

**Department of Legislative Services**  
2010 Session

**FISCAL AND POLICY NOTE**

House Bill 1124

(Delegate Holmes, *et al.*)

Environmental Matters

**Real Property - Common Ownership Communities - Annual Registration**

This bill requires a homeowners association, condominium, and cooperative housing corporation (common ownership community or COC) to register with the Consumer Protection Division of the Office of the Attorney General on an annual basis. Each newly created COC must register with the division within 30 days after specified governing documents are filed with the State Department of Assessments and Taxation (SDAT) or recorded among the local land records of the county where the community is located. Each COC must submit an annual registration form containing specified information by December 1 of each year. The Attorney General is authorized to collect an annual fee ranging from \$10 to \$50 for each registration based on the number of units or lots in the COC.

**Fiscal Summary**

**State Effect:** General fund revenues increase minimally due to the maximum fee of \$50 that may be assessed against COCs. General fund expenditures increase by approximately \$52,200 in FY 2011 to establish the common ownership community registration program. Out-years reflect annualization and inflation.

(in dollars)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
GF Revenue	-	-	-	-	-
GF Expenditure	\$52,200	\$65,000	\$68,200	\$71,500	\$75,000
Net Effect	-	-	-	-	-

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

**Local Effect:** The bill does not directly affect local finances or operations.

**Small Business Effect:** Minimal.

## Analysis

**Current Law:** State law does not require registration of COCs or designate a statewide office to manage registrations. In Montgomery County, however, COCs are required to register with the Commission on Common Ownership Communities, a 15-member volunteer body. The county's Office of Consumer Protection, together with the commission, must:

- prepare and distribute specified educational materials about COCs;
- maintain a master roster of COCs;
- develop an information and referral system for county services related to COCs;
- maintain a collection of COC documents to use as a model and for reference;
- provide technical assistance to COC governing bodies;
- develop and maintain a manual for COCs and government agencies;
- develop and maintain an operations manual to serve as a guide for COC leadership;
- advise COCs and professional association managers of applicable statutory and regulatory changes;
- operate a dispute resolution process; and
- assist the commission in carrying out its duties.

The commission is required to:

- adopt rules and procedures;
- keep a record of its activities;
- cooperate with the local, State, and federal government agencies in matters concerning the commission's jurisdiction;
- examine, by specified means, conditions in COCs that may result in unmet needs; and
- advise county residents, the county council, the county executive, and others on matters involving COCs.

COCs in Montgomery County are required to pay a registration fee for costs associated with the commission. COCs are not required to register with the Montgomery County commission if they are located in the following municipal corporations: Chevy Chase Village, the Town of Chevy Chase, Gaithersburg, Garrett Park, Kensington, Laytonsville, Poolesville, Rockville, Somerset, and Washington Grove.

**Background:** Chapter 469 of 2005 established the Task Force on Common Ownership Communities. The full task force met 10 times during 2006 and conducted five public hearings, at which public comments were solicited. In addition, subcommittees comprising task force members met several times. The task force made several recommendations on various topics, including that local governments should be required to consider establishing alternative dispute resolution services, including the use of ombudsman programs. The task force reported that ombudsman offices should be established at the county or regional level to function as a first point of contact to receive and resolve complaints between conflicting parties.

Montgomery County advises that its Commission on Common Ownership Communities has an annual budget of slightly over \$317,000 in fiscal 2009. The county's consumer protection division has two full-time employees devoted to the work of the commission. The division reports that several work-years of other employees are also devoted to the commission's work. Commission members are volunteers and do much of the commission's work. Montgomery County currently charges \$2.25 per unit in fees to offset the commission's expenses. Montgomery County staff reports that a fee increase to \$2.75 per unit per year may be implemented in fiscal 2010.

**State Revenues:** General fund revenues increase minimally due to the payment of fees as outlined in the bill. The bill authorizes an annual fee of up to \$50 for each COC. Due to the unavailability of data, the total number of these paying COCs and the requisite fees cannot be accurately estimated. *For illustrative purposes only*, if there are 5,000 COCs and each paid an average fee of \$30 each year, general fund revenues increase by \$150,000 annually. The Secretary of State advises that there are 2,492 condominium councils or associations in Maryland. According to SDAT, there are 13,335 improved commercial condominium units, 199,826 improved residential condominium units, and at least 33 cooperative housing corporations in the State. However, SDAT does not track the number of active homeowners associations.

**State Expenditures:** General fund expenditures within the Consumer Protection Division of the Office of the Attorney General increase by an estimated \$52,173 in fiscal 2011, which accounts for the bill's October 1, 2010 effective date. This estimate reflects the cost of hiring one program administrator to manage the COC registration program and handle inquiries.

Position	1
Salary and Fringe Benefits	\$47,495
Operating Expenses	<u>4,678</u>
<b>Total FY 2009 State Expenditures</b>	<b>\$52,173</b>

Future year expenditures reflect a full salary with 4.4% annual increases, 3% employee turnover, and 1% annual increases in ongoing operating expenses.

To the extent creation of the COC registration program results in a significantly increased complaint workload for the Consumer Protection Division, an additional part-time assistant Attorney General may be required.

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### **Additional Information**

**Prior Introductions:** A similar bill, HB 850 of 2009, received an unfavorable report from the House Environmental Matters Committee.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - March 3, 2010  
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