

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 581 (Delegate Wims)
Environment and Transportation

Real Property - Condominiums - Assessments

This bill authorizes the board of directors of a residential condominium to increase the total assessments levied in a fiscal year for common expenses (excluding reserves) by no more than 5% of the total assessments levied in the prior fiscal year for the same purpose. The authority under the bill is regardless of any provision in the declaration, articles of incorporation, or bylaws that requires the council of unit owners to approve the amount of an annual assessment.

Fiscal Summary

State Effect: The bill is not anticipated to affect State operations or finances.

Local Effect: The bill is not anticipated to affect local government operations or finances.

Small Business Effect: Minimal.

Analysis

Current Law: Although a condominium may generally impose and collect an assessment, fee, or fine as provided in its specific governing documents, additional authorizations and restrictions are broadly provided in statute (The Maryland Condominium Act – Title 11 of the Real Property Article). For example, regardless of any provision in a condominium’s governing documents that restricts assessment increases or caps the assessment that may be levied in a fiscal year, statute explicitly authorizes the board of directors of a residential condominium to increase the assessment levied on unit owners in order to satisfy the recommended annual reserve funding amount indicated in a reserve study.

For more information on condominiums (which – along with cooperative housing corporations and homeowners associations – are commonly referred to as common ownership communities), see the **Appendix – Common Ownership Communities**.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: SB 464 (Senator King) - Judicial Proceedings.

Information Source(s): Office of the Attorney General (Consumer Protection Division); Department of Legislative Services

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js/jkb

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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, the person 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 (COC). 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 1.0 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 homeowner's 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 an individual 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. While a small number of local governments (Charles and Montgomery counties) created such offices before the report's publication, some local jurisdictions have since created programs to regulate or provide oversight of COCs. For example, Prince George's County created its Common Ownership Communities Program in 2007 to assist governing bodies, as well as owners and residents of HOAs, residential condominiums, and cooperative housing corporations, with education, training, and alternative dispute resolution.