

WITNESS SHEET
SENATE JUDICIAL PROCEEDINGS COMMITTEE

DATE OF HEARING: FEBRUARY 28, 2007

SENATE BILL NO.: 623

HOUSE BILL NO.:

SUBJECT: GROUND RENTS - REDEMPTION

SPONSORED BY: SENATOR GLADDEN

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 KROME 8706 GROFFER MILL DR, 21117	MYSELF	410-654-1307
✓			Atty General - Doug Gansh		
	✓		Lorenzo Bellamy, Esq.	Alexandrea Cleaver	
	✓		R. Marc Goldberg, Esq.	Ground Rent Owners Coalition	
		✓	Bill Pitcher Tim Cosgrove	Maryland Land Title Association	
	✓		Katherine H Howard	Regional Management Inc	410-539-2376
	✓		CAROLYN COOK	GBBR	410-337-7200
✓			Joseph Bryce - Governor's Office		410-974-3336
✓			PAUL GRAZIANO William Buzmel	Panel Balto Housing	

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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	✓		Charles Muskin	self	410 349 9599
	✓		Kathleen Murphy } <u>panel</u> Bob Enten } Tim Perry }	MD Bankers Assoc.	443-837-1613
	✓			MD Bankers Assoc.	4
	✓			MD Bankers Assoc.	4

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

SB 623

DATE 3-16-09

SJR _____

HB _____

MOTION FWA

HJR _____

BILL PASSED FAILED _____

FAVORABLE _____

FAVORABLE WITH AMENDMENT

AMENDMENT _____

RE-REFER _____

I.D. No./SPONSOR _____

UNFAVORABLE _____

VOTE FAV

HOLD _____

ADOPTED yes

OTHER _____

Add Sen. Stone

	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 623

Ground Rents - Redemption

SPONSORS: Senator Gladden, *et al.*

COMMITTEE RECOMMENDATION: Favorable with amendments (4)

BILL SUMMARY:

As amended, this bill makes changes to facilitate the redemption of ground leases. Specifically, the bill:

- Repeals the 5 year waiting period for a leasehold tenant to redeem a ground rent that was created after 1982;
- Requires a transferee of a ground lease (the new owner when a ground lease is transferred by sale, will, or donation) to notify the leasehold tenant about the transfer and the leasehold tenant's right to redeem; and
- Requires the settlement agent (e.g., bank, title attorney) to notify the borrower, before settlement of a loan on residential property secured by a mortgage, of the right to redeem the ground rent and the possibility of including the redemption amount in the loan

COMMITTEE AMENDMENTS: The committee adopted 4 amendments.

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

Amendment No. 2 – revises the defined terms; makes the bill applicable to residential property; and creates the new notice requirement when a ground lease is transferred

Amendment No. 3 – exempts certain loans from the new notice provision required before settlement on a loan secured by a mortgage; and adds additional information that must be included in that notice

Amendment No. 4 – strikes from the bill an uncodified provision that would have required DHCD to study the feasibility of establishing or modifying a loan program (This is covered under another bill, SB 883/HB 1284)

CURRENT LAW:

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.

If the tenant is unable to locate the ground rent holder, the ground rent may be redeemed through an alternative method. Under this method, the tenant must submit specified documentation and pay associated fees, along with the redemption amount and up to three years' back rent, to SDAT.

A contract for the sale of real property subject to a ground rent 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 reversionary owner (ground rent holder) may bring an action for possession and, as a result, the reversionary owner may own the property in fee, discharged from the lease.

CROSS FILE:

HB 489 (Delegate Glenn and the Speaker, *et al.*)



Maryland Association of REALTORS®, Inc.
2594 Riva Road, Annapolis, MD 21401-7406

Mary C. Antoun
Executive Vice President

William A. Castelli
Vice President of Government Affairs

410.841.6080

Senate Bill 623 – Ground Rents – Redemption

Position: Support with Amendments

The Maryland Association of REALTORS® (MAR) supports which would clarify that ground rents created after 1982 are redeemable at any time, and that a tenant is granted a right of first refusal when the owner elects to sell the ground rent.

MAR supports the general intent of this legislation which is to encourage the redemption of ground rents by tenants by giving them greater notice of their redemption rights and greater opportunity to redeem.

However, because cost can be the greatest disincentive to a tenant interested in redeeming a ground rent, MAR would support an alternative process that would give the tenant the right to purchase the ground rent after the sale of the ground rent to the new owner. This would allow a tenant to take advantage of any discount purchase price paid by the new owner. The notice of the right to redeem at the discounted price could be sent with the information the ground rent owner would have to send to the tenant anyway.

MAR supports SB 623 and endorses the amendments offered by the Greater Baltimore Board of REALTORS® (GBBR).



GBBR Amendments to SB 623

No. 1 On page 2, lines 14 and 15: delete text in its entirety

No. 2 On page 2, line 29, strike OR and add new subsection (3) as follows and renumber existing subsection (3) to new subsection (4).

3. 24. WHICH IS CAPITALIZATION AT 4.5 PERCENT, IF THE LEASE WAS CREATED BEFORE APRIL 8, 1884; OR

No. 3 On pages 8, strike lines 1 through 31 and on page 9, strike lines 1 through 5 and substitute:

- (1) AFTER A VOLUNTARY TRANSFER OF A REDEEMABLE GROUND RENT TO A THIRD PARTY, THE PURCHASING LANDLORD SHALL GIVE THE TENANT NOTICE OF THE TENANT'S RIGHT TO REDEEM THE GROUND RENT UNDER §8-110 OF THIS SUBTITLE AND OFFER THE TENANT THE OPPORTUNITY TO EXERCISE THE RIGHT TO REDEEM.
- (2) THE NOTICE SHALL STATE:
- (I) THE REDEMPTION AMOUNT CALCULATED IN ACCORDANCE WITH §8-110(B)(2) OF THIS SUBTITLE;
 - (II) THE AMOUNT PAID BY THE GROUND RENT PURCHASER PLUS 10%;
 - (III) SUBJECT TO §8-111.1 OF THIS SUBTITLE, THE AMOUNT OF BACK RENT DUE
 - (IV) THE ANNUAL AMOUNT OF THE GROUND RENT;
 - (V) WHETHER THE GROUND IS TO BE PAID ANNUALLY OR SEMI-ANNUALLY;
 - (VI) THE NEXT DUE DATE FOR THE GROUND RENT;
 - (VII) THE NAME, ADDRESS AND TELEPHONE NUMBER OF THE GROUND RENT PURCHASER;
AND
 - (VIII) THE DATE ON WHICH THE GROUND RENT WAS ORIGINALLY CREATED.
- (3) NOTICE SHALL BE GIVEN BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED, AND BY FIRST-CLASS MAIL TO THE LAST KNOWN ADDRESS OF THE TENANT AND, IF DIFFERENT, TO THE ADDRESS LISTED IN THE RECORDS OF THE STATE DEPARTMENT OF ASSESSMENT AND TAXATION.
- (B) (1) THE TENANT SHALL HAVE 30 DAYS AFTER THE DATE OF RECEIPT OF THE NOTICE TO NOTIFY THE LANDLORD OF THE TENANT'S INTENT TO EXERCISE THE RIGHT TO REDEEM.
- (2) IF THE TENANT DOES NOT RESPOND TO THE NOTICE OR NOTIFIES THE LANDLORD THAT THE TENANT WAIVES THE RIGHT TO REDEEM WITHIN 30 DAYS AFTER RECEIPT OF THE NOTICE, THE TENANT MAY ONLY REDEEM THE GROUND RENT PURSUANT §8-110.
- (C) (1) IF THE TENANT NOTIFIES THE LANDLORD WITHIN THE 30-DAY PERIOD OF THE TENANT'S INTENT TO EXERCISE THE RIGHT TO REDEEM, THE TENANT SHALL HAVE AN ADDITIONAL 30 DAYS AFTER THE DATE OF MAILING THE NOTIFICATION TO THE LANDLORD TO TENDER THE REDEMPTION AMOUNT AND ANY BACK RENT DUE.
- (2) WITHIN 30 DAYS AFTER RECEIPT OF THE REDEMPTION AMOUNT AND ANY BACK RENT DUE, THE LANDLORD SHALL PROVIDE TO THE TENANT A DEED OF REDEMPTION OF THE GROUND RENT.
- (3) UNLESS THE LANDLORD AND THE TENANT AGREE TO A LONGER TIME PERIOD, IF THE TENANT FAILS TO TENDER THE REDEMPTION AMOUNT AND ANY BACK RENT DUE WITHIN 30 DAYS AFTER THE DATE OF MAILING THE NOTIFICATION OF INTENT TO REDEEM TO THE LANDLORD, THE TENANT MAY ONLY REDEEM THE GROUND RENT PURSUANT §8-110.



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 623

To: Senate Judicial Proceedings Committee
From: James T. Smith, Jr., County Executive
Staff Contact: Erin P. Favazza, State Affairs Director
Title: Ground Rents – Redemption
Sponsor: Senator Gladden
Position: SUPPORT

Baltimore County **SUPPORTS** Senate Bill 623 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 623 and requests a **FAVORABLE** report.