

Article - Real Property

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§8–804.

(a) (1) Except as provided in subsection (f) of this section, this section does not apply to irredeemable ground leases preserved under § 8–805 of this subtitle.

(2) This section does not apply to an affordable housing land trust agreement executed under Title 14, Subtitle 5 of this article.

(b) (1) Except for apartment and cooperative leases, any reversion reserved in a ground lease for longer than 15 years is redeemable at any time, at the option of the leasehold tenant, after 30 days' notice to the ground lease holder. Notice shall be given by certified mail, return receipt requested, and by first-class mail to the last known address of the ground lease holder.

(2) The reversion is redeemable:

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

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

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

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

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

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

(3) (i) If the leasehold tenant is in default under a security instrument, the holder of the secured interest in the property that is subject to a ground lease, or any portion of a ground lease, that is recorded in the land records of the county in which the property is located may apply to the State Department of Assessments and Taxation to redeem the reversion as provided under this section.

(ii) If a holder of a secured interest applies to redeem a reversion as authorized under subparagraph (i) of this paragraph, the holder also shall pay to the ground lease holder the outstanding amount due, including, if authorized under the ground lease, reasonable late fees, interest, collection costs, and expenses as provided under § 8–807 of this subtitle.

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

(d) Notwithstanding subsection (b) of this section, any regulatory changes made by a federal agency, instrumentality, or subsidiary, including the Department of Housing and Urban Development, the Federal Housing Administration, the Government National Mortgage Association, the Federal National Mortgage Association, and the U.S. Department of Veterans Affairs, shall be applicable to redemption of reversions of ground leases for longer than 15 years.

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

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

(f) (1) (i) A leasehold tenant who has given the ground lease holder notice in accordance with subsection (b) of this section may apply to the Department to redeem a ground rent as provided in this subsection.

(ii) When the Mayor and City Council of Baltimore City acquires property that is subject to an irredeemable ground rent, the City shall become the leasehold tenant of the ground rent and, after giving the ground lease holder notice in accordance with subsection (b) of this section, may apply to the Department to extinguish the ground rent as provided in this subsection.

(iii) When the Mayor and City Council of Baltimore City acquires abandoned or distressed property that is subject to a redeemable ground rent, the City shall become the leasehold tenant of the ground rent and, after giving the ground lease holder notice in accordance with subsection (b) of this section, may apply to the Department to redeem the ground rent as provided in this subsection.

(2) The leasehold tenant shall provide to the Department:

(i) Documentation satisfactory to the Department of the ground lease and the notice given to the ground lease holder; and

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

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

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

(4) Except as provided in paragraph (5) of this subsection, a leasehold tenant seeking to redeem a ground rent shall provide to the Department:

(i) Payment of the redemption amount and up to 3 years' past due ground rent to the extent required under this section and § 8–806 of this subtitle, in a form satisfactory to the Department; and

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

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

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

(5) A leasehold tenant seeking to extinguish an irredeemable ground rent or to redeem a redeemable ground rent on abandoned or distressed property that was acquired or is being acquired by the Mayor and City Council of Baltimore shall provide to the Department:

(i) Payment of up to 3 years' past due ground rent to the extent required under this section and § 8–806 of this subtitle, in a form satisfactory to the Department; and

(ii) An affidavit made by the Commissioner of the Baltimore City Department of Housing and Community Development or the Commissioner's designee certifying that:

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

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

3. The existence of the ground rent is an impediment to redevelopment of the site.

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

(7) The Department shall issue to a leasehold tenant a ground rent redemption certificate or a ground rent extinguishment certificate, as appropriate, when:

(i) Notice that application has been made to redeem or extinguish the ground rent has been posted on the Department’s website for at least 90 days; and

(ii) The Department has received the documentation, fees, and, where applicable, the redemption amount and 3 years’ past due ground rent to the extent required under this section and § 8–806 of this subtitle.

(8) The redemption or extinguishment of the ground rent is effective to conclusively divest the ground lease holder of the reversion and vest the reversion in the leasehold tenant, and eliminate all right, title, or interest of the ground lease holder, any lien of a creditor of the ground lease holder, and any person claiming by, through, or under the ground lease holder when the leasehold tenant records the certificate in the land records of the county in which the property is located.

(9) The ground lease holder, any creditor of the ground lease holder, or any other person claiming by, through, or under the ground lease holder may file a claim with the Department in order to collect all, or any portion of, where applicable, the redemption amount and 3 years’ past due ground rent to the extent required under this section and § 8–806 of this subtitle, without interest, by providing to the Department:

(i) Documentation satisfactory to the Department of the claimant’s interest; and

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

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

1. Proof of payment to the ground lease holder by the Department of past due ground rent under paragraph (9) of this subsection; and

2. Payment of a \$20 fee.

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

1. Proof of payment to the ground lease holder by the Department of past due ground rent under paragraph (9) of this subsection; and

2. Payment of a \$20 fee.

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

(ii) In an appeal, the ground lease holder is entitled to receive the fair market value of the ground lease holder's interest in the property at the time of the extinguishment.

(12) In the event of a dispute regarding the payment by the Department to any person of all or any portion of the collected redemption amount and up to 3 years' past due ground rent to the extent required by this section and § 8–806 of this subtitle, the Department may:

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

(ii) Reimburse the ground lease holder from the fund established in § 1–203.3 of the Corporations and Associations Article.

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

(i) The redemption amount; and

(ii) Up to 3 years' past due ground rent to the extent required by this section and § 8–806 of this subtitle.

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

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

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

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

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