the ground rent as provided in
8 this subsection.

9 (2) The tenant shall provide to the State Department of Assessments
10 and Taxation:

11 (i) Documentation satisfactory to the Department of the lease
12 and the notice given to the landlord; and

13 (ii) Payment of a \$20 fee, and any expediting fee required under
14 § 1–203 of the Corporations and Associations Article.

15 (3) (i) On receipt of the items stated in paragraph (2) of this
16 subsection, the Department shall post notice on its website that application has been
17 made to redeem or extinguish the ground rent.

18 (ii) The notice shall remain posted for at least 90 days.

19 (4) Except as provided in paragraph (5) of this subsection, no earlier
20 than 90 days after the application has been posted as provided in paragraph (3) of this
21 subsection, a tenant seeking to redeem a ground rent shall provide to the Department:

22 (i) Payment of the redemption amount and up to 3 years' back
23 rent to the extent required under this section and § 8–111.1 of this subtitle, in a form
24 satisfactory to the Department; and

25 (ii) An affidavit made by the tenant, in the form adopted by the
26 Department, certifying that:

27 1. The tenant has not received a bill for ground rent due
28 or other communication from the landlord regarding the ground rent during the 3
29 years immediately before the filing of the documentation required for the issuance of a
30 redemption certificate under this subsection; or

1 2. The last payment for ground rent was made to the
2 landlord identified in the affidavit and sent to the same address where the notice
3 required under subsection (b) of this section was sent.

4 (5) No earlier than 90 days after the application has been posted as
5 provided in paragraph (3) of this subsection, a tenant seeking to extinguish an
6 irredeemable ground rent or to redeem a redeemable ground rent on abandoned or
7 distressed property that was acquired or is being acquired by the Mayor and City
8 Council of Baltimore through condemnation shall provide to the Department:

9 (i) Payment of up to 3 years' back rent to the extent required
10 under this section and § 8–111.1 of this subtitle, in a form satisfactory to the
11 Department; and

12 (ii) An affidavit made by the Director of the Office of Property
13 Acquisition and Relocation in the Baltimore City Department of Housing and
14 Community Development certifying that:

15 1. The property is abandoned property, as defined in §
16 21–17(a)(2) of the Public Local Laws of Baltimore City, or distressed property, as
17 defined in § 21–17(a)(3) of the Public Local Laws of Baltimore City;

18 2. The property was acquired or is being acquired by the
19 Mayor and City Council of Baltimore City through condemnation;

20 3. A thorough title search has been conducted;

21 4. The landlord of the property cannot be located or
22 identified; and

23 5. The existence of the ground rent is an impediment to
24 redevelopment of the site.

25 (6) At any time, the tenant may submit to the Department notice that
26 the tenant is no longer seeking redemption or extinguishment under this subsection.

27 (7) Upon receipt of the documentation, fees, and where applicable, the
28 redemption amount and 3 years' back rent to the extent required under this section
29 and § 8–111.1 of this subtitle, the Department shall issue to the tenant a ground rent
30 redemption certificate or a ground rent extinguishment certificate, as appropriate.

31 (8) The redemption or extinguishment of the ground rent is effective to
32 conclusively vest a fee simple title in the tenant, free and clear of any and all right,

1 title, or interest of the landlord, any lien of a creditor of the landlord, and any person
2 claiming by, through, or under the landlord when the tenant records the certificate in
3 the land records of the county in which the property is located.

4 (9) The landlord, any creditor of the landlord, or any other person
5 claiming by, through, or under the landlord may file a claim with the Department in
6 order to collect all, or any portion of, where applicable, the redemption amount and 3
7 years' back rent to the extent required under this section and § 8-111.1 of this
8 subtitle, without interest, by providing to the Department:

9 (i) Documentation satisfactory to the Department of the
10 claimant's interest; and

11 (ii) Payment of a \$20 fee, and any expediting fee required under
12 § 1-203 of the Corporations and Associations Article.

13 (10) (i) A landlord whose ground rent has been extinguished may
14 file a claim with the Baltimore City Director of Finance to collect an amount equal to
15 the annual rent reserved multiplied by 16.66, which is capitalization at 6 percent, by
16 providing to the Director:

17 1. Proof of payment to the landlord by the Department of
18 back rent under paragraph (9) of this subsection; and

19 2. Payment of a \$20 fee.

20 (ii) A landlord of abandoned or distressed property condemned
21 by the Mayor and City Council of Baltimore City whose ground rent has been
22 redeemed may file a claim with the Baltimore City Director of Finance to collect the
23 redemption amount, by providing to the Director:

24 1. Proof of payment to the landlord by the Department of
25 back rent under paragraph (9) of this subsection; and

26 2. Payment of a \$20 fee.

27 (11) (i) In the event of a dispute regarding the extinguishment
28 amount as calculated under paragraph (10)(i) of this subsection, the landlord may
29 refuse payment from the Baltimore City Director of Finance and file an appeal
30 regarding the valuation in the Circuit Court of Baltimore City.

1 (ii) In an appeal, the landlord is entitled to receive the fair
2 market value of the landlord's interest in the property at the time of the
3 extinguishment.

4 (12) In the event of a dispute regarding the payment by the
5 Department to any person of all or any portion of the collected redemption amount and
6 up to 3 years' back rent to the extent required by this section and § 8-111.1 of this
7 subtitle, the Department may:

8 (i) File an interpleader action in the circuit court of the county
9 where the property is located; or

10 (ii) Reimburse the landlord from the fund established in §
11 1-203.3 of the Corporations and Associations Article.

12 (13) The Department is not liable for any sum received by the
13 Department that exceeds the sum of:

14 (i) The redemption amount; and

15 (ii) Up to 3 years' back rent to the extent required by this
16 section and § 8-111.1 of this subtitle.

17 (14) The Department shall credit all fees and funds collected under this
18 subsection to the fund established under § 1-203.3 of the Corporations and
19 Associations Article. Redemption and extinguishment amounts received shall be held
20 in a ground rent redemption and ground rent extinguishment account in that fund.

21 (15) The Department shall maintain a list of properties for which
22 ground rents have been redeemed or extinguished under this subsection.

23 (16) The Department shall adopt regulations to carry out the provisions
24 of this subsection.

25 (17) Any redemption or extinguishment funds not collected by a
26 landlord under this subsection within 20 years after the date of the payment to the
27 Department by the tenant shall escheat to the State. The Department shall annually
28 transfer any funds that remain uncollected after 20 years to the State General Fund at
29 the end of each fiscal year.

30 **8-110.1.**

1 (A) (1) BEFORE A VOLUNTARY TRANSFER OF A REDEEMABLE
2 GROUND RENT TO A THIRD PARTY MAY OCCUR, THE LANDLORD SHALL GIVE THE
3 TENANT NOTICE OF THE TENANT'S RIGHT TO REDEEM THE GROUND RENT
4 UNDER § 8-110 OF THIS SUBTITLE AND OFFER THE TENANT THE OPPORTUNITY
5 TO EXERCISE THE RIGHT TO REDEEM.

6 (2) THE NOTICE SHALL STATE:

7 (I) THE REDEMPTION AMOUNT CALCULATED IN
8 ACCORDANCE WITH § 8-110(B)(2) OF THIS SUBTITLE; AND

9 (II) SUBJECT TO § 8-111.1 OF THIS SUBTITLE, THE AMOUNT
10 OF ANY BACK RENT DUE.

11 (3) NOTICE SHALL BE GIVEN BY CERTIFIED MAIL, RETURN
12 RECEIPT REQUESTED, AND BY FIRST-CLASS MAIL TO THE LAST KNOWN
13 ADDRESS OF THE TENANT AND, IF DIFFERENT, TO THE ADDRESS LISTED IN THE
14 RECORDS OF THE STATE DEPARTMENT OF ASSESSMENTS AND TAXATION.

15 (B) (1) THE TENANT SHALL HAVE 30 DAYS AFTER THE DATE OF
16 RECEIPT OF THE NOTICE TO NOTIFY THE LANDLORD OF THE TENANT'S INTENT
17 TO EXERCISE THE RIGHT TO REDEEM.

18 (2) IF THE TENANT DOES NOT RESPOND TO THE NOTICE OR
19 NOTIFIES THE LANDLORD THAT THE TENANT WAIVES THE RIGHT TO REDEEM
20 WITHIN 30 DAYS AFTER RECEIPT OF THE NOTICE, THE LANDLORD MAY
21 PROCEED WITH THE TRANSFER OF THE GROUND RENT TO A THIRD PARTY.

22 (C) (1) IF THE TENANT NOTIFIES THE LANDLORD WITHIN THE
23 30-DAY PERIOD OF THE TENANT'S INTENT TO EXERCISE THE RIGHT TO REDEEM,
24 THE TENANT SHALL HAVE AN ADDITIONAL 30 DAYS AFTER THE DATE OF
25 MAILING THE NOTIFICATION TO THE LANDLORD TO TENDER THE REDEMPTION
26 AMOUNT AND ANY BACK RENT DUE.

27 (2) WITHIN 30 DAYS AFTER RECEIPT OF THE REDEMPTION
28 AMOUNT AND ANY BACK RENT DUE, THE LANDLORD SHALL PROVIDE TO THE
29 TENANT A DEED OF REDEMPTION OF GROUND RENT.

30 (3) UNLESS THE LANDLORD AND THE TENANT AGREE TO A
31 LONGER TIME PERIOD, IF THE TENANT FAILS TO TENDER THE REDEMPTION

1 AMOUNT AND ANY BACK RENT DUE WITHIN 30 DAYS AFTER THE DATE OF
2 MAILING THE NOTIFICATION OF INTENT TO REDEEM TO THE LANDLORD, THE
3 TENANT SHALL BE DEEMED TO HAVE WAIVED THE RIGHT TO REDEEM AND THE
4 LANDLORD MAY PROCEED WITH THE TRANSFER OF THE GROUND RENT TO A
5 THIRD PARTY.

6 **14-129.**

7 **BEFORE THE SETTLEMENT OF A LOAN SECURED BY A MORTGAGE OR**
8 **DEED OF TRUST ON RESIDENTIAL REAL PROPERTY IMPROVED BY FOUR OR**
9 **FEWER SINGLE-FAMILY UNITS THAT IS SUBJECT TO A REDEEMABLE GROUND**
10 **RENT, THE SETTLEMENT AGENT SHALL NOTIFY THE BORROWER OF:**

11 **(1) THE RIGHT TO REDEEM THE GROUND RENT UNDER § 8-110**
12 **OF THIS ARTICLE; AND**

13 **(2) THE REDEMPTION AMOUNT CALCULATED UNDER § 8-110(B)**
14 **OF THIS ARTICLE.**

15 SECTION 2. AND BE IT FURTHER ENACTED, That the Department of
16 Housing and Community Development shall study the feasibility of establishing a loan
17 program, or expanding an existing program, to assist families of limited income who
18 own homes subject to redeemable ground rents to redeem those ground rents, and
19 report its findings and the estimated cost of the program to the House Environmental
20 Matters Committee, the Senate Judicial Proceedings Committee, and the Senate
21 Education, Health, and Environmental Affairs Committee on or before December 1,
22 2008.

23 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
24 July 1, 2007.