

**WITNESS SHEET
SENATE JUDICIAL PROCEEDINGS COMMITTEE**

DATE OF HEARING: FEBRUARY 28, 2007

SENATE BILL NO.: 398

HOUSE BILL NO.:

SUBJECT: GROUND RENTS NOTICES REGARDING GROUND LEASES

SPONSORED BY: SENATOR GLADDEN, ET AL

PLEASE PRINT CLEARLY AND LIMIT YOUR SPEAKING TIME TO 3 MINUTES OR LESS

SUPPORT	SUPPORT WITH AMENDMENTS	OPPOSE	NAME AND ADDRESS	REPRESENTING	PHONE NO.
✓			Joseph Krone	MYSELF	910-654-1307
✓			Atty General Doug Gansler		
	✓		Lorenzo Bellamy, Esq.	Alexander & Cleaver	
	✓		R. Marc Goldberg, Esq.	Ground Rent Owners Coalition	
	✓		Bill Pitcher	Maryland Land Title Association	
	✓		Jim Cosgrove		
	✓		Katherine H Howard	Regional Management, Inc	539-2370 (410)
	✓		Earlson Cook	GBLR	410-337-7200
✓			Joseph Bryce - Governor's Office		410-974-3336

IF THERE IS WRITTEN TESTIMONY, PLEASE PROVIDE 20 COPIES ONE HOUR BEFORE THE HEARING TO THE COMMITTEE STAFF, THANK YOU FOR YOUR COOPERATION.

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SUPPORT	SUPPORT WITH AMENDMENTS	OPPOSE	NAME AND ADDRESS	REPRESENTING	PHONE NO.
✓			Paul Guarino William Bungee	Panel Public Housing	410-264-0207
✓					
✓			Phillip Robinson		410-706-0174
✓			Kathy Ridgeway		410-679-8225
	✓		Charles Musker	self	410-349-9599

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**SENATE OF MARYLAND
JUDICIAL PROCEEDINGS COMMITTEE
VOTING RECORD**

DATE 3-16-07

SB 398

HB _____

SJR _____

HJR _____

MOTION FWA

BILL PASSED FAILED _____

FAVORABLE _____

FAVORABLE WITH AMENDMENT

RE-REFER _____

UNFAVORABLE _____

HOLD _____

OTHER _____

AMENDMENT

I.D. No./SPONSOR _____

VOTE FAV

ADOPTED Yes

*Sen Stone
Sen. Raskin*

	YEAS	NAYS
SENATOR FROSH, CHAIRMAN	✓	
SENATOR GLADDEN, VICE CHAIRMAN	✓	
SENATOR BROCHIN	✓	
SENATOR FOREHAND	✓	
SENATOR HAINES	✓	
SENATOR JACOBS	✓	
SENATOR MOONEY	✓	
SENATOR MUSE	✓	
SENATOR RASKIN	✓	
SENATOR SIMONAIRE	✓	
SENATOR STONE	✓	
TOTAL	11	—



SENATE JUDICIAL PROCEEDINGS COMMITTEE
BRIAN E. FROSH, CHAIRMAN · COMMITTEE REPORT SYSTEM
DEPARTMENT OF LEGISLATIVE SERVICES · 2007 MARYLAND GENERAL ASSEMBLY

FLOOR REPORT

SENATE BILL 398

Ground Rents - Notices Regarding Ground Leases

SPONSORS: Senator Gladden, *et al.*

COMMITTEE RECOMMENDATION: Favorable with amendments (4)

BILL SUMMARY:

This bill imposes new notice requirements on both the leasehold tenant and the ground lease holder, as well as the seller of property subject to a ground lease. Specifically, the bill:

1. requires the leasehold tenant to notify the ground leaseholder of a change in the leasehold tenant's address (current law already requires the LT to notify the GLH when the LT transfers improvements to the property subject to the ground lease);

2. requires the ground lease holder to send a bill to the leasehold tenant at least 60 days before a payment is due; and requires the bill to include a specified notice about how to pay the ground rent, consequences of failure to pay the rent, and the right to redeem the ground lease; and

3. requires a contract for the sale of property that has a ground lease to include the same notice described above.

COMMITTEE AMENDMENTS: The committee adopted 4 amendments.

Amendment No. 1 – adds cosponsors and makes technical changes to the title of the bill

Amendment Nos. 2 & 3 – revise the defined terms and make the notice requirements applicable to residential property

Amendment No. 4 – clarifies the contents of the notice that is given in the periodic billing statement and in a sales contract for property that is subject to a ground lease

CURRENT LAW:

Within 30 days of any transfer of improvements located on property subject to a ground rent, the transferor must notify the holder of the reversionary interest (the landlord) of the transfer, including the name and address of the transferee, and the date of transfer. The notice must be given by certified mail, return receipt requested, to the landlord's last known address.

A contract for the sale of real property subject to a ground must contain: (1) notice of the existence of the ground rent; and (2) notice that if the ground rent is not paid in a timely fashion, the effect may be that the landlord may bring an action for possession and, as a result, the landlord may own the property in fee, discharged from the lease.

A ground rent established on or after April 9, 1884 may be redeemed by the tenant. The tenant must give the ground rent holder one month's notice and pay:

- an amount equal to the annual rent multiplied by:
 - 25, which is capitalization at 4%, if the lease was executed from April 8, 1884 to April 5, 1888;
 - 8.33, which is capitalization at 12%, if the lease was executed after July 1, 1982; or
 - 16.66, which is capitalization at 6%, if the lease was executed at any other time;
- a lesser sum, if specified in the lease; or
- a sum to which the parties may agree at the time of redemption.

If the lease was executed after July 1, 1982, the reversion is redeemable five years after the date of the lease. If the lease was entered before that time, it may be redeemed at any time.

CROSS FILE:

HB 502 (Delegate Stein and the Speaker (Administration), *et al.*) – ENV



BALTIMORE COUNTY
- MARYLAND

JAMES T. SMITH, JR.
County Executive

FRANK J. PRINCIPE JR., *Government Affairs Director*
ERIN P. FAVAZZA, *State Affairs Director*
Legislative Liaison Office

Senate Bill 398

To: Senate Judicial Proceedings Committee
From: James T. Smith, Jr., County Executive
Staff Contact: Erin P. Favazza, State Affairs Director
Title: Ground Rents – Notices Regarding Ground Leases
Sponsor: Senators Gladden, Della, Conway, et al.
Position: SUPPORT

Baltimore County **SUPPORTS** Senate Bill 398 because it is part of an overall legislative package to reform Maryland's antiquated ground rent system that has unjustly caused families to lose their homes. While Baltimore County does not have definitive data on the number of ground rents in the County, based on anecdotal accounts, many are located in the County.

Additionally, the County supports the other pieces of the Governor's legislative package to reform ground rents that will provide homeowners with better protection, understanding, and opportunities to buy their own ground rents, as well as provide a more equitable remedy for failure to pay the ground rent. Those pieces of legislation include:

- Prohibit the use of ejectment as a remedy for the nonpayment of ground rent;
- Establish that the sole remedy for the nonpayment of ground rent is the creation of a lien in the amount of the ground rent due;
- Require that in order to create a lien, the ground rent must be at least 6 months in arrears and the ground rent owner must provide written notice to the tenant;
- Repeal the waiting period for a tenant to redeem a ground rent and require that the ground rent owner give the tenant the first opportunity to redeem a ground rent before offering to a third party;

- Create a registry and on-line database for ground rents and properties subject to ground rents with the Maryland State Department of Assessments and Taxation; and
- Decrease, from 20 years to 3 years, the amount of time after which, if no demand or payment of ground rent is made, a ground rent is extinguished.

For these reasons, Baltimore County **SUPPORTS** SB 398 and requests a **FAVORABLE** report.

GROUND RENT OWNERS COALITION
TESTIMONY IN SUPPORT OF SB 398
WITH AMENDMENTS

GROUND RENTS - NOTICES REGARDING GROUND LEASES

Offered Before The Senate Judicial Proceedings Committee

February 28, 2007

The GRO Coalition is a collection of real estate investors, attorneys, and other individuals from across Maryland who own ground rents.

The GRO Coalition's mission is to adequately strike a balance between protecting consumer rights and protecting existing property interests of its member real estate investors and professionals.

The GRO Coalition extends its open hand to the legislature in modernizing the existing procedure for the collection of ground rents. Of the eight administration bills, the GRO Coalition supports, with amendments, most, but not all.

The GRO Coalition supports efforts to make ground rent redemption a natural part of every capital real estate transaction so that, by natural means, ground rents will become extinct, within a short period of time.

Meanwhile, however, Tenants have an existing obligation to pay ground rent. Tenants may be given several notices to pay their obligations, but the nature of the ground rent property interest is such that failure to pay does result in consequences.

The GRO Coalition welcomes the opportunity to work with the legislature in crafting appropriate solutions which balance the existing property rights of ground rent owners with reasonable additional protections for Tenants.

GRO Coalition Testimony In Support of SB 398
With Amendments
February 28, 2007
Page 2

GRO generally supports this bill with the following issues addressed:

Issue:

- Bill must address the most frequent causes of Tenants not receiving bills for ground rent: transfer of property, transfer of mortgage servicing, failure to notify Department of Assessments of new address.

GRO Coalition response:

- This bill should address all changes which result in Tenants not receiving ground rent bills.
- Responsibility for notifying Landlord must have consequences for failure to do so.
- Each party to such a transfer must be required to give notice. Title companies, mortgage companies, Tenants, attorneys, all must be responsible for compliance.
- Compliance must be proven by certificate of mailing/certified mail.

Issue:

- Requirement of Landlord to bill for ground rent.

GRO Coalition response:

- It is not necessary to say that a bill must be rendered a certain period of time before a due date. There is no actual delinquency until a ground rent is six (6) months in arrears after it has been billed.
- Bill could be amended to read that ground rent payment is due within thirty (30) days after Landlord renders the bill.

SPECIFIC AMENDMENTS OFFERED:

- Page 2, after line 15, insert: "(5)", "Tenant means the owner of the property subject to a ground rent"
- Page 2, line 16, insert after "Tenant": "or any change of name or address of the responsible party to receive the bill for ground rent"

GRO Coalition Testimony In Support of SB 398

With Amendments

February 28, 2007

Page 3

- Page 2, line 17, before "new" insert ""tenant's"
- Page 2, line 18, add "by certified mail."
- Page 2, after line 26 insert "(E) if the transfer is facilitated by any attorney, title company, or other agent: (1) such agent shall provide the required notice; (2) failure to comply with the provisions of this Section subjects such agent to primary liability for any resulting penalty or expense."
- Page 3, line 12, delete "no later than" and insert "at least" delete "60" and insert "30"; delete "a yearly or half yearly" and insert "any"
- Page 3, line 13, delete "is due" and insert "must be paid"
- Page 3, line 27, delete "(phone number)"
- Page 4, line 24/27, delete "if the identity.....ownership of the property." (doesn't make sense in the ground rent bill)
- Page 5, line 19, delete "(phone number)"

BALTIMORE JEWISH COUNCIL

ARTHUR C. ABRAMSON, PH.D., EXECUTIVE DIRECTOR
DAVID CONN, DEPUTY DIRECTOR
ASHLIE BAGWELL, DIRECTOR, GOVERNMENT RELATIONS
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TESTIMONY REGARDING GROUND RENT LEGISLATION Senate Judicial Proceedings Committee February 28, 2007

The Baltimore Jewish Council is the community and government relations arm of the organized Jewish community of Baltimore. An agency of THE ASSOCIATED: Jewish Community Federation of Baltimore, the Council represents the 19 agencies of THE ASSOCIATED, in addition to 54 area congregations and organizations, and advocates on religious, social, cultural and economic issues.

As the government and community relations arm of the organized Jewish community, our traditions and values inspire us to seek the protection of vulnerable individuals and families, including those made victims of financial abuse. In turn, we have long advocated for policies to prevent homelessness and foster economic self-sufficiency.

The Baltimore Jewish Council consequently is concerned about a system of residential ground rent collections that has allowed the charging of exorbitant fees and, in rare cases, the eviction of residents from their homes due to the failure to pay relatively small amounts of ground rent.

We believe that most ground rent holders act ethically and within the law in collecting the rents that are legitimately owed to them. And we acknowledge the economic need that ground rents served when they were first created, and recognize the many individuals who today depend upon modest ground rent payments to supplement their livelihoods, many of whom live on fixed incomes.

However, economic conditions have changed dramatically since the creation of ground rents, and we believe they no longer fulfill a legitimate need in the single-family residential market.

Therefore, we support:

- a prohibition on the creation of new ground rents for single-family residential properties;
- the creation of a statewide registry of all existing ground rents, with reasonable enforcement mechanisms and fees that in aggregate do not exceed the cost to create and run the registry;
- the strengthening of notice and posting requirements by ground rent holders; and
- continued efforts to eliminate any actual abuses the system currently allows, to be researched and recommended by a statewide task force of interested stakeholders.

Thank you for your consideration.

Contact: Ashlie Bagwell, David Conn, Michelle Bernstein
(410) 269-1672 (Annapolis)
(410) 542-4850 (Baltimore)