

# SENATE BILL 194

N1

(3lr1197)

## ENROLLED BILL

— *Judicial Proceedings/Environment and Transportation* —

Introduced by **Senators Sydnor and Hayes**

Read and Examined by Proofreaders:

\_\_\_\_\_  
Proofreader.

\_\_\_\_\_  
Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this

\_\_\_\_\_ day of \_\_\_\_\_ at \_\_\_\_\_ o'clock, \_\_\_\_\_ M.

\_\_\_\_\_  
President.

## CHAPTER \_\_\_\_\_

1 AN ACT concerning

### 2 **Ground Leases – Notices and Billing – Forms and Requirements**

3 FOR the purpose of prohibiting a leasehold tenant of an unregistered ground lease from  
4 being required to hold more than a certain amount of ground rent in escrow;  
5 requiring a ground lease holder to mail certain notices and bills to a leasehold tenant  
6 in a certain manner under certain circumstances and prohibiting the ground lease  
7 holder from requiring the leasehold tenant to reimburse the ground lease holder for  
8 the mailing expenses; requiring the State Department of Assessments and Taxation  
9 to develop and make available on its website certain form notices and bills; requiring  
10 a ground lease transferee to send notice of a ground lease transfer to the State  
11 Department of Assessments and Taxation within a certain period of time; and  
12 generally relating to ground leases.

13 BY renumbering

14 Article – Real Property

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#### 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.

*Italics* indicate opposite chamber/conference committee amendments.



1 Section 8–801(b) through (f)  
 2 to be Section 8–801(c) through (g), respectively  
 3 Annotated Code of Maryland  
 4 (2015 Replacement Volume and 2022 Supplement)

5 BY repealing and reenacting, with amendments,  
 6 Article – Real Property  
 7 Section 8–707, 8–805(a) and (d)(1)(iii) and (v) and (3)(ii), 8–807(a), (c), and (d), 8–809,  
 8 and 8–810  
 9 Annotated Code of Maryland  
 10 (2015 Replacement Volume and 2022 Supplement)

11 BY repealing and reenacting, without amendments,  
 12 Article – Real Property  
 13 Section 8–801(a)  
 14 Annotated Code of Maryland  
 15 (2015 Replacement Volume and 2022 Supplement)

16 BY adding to  
 17 Article – Real Property  
 18 Section 8–801(b) and 8–801.1  
 19 Annotated Code of Maryland  
 20 (2015 Replacement Volume and 2022 Supplement)

21 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,  
 22 That Section(s) 8–801(b) through (f) of Article – Real Property of the Annotated Code of  
 23 Maryland be renumbered to be Section(s) 8–801(c) through (g), respectively.

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

26 **Article – Real Property**

27 8–707.

28 If a ground lease is not registered in accordance with this [subtitle, the] **SUBTITLE:**

29 **(1) THE** ground lease holder may not:

30 **[(1)] (I)** Collect any ground rent payments due under the ground lease;

31 **[(2)] (II)** Bring a civil action against the leasehold tenant to enforce any  
 32 rights the ground lease holder may have under the ground lease; or

33 **[(3)] (III)** Bring an action against the leasehold tenant under Subtitle 8 of  
 34 this title; **AND**

1           **(2) THE LEASEHOLD TENANT OF THE UNREGISTERED GROUND LEASE**  
2 **MAY NOT BE REQUIRED TO HOLD MORE THAN 3 YEARS OF GROUND RENT IN ESCROW**  
3 **FOR THE UNREGISTERED GROUND LEASE.**

4 8–801.

5           (a) In this subtitle the following words have the meanings indicated.

6           **(B) “DEPARTMENT” MEANS THE STATE DEPARTMENT OF ASSESSMENTS**  
7 **AND TAXATION.**

8 **8–801.1.**

9           **(A) THE GENERAL ASSEMBLY DECLARES THAT IT IS IN THE PUBLIC**  
10 **INTEREST FOR GROUND RENTS TO BE REDEEMED.**

11           **(B) IT IS THE INTENT OF THE GENERAL ASSEMBLY THAT THE DEPARTMENT**  
12 **USE ITS GROUND RENT REDEMPTION PROGRAM TO ASSIST IN THE REDEMPTION OF**  
13 **GROUND RENTS.**

14 8–805.

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

16                   (2) [“Department” means the State Department of Assessments and  
17 Taxation.

18                   (3)] “Irredeemable ground rent” means a ground rent created under a  
19 ground lease executed before April 9, 1884, that does not contain a provision allowing the  
20 leasehold tenant to redeem the ground rent.

21                   [(4)] **(3)** “Redeemable ground rent” means a ground rent that may be  
22 redeemed in accordance with this section or redeemed or extinguished in accordance with  
23 § 8–804(f) of this subtitle.

24           (d) (1) To be effective and to be entitled to be recorded, the notice shall be  
25 executed by the ground lease holder, acknowledged before a notary public, and contain  
26 substantially the following information:

27                           (iii) The name of every leasehold tenant as of the time the notice is  
28 filed according to the land records or the records of the [State] Department [of Assessments  
29 and Taxation];

1 (v) The recording reference of every leasehold tenant's leasehold  
2 deed, as of the time the notice is filed, according to the land records or the records of the  
3 [State] Department [of Assessments and Taxation];

4 (3) The notice shall be indexed as "Notice of Intention to Preserve  
5 Irredeemability":

6 (ii) In the grantor indices of deeds under the name of every leasehold  
7 tenant as of the time the notice is filed according to the land records or the records of the  
8 [State] Department [of Assessments and Taxation]; and

9 8-807.

10 (a) For property subject to a ground lease in effect on or after July 1, 2007, a  
11 ground lease holder may bring an action for possession for nonpayment of ground rent only:

12 (1) If the ground lease holder has the lawful right to claim possession for  
13 nonpayment of ground rent;

14 (2) If the ground lease is registered with the [State] Department [of  
15 Assessments and Taxation] under Subtitle 7 of this title;

16 (3) If the payment of ground rent is at least 6 months in arrears; and

17 (4) As provided under this section.

18 (c) (1) **(I)** No less than 60 days before filing an action for possession, the  
19 ground lease holder shall send a notice, in the form required under paragraph (2) of this  
20 subsection, to the leasehold tenant's last known address **AND TO THE PREMISES ADDRESS**  
21 as shown in the records of the [State] Department [of Assessments and Taxation, or other  
22 place of business or residence if known,] by[:

23 (i) First-class mail;] **FIRST-CLASS MAIL** and

24 [(ii) Certified] **CERTIFIED** mail, return receipt requested.

25 **(II) IF A LEASEHOLD TENANT'S LAST KNOWN MAILING ADDRESS**  
26 **AND THE PREMISES ADDRESS LISTED IN THE RECORDS OF THE DEPARTMENT ARE**  
27 **DIFFERENT, THE GROUND LEASE HOLDER SHALL MAIL ONE COPY OF THE NOTICE BY**  
28 **FIRST-CLASS MAIL AND ONE COPY OF THE NOTICE BY CERTIFIED MAIL, RETURN**  
29 **RECEIPT REQUESTED, TO EACH ADDRESS, RESPECTIVELY.**

30 **(III) A GROUND LEASE HOLDER MAY NOT REQUIRE A LEASEHOLD**  
31 **TENANT TO REIMBURSE THE GROUND LEASE HOLDER FOR COSTS INCURRED IN**  
32 **PROVIDING NOTICE REQUIRED UNDER THIS SUBSECTION.**

1           (2) The DEPARTMENT SHALL DEVELOP AND MAKE AVAILABLE ON ITS  
 2 WEBSITE ~~A FORM NOTICE FOR USE BY A GROUND LEASE HOLDER~~ THE FORM A  
 3 GROUND LEASE HOLDER MUST USE TO PROVIDE TO A LEASEHOLD TENANT THE notice  
 4 required under paragraph (1) of this subsection [shall be in substantially the same form as  
 5 the notice contained on the Web site of the State Department of Assessments and  
 6 Taxation].

7           (3) If authorized under the ground lease, a ground lease holder may be  
 8 reimbursed for reasonable late fees, interest, collection costs, and expenses not exceeding  
 9 \$100, provided the outstanding amount due is paid after the notice sent under paragraph  
 10 (1) of this subsection and before a notice is sent under subsection (d) of this section.

11           (d) (1) (I) After notice has been sent under subsection (c) of this section and  
 12 no [less] FEWER than 30 days before filing an action for possession, the ground lease holder  
 13 shall send a notice, in the form required under paragraph (2) of this subsection, to the  
 14 leasehold tenant's last known address AND TO THE PREMISES ADDRESS as shown in the  
 15 records of the [State] Department [of Assessments and Taxation, or other place of business  
 16 or residence if known,] by[:

17                   (i) First-class mail;] FIRST-CLASS MAIL and

18                   [(ii) Certified] CERTIFIED mail, return receipt requested.

19                   (II) IF A LEASEHOLD TENANT'S LAST KNOWN MAILING ADDRESS  
 20 AND THE PREMISES ADDRESS LISTED IN THE RECORDS OF THE DEPARTMENT ARE  
 21 DIFFERENT, THE GROUND LEASE HOLDER SHALL MAIL ONE COPY OF THE NOTICE BY  
 22 FIRST-CLASS MAIL AND ONE COPY OF THE NOTICE BY CERTIFIED MAIL, RETURN  
 23 RECEIPT REQUESTED, TO EACH ADDRESS, RESPECTIVELY.

24                   (III) A GROUND LEASE HOLDER MAY NOT REQUIRE A LEASEHOLD  
 25 TENANT TO REIMBURSE THE GROUND LEASE HOLDER FOR COSTS INCURRED IN  
 26 PROVIDING NOTICE REQUIRED UNDER THIS SUBSECTION.

27           (2) (I) The DEPARTMENT SHALL DEVELOP AND MAKE AVAILABLE  
 28 ON ITS WEBSITE ~~A FORM NOTICE FOR USE BY A GROUND LEASE HOLDER~~ THE FORM  
 29 A GROUND LEASE HOLDER MUST USE TO PROVIDE TO A LEASEHOLD TENANT THE  
 30 notice required under paragraph (1) of this subsection.

31                   (II) THE FORM shall be in 14 point bold font and [include] REQUIRE  
 32 THE FOLLOWING:

33                   [(i)] 1. An itemized bill for the payment due;

1                    [(ii)] 2.     The amount necessary to cure the default, including late  
2 fees, interest, collection costs, and expenses authorized under paragraph (3) of this  
3 subsection;

4                    [(iii)] 3.     The name and address of the person to whom to send the  
5 payment due;

6                    [(iv)] 4.     The name and contact information of the person to contact  
7 for questions about the notice; and

8                    [(v)] 5.     A statement that unless the default is cured in 30 days:

9                            [1.] A.     The ground lease holder intends to file an action for  
10 possession; and

11                           [2.] B.     The leasehold tenant may be liable for reimbursing  
12 the ground lease holder for expenses and costs incurred in connection with the collection of  
13 past due ground rent and the filing of the action for possession.

14                    (3)     If authorized under the ground lease, a ground lease holder may be  
15 reimbursed for reasonable late fees, interest, collection costs, and expenses not exceeding  
16 \$650, including:

17                            (i)     Title abstract and examination fees;

18                            (ii)    Judgment report costs;

19                            (iii)   Photocopying and postage fees; and

20                            (iv)    Attorney's fees.

21 8–809.

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

24                            [(1)] (I)     The ground lease is registered with the [State] Department [of  
25 Assessments and Taxation] under Subtitle 7 of this title; and

26                            [(2)] (II)    At least 60 days before the payment is due, the ground lease  
27 holder mails a bill, **IN THE FORM REQUIRED UNDER SUBSECTION (B) OF THIS**  
28 **SECTION**, to the last known address of the leasehold tenant and to the **PREMISES** address  
29 of the property subject to the ground lease **LISTED IN THE RECORDS OF THE**  
30 **DEPARTMENT**.

1           **(2) IF A LEASEHOLD TENANT’S LAST KNOWN MAILING ADDRESS AND**  
 2 **THE PREMISES ADDRESS LISTED IN THE RECORDS OF THE DEPARTMENT ARE**  
 3 **IDENTICAL, THE GROUND LEASE HOLDER SHALL MAIL ONE COPY OF THE BILL TO**  
 4 **THE ADDRESS BY FIRST-CLASS MAIL AND ONE COPY OF THE BILL TO THE ADDRESS**  
 5 **BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED.**

6           **(3) IF A LEASEHOLD TENANT’S LAST KNOWN MAILING ADDRESS AND**  
 7 **PREMISES ADDRESS LISTED IN THE RECORDS OF THE DEPARTMENT ARE**  
 8 **DIFFERENT, THE GROUND LEASE HOLDER SHALL MAIL ONE COPY OF THE BILL BY**  
 9 **FIRST-CLASS MAIL AND ONE COPY OF THE BILL BY CERTIFIED MAIL, RETURN**  
 10 **RECEIPT REQUESTED, TO EACH ADDRESS, RESPECTIVELY.**

11           **(4) A GROUND LEASE HOLDER MAY NOT REQUIRE THE LEASEHOLD**  
 12 **TENANT TO REIMBURSE THE GROUND LEASE HOLDER FOR COSTS INCURRED TO**  
 13 **PROVIDE A BILL UNDER THIS SUBSECTION.**

14           **(b) (1) THE DEPARTMENT SHALL DEVELOP AND MAKE AVAILABLE ON ITS**  
 15 **WEBSITE ~~A FORM BILL FOR USE BY A GROUND LEASE HOLDER~~ THE FORM A GROUND**  
 16 **LEASE HOLDER MUST USE TO PROVIDE TO A LEASEHOLD TENANT THE BILL**  
 17 **REQUIRED UNDER SUBSECTION (A)(1)(II) OF THIS SECTION.**

18           **(2) The FORM bill ~~MADE AVAILABLE ON THE DEPARTMENT’S WEBSITE~~**  
 19 **shall include a notice in boldface type, at least as large as 14 point, in substantially the**  
 20 **following form:**

21                                   “NOTICE REQUIRED BY MARYLAND LAW  
 22                                   REGARDING YOUR GROUND RENT

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

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

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

28           (name of ground lease holder)

29           (address)

30           (phone number)

31           NOTE REGARDING YOUR RIGHTS AND RESPONSIBILITIES UNDER MARYLAND  
 32           LAW:

33           The ground lease holder is required to register the ground lease with the State Department  
 34           of Assessments and Taxation and is prohibited from collecting ground rent payments unless  
 35           the ground lease is registered. If the ground lease is registered, as the owner of this

1 property, you are obligated to pay the ground rent to the ground lease holder. To determine  
2 whether the ground lease is registered, you may check the [Web site] **WEBSITE** of the State  
3 Department of Assessments and Taxation. It is also your responsibility to notify the ground  
4 lease holder if you change your address or transfer ownership of the property.

5 If you fail to pay the ground rent on time, you are still responsible for paying the ground  
6 rent. In addition, if the ground lease holder files an action in court to collect the past due  
7 ground rent, you may be required to pay the ground lease holder for fees and costs  
8 associated with the collection of the past due ground rent. In addition, the ground lease  
9 holder may also file an action in court to take possession of the property, which may result  
10 in your being responsible for additional fees and costs and ultimately in your loss of the  
11 property. Please note that under Maryland law, a ground lease holder may demand not  
12 more than 3 years of past due ground rent, and there are limits on how much a ground  
13 lease holder may be reimbursed for fees and costs. If you fail to pay the ground rent on  
14 time, you should contact a lawyer for advice.

15 As the owner of this property, you are entitled to redeem, or purchase, the ground lease  
16 from the ground lease holder and obtain absolute ownership of the property. Unless you  
17 and the ground lease holder agree to a lesser amount, the amount to redeem your ground  
18 lease is \_\_\_\_\_. If you wish to redeem the ground lease, contact the ground lease holder. If  
19 the identity of the ground lease holder is unknown, the State Department of Assessments  
20 and Taxation provides a process to redeem the ground lease that may result in your  
21 obtaining absolute ownership of the property. If you would like to obtain absolute  
22 ownership of this property, you should contact a lawyer for advice.”

23 8–810.

24 (a) Within 30 days after any transfer of a ground lease, the transferee shall notify  
25 the leasehold tenant **AND THE DEPARTMENT** of the transfer.

26 (b) (1) The notification shall include the name and address of the new ground  
27 lease holder and the date of the transfer.

28 (2) If the property is subject to a redeemable ground rent, the notification  
29 shall also include the following notice:

30 “As the owner of the property subject to this ground lease, you are entitled to redeem,  
31 or purchase, the ground lease from the ground lease holder and obtain absolute ownership  
32 of the property. The redemption amount is fixed by law but may also be negotiated with  
33 the ground lease holder for a different amount. For information on redeeming the ground  
34 lease, contact the ground lease holder.”

35 (c) **(1)** A ground lease holder shall send notice under this section to the last  
36 known address of the leasehold tenant **AND THE PREMISES ADDRESS LISTED IN THE**  
37 **RECORDS OF THE DEPARTMENT BY FIRST-CLASS MAIL AND CERTIFIED MAIL,**  
38 **RETURN RECEIPT REQUESTED.**



1           **(2) IF A LEASEHOLD TENANT’S LAST KNOWN MAILING ADDRESS AND**  
2 **PREMISES ADDRESS LISTED IN THE RECORDS OF THE DEPARTMENT ARE**  
3 **DIFFERENT, THE GROUND LEASE HOLDER SHALL MAIL ONE COPY OF THE NOTICE BY**  
4 **FIRST-CLASS MAIL AND ONE COPY OF THE NOTICE BY CERTIFIED MAIL, RETURN**  
5 **RECEIPT REQUESTED, TO EACH ADDRESS, RESPECTIVELY.**

6           **(3) A GROUND LEASE HOLDER MAY NOT REQUIRE A LEASEHOLD**  
7 **TENANT TO REIMBURSE THE GROUND LEASE HOLDER FOR COSTS INCURRED IN**  
8 **PROVIDING NOTICE REQUIRED UNDER THIS SECTION.**

9           SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect  
10 October 1, 2023.

Approved:

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Governor.

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President of the Senate.

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Speaker of the House of Delegates.