

**Department of Legislative Services**  
Maryland General Assembly  
2012 Session

**FISCAL AND POLICY NOTE**  
**Revised**

Senate Bill 183

(Senators Kelley and Miller)

Judicial Proceedings

Environmental Matters

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**Condominiums and Homeowners Associations - Transition of Control -  
Termination of Contracts**

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This bill alters the circumstances in which a newly elected board of directors of a condominium or a governing body of a homeowners association (HOA) may terminate a specified contract at the discretion of the board or governing body, without liability for the termination.

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**Fiscal Summary**

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

**Local Effect:** None.

**Small Business Effect:** Minimal.

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**Analysis**

**Bill Summary:** The bill (and current law described below) applies only to contracts with a company or individual to handle financial matters, maintenance, or services for the condominium or HOA. It does not apply to an agreement relating to the provision of utility services or communication systems.

*Condominium:* The bill authorizes a board of directors of a condominium elected by unit owners at a transitional meeting, within 180 days after all members are elected, to terminate a contract entered into by the developer, officers, or previous board of directors of the condominium before the meeting, at the discretion of the board of directors and without liability for termination, upon 30 days' notice to the contractor.

*HOA:* The bill also authorizes a governing body of an HOA elected by lot owners at a transitional meeting, within 180 days after all members are elected, to terminate a contract entered into by the declarant or the previous governing body before the meeting, at the discretion of the governing body and without liability for termination, upon 30 days' notice to the contractor.

### **Current Law:**

*Condominium:* A meeting of the council of unit owners to elect a board of directors must be held within 60 days from the date that units representing at least 50% of the votes in the condominium, or a lesser percentage specified in the declaration or bylaws, have been conveyed by the developer to members of the public for residential purposes. The developer must provide appropriate notice specifying the date, time, and place of the meeting.

Within 30 days after the transitional meeting, the developer must deliver specified documents, including a copy of all contracts to which the condominium is a party, to the officers or boards of directors.

Until all members of the board of directors are elected at the transitional meeting, a contract entered into by the officers or board of directors may be terminated, at the discretion of the board and without liability for the termination, not later than 30 days after notice.

*HOA:* A meeting of the members of an HOA to elect a governing body must be held within 60 days from the date that at least 75% of the total number of lots, or a lesser percentage specified in the HOA's governing documents, that may be part of a completed development are sold to members of the public for residential purposes. The declarant must provide appropriate notice specifying the date, time, and place of the meeting.

Within 30 days after the transitional meeting, the declarant must deliver specified documents, including a copy of all contracts to which the HOA is a party, to the governing body.

Until all members of the governing body are elected at the transitional meeting, a contract entered into by the governing body may be terminated, at the discretion of the governing body and without liability for the termination, not later than 30 days after notice.

**Background:** The Secretary of State reports that 2,544 total condominiums are registered in Maryland. The office estimates that approximately 2,000 of these registrations are active. No State office tracks the number of HOAs in Maryland.

## **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - February 13, 2012  
ncs/kdm Revised - Senate Third Reader - March 28, 2012

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