

March 10, 2020

The Honorable Kumar Barve
Chairman, House Environment and Transportation Committee
House Office Building, Room 251
6 Bladen Street
Annapolis, MD 21401

RE: Support of House Bill 254 (Cooperative Housing Corporations, Condominiums, and Homeowners Associations - Reserve Studies PG 403-20) With Amendment

Dear Chairman Barve:

The Maryland Building Industry Association (MBIA), representing 100,000 employees of the building industry across the State of Maryland, supports House Bill 254 (Cooperative Housing Corporations, Condominiums, and Homeowners Associations - Reserve Studies PG 403-20) with a suggested amendment.

This measure attempts to impose on both developers and associations the obligation to maintain reserve funds at designated levels. While it is not unreasonable to have some reserve funding obligations, the bill requires that the association have a reserve study done and that the developer at the transition turn over funds at least equal to the amount required in the reserve study at least 90 but not less than 30 days prior to the condominium transition meeting (i.e. 60 days after 50% conveyances). Thus, if there are insufficient funds, the developer must fund these reserves to avoid noncompliance.

This bill also provides that the reserves must maintain at least 80% of the recommended amount from the study. This is an unreasonable burden; funding is based upon a cash flow analysis, and funding at 80% of total needs is not always available. This is especially true during initial years as sales are taking place. Associations should have flexibility to make businesses decisions regarding funding, which is not available in this bill.

While we are not opposed to a reserve study every five years to ensure future repairs can be funded, we propose eliminating the specific requirement of 80%.

MBIA respectfully requests the Committee adopt this amendment and give this measure a favorable report. Thank you for your consideration.

For more information about this position, please contact Lori Graf at 410-800-7327 or lgraf@marylandbuilders.org.

cc: House Environment and Transportation Committee Members