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MAYOR

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HB 1182

March 3, 2020

TO: Members of the House Environment and Transportation Committee

FROM: Nicholas Blendy, Deputy Director of Government Relations

RE: House Bill 1182 – Real Property – Redemption or Extinguishment of Ground Rents

POSITION: SUPPORT WITH AMENDMENT

Chair Barve, Vice Chair Stein, and Members of the Committee, please be advised that the Baltimore City Administration (BCA) **supports with amendment** House Bill (HB) 1182.

House Bill (HB) 1182 alters section of the Real Property Article relating to a redemption or extinguishment of a ground rent to provide that it is effective to conclusively divest the reversion from the ground lease holder and vest said reversion into the leasehold tenant, in titles relating to ground leases on residential property.

This bill will aid the BCA's Department of Housing and Community Development (HCD) in furthering community revitalization efforts. Acquiring all interests in properties—including ground rents, sub rents and sub-sub rents if present—is necessary for the assembling and repurposing abandoned and under-utilized, privately held real property. HB 1182 will aid in more efficiently carrying out the intent of the code.

Presently, the State Department of Assessment and Taxation (SDAT) will not issue certificates of extinguishment on ground rents where there is more than one ground rent outstanding. Under existing law, the extinguishment certificate conclusively proves that the erstwhile leasehold owner is granted fee simple title. However, gaining fee simple title, sometimes requires merging multiple reversionary property interests in the same property through extinguishment or redemption. As such, ground rents, sub-rents and sub-sub rents currently must be acquired or extinguished separately.

The proposed change to the code under HB 1182 is intended to allow for one or more of multiple reversionary interests to be contemporaneously acquired through the SDAT certificate of extinguishment, thereby avoiding the costs of and delay in filing multiple condemnations. The BCA estimates cost savings of more than \$2,500.00 and an average of one year of time saved per each land assemblage project.

HB 1182 is an important upgrade to help realize intent of this section of the code. In real terms, it would help the BCA eliminate a small but significant backlog of ground rent extinguishments as we pursue economic growth in the City of Baltimore.

Lastly, when the cross file of this legislation was heard, the MSBA expressed some concerns about the technical language of the HB 1182. The BCA consulted with MSBA, and by amending the language to read as follows, all parties agree that there would be positive implementation as intended:

AMENDMENT TO ALTER HB 1182 TO READ AS FOLLOWS:

“The redemption or extinguishment of the ground rent is effective to conclusively [vest a fee simple title in the leasehold tenant, free and clear of any and] **DIVEST THE REVERSION FROM THE GROUND LEASE HOLDER AND VEST SAID 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.”

We respectfully request a **favorable with amendment** report on House Bill 1182.