

SENATE BILL 851

N1
SB 1095/14 – JPR

EMERGENCY BILL

5lr2777
CF 5lr2798

By: **Senators Gladden and Raskin**

Introduced and read first time: February 24, 2015

Assigned to: Rules

A BILL ENTITLED

1 AN ACT concerning

2 **Real Property – Ground Rents**

3 FOR the purpose of altering a certain definition for purposes of certain provisions of law
4 prohibiting nonjudicial actions to take possession of property; repealing certain
5 provisions of law providing that the establishment of a lien is the remedy for
6 nonpayment of a ground rent on certain residential property; prohibiting a certain
7 landlord from receiving reimbursement for additional costs and expenses related to
8 collection of back rent under certain circumstances; altering the application of
9 certain provisions of law requiring a certain landlord to give certain notice to certain
10 persons when a certain ground rent is in arrears; altering the manner of giving a
11 certain notice; authorizing the holder of a certain ground rent in arrears to be
12 reimbursed for certain expenses under certain circumstances; altering the
13 application of certain provisions of law authorizing a certain person to bring an
14 action for possession of certain property; requiring service of process in a certain
15 action for nonpayment of ground rent to be made in a certain manner; repealing
16 certain provisions of law authorizing service in a certain action for nonpayment of
17 ground rent to be made in a certain manner; providing that certain provisions of law
18 authorizing a default judgment in rem for possession of certain property do not apply
19 to certain actions for nonpayment of certain ground rent; requiring that each
20 lienholder of record be made a party to a certain action for possession of property;
21 altering the contents of certain notices required to be included in certain ground rent
22 bills and contracts for the sale of certain residential property subject to a ground
23 lease; altering the period of time after which a certain rent is conclusively presumed
24 to be extinguished if no demand or payment is made for the rent during that period;
25 clarifying that certain prior provisions of law are repealed; making this Act an
26 emergency measure; providing for a delayed effective date for a certain provision of
27 this Act; and generally relating to ground rents.

28 BY repealing
29 Article – Real Property
30 Section 8–402.3

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 Annotated Code of Maryland
2 (2010 Replacement Volume and 2014 Supplement)

3 BY repealing and reenacting, without amendments,
4 Article – Real Property
5 Section 7–113(a)(1) and 8–111.2
6 Annotated Code of Maryland
7 (2010 Replacement Volume and 2014 Supplement)

8 BY repealing and reenacting, with amendments,
9 Article – Real Property
10 Section 7–113(a)(2), 8–107, 8–111.1, 8–402.2, 14–108.1, 14–116.1, and 14–117(a)
11 Annotated Code of Maryland
12 (2010 Replacement Volume and 2014 Supplement)

13 BY adding to
14 Article – Real Property
15 Section 8–402.3
16 Annotated Code of Maryland
17 (2010 Replacement Volume and 2014 Supplement)

18 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
19 That Section(s) 8–402.3 of Article – Real Property of the Annotated Code of Maryland be
20 repealed.

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

23 **Article – Real Property**

24 7–113.

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

26 (2) “Party claiming the right to possession” means a person or successor to
27 any person who:

28 (i) Does not have actual possession of a residential property; and

29 (ii) Has or claims to have a legal right to possession of the residential
30 property:

31 1. By the terms of a contract or foreclosure sale;

32 **2. UNDER A RESIDENTIAL LEASE OR SUBLEASE THAT**
33 **HAS AN INITIAL TERM OF 99 YEARS RENEWABLE FOREVER AND THAT CREATES A**

1 LEASEHOLD ESTATE SUBJECT TO THE PAYMENT OF SEMIANNUAL INSTALLMENTS OF
2 AN ANNUAL LEASE AMOUNT; or

3 [2.] 3. Under a court order, including a court order
4 extinguishing a right of redemption.

5 8-111.1.

6 (a) This section applies to all residential leases or subleases in effect on or after
7 October 1, 1999, which have an initial term of 99 years and which create a leasehold estate,
8 or subleasehold estate, subject to the payment of an annual ground rent.

9 (b) In any suit, action, or proceeding by a landlord, or the transferee of the
10 reversion in leased property, to recover back rent, the landlord, or the transferee of the
11 reversion in leased property is entitled to demand or recover not more than 3 years back
12 rent.

13 (C) IN ADDITION TO RENT PAYABLE UNDER SUBSECTION (B) OF THIS
14 SECTION, A LANDLORD MAY NOT RECEIVE REIMBURSEMENT FOR ANY ADDITIONAL
15 COSTS OR EXPENSES RELATED TO COLLECTION OF THE BACK RENT, EXCEPT AS
16 PROVIDED IN §§ 8-402.2 AND 8-402.3 OF THIS TITLE.

17 [(c)] (D) (1) Notwithstanding any other provision of law, in any suit, action,
18 or proceeding to recover back rent, a landlord or holder of a ground rent may only recover
19 not more than 3 years back rent if the property is:

20 (i) Owned or acquired by any means by the Mayor and City Council
21 of Baltimore; and

22 (ii) Abandoned property, as defined in § 21-17(a)(2) of the Public
23 Local Laws of Baltimore City, or distressed property, as defined in § 21-17(a)(3) of the
24 Public Local Laws of Baltimore City.

25 (2) With regard to property described under paragraph (1) of this
26 subsection, a landlord may request in writing that the Mayor and City Council of Baltimore
27 acquire the reversionary interest under the ground rent for the market value established
28 at the time of the acquisition by the Mayor and City Council of the leasehold interest under
29 the ground rent.

30 8-111.2.

31 (a) This section does not apply to property:

32 (1) Leased for business, commercial, manufacturing, mercantile, or
33 industrial purposes, or any other purpose that is not primarily residential;

1 (2) Improved or to be improved by any apartment, condominium,
2 cooperative, or other building for multifamily use of greater than four dwelling units;

3 (3) Leased for dwellings or mobile homes that are erected or placed in a
4 mobile home development or mobile home park; or

5 (4) Subject to an affordable housing land trust agreement executed under
6 Title 14, Subtitle 5 of this article.

7 (b) On or after January 22, 2007, the owner of a fee simple or leasehold estate in
8 residential property that is or was used, intended to be used, or authorized to be used for
9 four or fewer dwelling units may not create a reversionary interest in the property under a
10 ground lease or a ground sublease for a term of years renewable forever subject to the
11 payment of a periodic ground rent.

12 8-402.2.

13 (a) [(1) This section applies to property:

14 (i) Leased for business, commercial, manufacturing, mercantile, or
15 industrial purposes, or any other purpose that is not primarily residential;

16 (ii) Improved or to be improved by any apartment, condominium,
17 cooperative, or other building for multifamily use of greater than four dwelling units; or

18 (iii) Leased for dwellings or mobile homes that are erected or placed
19 in a mobile home development or mobile home park.

20 (2) This section does not apply to residential property that is or was used,
21 intended to be used, or authorized to be used for four or fewer dwelling units.

22 (b)] Whenever, in a case that involves a 99-year ground lease renewable forever,
23 at least 6 months ground rent is in arrears and the landlord has the lawful right to reenter
24 for the nonpayment of the rent, the landlord, no less than 45 days after sending to the
25 tenant by **FIRST-CLASS MAIL AND BY** certified mail, return receipt requested, at the
26 tenant's last known address, and also by first-class mail to the title agent or attorney listed
27 on the deed to the property or the intake sheet recorded with the deed, a bill for the ground
28 rent due, may bring an action for possession of the property under § 14-108.1 of this
29 article[; if the tenant cannot be personally served or there is no tenant in actual possession
30 of the property, service by posting notice on the property may be made in accordance with
31 the Maryland Rules. Personal service or posting in accordance with the Maryland Rules
32 shall stand in the place of a demand and reentry].

33 [(c)] (B) (1) Before entry of a judgment the landlord shall give written notice
34 of the pending entry of judgment to each mortgagee of the lease, or any part of the lease,
35 who before entry of the judgment has recorded in the land records of each county where the

1 property is located a timely request for notice of judgment. A request for notice of judgment
2 shall:

3 (i) Be recorded in a separate docket or book that is indexed under
4 the name of the mortgagor;

5 (ii) Identify the property on which the mortgage is held and refer to
6 the date and recording reference of that mortgage;

7 (iii) State the name and address of the holder of the mortgage; and

8 (iv) Identify the ground lease by stating:

9 1. The name of the original lessor;

10 2. The date the ground lease was recorded; and

11 3. The office, docket or book, and page where the ground
12 lease is recorded.

13 (2) The landlord shall mail the notice by certified mail return receipt
14 requested to the mortgagee at the address stated in the recorded request for notice of
15 judgment. If the notice is not given, judgment in favor of the landlord does not impair the
16 lien of the mortgagee. Except as otherwise provided in this subsection, the property is
17 discharged from the lease and the rights of all persons claiming under the lease are
18 foreclosed unless, within 6 calendar months after execution of the judgment for possession,
19 the tenant or any other person claiming under the lease:

20 (i) Pays the ground rent, arrears, and all costs awarded against that
21 person; and

22 (ii) Commences a proceeding to obtain relief from the judgment.

23 **[(d)] (C)** This section does not bar the right of any mortgagee of the lease, or any
24 part of the lease, who is not in possession at any time before expiration of 6 calendar months
25 after execution of the judgment awarding the landlord possession, to pay all costs and
26 damages sustained by the landlord and to perform all the covenants and agreements that
27 are to be performed by the tenant.

28 **(D) EXCEPT AS OTHERWISE PROVIDED BY LAW, A LANDLORD MAY NOT**
29 **RECEIVE REIMBURSEMENT FOR ANY ADDITIONAL COSTS OR EXPENSES RELATED TO**
30 **COLLECTION OF THE BACK RENT UNLESS THE NOTICE REQUIREMENTS OF THIS**
31 **SECTION AND § 8-402.3 OF THIS SUBTITLE ARE MET.**

32 **8-402.3.**

1 **(A) IN THIS SECTION, "GROUND RENT" MEANS A RESIDENTIAL LEASE OR**
2 **SUBLEASE IN EFFECT ON OR AFTER JULY 1, 2007, THAT HAS AN INITIAL TERM OF 99**
3 **YEARS RENEWABLE FOREVER AND CREATES A LEASEHOLD ESTATE SUBJECT TO THE**
4 **PAYMENT OF SEMIANNUAL INSTALLMENTS OF AN ANNUAL LEASE AMOUNT.**

5 **(B) (1) IF AUTHORIZED UNDER THE RESIDENTIAL LEASE OR SUBLEASE,**
6 **THE HOLDER OF A GROUND RENT THAT IS AT LEAST 6 MONTHS IN ARREARS IS**
7 **ENTITLED TO REIMBURSEMENT FOR ACTUAL EXPENSES NOT EXCEEDING \$400**
8 **INCURRED IN THE COLLECTION OF THAT PAST DUE GROUND RENT AND IN**
9 **COMPLYING WITH THE NOTICE REQUIREMENTS UNDER § 8-402.2(A) OF THIS**
10 **SUBTITLE, INCLUDING:**

11 **(I) TITLE ABSTRACT AND EXAMINATION FEES;**

12 **(II) JUDGMENT REPORT FEES;**

13 **(III) PHOTOCOPYING AND POSTAGE FEES; AND**

14 **(IV) ATTORNEY'S FEES.**

15 **(2) IF AUTHORIZED UNDER THE RESIDENTIAL LEASE OR SUBLEASE,**
16 **ON FILING AN ACTION FOR EJECTMENT, THE PLAINTIFF OR HOLDER OF A GROUND**
17 **RENT IS ENTITLED TO REIMBURSEMENT FOR REASONABLE EXPENSES INCURRED IN**
18 **THE PREPARATION AND FILING OF THE EJECTMENT ACTION, INCLUDING:**

19 **(I) FILING FEES AND COURT COSTS;**

20 **(II) EXPENSES INCURRED IN THE SERVICE OF PROCESS OR**
21 **OTHERWISE PROVIDING NOTICE;**

22 **(III) TITLE ABSTRACT AND EXAMINATION FEES NOT INCLUDED**
23 **UNDER PARAGRAPH (1) OF THIS SUBSECTION, NOT EXCEEDING \$200;**

24 **(IV) REASONABLE ATTORNEY'S FEES NOT EXCEEDING \$500; AND**

25 **(V) TAXES, INCLUDING INTEREST AND PENALTIES, THAT HAVE**
26 **BEEN PAID BY THE PLAINTIFF OR HOLDER OF A GROUND RENT.**

27 **(C) EXCEPT AS PROVIDED IN SUBSECTION (B) OF THIS SECTION OR IN §**
28 **8-402.2(C) OF THIS SUBTITLE, THE PLAINTIFF OR HOLDER OF A GROUND RENT IS**
29 **NOT ENTITLED TO REIMBURSEMENT FOR ANY OTHER EXPENSES INCURRED IN THE**
30 **COLLECTION OF A GROUND RENT.**

1 **(D) (1) THE HOLDER OF A GROUND RENT MAY NOT BE REIMBURSED FOR**
2 **EXPENSES UNDER SUBSECTION (B) OF THIS SECTION UNLESS THE HOLDER SENDS**
3 **THE TENANT AS IDENTIFIED IN THE RECORDS OF THE STATE DEPARTMENT OF**
4 **ASSESSMENTS AND TAXATION WRITTEN NOTICE AT LEAST 30 DAYS BEFORE TAKING**
5 **ANY ACTION IN ACCORDANCE WITH § 8-402.2(A) OF THIS SUBTITLE AND § 14-108.1**
6 **OF THIS ARTICLE.**

7 **(2) THE NOTICE SHALL BE IN 14 POINT, BOLD FONT, AND CONTAIN**
8 **THE FOLLOWING:**

9 **(I) THE AMOUNT OF THE PAST DUE GROUND RENT; AND**

10 **(II) A STATEMENT THAT UNLESS THE PAST DUE GROUND RENT**
11 **IS PAID WITHIN 30 DAYS, FURTHER ACTION WILL BE TAKEN IN ACCORDANCE WITH §**
12 **8-402.2(A) OF THIS SUBTITLE AND § 14-108.1 OF THIS ARTICLE AND THE TENANT**
13 **WILL BE LIABLE FOR THE EXPENSES AND FEES INCURRED IN CONNECTION WITH THE**
14 **COLLECTION OF THE PAST DUE GROUND RENT AS PROVIDED IN THIS SECTION.**

15 **(3) THE HOLDER OF THE GROUND RENT SHALL:**

16 **(I) MAIL THE NOTICE BY FIRST-CLASS MAIL TO THE TENANT'S**
17 **LAST KNOWN ADDRESS AS SHOWN IN THE RECORDS OF THE STATE DEPARTMENT OF**
18 **ASSESSMENTS AND TAXATION; AND**

19 **(II) OBTAIN A CERTIFICATE OF MAILING FROM THE UNITED**
20 **STATES POSTAL SERVICE.**

21 14-108.1.

22 (a) This section does not apply to:

23 (1) A grantee action under § 14-109 of this subtitle;

24 (2) A landlord-tenant action that is within the exclusive original
25 jurisdiction of the District Court; **OR**

26 (3) [An action for nonpayment of ground rent under a ground lease on
27 residential property that is or was used, intended to be used, or authorized to be used for
28 four or fewer dwelling units; or

29 (4)] An action for wrongful detainer under § 14-132 of this subtitle.

30 (b) (1) A person who is not in possession of property and claims title and right
31 to possession may bring an action for possession against the person in possession of the
32 property.

1 (2) Encumbrance of property by a mortgage or deed of trust to secure a debt
2 does not prevent an action under this section by the owner of the property.

3 **(C) (1) IN AN ACTION UNDER THIS SECTION FOR NONPAYMENT OF**
4 **GROUND RENT UNDER A GROUND LEASE ON RESIDENTIAL PROPERTY THAT IS OR**
5 **WAS USED, INTENDED TO BE USED, OR AUTHORIZED TO BE USED FOR FOUR OR**
6 **FEWER DWELLING UNITS, SERVICE OF PROCESS SHALL BE MADE BY:**

7 **(I) PERSONAL DELIVERY OF THE PAPERS TO THE LEASEHOLD**
8 **TENANT; OR**

9 **(II) LEAVING THE PAPERS WITH A RESIDENT OF SUITABLE AGE**
10 **AND DISCRETION AT THE LEASEHOLD TENANT'S DWELLING HOUSE OR USUAL PLACE**
11 **OF ABODE.**

12 **(2) IF AT LEAST TWO GOOD FAITH EFFORTS TO SERVE THE**
13 **LEASEHOLD TENANT UNDER PARAGRAPH (1) OF THIS SUBSECTION ON DIFFERENT**
14 **DAYS HAVE NOT SUCCEEDED, THE PLAINTIFF MAY EFFECT SERVICE BY:**

15 **(I) FILING AN AFFIDAVIT WITH THE COURT DESCRIBING THE**
16 **GOOD FAITH EFFORTS TO SERVE THE LEASEHOLD TENANT; AND**

17 **(II) 1. MAILING A COPY OF ALL THE DOCUMENTS REQUIRED**
18 **TO BE SERVED BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED, AND**
19 **FIRST-CLASS MAIL TO THE LEASEHOLD TENANT'S LAST KNOWN ADDRESS AND, IF**
20 **DIFFERENT, TO THE ADDRESS OF THE RESIDENTIAL PROPERTY SUBJECT TO THE**
21 **GROUND LEASE; AND**

22 **2. POSTING A COPY OF ALL THE DOCUMENTS REQUIRED**
23 **TO BE SERVED IN A CONSPICUOUS PLACE ON THE RESIDENTIAL PROPERTY SUBJECT**
24 **TO THE GROUND LEASE.**

25 **(3) THE INDIVIDUAL MAKING SERVICE OF PROCESS UNDER THIS**
26 **SUBSECTION SHALL FILE PROOF OF SERVICE WITH THE COURT IN ACCORDANCE**
27 **WITH THE MARYLAND RULES.**

28 **(D) EACH LIENHOLDER OF RECORD SHALL BE MADE A PARTY TO AN ACTION**
29 **UNDER THIS SECTION FOR NONPAYMENT OF GROUND RENT UNDER A GROUND**
30 **LEASE ON RESIDENTIAL PROPERTY THAT IS OR WAS USED, INTENDED TO BE USED,**
31 **OR AUTHORIZED TO BE USED FOR FOUR OR FEWER DWELLING UNITS.**

32 **[(c)] (E) (1) THIS SUBSECTION DOES NOT APPLY TO AN ACTION FOR**
33 **NONPAYMENT OF GROUND RENT UNDER A GROUND LEASE ON RESIDENTIAL**

1 **PROPERTY THAT IS OR WAS USED, INTENDED TO BE USED, OR AUTHORIZED TO BE**
2 **USED FOR FOUR OR FEWER DWELLING UNITS.**

3 **(2)** When personal jurisdiction is not obtained over the defendant, the
4 plaintiff may obtain a default judgment under the Maryland Rules only on proof of title and
5 right to possession. The judgment shall be in rem for possession of the property. Entry and
6 enforcement of the judgment does not bar further pursuit, in the same or another action, of
7 the plaintiff's claim for mesne profits and damages.

8 14–116.1.

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

10 (2) “Ground lease” means a residential lease or sublease for a term of years
11 renewable forever subject to the payment of a periodic ground rent.

12 (3) (i) “Ground lease holder” means the holder of the reversionary
13 interest under a ground lease.

14 (ii) “Ground lease holder” includes an agent of the ground lease
15 holder.

16 (4) “Ground rent” means a rent issuing out of, or collectible in connection
17 with, the reversionary interest under a ground lease.

18 (5) “Leasehold interest” means the tenancy in real property created under
19 a ground lease.

20 (6) “Leasehold tenant” means the holder of the leasehold interest under a
21 ground lease.

22 (b) (1) This section applies to residential property that was or is used, intended
23 to be used, or authorized to be used for four or fewer dwelling units.

24 (2) This section does not apply to property:

25 (i) Leased for business, commercial, manufacturing, mercantile, or
26 industrial purposes, or any other purpose that is not primarily residential;

27 (ii) Improved or to be improved by any apartment, condominium,
28 cooperative, or other building for multifamily use of greater than four dwelling units; or

29 (iii) Leased for dwellings or mobile homes that are erected or placed
30 in a mobile home development or mobile home park.

31 (c) A ground lease holder may not collect a yearly or half-yearly installment
32 payment of a ground rent due under the ground lease unless:

1 (1) The ground lease is registered with the State Department of
2 Assessments and Taxation under Title 8, Subtitle 7 of this article; and

3 (2) At least 60 days before the payment is due, the ground lease holder
4 mails a bill to the last known address of the leasehold tenant and to the address of the
5 property subject to the ground lease.

6 (d) The bill shall include a notice in boldface type, at least as large as 14 point, in
7 substantially the following form:

8 "NOTICE REQUIRED BY MARYLAND LAW

9 REGARDING YOUR GROUND RENT

10 This property (address) is subject to a ground lease. The annual payment on the ground
11 lease ("ground rent") is \$(dollar amount), payable in yearly or half-yearly installments on
12 (date or dates).

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

14 The payment of the ground rent should be sent to:
15 (name of ground lease holder)
16 (address)
17 (phone number)

18 NOTE REGARDING YOUR RIGHTS AND RESPONSIBILITIES UNDER MARYLAND
19 LAW:

20 The ground lease holder is required to register the ground lease with the State Department
21 of Assessments and Taxation and is prohibited from collecting ground rent payments unless
22 the ground lease is registered. If the ground lease is registered, as the owner of this
23 property, you are obligated to pay the ground rent to the ground lease holder. To determine
24 whether the ground lease is registered, you may check the Web site of the State Department
25 of Assessments and Taxation. It is also your responsibility to notify the ground lease holder
26 if you change your address or transfer ownership of the property.

27 If you fail to pay the ground rent on time, you are still responsible for paying the ground
28 rent. In addition, **IF** the ground lease holder [may take action] **FILES AN ACTION IN**
29 **COURT** to collect the past due ground rent, **YOU MAY BE REQUIRED TO PAY THE GROUND**
30 **LEASE HOLDER FOR FEES AND COSTS ASSOCIATED WITH THE COLLECTION OF THE**
31 **PAST DUE GROUND RENT. IN ADDITION, THE GROUND LEASE HOLDER MAY ALSO**
32 **FILE AN ACTION IN COURT TO TAKE POSSESSION OF THE PROPERTY**, which may result
33 **IN YOUR BEING RESPONSIBLE FOR ADDITIONAL FEES AND COSTS AND** ultimately in
34 your loss of the property. Please note that under Maryland law, a ground lease holder may
35 demand not more than 3 years of past due ground rent, **AND THERE ARE LIMITS ON HOW**

1 **MUCH A GROUND LEASE HOLDER MAY BE REIMBURSED FOR FEES AND COSTS.** If you
2 fail to pay the ground rent on time, you should contact a lawyer for advice.

3 As the owner of this property, you are entitled to redeem, or purchase, the ground lease
4 from the ground lease holder and obtain absolute ownership of the property. The
5 redemption amount is fixed by law [but may also be negotiated with the ground lease holder
6 for a different amount. For information on redeeming] **AS FOLLOWS:**

7 **(1) FOR A SUM EQUAL TO THE ANNUAL RENT RESERVED MULTIPLIED**
8 **BY:**

9 **(I) 25, WHICH IS CAPITALIZATION AT 4 PERCENT, IF THE LEASE**
10 **WAS EXECUTED FROM APRIL 8, 1884, TO APRIL 5, 1888, BOTH INCLUSIVE;**

11 **(II) 8.33, WHICH IS CAPITALIZATION AT 12 PERCENT, IF THE**
12 **LEASE WAS OR IS CREATED AFTER JULY 1, 1982; OR**

13 **(III) 16.66, WHICH IS CAPITALIZATION AT 6 PERCENT, IF THE**
14 **LEASE WAS CREATED AT ANY OTHER TIME;**

15 **(2) FOR A LESSER SUM IF SPECIFIED IN THE LEASE; OR**

16 **(3) FOR A SUM TO WHICH THE PARTIES MAY AGREE AT THE TIME OF**
17 **REDEMPTION.**

18 **THE AMOUNT TO REDEEM YOUR GROUND LEASE IS _____.** If you wish to redeem
19 the ground lease, contact the ground lease holder. If the identity of the ground lease holder
20 is unknown, the State Department of Assessments and Taxation provides a process to
21 redeem the ground lease that may result in your obtaining absolute ownership of the
22 property. If you would like to obtain absolute ownership of this property, you should contact
23 a lawyer for advice.”

24 14–117.

25 (a) (1) (i) In this subsection the following words have the meanings
26 indicated.

27 (ii) “Ground lease” means a residential lease or sublease for a term
28 of years renewable forever subject to the payment of a periodic ground rent.

29 (iii) 1. “Ground lease holder” means the holder of the
30 reversionary interest under a ground lease.

31 2. “Ground lease holder” includes an agent of the ground
32 lease holder.

1 (iv) "Ground rent" means a rent issuing out of, or collectible in
2 connection with, the reversionary interest under a ground lease.

3 (v) "Leasehold interest" means the tenancy in real property created
4 under a ground lease.

5 (vi) "Leasehold tenant" means the holder of the leasehold interest
6 under a ground lease.

7 (2) (i) This subsection applies to residential property that was or is
8 used, intended to be used, or authorized to be used for four or fewer dwelling units.

9 (ii) This subsection does not apply to property:

10 1. Leased for business, commercial, manufacturing,
11 mercantile, or industrial purposes, or any other purpose that is not primarily residential;

12 2. Improved or to be improved by any apartment,
13 condominium, cooperative, or other building for multifamily use of greater than four
14 dwelling units; or

15 3. Leased for dwellings or mobile homes that are erected or
16 placed in a mobile home development or mobile home park.

17 (3) A contract for the sale of real property subject to a ground rent shall
18 contain the following notice in boldface type, at least as large as 14 point, in substantially
19 the following form:

20 "NOTICE REQUIRED BY MARYLAND LAW

21 REGARDING YOUR GROUND RENT

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

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

26 The payment of the ground rent should be sent to:
27 (name of ground lease holder)
28 (address)
29 (phone number)

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

1 As the owner of this property, you are obligated to pay the ground rent to the ground lease
2 holder. It is also your responsibility to notify the ground lease holder if you change your
3 address or transfer ownership of the property.

4 If you fail to pay the ground rent on time, you are still responsible for paying the ground
5 rent. In addition, **IF** the ground lease holder [may take action] **FILES AN ACTION IN**
6 **COURT** to collect the past due ground rent, **YOU MAY BE REQUIRED TO PAY THE GROUND**
7 **LEASE HOLDER FOR FEES AND COSTS ASSOCIATED WITH THE COLLECTION OF THE**
8 **PAST DUE GROUND RENT. IN ADDITION, THE GROUND LEASE HOLDER MAY ALSO**
9 **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
11 your loss of the property. Please note that under Maryland law, a ground lease holder may
12 demand not more than 3 years of past due ground rent, **AND THERE ARE LIMITS ON HOW**
13 **MUCH A GROUND LEASE HOLDER MAY BE REIMBURSED FOR FEES AND COSTS.** If you
14 fail to pay the ground rent on 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. The
17 redemption amount is fixed by law [but may also be negotiated with the ground lease holder
18 for a different amount. For information on redeeming] **AS FOLLOWS:**

19 **(1) FOR A SUM EQUAL TO THE ANNUAL RENT RESERVED MULTIPLIED**
20 **BY:**

21 **(i) 25, WHICH IS CAPITALIZATION AT 4 PERCENT, IF THE LEASE**
22 **WAS EXECUTED FROM APRIL 8, 1884, TO APRIL 5, 1888, BOTH INCLUSIVE;**

23 **(ii) 8.33, WHICH IS CAPITALIZATION AT 12 PERCENT, IF THE**
24 **LEASE WAS OR IS CREATED AFTER JULY 1, 1982; OR**

25 **(iii) 16.66, WHICH IS CAPITALIZATION AT 6 PERCENT, IF THE**
26 **LEASE WAS CREATED AT ANY OTHER TIME;**

27 **(2) FOR A LESSER SUM IF SPECIFIED IN THE LEASE; OR**

28 **(3) FOR A SUM TO WHICH THE PARTIES MAY AGREE AT THE TIME OF**
29 **REDEMPTION.**

30 **THE AMOUNT TO REDEEM YOUR GROUND LEASE IS _____.** **IF YOU WISH TO REDEEM**
31 **the ground lease, contact the ground lease holder. If the identity of the ground lease holder**
32 **is unknown, the State Department of Assessments and Taxation provides a process to**
33 **redeem the ground lease that may result in your obtaining absolute ownership of the**
34 **property. If you would like to obtain absolute ownership of this property, you should contact**
35 **a lawyer for advice.”.**

1 SECTION 3. AND BE IT FURTHER ENACTED, That the Laws of Maryland read
2 as follows:

3 **Article – Real Property**

4 8–107.

5 If there is no demand or payment for more than [20] 7 consecutive years of any
6 specific rent reserved out of a particular property or any part of a particular property under
7 any form of lease, the rent conclusively is presumed to be extinguished and the landlord
8 may not set up any claim for the rent or to the reversion in the property out of which it
9 issued. The landlord also may not institute any suit, action, or proceeding to recover the
10 rent or the property. **IN ORDER TO PROVE A DEMAND FOR PAYMENT OF A GROUND**
11 **RENT, THE LANDLORD SHALL SHOW THAT THE LANDLORD HAS MAILED A BILL TO**
12 **THE LAST KNOWN ADDRESS OF THE LEASEHOLD TENANT AND TO THE ADDRESS OF**
13 **THE PROPERTY SUBJECT TO THE GROUND LEASE IN ACCORDANCE WITH § 14–116.1**
14 **OF THIS ARTICLE.** However, if the landlord is under any legal disability when the period
15 of [20] 7 years of nondemand or nonpayment expires, the landlord has two years after the
16 removal of the disability within which to assert the landlord's rights.

17 SECTION 4. AND BE IT FURTHER ENACTED, That Section(s) 8–402.2(d) and
18 8–402.3 of Article – Real Property of the Annotated Code of Maryland (2003 Replacement
19 Volume and 2006 Supplement) as in effect on June 30, 2007, be repealed.

20 SECTION 5. AND BE IT FURTHER ENACTED, That Section 3 of this Act shall take
21 effect June 1, 2016.

22 SECTION 6. AND BE IT FURTHER ENACTED, That this Act is an emergency
23 measure, is necessary for the immediate preservation of the public health or safety, has
24 been passed by a yea and nay vote supported by three–fifths of all the members elected to
25 each of the two Houses of the General Assembly and, except as provided in Section 5 of this
26 Act, shall take effect from the date it is enacted.