

SENATE BILL 196

N1

3lr1198
CF HB 93

By: **Senators Sydnor and Hayes**

Introduced and read first time: January 20, 2023

Assigned to: Judicial Proceedings

A BILL ENTITLED

1 AN ACT concerning

2 **Residential Ground Leases – Redemption and Extinguishment – Requirements**

3 FOR the purpose of repealing a prohibition against a leasehold tenant who is seeking to
4 redeem or extinguish a ground rent providing certain documentation and payment
5 to the State Department of Assessments and Taxation earlier than 90 days after the
6 application for redemption or extinguishment has been posted on the Department’s
7 website; and generally relating to ground leases.

8 BY renumbering

9 Article – Real Property

10 Section 8–801(b) through (f)

11 to be Section 8–801(c) through (g), respectively

12 Annotated Code of Maryland

13 (2015 Replacement Volume and 2022 Supplement)

14 BY repealing and reenacting, without amendments,

15 Article – Real Property

16 Section 8–801(a) and 8–804(a)

17 Annotated Code of Maryland

18 (2015 Replacement Volume and 2022 Supplement)

19 BY adding to

20 Article – Real Property

21 Section 8–801(b)

22 Annotated Code of Maryland

23 (2015 Replacement Volume and 2022 Supplement)

24 BY repealing and reenacting, with amendments,

25 Article – Real Property

26 Section 8–804(f)

27 Annotated Code of Maryland

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



(2015 Replacement Volume and 2022 Supplement)

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

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

Article – Real Property

8–801.

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

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

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.

(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 [State] Department [of Assessments and Taxation] 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 [State] Department [of Assessments and Taxation] 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 [State] Department [of Assessments and Taxation] to redeem the ground rent as provided in this subsection.

(2) The leasehold tenant shall provide to the [State] Department [of Assessments and Taxation]:

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

3 (ii) Payment of a \$20 fee, and any expediting fee required under §
4 1–203 of the Corporations and Associations Article.

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

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

9 (4) Except as provided in paragraph (5) of this subsection, [no earlier than
10 90 days after the application has been posted as provided in paragraph (3) of this
11 subsection,] a leasehold tenant seeking to redeem a ground rent shall provide to the
12 Department:

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

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

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

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

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

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

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

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

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

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

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

11 (7) [Upon receipt of the documentation, fees, and, where applicable, the
12 redemption amount and 3 years' past due ground rent to the extent required under this
13 section and § 8–806 of this subtitle, the] **THE** Department shall issue to [the] **A** leasehold
14 tenant a ground rent redemption certificate or a ground rent extinguishment certificate, as
15 appropriate, **WHEN:**

16 **(I) NOTICE THAT APPLICATION HAS BEEN MADE TO REDEEM**
17 **OR EXTINGUISH THE GROUND RENT HAS BEEN POSTED ON THE DEPARTMENT'S**
18 **WEBSITE FOR AT LEAST 90 DAYS; AND**

19 **(II) THE DEPARTMENT HAS RECEIVED THE DOCUMENTATION,**
20 **FEES, AND, WHERE APPLICABLE, THE REDEMPTION AMOUNT AND 3 YEARS' PAST**
21 **DUE GROUND RENT TO THE EXTENT REQUIRED UNDER THIS SECTION AND § 8–806**
22 **OF THIS SUBTITLE.**

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

29 (9) The ground lease holder, any creditor of the ground lease holder, or any
30 other person claiming by, through, or under the ground lease holder may file a claim with
31 the Department in order to collect all, or any portion of, where applicable, the redemption
32 amount and 3 years' past due ground rent to the extent required under this section and §
33 8–806 of this subtitle, without interest, by providing to the Department:

34 (i) Documentation satisfactory to the Department of the claimant's
35 interest; and

1 (ii) Payment of a \$20 fee, and any expediting fee required under §
2 1–203 of the Corporations and Associations Article.

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

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

9 2. Payment of a \$20 fee.

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

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

16 2. Payment of a \$20 fee.

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

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

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

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

30 (ii) Reimburse the ground lease holder from the fund established in
31 § 1–203.3 of the Corporations and Associations Article.

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

34 (i) The redemption amount; and

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

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

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

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

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

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