

Department of Legislative Services
Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 1182

(Delegate Smith)(By Request - Baltimore City
Administration)

Environment and Transportation

Judicial Proceedings

Real Property - Redemption or Extinguishment of Ground Rents

This bill alters statutory provisions regarding the redemption or extinguishment of ground rents. It makes a redemption or extinguishment effective to conclusively divest the ground lease holder of the reversion and vest the reversion in the leasehold tenant, and eliminate all associated rights, titles, or interests, as specified, when the leasehold tenant records the certificate of redemption or extinguishment in the land records of the county in which the property is located.

Fiscal Summary

State Effect: The bill does not materially affect State operations or finances.

Local Effect: The bill does not materially affect local government operations or finances.

Small Business Effect: Minimal.

Analysis

Current Law/Background: Ground leases have been a form of property holding in Maryland since colonial times. A ground lease creates a leasehold estate in the grantee that is personal – not real – property. The grantor retains a reversion in the ground lease property and fee simple title to the land. Ground leases generally have a 99-year term and are renewable perpetually. Ground rent is paid to the grantor (the ground lease holder) for the use of the property for the term of the lease in annual or semiannual installments. Under a typical ground lease contract, the tenant agrees to pay all fees, taxes, and other costs associated with ownership of the property.

Generally, with specified exceptions, any reversion in a ground lease for longer than 15 years may be redeemed at any time, at the option of the leasehold tenant, after 30 days' written notice to the ground lease holder. Payment to the ground lease holder is calculated based on a schedule provided in statute. State law does not mandate redemption of a ground lease, but it does require notice to be provided to the leasehold tenant about the ability to redeem a ground lease (1) in each billing statement to collect payment under the ground lease; (2) when a holder of a ground lease transfers ownership of the ground lease; and (3) in a contract for the sale of property subject to a ground lease.

The redemption or extinguishment of the ground rent is effective to conclusively vest a fee simple title in the leasehold tenant when the leasehold tenant records the certificate in the county land records. The title is free and clear of any and all right, title, or interest of the ground lease holder, any lien of a creditor of the ground lease holder, and any person making claims in relation to the ground lease holder.

Remaining Ground Leases in Maryland

As of January 2020, there are 92,419 ground rents registered with the State Department of Assessments and Taxation. According to the registry, ground rents are concentrated mostly in Baltimore City (62,223), with other ground rents located in Anne Arundel (3,795), Baltimore (25,939), Carroll (11), Cecil (1), Charles (1), Harford (174), Howard (59), Montgomery (5), Prince George's (45), and Worcester (166) counties.

Additional Information

Prior Introductions: None.

Designated Cross File: SB 806 (Senator Hayes)(By Request - Baltimore City Administration) - Judicial Proceedings.

Information Source(s): Judiciary (Administrative Office of the Courts); State Department of Assessments and Taxation; Department of Legislative Services

Fiscal Note History: First Reader - February 23, 2020
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