

## **CHAPTER 287**

**(House Bill 452)**

AN ACT concerning

### **Ground Rents – Conversion of Irredeemable Ground Rents**

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

BY adding to

Article – Real Property

Section 8–110.1

Annotated Code of Maryland

(2003 Replacement Volume and 2006 Supplement)

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

#### **Article – Real Property**

##### **8–110.1.**

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

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

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

~~(4) "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 TENANT TO REDEEM THE GROUND RENT.~~

~~(5) "LEASEHOLD ESTATE" MEANS THE TENANCY IN REAL PROPERTY CREATED UNDER A GROUND LEASE.~~

~~(6) "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.~~

~~(7) (I) "RESIDENTIAL" MEANS REAL PROPERTY ON WHICH THERE IS OR WAS ONCE CONSTRUCTED IMPROVEMENTS USED OR INTENDED TO BE USED, FOR RESIDENTIAL PURPOSES.~~

~~(II) "RESIDENTIAL" DOES NOT INCLUDE:~~

- ~~1. AN APARTMENT OR COOPERATIVE TENANCY;~~
- ~~2. THE GROUND OR SITE UPON WHICH DWELLINGS OR MOBILE HOMES ARE ERECTED OR PLACED IN A MOBILE HOME DEVELOPMENT OR MOBILE HOME PARK; OR~~
- ~~3. PROPERTY LEASED FOR BUSINESS, COMMERCIAL, MANUFACTURING, MERCANTILE, OR INDUSTRIAL PURPOSES.~~

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

**(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.**

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

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

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

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

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

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

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

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

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

(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.

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

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

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

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

(IV) THE RECORDING REFERENCE OF THE GROUND LEASE;

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

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

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

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

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

(3) THE NOTICE SHALL BE INDEXED AS "NOTICE OF INTENTION TO PRESERVE IRREDEEMABILITY":

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

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

(III) IN THE BLOCK INDEX IN BALTIMORE CITY.

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

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

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

(4) (I) THE EFFECTIVENESS OF A FILED NOTICE TO PRESERVE IRREDEEMABILITY SHALL LAPSE ON JANUARY 1, 2021, AND THE GROUND RENT SHALL BECOME A REDEEMABLE GROUND RENT, UNLESS A RENEWAL NOTICE CONTAINING SUBSTANTIALLY THE SAME INFORMATION AS THE NOTICE OF INTENTION TO PRESERVE IRREDEEMABILITY IS RECORDED WITHIN 6 MONTHS BEFORE THE EXPIRATION OF THE 10-YEAR PERIOD SET FORTH IN PARAGRAPH (3) OF THIS SUBSECTION.

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

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

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

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

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

**Approved by the Governor, May 8, 2007.**