

**CITY OF BALTIMORE
COUNCIL BILL 05-0104R
(Resolution)**

Introduced by: Councilmembers Welch, Kraft, D’Adamo, Young, Holton, Conaway, Harris,
Rawlings Blake, Reisinger
Introduced and adopted: November 7, 2005

A COUNCIL RESOLUTION CONCERNING

1 **Request for State Legislation – Abolish Ground Rent in Baltimore City**

2 FOR the purpose of requesting the Honorable Members of the Baltimore City Senate and House
3 Delegations to the 2006 Session of the Maryland General Assembly to introduce legislation
4 to abolish the archaic system of residential ground rents in Baltimore City and urging the
5 Governor to sign the subject legislation into law to protect homeowners from unscrupulous
6 persons seeking to cash in on the City’s fast growing real estate market.

7 **Recitals**

8 Ground rent is a specialized form of real estate ownership where the land is owned by one
9 party, and the real property located on the land is owned by someone else. Ground rent leases
10 are typically leases for 99 years, renewable forever at the option of the tenant who, in the
11 practical sense, is the owner of the property. The tenant of a ground rent property pays the real
12 property taxes and other real property assessments, has control of the property, and the tenant’s
13 interest in the property is usually much more valuable than that of the owner of the ground rent.

14 The concept of residential ground rents originated hundreds of years ago in England when
15 people paid rent to live on land they could not otherwise afford. Ground rents were popular in
16 Colonial times, first in Philadelphia and later in Baltimore, because homeowners or developers
17 had to finance only the cost of building the dwelling and not the cost of acquiring the land.
18 Ground rents also fostered a male dominated society by keeping a spouse from inheriting a
19 property, by creating a ground rent for as little as a penny a year.

20 Ground rents are found primarily in the City and in Baltimore and Anne Arundel counties.
21 According to Metropolitan Regional Information Systems, Inc. (MRIS), about 40 % of City
22 homes sold through their listings, in 2001, had ground rents, and in Baltimore County about 15%
23 of the properties had ground rents. The ground rents on these properties are usually for nominal
24 sums of \$50 to \$150 a year.

25 Recently dangers inherent in Baltimore’s system of ground rents were brought to light when
26 a house in the increasingly popular area of Washington Village was auctioned off for nearly
27 \$100,000 because the homeowner had failed to pay a few \$100s in ground rent. The owners of
28 the ground rent, who gained control of the property through a legitimate court process, pocketed
29 the net proceeds of the sale, and the homeowners, who owned the property outright but did not
30 live there, got nothing.

EXPLANATION: Underlining indicates matter added by amendment.
~~Strike out~~ indicates matter deleted by amendment.

1 Under current Maryland law, if ground rent is more than 6 months overdue, the ground rent
2 owner can file an ejectment action in court to obtain full title to the property. Even though the
3 ground rent owner is required to notify everyone with an interest in the property, if the
4 homeowners cannot be found, all that is required is to post a notification on the property. If the
5 property is vacant or if the tenant of a rental property does not inform the owner of the posting,
6 there is no way to ensure that the owner is aware of the court proceeding that is taking place.

7 The unusual occurrence in Washington Village gives rise to the concern that such practice
8 will become commonplace, as property values in the City continue to rise and real estate
9 speculators and home-buyers looking to buy into neighborhoods undergoing gentrification vie
10 for properties to rehabilitate and turn into pricey residences.

11 There is no good reason to perpetuate the draconian system of ground rents that is, at best,
12 cumbersome, and at worst, ripe for abuse by the legally astute at the expense of the average
13 hardworking homeowner.

14 **NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF BALTIMORE,** That the
15 Honorable Members of the Baltimore City Senate and House Delegations to the 2006 session of
16 the Maryland General Assembly are hereby requested to introduce legislation to abolish the
17 archaic system of residential ground rents in Baltimore City, and the Governor is respectfully
18 urged to sign the subject legislation into law to protect homeowners from unscrupulous persons
19 seeking to cash in on the City's fast growing real estate market.

20 **AND BE IT FURTHER RESOLVED,** That a copy of this Resolution be sent to the Governor, the
21 Mayor, the Chairs and Members of the Baltimore City Senate and House Delegations to the 2006
22 Session of the Maryland General Assembly, those listed in the Department of Planning
23 Community Association Directory, and the Mayor's Legislative Liaison to the City Council.