

ARMISTEAD HOMES CORPORATION

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January 28, 2020

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

RE: **House Bill 58**
Cooperative Housing Corporations, Condominiums, and
Homeowners 2 Associations – Reserve Studies
Hearing Date: January 28, 2020 Position: **OPPOSE**

Dear Honorable Chairman Barve and Committee Members:

This letter is submitted on behalf Armistead Homes Corporation (hereinafter “AHC”). AHC, is a non-profit housing corporation, consisting of 1,512 homes situated on 164 acres of land in northeast Baltimore City. Through a cooperative effort, AHC enables individuals and families, to fulfill their housing needs for a relatively low cost. Membership in the Corporation is gained by purchasing the right of perpetual use of an AHC dwelling. The member buys a certificate of membership which entitles him/her to the remainder of the 1st 99-year renewable leasehold agreement with an option to renew a 2nd 99-year renewable lease. The leasehold agreement provides rights to use the particular dwelling to live in and the use of the land that the dwelling sits on. At the same time the member receives a share in the land and holdings of AHC as a whole by way of membership, with no one person owning any land or buildings.

Testimony of John S. Sroka, CFO, Armistead Homes Corporation in **OPPOSITION TO HB58:**

Mr. John S. Sroka has served in the capacity of CFO for Armistead Homes Corporation (AHC) since 1984. AHC is a housing cooperative representing 1,512 units, i.e. row homes, in Baltimore City. Over those 35 years AHC has maintained a stable community with a firm perspective on providing the most efficient housing at affordable prices for its leaseholders. Each year outside auditors assessed the Cooperative’s financial stability in the performance of financial audits which have not disclosed any issues regarding Armistead’s finances.

The brief testimony provided below is submitted in opposition to the subject house bill because of the significant burden it would place on our community and our members.

The proposed House Bill 58, as currently drafted, will create a significant burden on our members and our overall community. Armistead Homes Corporation (AHC) consist of 1,512

housing units within Baltimore City. Our cooperative provides housing for many that would be classified as low income and those on fixed income via social security.

Specifically, the current draft will require our community to obtain a reserve study that “identifies each structural, mechanical, electrical, and plumbing component of the common elements and any other components that are the responsibility of the cooperative housing corporation to repair and replace.” The draft bill further states the specific requirements that must be complied by the individuals performing the reserve study. Lastly and most importantly once the study is completed the annual budget of the cooperative must include reserve funds equal to at least 80% of the funding amount recommended in the most recent reserve study.

Those requirements for a community the size of Armistead will have a devastating impact on our community. First the study itself is projected to range in cost from \$30,000 to \$80,000 based on the significant scope as outlined in the draft bill. That will be a real cost that must be absorbed by our members who again are in the most fragile financial condition of fixed incomes and low levels of financial status.

Second, the requirement that 80% of the reserve study recommendations must be funded in the annual budget will cause undue hardship on our community and will lead to defaults on the monthly operating payments. Even in our current situation, 5% of our units are boarded up due to a lack of paying the operating charges established by our annual budget. This proposed bill by adding various structural elements and then requiring an 80% funding of all of them would be the “perfect storm” for financial chaos. By requiring a funding of 80% of a reserve amount would cause the process of non-payments, evictions and more boarded-up units to skyrocket based on this bill. The result would be that the remaining leaseholders would be forced to pay even higher amounts to cover amounts previously paid by members who are no longer able to pay and whom, due to nonpayment, have been evicted. It is a domino effect that would spiral downward quickly with no viable solution to hinder the regression and lead to the eventual potential bankruptcy of our entire Cooperative. A Cooperative that has existed within Baltimore City since the mid-1950s.

It is because such a financial disaster could occur with the passage of this bill that Armistead Homes Corporation stands in opposition to its passage.

We therefore ask that you vote no for House Bill 58. We are available to answer any questions which you may have. Please feel free to contact and one of the persons listed below:

Respectfully submitted,

John Sroka, CFO, Armistead Homes Corp.

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