

# SENATE BILL 366

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By: **Senator Jones–Rodwell (By Request – Baltimore City Administration)**

Introduced and read first time: January 25, 2013

Assigned to: Judicial Proceedings

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## A BILL ENTITLED

1 AN ACT concerning

2 **Baltimore City – Extinguishment or Redemption of Ground Rents**

3 FOR the purpose of altering the scope of a certain procedure in law that authorizes  
4 Baltimore City to apply to the State Department of Assessments and Taxation  
5 in order to extinguish or redeem a ground rent on property acquired by  
6 Baltimore City under certain circumstances; altering the contents of a certain  
7 affidavit required in a certain procedure to extinguish or redeem a ground rent  
8 on property acquired by Baltimore City under certain circumstances; altering  
9 the scope of a certain procedure to authorize a landlord of abandoned or  
10 distressed property acquired by Baltimore City to collect a certain redemption  
11 amount under certain circumstances; and generally relating to ground rents in  
12 Baltimore City.

13 BY repealing and reenacting, with amendments,  
14 Article – Real Property  
15 Section 8–110  
16 Annotated Code of Maryland  
17 (2010 Replacement Volume and 2012 Supplement)

18 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
19 MARYLAND, That the Laws of Maryland read as follows:

20 **Article – Real Property**

21 8–110.

22 (a) (1) This section does not apply to leases of property leased for  
23 business, commercial, manufacturing, mercantile, or industrial purposes or any other  
24 purpose which is not primarily residential, where the term of the lease, including all  
25 renewals provided for, does not exceed 99 years. A lease of the entire property  
26 improved or to be improved by any apartment, condominium, cooperative, or other

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 building for multiple-family use on the property constitutes a business and not a  
2 residential purpose. The term “multiple-family use” does not apply to any duplex or  
3 single-family structure converted to a multiple-dwelling unit.

4 (2) Except as provided in subsection (f) of this section, this section does  
5 not apply to irredeemable leases executed before April 9, 1884.

6 (3) This section does not apply to leases of the ground or site upon  
7 which dwellings or mobile homes are erected or placed in a mobile home development  
8 or mobile home park.

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

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

16 (2) The reversion is redeemable:

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

18 1. 25, which is capitalization at 4 percent, if the lease  
19 was executed from April 8, 1884 to April 5, 1888, both inclusive;

20 2. 8.33, which is capitalization at 12 percent, if the lease  
21 was or is created after July 1, 1982; or

22 3. 16.66, which is capitalization at 6 percent, if the lease  
23 was created at any other time;

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

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

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

30 (d) Notwithstanding subsection (b) of this section, any regulatory changes  
31 made by a federal agency, instrumentality, or subsidiary, including the Department of  
32 Housing and Urban Development, the Federal Housing Administration, the  
33 Government National Mortgage Association, the Federal National Mortgage

1 Association, and the Veterans' Administration, shall be applicable to redemption of  
2 reversions of leases for longer than 15 years.

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

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

10 (f) (1) (i) A tenant who has given the landlord notice in accordance  
11 with subsection (b) of this section may apply to the State Department of Assessments  
12 and Taxation to redeem a ground rent as provided in this subsection.

13 (ii) When the Mayor and City Council of Baltimore City  
14 [condemns] **ACQUIRES** property that is subject to an irredeemable ground rent, the  
15 City shall become the tenant of the ground rent and, after giving the landlord notice in  
16 accordance with subsection (b) of this section, may apply to the State Department of  
17 Assessments and Taxation to extinguish the ground rent as provided in this  
18 subsection.

19 (iii) When the Mayor and City Council of Baltimore City  
20 [condemns] **ACQUIRES** abandoned or distressed property that is subject to a  
21 redeemable ground rent, the City shall become the tenant of the ground rent and, after  
22 giving the landlord notice in accordance with subsection (b) of this section, may apply  
23 to the State Department of Assessments and Taxation to redeem the ground rent as  
24 provided in this subsection.

25 (2) The tenant shall provide to the State Department of Assessments  
26 and Taxation:

27 (i) Documentation satisfactory to the Department of the lease  
28 and the notice given to the landlord; and

29 (ii) Payment of a \$20 fee, and any expediting fee required under  
30 § 1-203 of the Corporations and Associations Article.

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

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

1           (4) Except as provided in paragraph (5) of this subsection, no earlier  
2 than 90 days after the application has been posted as provided in paragraph (3) of this  
3 subsection, a tenant seeking to redeem a ground rent shall provide to the Department:

4           (i) Payment of the redemption amount and up to 3 years' back  
5 rent to the extent required under this section and § 8–111.1 of this subtitle, in a form  
6 satisfactory to the Department; and

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

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

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

16           (5) No earlier than 90 days after the application has been posted as  
17 provided in paragraph (3) of this subsection, a tenant seeking to extinguish an  
18 irredeemable ground rent or to redeem a redeemable ground rent on abandoned or  
19 distressed property that was acquired or is being acquired by the Mayor and City  
20 Council of Baltimore [through condemnation] shall provide to the Department:

21           (i) Payment of up to 3 years' back rent to the extent required  
22 under this section and § 8–111.1 of this subtitle, in a form satisfactory to the  
23 Department; and

24           (ii) An affidavit made by the Director of the Office of Property  
25 Acquisition and Relocation in the Baltimore City Department of Housing and  
26 Community Development certifying that:

27                   1. The property is abandoned property, as defined in §  
28 21–17(a)(2) of the Public Local Laws of Baltimore City, or distressed property, as  
29 defined in § 21–17(a)(3) of the Public Local Laws of Baltimore City;

30                   2. The property was acquired or is being acquired by the  
31 Mayor and City Council of Baltimore City [through condemnation];

32                   3. [A thorough title search has been conducted;

33                   4.] The landlord of the property [cannot be located or  
34 identified] **HAS NOT REGISTERED THE GROUND LEASE WITH THE STATE**

1 DEPARTMENT OF ASSESSMENTS AND TAXATION UNDER SUBTITLE 7 OF THIS  
2 TITLE; and

3 [5.] 4. The existence of the ground rent is an  
4 impediment to redevelopment of the site.

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

7 (7) Upon receipt of the documentation, fees, and where applicable, the  
8 redemption amount and 3 years' back rent to the extent required under this section  
9 and § 8–111.1 of this subtitle, the Department shall issue to the tenant a ground rent  
10 redemption certificate or a ground rent extinguishment certificate, as appropriate.

11 (8) The redemption or extinguishment of the ground rent is effective to  
12 conclusively vest a fee simple title in the tenant, free and clear of any and all right,  
13 title, or interest of the landlord, any lien of a creditor of the landlord, and any person  
14 claiming by, through, or under the landlord when the tenant records the certificate in  
15 the land records of the county in which the property is located.

16 (9) The landlord, any creditor of the landlord, or any other person  
17 claiming by, through, or under the landlord may file a claim with the Department in  
18 order to collect all, or any portion of, where applicable, the redemption amount and 3  
19 years' back rent to the extent required under this section and § 8–111.1 of this  
20 subtitle, without interest, by providing to the Department:

21 (i) Documentation satisfactory to the Department of the  
22 claimant's interest; and

23 (ii) Payment of a \$20 fee, and any expediting fee required under  
24 § 1–203 of the Corporations and Associations Article.

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

29 1. Proof of payment to the landlord by the Department of  
30 back rent under paragraph (9) of this subsection; and

31 2. Payment of a \$20 fee.

32 (ii) A landlord of abandoned or distressed property [condemned]  
33 **ACQUIRED** by the Mayor and City Council of Baltimore City whose ground rent has  
34 been redeemed may file a claim with the Baltimore City Director of Finance to collect  
35 the redemption amount, by providing to the Director:

1                   1.     Proof of payment to the landlord by the Department of  
2 back rent under paragraph (9) of this subsection; and

3                   2.     Payment of a \$20 fee.

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

8                   (ii)    In an appeal, the landlord is entitled to receive the fair  
9 market value of the landlord's interest in the property at the time of the  
10 extinguishment.

11                  (12) In the event of a dispute regarding the payment by the  
12 Department to any person of all or any portion of the collected redemption amount and  
13 up to 3 years' back rent to the extent required by this section and § 8-111.1 of this  
14 subtitle, the Department may:

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

17                   (ii)    Reimburse the landlord from the fund established in §  
18 1-203.3 of the Corporations and Associations Article.

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

21                   (i)     The redemption amount; and

22                   (ii)    Up to 3 years' back rent to the extent required by this  
23 section and § 8-111.1 of this subtitle.

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

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

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

32                  (17) Any redemption or extinguishment funds not collected by a  
33 landlord under this subsection within 20 years after the date of the payment to the  
34 Department by the tenant shall escheat to the State. The Department shall annually

1 transfer any funds that remain uncollected after 20 years to the State General Fund at  
2 the end of each fiscal year.

3 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
4 October 1, 2013.