

Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE

House Bill 10 (Delegates Beidle and Clagett)
Environmental Matters

Real Property - Regulation of Common Ownership Community Managers

This bill creates the State Board of Common Ownership Community Managers to regulate the provision of common ownership community (COC) property management services in the State. The board is appointed by the Governor and operates under the authority of the Secretary of Labor, Licensing, and Regulation. The bill sets forth the qualifications for the issuance of licenses and limited licenses to COC managers. The board may discipline a licensee and deny a license to an applicant under specified circumstances. The bill also requires COCs to register annually with the board.

The bill requires the Department of Labor, Licensing, and Regulation (DLLR) to report to the General Assembly by December 1, 2014, on the imposition of a registration fee on COCs in relation to the bill's imposition of license and limited license fees as well as the size of a COC to which a registration fee would apply.

The board is subject to reestablishment and periodic evaluation under the Maryland Program Evaluation Act, with a termination date of October 1, 2024.

Fiscal Summary

State Effect: General fund expenditures increase by \$250,600 in FY 2015 to establish the board within DLLR. The board becomes operational as a special-fund entity in FY 2016 and collects biennial licensing and limited licensing fees sufficient to cover direct and indirect costs. Out-year costs reflect annualization and illustrative revenues reflect staggered license renewals. Potential minimal general fund revenue increases due to the bill's administrative penalty provisions.

(in dollars)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
SF Revenue	\$0	\$831,300	\$103,100	\$910,000	\$159,400
GF Expenditure	\$250,600	\$0	\$0	\$0	\$0
SF Expenditure	\$0	\$435,800	\$478,800	\$496,800	\$515,700
Net Effect	(\$250,600)	\$395,400	(\$375,700)	\$413,200	(\$356,300)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None; however, COCs and COC managers in Montgomery and Prince George’s counties will be subject to regulation at both the State and local levels.

Small Business Effect: Meaningful.

Analysis

Bill Summary:

Defined Terms

The bill defines a “common ownership community” as a condominium organized under the Maryland Condominium Act that is used for residential purposes, a homeowners association (HOA) organized under the Maryland Homeowners Association Act, and a cooperative housing corporation organized under the Maryland Cooperative Housing Corporation Act.

Any employee of the Columbia Association who provides management services only to the association or the Affiliated Village Associations in Howard County is exempted.

“License” generally means a license issued by the board that allows an individual to provide management services for a COC.

“Limited license” generally means a limited license issued by the board that allows an individual to provide management services for a COC under the supervision of a licensed manager.

Providing management services for a COC means:

- acting with the authority of the COC in its business, legal, financial, or other transactions with COC members and nonmembers;
- executing the resolutions and decisions of a COC or, with the authority of the COC, enforcing the rights of the COC secured by statute, contract, covenant, rule, or bylaw;

- negotiating contracts or otherwise coordinating or arranging for services or the purchase of property and goods for or on behalf of a COC;
- collecting, disbursing, or otherwise exercising dominion or control over money or other property belonging to a COC;
- preparing budgets, financial statements, or other financial reports for a COC;
- arranging, conducting, or coordinating meetings of a COC or the governing body of a COC; or
- offering or soliciting to perform any of the above-mentioned acts or services on behalf of a COC.

State Board of Common Ownership Community Managers

The board consists of nine members who serve for a term of four years. A board member may not serve more than two consecutive terms, and the terms of the members are staggered. Board members may not be compensated but are entitled to reimbursement for expenses as provided for in the State budget.

To administer and enforce the bill, the board is required to:

- adopt rules of professional conduct as appropriate for individuals issued a license or a limited license;
- establish criteria and a process for certification of a variety of educational offerings and training programs for issuing licenses or limited licenses;
- establish continuing education requirements for individuals who have been issued a license or a limited license; and
- keep a record of its proceedings.

The board may establish, by regulation, a nonjudicial dispute resolution process to resolve any disciplinary matter, education and training opportunities for governing bodies of COCs, and any other procedures or standards consistent with its mission. The board may also take appropriate actions to enter into a cooperative and information-sharing agreement with any unit of law enforcement as authorized by law, as well as assist a COC in exercising any other rights granted by the bill.

Once licensing activity begins, the board must maintain a public list of the names and mailing addresses of all individuals issued a license or a limited license.

The board must charge fees set to approximately cover both the direct and indirect costs of fulfilling its statutory and regulatory duties and may set those fees by regulation. To inform the fee-setting decision, the Secretary of Labor, Licensing, and Regulation, in consultation with the board, must annually calculate the direct and indirect costs

attributable to the board. The board must publish its fee schedule. Each fee established by the board may not be increased annually by more than 12.5% of the existing and corresponding fee. All fee revenue is deposited into a newly created State Board of Common Ownership Community Managers Fund, a special, nonlapsing fund administered by the Secretary. Interest earnings accrue to the new fund. Expenditures from the fund may only be made in accordance with the State budget.

The Department of Budget and Management (DBM), by budget amendment, may advance sufficient funds to the board to allow operations to commence on October 1, 2014, so that licensing and registration functions may be in place by October 1, 2015.

Licensing Requirements

An individual acting as a COC manager in the State must be issued a license by the board prior to providing management services and may only provide management services in fulfillment of a contract with the COC. An applicant must be a holder of a limited license and:

- complete a board-approved training program;
- pass a board-approved examination; and
- have been actively engaged in providing management services for at least 12 months before applying for a license or hold an active board-approved professional designation.

Until the board adopts regulations concerning examination requirements, license applicants may take a nationally prepared and administered standardized examination for the COC management profession that is developed in a specified manner. Additionally, the board may grant a waiver of the license training and examination requirements to any applicant who presents to the board satisfactory evidence, by October 1, 2016, that the applicant provided management services in the State for the two years immediately preceding the application.

An applicant must submit an application to the board and pay an application fee. If an applicant qualifies for a license, the board must send the applicant a notice stating that the applicant has qualified for a license and, on receipt of a license fee, the board will issue a license to the applicant. Upon payment of a license fee, a qualified applicant must be issued a license by the board.

The term of a license is two years. The board must renew and issue a renewal certificate to each qualified holder. The board must provide a renewal application form and notice to the licensee, at least two months before the license expires, stating the license's

expiration date, the renewal fee's due date, and the amount of the renewal fee. Each renewal certificate issued by the board must include the current license's expiration date.

The board is required to reinstate the license of an individual who has failed to renew his or her license if the individual applies for reinstatement within two years of the license expiration, pays a reinstatement fee set by the board, and meets the aforementioned renewal requirements. If an applicant applies for reinstatement after the two-year period, the board may either treat the application the same as an initial application or reinstate the license if specific requirements are met.

The board may also grant reciprocity to an individual who has an equivalent license in another U.S. state or territory. The board may issue the license by reciprocity only if the applicant pays a license fee set by the board and provides adequate evidence that the applicant has met substantially equivalent requirements as those in the State. The board must establish standards for the issuance of a license to an individual licensed in another state.

If a COC contracts with a person other than a licensed manager to provide management services, the contract must require that only a licensed manager provide the COC with management services.

Limited Licensing Requirements

An individual must be issued a limited license by the board before an individual may provide management services for a COC in the State. A holder of a limited license may provide management services only while under the general supervision of a license holder.

An applicant for a limited license must be at least age 18, submit an application on a board-approved form, and pay an application fee. In addition, the applicant must complete a board-approved training program and pass a board-approved examination. If an applicant qualifies for a limited license, the board must send the applicant a notice stating that the applicant has qualified for a limited license and, on receipt of a fee, the board will issue a limited license to the applicant.

The term of a limited license is two years. The board must renew and issue a renewal certificate to each qualified limited license holder. The board must provide a renewal application form and notice to the limited license holder, at least two months before the limited license expires, stating the limited license's expiration date, the renewal fee's due date, and the amount of the renewal fee. Each renewal certificate issued by the board must include the current limited license's expiration date.

The board is required to reinstate the limited license of an individual who has failed to renew his or her limited license if the individual applies for reinstatement within two years of the limited license's expiration, pays a reinstatement fee set by the board, and meets the aforementioned renewal requirements. If an applicant applies for reinstatement after the two-year period, the board may either treat the application the same as an initial application or reinstate the limited license if specific requirements are met.

Grounds for Denying, Suspending, or Revoking a License or Limited License

Subject to specified notice and hearing requirements and after considering specified factors, the board may deny a license (or limited license) to an applicant, reprimand a licensee, suspend or revoke a license (or limited license), and/or impose a penalty against a licensee of up to \$5,000 (which is paid to the general fund) if the licensee:

- fraudulently or deceptively obtains or attempts to obtain a license for the applicant or licensee or for another;
- fraudulently or deceptively uses a license;
- is convicted of a felony or a misdemeanor that relates to the applicant's or licensee's fitness and qualifications to provide management services;
- engages in conduct that demonstrates bad faith, incompetency, or untrustworthiness or that constitutes dishonest, fraudulent, or improper dealings;
- fails to properly handle the funds of a COC in accordance with this bill's provisions;
- fails to account in a timely manner for all money and property received on behalf of a COC;
- willfully fails to disclose to a COC relevant material facts of which the licensee has actual knowledge;
- is guilty of gross negligence, incompetence, or misconduct in providing management services;
- has been sanctioned in another state in a matter relating to providing management services;
- violates any of the bill's provisions; or
- violates any regulations adopted by the board.

Before the board takes any of these actions against a licensee, it must give the individual notice and an opportunity for a hearing before the board. If the individual does not appear after due notice has been given, the board may hear and determine the matter. The board may issue a subpoena for the attendance of a witness to testify or the production of evidence in connection with any such proceeding. A circuit court may compel compliance with the subpoena upon petition by the board. An individual who

contests a final decision of the board is entitled to judicial review under the Administrative Procedure Act.

The board may reinstate, in accordance with board procedures, a revoked license or, before fulfillment of the conditions of the suspension, any suspended license.

Registration

Each COC must register with the board on or before January 1 of each year and provide the board with specified identifying information and any other information required by the board. If a COC contracts for management services, that manager is responsible for the registration.

Miscellaneous Provisions

A contracting party must file with the Secretary proof, as required by the board, of a fidelity bond or theft insurance of a specified amount, or other board-required comparable written insurance, that covers (1) any person who provides management services for a COC under the terms of a contract and (2) any individual working under the direction of such a person. The Secretary, or the Secretary's designee, must be named as a certificate holder for any fidelity bond or required insurance. In the event the fidelity bond or insurance is cancelled, forfeited, or terminated or the contracting party fails to notify the Secretary of any changes to the fidelity bond or insurance, the Secretary must suspend any license or limited license until proof of compliance is submitted.

A licensed manager must deposit all money received in connection with the provision of management services in one or more of the financial institution accounts of a COC. A licensed manager who provides management services for more than one COC must maintain separate bank accounts for each COC and may not commingle accounts. Each bank account maintained by the licensed manager must be in the name of the COC. A licensed manager who willfully violates the bill's provisions relating to the handling of COC financial institution accounts is guilty of a misdemeanor and subject to a fine of up to \$25,000 and/or imprisonment for up to five years.

Penalties

A person who is not a licensed manager or holder of a limited license as required but, nonetheless, acts as a licensed COC manager is in violation of the bill. In addition, a person may not represent that he or she is authorized to provide COC management services or give false information to the board in an attempt to obtain a license or limited license. A person whose license or limited license has been suspended or revoked may not provide management services to a COC as an associate, agent, employee, or other

subordinate of either a licensed manager or a business entity that provides management services. The board, with the approval of the Attorney General, may sue in the name of the State to enjoin any prohibited activity. The board may also take appropriate actions to assist a COC in exercising the rights of COCs. Violation of the bill's provisions is a misdemeanor and punishable by a fine up to \$5,000 and/or imprisonment for up to three years. The board may also impose a fine of up to \$5,000 for each violation after consideration of specified factors.

Current Law:

Regulation of Management Services

State law does not designate a statewide office to regulate COC management services. As of January 1, 2011, however, all COC management entities in Prince George's County must register with that county's Office of Community Relations (OCR). The registration form provided by OCR must include specified identifying information and request a listing of all associations that received management services from the registering entity in the previous year. The management entity must register and renew by January 31 of each year and pay an annual fee of \$100. Also, in Montgomery County, COCs have been required to register since the county created a 15-member volunteer Commission on Common Ownership Communities in 1991.

Fidelity Insurance Requirements for COCs

State law requires that the board of directors, council of unit owners, or other governing body of a COC purchase fidelity insurance, which is defined to include a fidelity bond, not later than the time of the first conveyance of a cooperative interest, unit, or lot to a person other than the developer, and must keep the insurance in place every subsequent year. The insurance must provide for the indemnification of the COC against loss resulting from acts or omissions arising from fraud, dishonesty, or criminal acts by any officer, director, managing agent, or other agent or employee charged with the operation or maintenance of the COC who controls or disburses funds and also applies to any management company employing a managing agent or other employee charged with the operation or maintenance of the COC who controls or disburses funds.

Maryland Program Evaluation Act

Approximately 70 regulatory entities and activities are currently subject to periodic evaluation under the Maryland Program Evaluation Act. The Act establishes a process better known as "sunset review" as most entities evaluated are also subject to termination. The sunset review process traditionally begins with a preliminary evaluation conducted by the Department of Legislative Services (DLS) on behalf of the Legislative Policy

Committee (LPC), although a few entities are subject to direct full evaluation. LPC decides whether to waive an entity from further (or full) evaluation. If waived, legislation to reauthorize the entity typically is enacted. Otherwise, a full evaluation usually is undertaken the following year.

Background: According to the Community Associations Institute (CAI), currently 50,000 to 55,000 individuals and 7,000 to 8,000 businesses offer community association management services in the United States. CAI is a national organization with approximately 60 state, regional, and local chapters comprising residential community association members, property managers, community management firms, and other related professionals and companies that provide products or services to associations. In 2013, CAI estimates approximately 1,100 professional property managers and 160 community management companies conduct business in Maryland.

The Institute of Real Estate Management (IREM) is a real estate management association with more than 18,000 individual members and more than 530 corporate members. Its credentialed membership program offers the following designations: Certified Property Manager (CPM), Accredited Residential Manager (ARM), Accredited Commercial Manager (ACoM), and Accredited Management Organization. IREM has members in both the multi-family and commercial real estate sectors. There are 586 individuals with IREM membership in the State. IREM advises that all of these individuals are not property managers. Specifically, associate members (99 members), academic members (2 members), and student members (10 members) may not be managing property. CPM designation requires specified education levels, the completion of professional competency and ethics examinations, experience in the field of real estate management, and an application fee.

The bill requires applicants to complete a board-approved training program and pass an examination and to have been actively engaged in providing management services for at least 12 months before applying for a license *or* hold a board-approved active professional designation. CAI and IREM both offer nationally recognized accreditation programs.

According to CAI, nine states and the District of Columbia regulate the licensure of COC managers. For example, in Virginia, COC managers are required to have a specified license and certificates to manage COCs in the state. Virginia's fee schedule for COC licenses includes an initial Common Interest Community Manager Application fee of \$100, accompanied by a \$25 recovery fund fee, if applicable, and an annual assessment. The annual assessment is equal to the lesser of \$1,000 or 0.05% of the gross receipts from common interest community management during the preceding year. Each year, a manager must renew the license at a cost of \$100 plus the annual assessment. In the

District of Columbia, most COC managers are not required to obtain a property manager license.

State Fiscal Effect:

Staffing Needs

Despite the bill’s October 1, 2014 effective date, DLS assumes that licensing and registration activity cannot begin until fiscal 2016 at the earliest. Given the breadth of the regulatory program and its experience with other regulatory boards, DLLR advises that three and one-half staff are necessary to fully implement the program in fiscal 2015 with an additional two staff in fiscal 2016. DLS concurs with both the total number of staff and the timing.

DLLR advises that three and one-half staff are needed to begin the process of implementing the regulatory program in fiscal 2015 with general fund support. Ordinarily, fewer staff would be hired during the start-up period. However, given that the bill requires a “grandfathering” period prior to the start of licensing and limited licensing activities, administrative, executive, and clerical staff are needed as soon as possible. Thus, an executive director, administrative specialist, office secretary, and part-time assistant Attorney General are needed to develop regulations; implement the licensing, limited licensing, and registration program; process applications and review evidence related to the grandfather exception; and undertake other such preparatory activities. In fiscal 2016, as licensing, limited licensing, and registration activity begins on October 1, 2015, these staff as well as two licensing and registration investigators, are assumed to be covered by special funds.

Accordingly, general fund expenditures increase by \$250,587 in fiscal 2015, which accounts for the bill’s October 1, 2014 effective date. Special fund expenditures increase by \$435,843 in fiscal 2016 as shown below. This estimate includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses – including an indirect cost allocation beginning in fiscal 2016.

	GF	SF
	<u>FY 2015</u>	<u>FY 2016</u>
Positions	3.5	5.5
Salaries and Fringe Benefits	\$117,292	\$325,642
Other Operating Expenses	133,295	85,201
Indirect Costs	<u>0</u>	<u>25,000</u>
Total State Expenditures	\$250,787	\$435,843

Future year expenditures reflect full salaries with annual increases and employee turnover, as well as annual increases in ongoing operating expenses. The estimate does not include any reimbursement for board members.

Direct and Indirect Expenditures

The above expenditures reflect the direct costs of regulating COC managers and the indirect costs that DLLR attributes to each regulatory program within the Division of Occupational and Professional Licensing for the use of division and departmental resources.

Direct costs include necessary expenditures for personnel, equipment and supplies, contractual services, and fixed charges. Indirect costs – such as usage of the central licensing system, general services offices, and a portion of the salaries of some senior staff – are allocated to each program by a formula based on the program’s usage of these services. Thus, special fund expenditures for indirect costs under the bill are anticipated to be approximately \$25,000 in fiscal 2016 and \$35,000 annually in future years. The indirect costs associated with regulating COC managers are addressed further below.

Revenue Stream for the New Board

The bill provides for three main revenue sources for the fund: license fees, limited license fees, and application fees from COC managers. Although registration fees could be collected pursuant to a determination by the report submitted by DLLR, this estimate does not assume that a positive determination of the need for registration fees will be made. Therefore, all revenue collection begins when the licensing activity begins on October 1, 2015.

The bill requires the board to set reasonable fees that approximate the costs of its services. The bill also limits the ability of the board to raise fees if they are not set at a level to initially cover all costs (with the 12.5% limitation on raising fees each year). Due to the biennial licensing period and because most licensing activity will occur in even-numbered fiscal years, the board must set its fees high enough to collect sufficient fee revenue in fiscal 2016 to allow it to cover its expenditures in both fiscal 2016 and 2017 – generally by carrying over a balance from the first year to the second year. Moreover, the board must generate sufficient revenue to also reimburse the general fund, over a period of time, for the start-up costs incurred in fiscal 2015. The ability of the board to set application fees by regulation should assist in covering ongoing costs and being able to reimburse the general fund; nevertheless, this analysis does not account for any such revenue or repayment as the bill does not specify a repayment schedule.

As noted above, in 2013, CAI estimated that 1,100 individuals conducted business as property managers in Maryland. In 2012, CAI estimated that 1,000 to 1,500 individuals may be subject to licensure. *For illustrative purposes only*, DLS assumes 1,100 individuals would initially participate in the Maryland licensing program. However, the actual number of individuals subject to licensure may vary.

The bill requires that any applicant for a license be a holder of a limited license issued by the board. This may significantly delay the licensing of applicants; however, DLS assumes that the majority of eligible individuals will be licensed, both as licensed managers and limited license holders in fiscal 2016 because the bill prohibits the unlicensed management of a COC.

Exhibit 1 shows the revenue pattern if 750 licenses and 1,100 limited licenses are issued in the first year of activity and 75 license and 150 limited licenses are issued in the following year. This pattern reflects the requirement (as noted above) that an applicant for an initial license be a holder of a limited license; thus, in the first year, only 350 individuals hold just a limited license whereas in the following year another 75 individuals hold just a limited license. However, in subsequent years because an applicant for license renewal is not required to maintain that limited license, DLS assumes that the requirement is intended to apply to applicants who progress from holding a limited license to holding a “full” license after meeting other experience, educational, and examination requirements. DLS, therefore, assumes that DLLR waives the fee for a limited license in the first licensing cycle for individuals who are required to hold both types of licenses in order to comply with the bill’s licensing requirement.

In subsequent years, the illustrative estimate assumes that all holders of licenses continue to renew, some holders of limited licenses are able to qualify for a license instead, others continue to renew their limited license, and the addition of 75 limited license holders each year.

Based on the projected number of licenses, limited licenses, and projected out-year expenditures, to cover the costs of services provided by DLLR, DLS estimates, *for illustrative purposes only*, fees of \$875 for each license issued and \$500 for each limited license issued. Actual fees will vary depending on the actual number of licensees.

Exhibit 1
Projected Revenues and Expenditures of the Program
Fiscal 2015-2019

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Total Costs	\$250,587	\$435,843	\$478,819	\$496,836	\$515,717
Direct Costs	250,587	410,843	443,819	461,836	480,717
Indirect Costs	0	25,000	35,000	35,000	35,000
Anticipated Revenues	0	831,250	103,125	910,000	159,375
License Fees	0	656,250	65,625	752,500	109,375
Limited License Fees	0	175,000	37,500	157,500	50,000
Annual Surplus	0	395,407	-375,694	413,164	-356,342
Cumulative Surplus	0	395,407	19,713	432,877	76,535

Note: In fiscal 2015, the board's expenditures are assumed to be covered by general funds, resulting in no surplus at year-end. The \$250,587 in expenditures for that year could be repaid over several years from excess revenues in the fund balance. However, as illustrated above, revenues in the first year of each licensing cycle must be used to help cover costs in the second year.

Source: Department of Legislative Services

It should be noted that the bill also authorizes the board to set a reinstatement fee as well as a fee for the granting of reciprocity to an out-of-state COC manager. However, any revenue attained from these fees is expected to be minimal.

Small Business Effect: As noted above, small business expenditures increase by at least \$875 for a license and \$500 for a limited license, as well as potentially significant costs associated with board-approved training and required exams or attaining specified professional credentialing.

Additional Information

Prior Introductions: HB 576 of 2013, as amended, a substantially similar bill, passed the House. However, the cross filed SB 794 received an unfavorable report from the Senate Judicial Proceedings Committee.

Cross File: None.

Information Source(s): Prince George's and Montgomery counties; Office of the Attorney General (Consumer Protection Division); Department of Budget and Management; Judiciary (Administrative Office of the Courts); Department of Labor, Licensing, and Regulation; Secretary of State; Community Associations Institute; Foundation for Community Association Research; Institute of Real Estate Management; Department of Legislative Services

Fiscal Note History: First Reader - January 29, 2014
ncs/kdm

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Appendix – Common Ownership Communities

When a person purchases a house, condominium, or an interest in a cooperative housing arrangement, he or she may also be required to join an association of owners, which is intended to act in the common interests of the homeowners, condominium owners, or co-op owners in the community. Collectively, these associations are often referred to as common ownership communities (COCs).

The affairs of a condominium are governed by a council of unit owners, which comprises all unit owners. Among other powers, the council of unit owners has the power to impose assessments on the unit owners to pay common expenses. A council of unit owners may delegate its powers to a board of directors, officers, or a managing agent.

Many new housing developments are subject to governing documents that create a homeowners association (HOA) with the authority to impose mandatory fees on lots in the development in connection with the provision of services or for the benefit of the lots, the owners of lots, or the common areas.

A cooperative housing corporation or “cooperative” is a corporation that owns real property. A resident of a cooperative does not own his or her unit; rather, the person owns an interest in the corporation, which leases the unit to the person for residential use. Cooperatives are governed by the laws applicable to corporations.

Condominiums and HOAs may be authorized by their governing documents to impose liens on units or lots to collect unpaid assessments or fees.

A growing number of homes are located in condominiums, HOAs, and cooperative housing corporations. The Secretary of State reports that there were more than 2,500 condominiums in the State of Maryland registered with the office in 2013. The Foundation for Community Association Research estimates that there were 6,400 community associations in the State in 2012.

Task Force on Common Ownership Communities

With a growing number of Marylanders residing in COCs, and evidence that some COCs had issues with governance, dispute resolution, and financial stability, the General Assembly created the Task Force on Common Ownership Communities in 2005 (Chapter 469 of 2005). The issues addressed by the task force included the education and training needs of COC boards and prospective buyers, availability of alternative dispute resolution services, special considerations of aging COCs, collection of assessments, and resale of homes within COCs. The task force met 10 times, held 5 public hearings, and

submitted its final report in December 2006. The report's findings and recommendations have served, in subsequent years, as the basis for numerous pieces of legislation intended to improve the operation of COCs. This legislation, enacted from 2007 through 2013:

- authorized a group of three or more unit or lot owners in a condominium or HOA to petition a circuit court to appoint a receiver in specified situations frequently found in aging communities (Chapter 321 of 2007);
- gave the Consumer Protection Division within the Office of the Attorney General increased authority over violations of the Maryland Homeowners Association Act (Chapter 593 of 2007);
- eased restrictions on the ability of certain older HOAs to amend their governing documents by allowing an amendment at least once every five years by a specified percentage of votes (Chapters 144 and 145 of 2008);
- strengthened the transition process from developer to the governing body of a condominium or HOA by allowing the governing body to terminate specified contracts and requiring the developer to provide specified documents (Chapters 95 and 96 of 2009);
- required the governing body of a COC to purchase fidelity insurance or a fidelity bond covering various acts of malfeasance by COC officers, directors, and other specified employees and agents (Chapters 77 and 78 of 2009 and Chapter 615 of 2010);
- granted priority to a specified portion of a lien of a condominium or HOA over the claim of a holder of a first mortgage or first deed of trust in the event of a foreclosure on a unit or lot (Chapter 387 of 2011);
- limited the amount of damages for which the governing body of a condominium or HOA may foreclose on a lien against a unit owner or lot owner (Chapter 449 of 2013); and
- expanded the purposes for which a condominium's board of directors may hold a closed meeting, similar to the law for an HOA, by allowing a meeting to be closed to consider terms or conditions of a business transaction in the negotiation stage if disclosure could adversely affect the economic interests of the council of unit owners (Chapter 110 of 2013).

The task force's report also featured findings and recommendations relating to alternative dispute resolutions and the creation of an ombudsman in local governments. Montgomery County's Commission on Common Ownership Communities was referenced as an alternative dispute resolution model for future local offices. Since the report's release, Prince George's County created its Common Ownership Communities Program in 2007 with the stated purpose of assisting governing bodies as well as owners and residents of HOAs, residential condominiums, and cooperative housing corporations with education, training, and alternative dispute resolution. Charles County also has an office dedicated to COCs that predates the task force.

Finally, findings and recommendations of the report that have not been codified in statute concern reserves of COCs, an insurance deductible cap for unit owners, the suspension of privileges of delinquent unit owners, uniformity of disclosure requirements and packages, and uniformity of COC depository requirements.