

January 28, 2020

The Honorable Kumar Barve
Chairman, House Environment and Transportation Committee
House Office Building, Room 251
6 Bladen Street
Annapolis, MD 21401

RE: Support of House Bill 58 (Cooperative Housing Corporations, Condominiums, and Homeowners Associations - Reserve Studies) With Amendment

Dear Chairman Barve:

The Maryland Building Industry Association (MBIA), representing 100,000 employees of the building industry across the State of Maryland, supports House Bill 58 (Cooperative Housing Corporations, Condominiums, and Homeowners Associations - Reserve Studies) with a suggested amendment.

This measure requires a study every five years of the reserves required for future major repairs and replacement of the common elements of a condominium or common areas of a homeowners association (HOA). This requirement would apply to a condominium that has more than 20 units, or an HOA that has more than 20 dwelling units in the development and has responsibility under its declaration for maintaining and repairing the common areas.

This requirement is overly burdensome and unreasonable for several reasons. It attempts to impose on both developers and associations the obligation to maintain reserve funds at designated levels. While it is not unreasonable to have some reserve funding obligations, the bill requires that at least 90 but not less than 30 days prior to the condominium transition meeting (i.e. 60 days after 50% conveyances) that the association have a reserve study done and that the developer at the transition turn over funds at least equal to the amount required in the reserve study. Thus, if there are insufficient funds the developer must fund these reserves to avoid noncompliance. This concern is relevant to both condominium and homeowners associations.

This bill also provides that a condominium association must maintain reserves in an amount of at least 80% of the study. These are unreasonable burdens; funding is based upon a cash flow analysis, funding at 80% of total needs is not always available. This is especially true during initial years as sales are taking place. Associations should have flexibility to make business decisions regarding funding, which is not available in this bill.

Given the significant expense incurred as a result of this bill, we propose increasing the number of units from 20 to 50. 20 is not a significant number, especially for larger communities. Extra expense and responsibilities should not be generated for so few owners.

MBIA respectfully requests the Committee adopt this amendment and give this measure a favorable report. Thank you for your consideration.

For more information about this position, please contact Lori Graf at 410-800-7327 or lgraf@marylandbuilders.org.

cc: House Environment and Transportation Committee Members