

HOUSE BILL 637

N1

5lr2055
CF SB 565

By: **Delegates Holmes and Beidle**

Introduced and read first time: February 12, 2015

Assigned to: Environment and Transportation

A BILL ENTITLED

1 AN ACT concerning

2 **Real Property – Redeemable Ground Rents**

3 FOR the purpose of requiring a redeemable ground rent to be redeemed on the occurrence
4 of certain events; requiring a certain default to be cured before a ground rent is
5 redeemed under certain circumstances; providing for the application of this Act; and
6 generally relating to redeemable ground rents.

7 BY renumbering

8 Article – Real Property

9 Section 8–110(c) through (f), respectively

10 to be Section 8–110(d) through (g), respectively

11 Annotated Code of Maryland

12 (2010 Replacement Volume and 2014 Supplement)

13 BY repealing and reenacting, with amendments,

14 Article – Real Property

15 Section 8–110(a)

16 Annotated Code of Maryland

17 (2010 Replacement Volume and 2014 Supplement)

18 BY repealing and reenacting, without amendments,

19 Article – Real Property

20 Section 8–110(b)

21 Annotated Code of Maryland

22 (2010 Replacement Volume and 2014 Supplement)

23 BY adding to

24 Article – Real Property

25 Section 8–110(c)

26 Annotated Code of Maryland

27 (2010 Replacement Volume and 2014 Supplement)

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
2 That Section(s) 8–110(c) through (f), respectively, of Article – Real Property of the
3 Annotated Code of Maryland be renumbered to be Section(s) 8–110(d) through (g),
4 respectively.

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

7 **Article – Real Property**

8 8–110.

9 (a) (1) This section does not apply to leases of property leased for business,
10 commercial, manufacturing, mercantile, or industrial purposes or any other purpose which
11 is not primarily residential, where the term of the lease, including all renewals provided
12 for, does not exceed 99 years. A lease of the entire property improved or to be improved by
13 any apartment, condominium, cooperative, or other building for multiple–family use on the
14 property constitutes a business and not a residential purpose. The term “multiple–family
15 use” does not apply to any duplex or single–family structure converted to a
16 multiple–dwelling unit.

17 (2) Except as provided in subsection [(f)] (G) of this section, this section
18 does not apply to irredeemable leases executed before April 9, 1884.

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

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

24 (b) (1) Except for apartment and cooperative leases, any reversion reserved in
25 a lease for longer than 15 years is redeemable at any time, at the option of the tenant, after
26 30 days’ notice to the landlord. Notice shall be given by certified mail, return receipt
27 requested, and by first–class mail to the last known address of the landlord.

28 (2) The reversion is redeemable:

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

30 1. 25, which is capitalization at 4 percent, if the lease was
31 executed from April 8, 1884 to April 5, 1888, both inclusive;

32 2. 8.33, which is capitalization at 12 percent, if the lease was
33 or is created after July 1, 1982; or

1 3. 16.66, which is capitalization at 6 percent, if the lease was
2 created at any other time;

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

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

6 **(C) (1) THIS SUBSECTION DOES NOT APPLY TO:**

7 **(I) A TRANSFER BY FORECLOSURE SALE TO THE SECURED**
8 **PARTY OF THE SECURITY INSTRUMENT BEING FORECLOSED;**

9 **(II) A TRANSFER TO A LENDER BY DEED IN LIEU OF**
10 **FORECLOSURE;**

11 **(III) A TRANSFER BY A FIDUCIARY IN THE COURSE OF THE**
12 **ADMINISTRATION OF A DECEDENT'S ESTATE OR TRUST TO AN HEIR OR LEGATEE OF**
13 **THE ESTATE OR A BENEFICIARY OF THE TRUST;**

14 **(IV) A TRANSFER TO A SPOUSE OR FORMER SPOUSE IN**
15 **ACCORDANCE WITH A PROPERTY SETTLEMENT AGREEMENT OR ORDER OF COURT IN**
16 **AN ACTION FOR DIVORCE OR ANNULMENT; OR**

17 **(V) A LOAN SECURED BY A HOME EQUITY LINE OF CREDIT.**

18 **(2) A REDEEMABLE GROUND RENT SHALL BE REDEEMED ON THE**
19 **OCCURRENCE OF THE EARLIER OF THE FOLLOWING EVENTS:**

20 **(I) THE PROPERTY SUBJECT TO THE REDEEMABLE GROUND**
21 **RENT IS TRANSFERRED FOR ARM'S LENGTH CONSIDERATION; OR**

22 **(II) THE TENANT OBTAINS OR REFINANCES A LOAN SECURED BY**
23 **A MORTGAGE OR DEED OF TRUST ON THE PROPERTY SUBJECT TO THE REDEEMABLE**
24 **GROUND RENT.**

25 **(3) IF A COLLECTION OR ENFORCEMENT PROCEDURE HAS BEEN**
26 **INSTITUTED TO COLLECT A PAST DUE GROUND RENT, THE DEFAULT MUST BE CURED**
27 **BEFORE THE GROUND RENT IS REDEEMED.**

28 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
29 October 1, 2015.