HB 1411

Department of Legislative Services

Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1411 (Delegates Rosenberg and Ruff)
Environment and Transportation

Real Property - Insufficient Condominium Reserve Account Grant Fund - Establishment

This bill establishes the Insufficient Condominium Reserve Account Grant Fund, administered by the Department of Housing and Community Development (DHCD), to provide grants to low-income unit owners of condominiums to pay for increased assessments necessary for a condominium association to meet reserve account funding requirements.

Fiscal Summary

State Effect: General fund expenditures increase by an estimated $500,000 in FY 2026 through 2028 to capitalize the fund, with potential ongoing capitalization costs beyond FY 2028, as discussed below. Special fund revenues to and expenditures from the fund increase correspondingly. General fund expenditures further increase by $182,373 in FY 2026 for administrative costs; future years reflect annualization, inflation, and ongoing costs.

($ in millions)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
SF Revenue	$0.5	$0.5	$0.5	-	-
GF Expenditure	$0.7	$0.7	$0.7	$0.2	$0.2
SF Expenditure	$0.5	$0.5	$0.5	-	-
Net Effect	($0.7)	($0.7)	($0.7)	(-)	(-)

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

Local Effect: The bill does not materially affect local government finances or operations.

Small Business Effect: Minimal.

Analysis

Bill Summary: A "low-income unit owner" means an individual owner of a condominium unit who is a member of a household with an income that is 80% or below of the area median income.

The Secretary of Housing and Community Development must (1) administer the fund and award grants from the fund to eligible low-income unit owners; (2) establish procedures for low-income unit owners to apply for and receive grants from the fund; and (3) publicize the fund and the application process for the fund. Priority for grants must be given to low-income unit owners who are at least age 65.

By December 31 each year, low-income unit owners who receive grants from the fund must report to DHCD regarding the reserve account balance in a manner determined by DHCD. Money expended from the fund is supplemental to and not intended to take the place of funding that otherwise would be appropriated for a unit owner to pay for increased assessments against the owner to meet the increased reserve account amounts.

Current Law: Pursuant to legislation enacted over the last several years, residential condominiums, cooperative housing corporations, and homeowners associations (HOAs), subject to limited exception, in the State are required to conduct reserve studies; statutory provisions specify the time by which initial and updated reserve studies must be completed.

A reserve study means a study of the reserves required for future major repairs and replacement of the common elements of a cooperative or condominium, or the common areas of an HOA, that:

- identifies each structural, mechanical, electrical, and plumbing component of the common elements or common areas and any other components that are the responsibility of the cooperative, condominium, or HOA to repair and replace;
- states the normal useful life (for cooperatives and condominiums) and the estimated remaining useful life of each identified component;
- states the estimated cost of repair or replacement of each identified component; and
- states the estimated annual reserve amount necessary to accomplish any identified future repair or replacement.

Each reserve study must:

- be available for inspection and copying by any unit owner or lot owner;
- be reviewed by the governing body of the cooperative, condominium, or HOA in connection with preparing the annual budget (cooperatives must also explicitly review the study annually for accuracy); and

- be summarized for submission with the annual proposed budget to the unit owners or lot owners.

The governing body of a cooperative, condominium, or HOA must provide funds to the reserve in accordance with the most recent reserve study and has the authority to increase an assessment levied to cover the reserve funding amount required – despite any provision of the articles of incorporation, declaration, bylaws, or proprietary lease, as applicable, restricting assessment increases or capping the assessment that may be levied in a fiscal year. The governing body of a cooperative, condominium, or HOA, if the most recent reserve study was an initial reserve study, must attain the annual reserve funding level recommended by the reserve study within three fiscal years following the fiscal year in which the initial reserve study was completed.

For more information on cooperative housing corporations, condominiums, and HOAs (commonly known as common ownership communities), see the **Appendix – Common Ownership Communities**.

State Fiscal Effect:

Capitalization of the New Special Fund and Grants to Eligible Low-income Unit Owners

General fund expenditures increase by an estimated $500,000 annually through fiscal 2028 to capitalize the Insufficient Condominium Reserve Account Grant Fund created under the bill. Although the bill does not include a mandated appropriation or otherwise specify a funding amount, this analysis assumes that $500,000 annually is needed – for the first three years – in order to implement a modest grant program. Special fund revenues to and expenditures from the fund increase correspondingly each year, reflecting receipt of the capitalization funds and spending from the fund as grants are awarded. Although this analysis does not reflect a specific funding amount after fiscal 2028, ongoing capitalization needs are possible.

Administrative Costs for the Department of Housing and Community Development

The bill does not authorize the new special fund to be used for administrative costs; thus, additional funds are needed as existing staff within DHCD cannot handle the additional workload created by the bill. Accordingly, general expenditures increase by $182,373 in fiscal 2026, which reflects the bill's October 1, 2025 effective date. This estimate reflects the cost of hiring one program manager, one part-time financial analyst, and one part-time information technology (IT) specialist to facilitate the general administration of the fund, including initial programming costs required for the bill's implementation.

Full-time Positions	1.5
Part-time Contractual Position	0.5
Salaries and Fringe Benefits (including Contractual Position)	$161,095
One-time Start-up Costs	19,620
Other Operating Costs	1,658
FY 2026 Administrative Expenditures	**$182,373**

Future year expenditures reflect (1) full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses and (2) the termination of the part-time contractual IT specialist position during fiscal 2027. While this analysis assumes that other staff continue through at least fiscal 2030 (the time period covered by this analysis), to the extent the demand for grants decreases at some point in the future, staff dedicated to the grant program under the bill may no longer be needed. Conversely, depending on the procedures ultimately adopted to administer grants, the volume of applicants/grantees, and the funding made available for the program, additional resources may be required, and can be requested by DHCD through the annual budget process.

This estimate does not include any health insurance costs that could be incurred for specified contractual employees under the State's implementation of the federal Patient Protection and Affordable Health Care Act.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See HB 1035 of 2024.

Designated Cross File: SB 1011 (Senator Attar) - Judicial Proceedings and Budget and Taxation.

Information Source(s): Department of Housing and Community Development; Department of Legislative Services

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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.