

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 793

(Delegate Holmes, *et al.*)

Environment and Transportation

Judicial Proceedings

Real Property - Governing Bodies of Common Ownership Communities -
Member Training

This bill requires, under specified circumstances, each member of a board of directors or officer of a council of unit owners for a condominium and each member of the governing body of a homeowners association (HOA) to successfully complete a training curriculum on the responsibilities of being a member or an officer within specified timeframes.

Fiscal Summary

State Effect: The bill does not materially affect State operations or finances.

Local Effect: The bill does not materially affect local government operations or finances. Although local common ownership commissions and counties with coursework established by the local commission are *authorized* developers of the training curriculum, local governments are not explicitly required to develop or administer any training under the bill.

Small Business Effect: Minimal.

Analysis

Bill Summary: The required training must have been developed by (1) a common ownership commission recognized by the State or a local government; (2) an organization approved to administer the training curriculum by a recognized common ownership commission; (3) an institution accredited by the Middle States Commission on Higher Education; (4) a membership organization that offers nationally recognized certification

credentials for community managers; or (5) a county with coursework established by the county common ownership commission.

The training curriculum must include training on the following:

- the Maryland Homeowners Association Act, the Maryland Condominium Act, and the Maryland Cooperative Housing Corporation Act;
- roles and responsibilities of common ownership community governing bodies;
- fiduciary duty;
- responsible governance policies;
- legal structures and guidelines;
- reserves and audits;
- meeting procedures and requirements;
- handling of disputes;
- insurance and bonding;
- community maintenance;
- recordkeeping; and
- State and local resources for governing bodies.

Officers and members must successfully complete the training within 90 days after first being elected or appointed to the office. Individuals who are in office as of the bill's effective date of October 1, 2024, must successfully complete the training within 90 days after beginning a subsequent term.

The board of directors, officers of the council of unit owners, or governing body of an HOA, as appropriate, must (1) certify that each member or officer successfully completes the training requirements; (2) retain a copy of the certificate of completion for each member or officer; and (3) within 90 days after the certification of the member or officer, report to the common ownership commission. Certificates are valid for three years and require renewal upon expiration. Failure to comply with the training requirement authorizes the relevant body to remove the individual from office or invalidate a vote of the individual.

The bill's training requirements only apply:

- to a member of a board of directors or an officer of a council of unit owners for a condominium that is composed solely of residential for-sale housing or consumer realty who serves after a required meeting to elect a board of directors for the council of unit owners, as specified; and

- to a member of the governing body of an HOA that consists solely of residential for-sale housing who serves after a required meeting to elect the governing body, as specified.

Current Law: Statutory provisions do not address such training requirements for the governing entity of a condominium or an HOA.

For more information on condominiums and HOAs, which are commonly referred to as common ownership communities, see the **Appendix – Common Ownership Communities**.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See HB 361 of 2021.

Designated Cross File: None.

Information Source(s): Charles, Montgomery, and Prince George’s counties; Department of Legislative Services

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km/jkb Third Reader - March 19, 2024
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Appendix – Common Ownership Communities

When a person purchases a single-family home, condominium, or an interest in a cooperative housing corporation, he or she may also be required to join an association of owners, which is intended to act in the common interests of all the homeowners, condominium unit owners, or cooperative owners in the community. Collectively, these associations are often referred to as common ownership communities (COCs). In Maryland, a growing number of newly constructed or newly converted residences are located in some form of a COC. Because registration of the various COCs is not required statewide, the exact number of COCs in Maryland is unknown. However, the Foundation for Community Association Research estimated that there were 7,100 community associations with an estimated 1 million residents in these associations in the State in 2023.

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. Condominiums are governed under Title 11 of the Real Property Article.

Many new housing developments are subject to a homeowners association (HOA) that is created by a governing document and has 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 lot owners, or the common areas. HOAs are governed under Title 11B of the Real Property Article.

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; instead, the person owns an interest in the corporation, which leases the unit to the person for residential use. Cooperatives are governed by the laws in Title 5, Subtitle 6B of the Corporations and Associations Article.

Condominiums and HOAs may be authorized by their governing documents to impose liens on units or lots to collect unpaid assessments or fees. In a cooperative, the governing documents usually provide for the collection of delinquent fees, and evictions for outstanding fees are generally pursued by way of a landlord-tenant action.

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 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 five 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.

The task force's report also featured findings and recommendations relating to the creation of an ombudsman in local governments. 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 and Montgomery counties have offices dedicated to COCs that predate the task force.