

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

Senate Bill 697 (Senator Green)
Judicial Proceedings

Cooperative Housing Corporations and Homeowners Associations - Adoption of Rules

This bill authorizes the board of directors of a cooperative housing corporation or a homeowners association to adopt reasonable rules for the corporation or the common areas and lots of the association under specified circumstances.

The bill applies only to rules adopted on or after October 1, 2005.

Fiscal Summary

State Effect: The bill would not directly affect governmental operations or finances.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: A board must mail or deliver to each member in the case of a cooperative housing corporation, or to each lot owner in the case of a homeowners association: (1) a copy of the proposed rule; (2) notice that submission of written comments on the proposed rule is permitted; and (3) notice of the proposed rule's effective date.

Before a vote is taken on the proposed rule, an open meeting must be held to allow comments on the proposed rule. A quorum of the board of directors must be present at

the meeting, and written notice must be received by each member of a cooperative housing corporation or each lot owner of a homeowners association at least 15 days before the meeting. After notice has been given as required, the proposed rule must then be passed at a regular or special meeting of the board of directors of the cooperative housing corporation or the homeowners association by a majority vote of those present and voting.

The vote on the proposed rule is final unless: (1) within 15 days after the vote, 15% of the lot owners of a homeowners association or members of a cooperative housing corporation sign and file a petition with the body that voted to adopt the proposed rule calling for a special meeting; (2) a quorum of the lot owners or members attends the meeting; and (3) at the meeting, 50% of the lot owners or members present and voting disapprove the proposed rule, and those voting to disapprove represent more than 33% of the total votes in the homeowners association or cooperative housing corporation.

During a special meeting, members of the cooperative housing corporation, lot owners of the homeowners association, tenants, and mortgagees may comment on the proposed rule. The special meeting must be held: (1) after the lot owners or members have at least 15 days' written notice; and (2) within 30 days after the day on which the petition is received.

In the case of a homeowners association, each lot owner or tenant may request an individual exception to a rule adopted while the individual was the lot owner or tenant of the association. In the case of a cooperative housing corporation, each member or tenant of the corporation may request an individual exception to a rule adopted while the individual was the member or tenant of the corporation. The request for an individual exception must be in writing and filed with the body that voted to adopt it within 30 days after the rule's effective date.

A rule may not be adopted if it is inconsistent with: (1) the articles of incorporation or bylaws of the cooperative housing corporation; or (2) the declaration or bylaws of a homeowners association.

Current Law: The council of unit owners or the body delegated in the bylaws of a condominium to carry out the responsibilities of the council of unit owners may adopt rules for the condominium if procedures similar to those established under the bill are followed. However, the manner of adopting rules and regulations by a homeowners association or cooperative housing corporation is not specifically addressed in statute.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): State Department of Assessments and Taxation, Office of the Attorney General (Consumer Protection Division), Department of Legislative Services

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