

SENATE BILL 1095

N1

EMERGENCY BILL

4r3373
CF HB 1529

By: **Senator Frosh**

Introduced and read first time: March 3, 2014

Assigned to: Rules

Re-referred to: Judicial Proceedings, March 3, 2014

Committee Report: Favorable with amendments

Senate action: Adopted with floor amendments

Read second time: March 14, 2014

CHAPTER _____

1 AN ACT concerning

2 **Real Property – Ground Rents**

3 FOR the purpose of altering a certain definition for purposes of certain provisions of
4 law prohibiting nonjudicial actions to take possession of property; repealing
5 certain provisions of law providing that the establishment of a lien is the
6 remedy for nonpayment of a ground rent on certain residential property;
7 prohibiting a certain landlord from receiving reimbursement for additional costs
8 and expenses related to collection of back rent under certain circumstances;
9 altering the application of certain provisions of law requiring a certain landlord
10 to give certain notice to certain persons when a certain ground rent is in
11 arrears; altering the manner of giving a certain notice; authorizing the holder of
12 a certain ground rent in arrears to be reimbursed for certain expenses under
13 certain circumstances; altering the application of certain provisions of law
14 authorizing a certain person to bring an action for possession of certain
15 property; requiring service of process in a certain action for nonpayment of
16 ground rent to be made in a certain manner; repealing certain provisions of law
17 authorizing service in a certain action for nonpayment of ground rent to be
18 made in a certain manner; providing that certain provisions of law authorizing
19 a default judgment in rem for possession of certain property do not apply to
20 certain actions for nonpayment of certain ground rent; ~~establishing that a~~
21 ~~person awarded possession of property in a certain action takes possession~~
22 ~~subject to the terms of a certain security instrument~~ requiring that each
23 lienholder of record be made a party to a certain action for possession of
24 property; altering the contents of certain notices required to be included in

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 certain ground rent bills and contracts for the sale of certain residential
 2 property subject to a ground lease; altering the period of time after which a
 3 certain rent is conclusively presumed to be extinguished if no demand or
 4 payment is made for the rent during that period; clarifying that certain prior
 5 provisions of law are repealed; making this Act an emergency measure;
 6 providing for the effective date of a certain provision of this Act; and generally
 7 relating to ground rents.

8 BY repealing

9 Article – Real Property

10 Section 8–402.3

11 Annotated Code of Maryland

12 (2010 Replacement Volume and 2013 Supplement)

13 BY repealing and reenacting, with amendments,

14 Article – Real Property

15 Section 7–113, 8–107, 8–111.1, 8–402.2, 14–108.1, 14–116.1, and 14–117(a)

16 Annotated Code of Maryland

17 (2010 Replacement Volume and 2013 Supplement)

18 BY repealing and reenacting, without amendments,

19 Article – Real Property

20 Section 8–111.2

21 Annotated Code of Maryland

22 (2010 Replacement Volume and 2013 Supplement)

23 BY adding to

24 Article – Real Property

25 Section 8–402.3

26 Annotated Code of Maryland

27 (2010 Replacement Volume and 2013 Supplement)

28 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
 29 MARYLAND, That Section(s) 8–402.3 of Article – Real Property of the Annotated Code
 30 of Maryland be repealed.

31 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland
 32 read as follows:

33 **Article – Real Property**

34 7–113.

35 (a) (1) In this section the following words have the meanings indicated.

36 (2) “Party claiming the right to possession” means a person or
 37 successor to any person who:

1 (i) Does not have actual possession of a residential property;
2 and

3 (ii) Has or claims to have a legal right to possession of the
4 residential property:

5 1. By the terms of a contract or foreclosure sale;

6 **2. UNDER A RESIDENTIAL LEASE OR SUBLEASE**
7 **THAT HAS AN INITIAL TERM OF 99 YEARS RENEWABLE FOREVER AND THAT**
8 **CREATES A LEASEHOLD ESTATE SUBJECT TO THE PAYMENT OF SEMIANNUAL**
9 **INSTALLMENTS OF AN ANNUAL LEASE AMOUNT; or**

10 **[2.] 3. Under a court order, including a court order**
11 **extinguishing a right of redemption.**

12 (3) (i) “Protected resident” means an owner or former owner in
13 actual possession of residential property.

14 (ii) “Protected resident” includes a grantee, tenant, subtenant,
15 or other person in actual possession by, through, or under an owner or former owner of
16 residential property.

17 (iii) “Protected resident” does not include a trespasser or
18 squatter.

19 (4) “Residential property” means a building, structure, or portion of a
20 building or structure that is designed principally and is intended for human
21 habitation.

22 (5) “Threaten to take possession” means using words or actions
23 intended to convince a reasonable person that a party claiming the right to possession
24 intends to take imminent possession of residential property in violation of this section.

25 (6) “Willful diminution of services” means intentionally interrupting
26 or causing the interruption of heat, running water, hot water, electricity, or gas by a
27 party claiming the right to possession for the purpose of forcing a protected resident to
28 abandon residential property.

29 (b) (1) Except as provided in paragraph (2) of this subsection, a party
30 claiming the right to possession may not take possession or threaten to take
31 possession of residential property from a protected resident by:

32 (i) Locking the resident out of the residential property;

1 (ii) Engaging in willful diminution of services to the protected
2 resident; or

3 (iii) Taking any other action that deprives the protected resident
4 of actual possession.

5 (2) (i) Except as provided in subparagraph (ii) of this paragraph, a
6 party claiming the right to possession may take possession of residential property from
7 a protected resident only in accordance with a writ of possession issued by a court and
8 executed by a sheriff or constable.

9 (ii) A party claiming the right to possession of residential
10 property may use nonjudicial self-help to take possession of the property, if the party:

11 1. Reasonably believes the protected resident has
12 abandoned or surrendered possession of the property based on a reasonable inquiry
13 into the occupancy status of the property;

14 2. Provides notice as provided in subsection (c) of this
15 section; and

16 3. Receives no responsive communication to that notice
17 within 15 days after the later of posting or mailing the notice as required by
18 subsection (c) of this section.

19 (c) (1) If a party claiming the right to possession of residential property
20 reasonably believes, based on a reasonable inquiry into the occupancy status of the
21 property, that all protected residents have abandoned or surrendered possession of the
22 residential property, the party claiming the right to possession may post on the front
23 door of the residential property and mail by first-class mail addressed to “all
24 occupants” at the address of the residential property a written notice in substantially
25 the following form:

26 “IMPORTANT NOTICE ABOUT EVICTION

27 A person who claims the right to possess this property believes that this property is
28 abandoned. If you are currently residing in the property, you must immediately
29 contact:

30 _____
31 Name

32 _____
33 Address

34 _____
35 Telephone

1 _____
2 Date of this notice

3 If you do not contact the person listed above within 15 days after the date of this
4 notice, the person claiming possession may consider the property abandoned and seek
5 to secure the property, including changing the locks without a court order.”.

6 (2) The written notice required by this subsection shall be:

7 (i) A separate document; and

8 (ii) Printed in at least 12 point type.

9 (3) The outside of the envelope containing the mailed written notice
10 required by this subsection shall state, on the address side, in bold, capital letters in at
11 least 12 point type, the following: “Important notice to all occupants: eviction
12 information enclosed; open immediately.”.

13 (d) (1) If in any proceeding the court finds that a party claiming the right
14 to possession violated subsection (b) of this section, the protected resident may recover:

15 (i) Possession of the property, if no other person then resides in
16 the property;

17 (ii) Actual damages; and

18 (iii) Reasonable attorney’s fees and costs.

19 (2) The remedies set forth in this subsection are not exclusive.

20 (e) This section does not apply if the parties are governed by Title 8, Subtitle
21 2, or Title 8A of this article.

22 8–111.1.

23 (a) This section applies to all residential leases or subleases in effect on or
24 after October 1, 1999, which have an initial term of 99 years and which create a
25 leasehold estate, or subleasehold estate, subject to the payment of an annual ground
26 rent.

27 (b) In any suit, action, or proceeding by a landlord, or the transferee of the
28 reversion in leased property, to recover back rent, the landlord, or the transferee of the
29 reversion in leased property is entitled to demand or recover not more than 3 years
30 back rent.

1 **(C) IN ADDITION TO RENT PAYABLE UNDER SUBSECTION (B) OF THIS**
2 **SECTION, A LANDLORD MAY NOT RECEIVE REIMBURSEMENT FOR ANY**
3 **ADDITIONAL COSTS OR EXPENSES RELATED TO COLLECTION OF THE BACK**
4 **RENT, EXCEPT AS PROVIDED IN §§ 8-402.2 AND 8-402.3 OF THIS TITLE.**

5 **[(c)] (D)** (1) Notwithstanding any other provision of law, in any suit,
6 action, or proceeding to recover back rent, a landlord or holder of a ground rent may
7 only recover not more than 3 years back rent if the property is:

8 (i) Owned or acquired by any means by the Mayor and City
9 Council of Baltimore; and

10 (ii) Abandoned property, as defined in § 21-17(a)(2) of the
11 Public Local Laws of Baltimore City, or distressed property, as defined in §
12 21-17(a)(3) of the Public Local Laws of Baltimore City.

13 (2) With regard to property described under paragraph (1) of this
14 subsection, a landlord may request in writing that the Mayor and City Council of
15 Baltimore acquire the reversionary interest under the ground rent for the market
16 value established at the time of the acquisition by the Mayor and City Council of the
17 leasehold interest under the ground rent.

18 8-111.2.

19 (a) This section does not apply to property:

20 (1) Leased for business, commercial, manufacturing, mercantile, or
21 industrial purposes, or any other purpose that is not primarily residential;

22 (2) Improved or to be improved by any apartment, condominium,
23 cooperative, or other building for multifamily use of greater than four dwelling units;

24 (3) Leased for dwellings or mobile homes that are erected or placed in
25 a mobile home development or mobile home park; or

26 (4) Subject to an affordable housing land trust agreement executed
27 under Title 14, Subtitle 5 of this article.

28 (b) On or after January 22, 2007, the owner of a fee simple or leasehold
29 estate in residential property that is or was used, intended to be used, or authorized to
30 be used for four or fewer dwelling units may not create a reversionary interest in the
31 property under a ground lease or a ground sublease for a term of years renewable
32 forever subject to the payment of a periodic ground rent.

33 8-402.2.

1 (a) [(1) This section applies to property:

2 (i) Leased for business, commercial, manufacturing, mercantile,
3 or industrial purposes, or any other purpose that is not primarily residential;

4 (ii) Improved or to be improved by any apartment,
5 condominium, cooperative, or other building for multifamily use of greater than four
6 dwelling units; or

7 (iii) Leased for dwellings or mobile homes that are erected or
8 placed in a mobile home development or mobile home park.

9 (2) This section does not apply to residential property that is or was
10 used, intended to be used, or authorized to be used for four or fewer dwelling units.

11 (b)] Whenever, in a case that involves a 99-year ground lease renewable
12 forever, at least 6 months ground rent is in arrears and the landlord has the lawful
13 right to reenter for the nonpayment of the rent, the landlord, no less than 45 days
14 after sending to the tenant by FIRST CLASS MAIL AND BY certified mail, return
15 receipt requested, at the tenant's last known address, and also by first-class mail to
16 the title agent or attorney listed on the deed to the property or the intake sheet
17 recorded with the deed, a bill for the ground rent due, may bring an action for
18 possession of the property under § 14-108.1 of this article[; if the tenant cannot be
19 personally served or there is no tenant in actual possession of the property, service by
20 posting notice on the property may be made in accordance with the Maryland Rules.
21 Personal service or posting in accordance with the Maryland Rules shall stand in the
22 place of a demand and reentry].

23 [(c)] (B) (1) Before entry of a judgment the landlord shall give written
24 notice of the pending entry of judgment to each mortgagee of the lease, or any part of
25 the lease, who before entry of the judgment has recorded in the land records of each
26 county where the property is located a timely request for notice of judgment. A request
27 for notice of judgment shall:

28 (i) Be recorded in a separate docket or book that is indexed
29 under the name of the mortgagor;

30 (ii) Identify the property on which the mortgage is held and
31 refer to the date and recording reference of that mortgage;

32 (iii) State the name and address of the holder of the mortgage;
33 and

34 (iv) Identify the ground lease by stating:

35 1. The name of the original lessor;

- 1 2. The date the ground lease was recorded; and
- 2 3. The office, docket or book, and page where the ground
- 3 lease is recorded.

4 (2) The landlord shall mail the notice by certified mail return receipt

5 requested to the mortgagee at the address stated in the recorded request for notice of

6 judgment. If the notice is not given, judgment in favor of the landlord does not impair

7 the lien of the mortgagee. Except as otherwise provided in this subsection, the

8 property is discharged from the lease and the rights of all persons claiming under the

9 lease are foreclosed unless, within 6 calendar months after execution of the judgment

10 for possession, the tenant or any other person claiming under the lease:

- 11 (i) Pays the ground rent, arrears, and all costs awarded against
- 12 that person; and
- 13 (ii) Commences a proceeding to obtain relief from the judgment.

14 [(d)] (C) This section does not bar the right of any mortgagee of the lease, or

15 any part of the lease, who is not in possession at any time before expiration of 6

16 calendar months after execution of the judgment awarding the landlord possession, to

17 pay all costs and damages sustained by the landlord and to perform all the covenants

18 and agreements that are to be performed by the tenant.

19 (D) **EXCEPT AS OTHERWISE PROVIDED BY LAW, A LANDLORD MAY NOT**

20 **RECEIVE REIMBURSEMENT FOR ANY ADDITIONAL COSTS OR EXPENSES**

21 **RELATED TO COLLECTION OF THE BACK RENT UNLESS THE NOTICE**

22 **REQUIREMENTS OF THIS SECTION AND § 8-402.3 OF THIS SUBTITLE ARE MET.**

23 **8-402.3.**

24 (A) **IN THIS SECTION, "GROUND RENT" MEANS A RESIDENTIAL LEASE**

25 **OR SUBLEASE IN EFFECT ON OR AFTER JULY 1, 2007, THAT HAS AN INITIAL**

26 **TERM OF 99 YEARS RENEWABLE FOREVER AND CREATES A LEASEHOLD ESTATE**

27 **SUBJECT TO THE PAYMENT OF SEMIANNUAL INSTALLMENTS OF AN ANNUAL**

28 **LEASE AMOUNT.**

29 (B) **(1) IF AUTHORIZED UNDER THE RESIDENTIAL LEASE OR**

30 **SUBLEASE, THE HOLDER OF A GROUND RENT THAT IS AT LEAST 6 MONTHS IN**

31 **ARREARS IS ENTITLED TO REIMBURSEMENT FOR ACTUAL EXPENSES NOT**

32 **EXCEEDING ~~\$300~~ \$400 INCURRED IN THE COLLECTION OF THAT PAST DUE**

33 **GROUND RENT AND IN COMPLYING WITH THE NOTICE REQUIREMENTS UNDER §**

34 **8-402.2(A) OF THIS SUBTITLE, INCLUDING:**

1 **(I) TITLE ABSTRACT AND EXAMINATION FEES;**

2 **(II) JUDGMENT REPORT FEES;**

3 **(III) PHOTOCOPYING AND POSTAGE FEES; AND**

4 **(IV) ATTORNEY'S FEES.**

5 **(2) IF AUTHORIZED UNDER THE RESIDENTIAL LEASE OR**
6 **SUBLEASE, ON FILING AN ACTION FOR EJECTMENT, THE PLAINTIFF OR HOLDER**
7 **OF A GROUND RENT IS ENTITLED TO REIMBURSEMENT FOR REASONABLE**
8 **EXPENSES INCURRED IN THE PREPARATION AND FILING OF THE EJECTMENT**
9 **ACTION, INCLUDING:**

10 **(I) FILING FEES AND COURT COSTS;**

11 **(II) EXPENSES INCURRED IN THE SERVICE OF PROCESS OR**
12 **OTHERWISE PROVIDING NOTICE;**

13 **(III) TITLE ABSTRACT AND EXAMINATION FEES NOT**
14 **INCLUDED UNDER PARAGRAPH (1) OF THIS SUBSECTION, NOT EXCEEDING ~~\$150~~**
15 **\$200;**

16 **(IV) REASONABLE ATTORNEY'S FEES NOT EXCEEDING ~~\$450~~**
17 **\$500; AND**

18 **(V) TAXES, INCLUDING INTEREST AND PENALTIES, THAT**
19 **HAVE BEEN PAID BY THE PLAINTIFF OR HOLDER OF A GROUND RENT.**

20 **(C) EXCEPT AS PROVIDED IN SUBSECTION (B) OF THIS SECTION OR IN §**
21 **8-402.2(C) OF THIS SUBTITLE, THE PLAINTIFF OR HOLDER OF A GROUND RENT**
22 **IS NOT ENTITLED TO REIMBURSEMENT FOR ANY OTHER EXPENSES INCURRED IN**
23 **THE COLLECTION OF A GROUND RENT.**

24 **(D) (1) THE HOLDER OF A GROUND RENT MAY NOT BE REIMBURSED**
25 **FOR EXPENSES UNDER SUBSECTION (B) OF THIS SECTION UNLESS THE HOLDER**
26 **SENDS THE TENANT AS IDENTIFIED IN THE RECORDS OF THE STATE**
27 **DEPARTMENT OF ASSESSMENTS AND TAXATION WRITTEN NOTICE AT LEAST 30**
28 **DAYS BEFORE TAKING ANY ACTION IN ACCORDANCE WITH § 8-402.2(A) OF THIS**
29 **SUBTITLE AND § 14-108.1 OF THIS ARTICLE.**

30 **(2) THE NOTICE SHALL BE IN 14 POINT, BOLD FONT, AND**
31 **CONTAIN THE FOLLOWING:**

1 **(I) THE AMOUNT OF THE PAST DUE GROUND RENT; AND**

2 **(II) A STATEMENT THAT UNLESS THE PAST DUE GROUND**
3 **RENT IS PAID WITHIN 30 DAYS, FURTHER ACTION WILL BE TAKEN IN**
4 **ACCORDANCE WITH § 8-402.2(A) OF THIS SUBTITLE AND § 14-108.1 OF THIS**
5 **ARTICLE AND THE TENANT WILL BE LIABLE FOR THE EXPENSES AND FEES**
6 **INCURRED IN CONNECTION WITH THE COLLECTION OF THE PAST DUE GROUND**
7 **RENT AS PROVIDED IN THIS SECTION.**

8 **(3) THE HOLDER OF THE GROUND RENT SHALL:**

9 **(I) MAIL THE NOTICE BY FIRST-CLASS MAIL TO THE**
10 **TENANT'S LAST KNOWN ADDRESS AS SHOWN IN THE RECORDS OF THE STATE**
11 **DEPARTMENT OF ASSESSMENTS AND TAXATION; AND**

12 **(II) OBTAIN A CERTIFICATE OF MAILING FROM THE UNITED**
13 **STATES POSTAL SERVICE.**

14 14-108.1.

15 (a) This section does not apply to:

16 (1) A grantee action under § 14-109 of this subtitle;

17 (2) A landlord-tenant action that is within the exclusive original
18 jurisdiction of the District Court; **OR**

19 (3) [An action for nonpayment of ground rent under a ground lease on
20 residential property that is or was used, intended to be used, or authorized to be used
21 for four or fewer dwelling units; or

22 (4)] An action for wrongful detainer under § 14-132 of this subtitle.

23 (b) (1) A person who is not in possession of property and claims title and
24 right to possession may bring an action for possession against the person in possession
25 of the property.

26 (2) Encumbrance of property by a mortgage or deed of trust to secure a
27 debt does not prevent an action under this section by the owner of the property.

28 **(C) (1) IN AN ACTION UNDER THIS SECTION FOR NONPAYMENT OF**
29 **GROUND RENT UNDER A GROUND LEASE ON RESIDENTIAL PROPERTY THAT IS**
30 **OR WAS USED, INTENDED TO BE USED, OR AUTHORIZED TO BE USED FOR FOUR**
31 **OR FEWER DWELLING UNITS, SERVICE OF PROCESS SHALL BE MADE BY:**

1 ~~(1)~~ **(1) PERSONAL DELIVERY OF THE PAPERS TO THE**
2 **LEASEHOLD TENANT; OR**

3 ~~(2)~~ **(II) LEAVING THE PAPERS WITH A RESIDENT OF SUITABLE**
4 **AGE AND DISCRETION AT THE LEASEHOLD TENANT'S DWELLING HOUSE OR**
5 **USUAL PLACE OF ABODE.**

6 **(2) IF AT LEAST TWO GOOD FAITH EFFORTS TO SERVE THE**
7 **LEASEHOLD TENANT UNDER PARAGRAPH (1) OF THIS SUBSECTION ON**
8 **DIFFERENT DAYS HAVE NOT SUCCEEDED, THE PLAINTIFF MAY EFFECT SERVICE**
9 **BY:**

10 **(I) FILING AN AFFIDAVIT WITH THE COURT DESCRIBING**
11 **THE GOOD FAITH EFFORTS TO SERVE THE LEASEHOLD TENANT; AND**

12 **(II) 1. MAILING A COPY OF ALL THE DOCUMENTS**
13 **REQUIRED TO BE SERVED BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED,**
14 **AND FIRST-CLASS MAIL TO THE LEASEHOLD TENANT'S LAST KNOWN ADDRESS**
15 **AND, IF DIFFERENT, TO THE ADDRESS OF THE RESIDENTIAL PROPERTY**
16 **SUBJECT TO THE GROUND LEASE; AND**

17 **2. POSTING A COPY OF ALL THE DOCUMENTS**
18 **REQUIRED TO BE SERVED IN A CONSPICUOUS PLACE ON THE RESIDENTIAL**
19 **PROPERTY SUBJECT TO THE GROUND LEASE.**

20 **(3) THE INDIVIDUAL MAKING SERVICE OF PROCESS UNDER THIS**
21 **SUBSECTION SHALL FILE PROOF OF SERVICE WITH THE COURT IN ACCORDANCE**
22 **WITH THE MARYLAND RULES.**

23 ~~**(D) A PERSON AWARDED POSSESSION OF PROPERTY IN AN ACTION**~~
24 ~~**UNDER THIS SECTION FOR NONPAYMENT OF GROUND RENT UNDER A GROUND**~~
25 ~~**LEASE ON RESIDENTIAL PROPERTY THAT IS OR WAS USED, INTENDED TO BE**~~
26 ~~**USED, OR AUTHORIZED TO BE USED FOR FOUR OR FEWER DWELLING UNITS**~~
27 ~~**TAKES POSSESSION SUBJECT TO THE TERMS OF ANY SECURITY INSTRUMENT**~~
28 ~~**RECORDED BEFORE THE FILING OF THE ACTION FOR POSSESSION.**~~

29 **(D) EACH LIENHOLDER OF RECORD SHALL BE MADE A PARTY TO AN**
30 **ACTION UNDER THIS SECTION FOR NONPAYMENT OF GROUND RENT UNDER A**
31 **GROUND LEASE ON RESIDENTIAL PROPERTY THAT IS OR WAS USED, INTENDED**
32 **TO BE USED, OR AUTHORIZED TO BE USED FOR FOUR OR FEWER DWELLING**
33 **UNITS.**

34 **[(c)] ~~(D)~~ (E) (1) THIS SUBSECTION DOES NOT APPLY TO AN ACTION FOR**
35 **NONPAYMENT OF GROUND RENT UNDER A GROUND LEASE ON RESIDENTIAL**

1 **PROPERTY THAT IS OR WAS USED, INTENDED TO BE USED, OR AUTHORIZED TO**
2 **BE USED FOR FOUR OR FEWER DWELLING UNITS.**

3 **(2)** When personal jurisdiction is not obtained over the defendant, the
4 plaintiff may obtain a default judgment under the Maryland Rules only on proof of
5 title and right to possession. The judgment shall be in rem for possession of the
6 property. Entry and enforcement of the judgment does not bar further pursuit, in the
7 same or another action, of the plaintiff's claim for mesne profits and damages.

8 14-116.1.

9 (a) (1) In this section the following words have the meanings indicated.

10 (2) "Ground lease" means a residential lease or sublease for a term of
11 years renewable forever subject to the payment of a periodic ground rent.

12 (3) (i) "Ground lease holder" means the holder of the reversionary
13 interest under a ground lease.

14 (ii) "Ground lease holder" includes an agent of the ground lease
15 holder.

16 (4) "Ground rent" means a rent issuing out of, or collectible in
17 connection with, the reversionary interest under a ground lease.

18 (5) "Leasehold interest" means the tenancy in real property created
19 under a ground lease.

20 (6) "Leasehold tenant" means the holder of the leasehold interest
21 under a ground lease.

22 (b) (1) This section applies to residential property that was or is used,
23 intended to be used, or authorized to be used for four or fewer dwelling units.

24 (2) This section does not apply to property:

25 (i) Leased for business, commercial, manufacturing, mercantile,
26 or industrial purposes, or any other purpose that is not primarily residential;

27 (ii) Improved or to be improved by any apartment,
28 condominium, cooperative, or other building for multifamily use of greater than four
29 dwelling units; or

30 (iii) Leased for dwellings or mobile homes that are erected or
31 placed in a mobile home development or mobile home park.

1 (c) A ground lease holder may not collect a yearly or half-yearly installment
2 payment of a ground rent due under the ground lease unless:

3 (1) The ground lease is registered with the State Department of
4 Assessments and Taxation under Title 8, Subtitle 7 of this article; and

5 (2) At least 60 days before the payment is due, the ground lease holder
6 mails a bill to the last known address of the leasehold tenant and to the address of the
7 property subject to the ground lease.

8 (d) The bill shall include a notice in boldface type, at least as large as 14
9 point, in substantially the following form:

10 “NOTICE REQUIRED BY MARYLAND LAW

11 REGARDING YOUR GROUND RENT

12 This property (address) is subject to a ground lease. The annual payment on the
13 ground lease (“ground rent”) is \$(dollar amount), payable in yearly or half-yearly
14 installments on (date or dates).

15 The next ground rent payment is due (day, month, year) in the amount of \$(dollar
16 amount).

17 The payment of the ground rent should be sent to:
18 (name of ground lease holder)
19 (address)
20 (phone number)

21 NOTE REGARDING YOUR RIGHTS AND RESPONSIBILITIES UNDER
22 MARYLAND LAW:

23 The ground lease holder is required to register the ground lease with the State
24 Department of Assessments and Taxation and is prohibited from collecting ground
25 rent payments unless the ground lease is registered. If the ground lease is registered,
26 as the owner of this property, you are obligated to pay the ground rent to the ground
27 lease holder. To determine whether the ground lease is registered, you may check the
28 Web site of the State Department of Assessments and Taxation. It is also your
29 responsibility to notify the ground lease holder if you change your address or transfer
30 ownership of the property.

31 If you fail to pay the ground rent on time, you are still responsible for paying the
32 ground rent. In addition, **IF** the ground lease holder [may take action] **FILES AN**
33 **ACTION IN COURT** to collect the past due ground rent, **YOU MAY BE REQUIRED TO**
34 **PAY THE GROUND LEASE HOLDER FOR FEES AND COSTS ASSOCIATED WITH THE**
35 **COLLECTION OF THE PAST DUE GROUND RENT. IN ADDITION, THE GROUND**
36 **LEASE HOLDER MAY ALSO FILE AN ACTION IN COURT TO TAKE POSSESSION OF**

1 **THE PROPERTY**, which may result **IN YOUR BEING RESPONSIBLE FOR**
 2 **ADDITIONAL FEES AND COSTS AND** ultimately in your loss of the property. Please
 3 note that under Maryland law, a ground lease holder may demand not more than 3
 4 years of past due ground rent, **AND THERE ARE LIMITS ON HOW MUCH A GROUND**
 5 **LEASE HOLDER MAY BE REIMBURSED FOR FEES AND COSTS.** If you fail to pay the
 6 ground rent on time, you should contact a lawyer for advice.

7 As the owner of this property, you are entitled to redeem, or purchase, the ground
 8 lease from the ground lease holder and obtain absolute ownership of the property. The
 9 redemption amount is fixed by law ~~but may also be negotiated with the ground lease~~
 10 ~~holder for a different amount. For information on redeeming~~ **AS FOLLOWS:**

11 **(1) FOR A SUM EQUAL TO THE ANNUAL RENT RESERVED**
 12 **MULTIPLIED BY:**

13 **(i) 25, WHICH IS CAPITALIZATION AT 4 PERCENT, IF THE**
 14 **LEASE WAS EXECUTED FROM APRIL 8, 1884, TO APRIL 5, 1888, BOTH**
 15 **INCLUSIVE;**

16 **(ii) 8.33, WHICH IS CAPITALIZATION AT 12 PERCENT, IF THE**
 17 **LEASE WAS OR IS CREATED AFTER JULY 1, 1982; OR**

18 **(iii) 16.66, WHICH IS CAPITALIZATION AT 6 PERCENT, IF THE**
 19 **LEASE WAS CREATED AT ANY OTHER TIME;**

20 **(2) FOR A LESSER SUM IF SPECIFIED IN THE LEASE; OR**

21 **(3) FOR A SUM TO WHICH THE PARTIES MAY AGREE AT THE TIME**
 22 **OF REDEMPTION.**

23 **THE AMOUNT TO REDEEM YOUR GROUND LEASE IS _____ . IF YOU WISH TO**
 24 **REDEEM** the ground lease, contact the ground lease holder. If the identity of the
 25 ground lease holder is unknown, the State Department of Assessments and Taxation
 26 provides a process to redeem the ground lease that may result in your obtaining
 27 absolute ownership of the property. If you would like to obtain absolute ownership of
 28 this property, you should contact a lawyer for advice.”.

29 14–117.

30 (a) (1) (i) In this subsection the following words have the meanings
 31 indicated.

32 (ii) “Ground lease” means a residential lease or sublease for a
 33 term of years renewable forever subject to the payment of a periodic ground rent.

1 (iii) 1. "Ground lease holder" means the holder of the
2 reversionary interest under a ground lease.

3 2. "Ground lease holder" includes an agent of the ground
4 lease holder.

5 (iv) "Ground rent" means a rent issuing out of, or collectible in
6 connection with, the reversionary interest under a ground lease.

7 (v) "Leasehold interest" means the tenancy in real property
8 created under a ground lease.

9 (vi) "Leasehold tenant" means the holder of the leasehold
10 interest under a ground lease.

11 (2) (i) This subsection applies to residential property that was or is
12 used, intended to be used, or authorized to be used for four or fewer dwelling units.

13 (ii) This subsection does not apply to property:

14 1. Leased for business, commercial, manufacturing,
15 mercantile, or industrial purposes, or any other purpose that is not primarily
16 residential;

17 2. Improved or to be improved by any apartment,
18 condominium, cooperative, or other building for multifamily use of greater than four
19 dwelling units; or

20 3. Leased for dwellings or mobile homes that are erected
21 or placed in a mobile home development or mobile home park.

22 (3) A contract for the sale of real property subject to a ground rent
23 shall contain the following notice in boldface type, at least as large as 14 point, in
24 substantially the following form:

25 "NOTICE REQUIRED BY MARYLAND LAW

26 REGARDING YOUR GROUND RENT

27 This property (address) is subject to a ground lease. The annual payment on the
28 ground lease ("ground rent") is \$(dollar amount), payable in yearly or half-yearly
29 installments on (date or dates).

30 The next ground rent payment is due (day, month, year) in the amount of \$(dollar
31 amount).

32 The payment of the ground rent should be sent to:

1 (name of ground 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 rent to the ground
 7 lease holder. It is also your responsibility to notify the ground lease holder if you
 8 change your address or transfer ownership of the property.

9 If you fail to pay the ground rent on time, you are still responsible for paying the
 10 ground rent. In addition, IF the ground lease holder [may take action] FILES AN
 11 ACTION IN COURT to collect the past due ground rent, YOU MAY BE REQUIRED TO
 12 PAY THE GROUND LEASE HOLDER FOR FEES AND COSTS ASSOCIATED WITH THE
 13 COLLECTION OF THE PAST DUE GROUND RENT. IN ADDITION, THE GROUND
 14 LEASE HOLDER MAY ALSO FILE AN ACTION IN COURT TO TAKE POSSESSION OF
 15 THE PROPERTY, which may result IN YOUR BEING RESPONSIBLE FOR
 16 ADDITIONAL FEES AND COSTS AND ultimately in your loss of the property. Please
 17 note that under Maryland law, a ground lease holder may demand not more than 3
 18 years of past due ground rent, AND THERE ARE LIMITS ON HOW MUCH A GROUND
 19 LEASE HOLDER MAY BE REIMBURSED FOR FEES AND COSTS. If you fail to pay the
 20 ground rent on time, you should contact a lawyer for advice.

21 As the owner of this property, you are entitled to redeem, or purchase, the ground
 22 lease from the ground lease holder and obtain absolute ownership of the property. The
 23 redemption amount is fixed by law ~~but may also be negotiated with the ground lease~~
 24 ~~holder for a different amount. For information on redeeming~~ **AS FOLLOWS:**

25 **(1) FOR A SUM EQUAL TO THE ANNUAL RENT RESERVED**
 26 **MULTIPLIED BY:**

27 **(I) 25, WHICH IS CAPITALIZATION AT 4 PERCENT, IF THE**
 28 **LEASE WAS EXECUTED FROM APRIL 8, 1884, TO APRIL 5, 1888, BOTH**
 29 **INCLUSIVE;**

30 **(II) 8.33, WHICH IS CAPITALIZATION AT 12 PERCENT, IF THE**
 31 **LEASE WAS OR IS CREATED AFTER JULY 1, 1982; OR**

32 **(III) 16.66, WHICH IS CAPITALIZATION AT 6 PERCENT, IF THE**
 33 **LEASE WAS CREATED AT ANY OTHER TIME;**

34 **(2) FOR A LESSER SUM IF SPECIFIED IN THE LEASE; OR**

1 **(3) FOR A SUM TO WHICH THE PARTIES MAY AGREE AT THE TIME**
2 **OF REDEMPTION.**

3 **THE AMOUNT TO REDEEM YOUR GROUND LEASE IS** **. IF YOU WISH TO**
4 **REDEEM** the ground lease, contact the ground lease holder. If the identity of the
5 ground lease holder is unknown, the State Department of Assessments and Taxation
6 provides a process to redeem the ground lease that may result in your obtaining
7 absolute ownership of the property. If you would like to obtain absolute ownership of
8 this property, you should contact a lawyer for advice.”.

9 **SECTION 3. AND BE IT FURTHER ENACTED, That the Laws of Maryland**
10 **read as follows:**

11 **Article – Real Property**

12 **8–107.**

13 If there is no demand or payment for more than [20] 7 consecutive years of any
14 specific rent reserved out of a particular property or any part of a particular property
15 under any form of lease, the rent conclusively is presumed to be extinguished and the
16 landlord may not set up any claim for the rent or to the reversion in the property out
17 of which it issued. The landlord also may not institute any suit, action, or proceeding
18 to recover the rent or the property. **IN ORDER TO PROVE A DEMAND FOR PAYMENT**
19 **OF A GROUND RENT, THE LANDLORD SHALL SHOW THAT THE LANDLORD HAS**
20 **MAILED A BILL TO THE LAST KNOWN ADDRESS OF THE LEASEHOLD TENANT AND**
21 **TO THE ADDRESS OF THE PROPERTY SUBJECT TO THE GROUND LEASE IN**
22 **ACCORDANCE WITH § 14–116.1 OF THIS ARTICLE.** However, if the landlord is under
23 any legal disability when the period of [20] 7 years of nondemand or nonpayment
24 expires, the landlord has two years after the removal of the disability within which to
25 assert the landlord’s rights.

26 **SECTION 4. AND BE IT FURTHER ENACTED, That Section(s) 8–402.2(d) and**
27 **8–402.3 of Article – Real Property of the Annotated Code of Maryland (2003**
28 **Replacement Volume and 2006 Supplement) as in effect on June 30, 2007, be repealed.**

29 **SECTION 5. AND BE IT FURTHER ENACTED, That Section 3 of this Act shall**
30 **take effect June 1, 2015.**

31 **SECTION ~~5~~ 6. AND BE IT FURTHER ENACTED, That, except as provided in**
32 **Section 5 of this Act,** this Act is an emergency measure, is necessary for the immediate
33 preservation of the public health or safety, has been passed by a ye and nay vote
34 supported by three–fifths of all the members elected to each of the two Houses of the
35 General Assembly, and shall take effect from the date it is enacted.