

**HB 313 - MoCo - DHCA (Senate)(GA 21).pdf**

Uploaded by: Samman, Amy

Position: FAV



# Montgomery County

## Office of Intergovernmental Relations

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**HB 313**

**DATE: March 26, 2021**

**SPONSOR: Delegate Holmes**

**ASSIGNED TO: Judicial Proceedings**

**CONTACT PERSON: Amy Samman (amy.samman@montgomerycountymd.gov)**

**POSITION: Support (Dept. of Housing and Community Affairs)**

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### **Cooperative Housing Corporations, Condominiums, and Homeowners Associations – Reserve Studies – Statewide**

This bill requires the governing body of a common ownership community (COC) to commission a study of the COC's reserves and have an updated reserve study conducted within five (5) years of the initial study and at least every five (5) years thereafter.

The study would include an analysis of the amount of reserve funds needed to support future major repairs and replacement of the COC's common elements and common areas. This bill applies to condominiums, housing cooperatives, and homeowners' associations.

Montgomery County's Department of Housing and Community Affairs (MCDHCA) supports House Bill 313. Montgomery County's House Delegation introduced a similar local bill (House Bill 567/MC 3-21) this year. The bill reflects a recommendation from Montgomery County's Covid-19 COC Distress Workgroup based on concerns that members of COC governing bodies often lack the knowledge and expertise necessary to identify the improvements that need to be made to common elements and common areas and a timeline for making those improvements. This may result in those improvements not being budgeted for in advance, requiring the need for unanticipated resident special assessments or the loss of use of common elements and common areas altogether. MCDHCA believes reserve studies will assist governing bodies in determining the appropriate level of reserve funding necessary to avoid burdening residents with frequent special assessments which may help these communities maintain financial solvency.

For the foregoing reasons, MCDHCA respectfully requests a favorable Committee report on House Bill 313.

# **Cross of HB 313 Support Letter 2021.pdf**

Uploaded by: Straughn, Karen

Position: FAV

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March 30, 2021

**To:** The Honorable William C. Smith, Jr.  
Chair, Judicial Proceedings Committee

**From:** Karen S. Straughn  
Consumer Protection Division

**Re:** House Bill 313 – Cooperative Housing Corporations, Condominiums, and Homeowners Associations – Reserve Studies - Statewide (SUPPORT)

The Consumer Protection Division of the Office of the Attorney General submits the following written testimony in support of House Bill 313 submitted by Delegate Marvin E. Holmes, Jr. This bill requires common ownership communities to conduct reserve studies prior to the first meeting at which members other than the developer have a majority of votes in the association and every five (5) years thereafter. It further requires that an owner or developer of the community provide the amount of the recommended reserve fund to the association at the time of the first meeting and that every annual budget include reserve funds equal to the recommended reserve fund amount. Finally, this bill gives the governing body of the association the authority to increase a levied assessment to cover the recommended reserve funding amount required regardless of any provision in the governing documents restricting assessment increases that may be levied in a year.

Reserve studies review the common elements of an association to determine the major repairs and replacements that may be needed in the future and ensure that the association is properly planning for these estimated costs. Such studies not only help to secure the financial stability of the association, they are also needed to enable members to buy and sell their homes, since most banks and mortgage companies will not lend money to owners who reside in associations that do not have current reserve studies. The costs incurred to do the reserve study will be commensurate with the types and amount of common property that must be maintained, so smaller communities are unlikely to be overburdened by this law.

The Honorable William C. Smith, Jr.

HB 313

March 30, 2021

Page Two

The Consumer Protection Division has received complaints from associations that have been turned over by a developer who failed to leave any money in the reserve fund, placing the association in a difficult monetary position. The Division has also received calls and complaints from members in associations that are assessed with very high special assessments as a result of not having enough funds in their reserve accounts because reserve studies had not been done for a significant period of time. This bill would help to protect against these scenarios.

For these reasons, we ask that the Judicial Proceedings Committee return a favorable report on this bill.

cc: The Honorable Marvin E. Holmes, Jr.  
Members, Judicial Proceedings Committee

**MBIA Testiomny HB 313.pdf**

Uploaded by: Graf, Lori

Position: UNF

March 30, 2021

The Honorable William C. Smith Jr.  
Senate Judicial Proceedings Committee  
Miller Senate Office Building,  
2 East Wing 11 Bladen St.,  
Annapolis, MD, 21401

**RE: Oppose- HB 313** (Cooperative Housing Corporations, Condominiums, and Homeowners Associations - Reserve Studies – Statewide)

Dear Chairman Smith:

The Maryland Building Industry Association, representing 1,100 member firms statewide, appreciates the opportunity to participate in the discussion surrounding **HB 313 Cooperative Housing Corporations, Condominiums, and Homeowners Associations - Reserve Studies - Statewide**. MBIA Opposes HB313.

This bill would require Homeowners Associations to conduct and updated reserve study once every 5 years. MBIA respectfully supports that part of the legislation. The 2020 pandemic has shown how important it is for the organizations governing housing to prepare for a financial downturn in order to continue to provide the needed services in difficult economic periods. This measure would force the governing members of the cooperative housing corporation to evaluate their financial position and plan for unexpected expenses. Requiring an updated reserve study will save time and expenses during crisis periods by making the state of housing corporations financials well understood.

However, there should be a threshold for communities smaller than 50 units. When this bill was introduced in 2020, there was a threshold for communities that are smaller and thus have less common areas. At that time the legislation only applied to communities of more than 50 communities. The communities that are smaller have less common area, therefore, have less concern about reserves.

For these reasons, MBIA respectfully requests the Committee give this measure a unfavorable report unless these amendments are adopted. Thank you for your consideration.

For more information about this position, please contact Lori Graf at 410-800-7327 or [lgraf@marylandbuilders.org](mailto:lgraf@marylandbuilders.org).

cc: Members of the Senate Judicial Proceedings Committee

# **HB313 Testimony - MD LAC.pdf**

Uploaded by: Jones, Lisa

Position: UNF



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Steven Randol, Chair

Reese F. Cropper III, CIRMS, Member

Julie Dymowski, Esq., Member

Steven Landsman, PCAM, Member

Judyann Lee, Esq., Member

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March 23, 2021

Hon. Senator William C. Smith, Jr., Chairman  
Judicial Proceedings Committee  
2 East  
Miller Office Building  
Annapolis, MD 21401

**Re: HB 313 Cooperative Housing Corporations, Condominiums, and Homeowners  
Associations - Reserve Studies - Statewide**

**Hearing: March 30, 2021**

**Position: Oppose**

Dear Chairman Smith and Committee Members:

This letter is submitted on behalf of the Maryland Legislative Action Committee (“MD-LAC”) of the Community Associations Institute (“CAI”). CAI represents individuals and professionals who reside in or work with condominiums, homeowners associations and cooperatives throughout the State of Maryland. Over 1,000,000 Marylanders live in more than 6700 communities throughout the State.

I am writing today on behalf of the MD-LAC to voice our opposition to HB 686.

This bill will mandate community associations, including all homeowners associations, condominiums, and cooperatives, to conduct complete reserve studies, which are then required to be fully funded, every five years. These new mandates, if passed, will place excessive costs and budgeting requirements on many associations where they may not be necessary.

While Community Associations Institute clearly supports best practices for community associations with significant common elements should plan and prepare for long-term repairs and replacement. However, HB 313 is a one size fits all proposal that will unnecessarily burden many Maryland communities and could potentially lead to special assessments as communities play catch up on quickly fully funding reserves. Funding of reserves through the budget process is one that the association governing body should undertake in consultation with a reserve specialist rather than be mandated by governmental regulation. Experience has shown that equally important to adopting a specific method of reserve funding is the recommendation that the developer-controlled board prepares a reserve study close to transition to the owner-controlled board. We support planning and preparing for the future of community associations, but we don't support this bill.

We are available to answer any questions which you may have. Please feel free to contact any of the individuals listed: Lisa Harris Jones, CAI MD-LAC lobbyist, at 410-366-1500 or by email at [lisa.jones@mdlobbyist.com](mailto:lisa.jones@mdlobbyist.com); or Steven K Randol, Chair CAI MD-LAC, at 410-695-2183, or [srandol@pineyorchard.com](mailto:srandol@pineyorchard.com)

Sincerely,

*Steven Randol*  
Chair, CAI MD-LAC

CAI is a national organization dedicated to fostering vibrant, competent, harmonious community associations for more than thirty years. Its members include community association volunteer leaders, professional managers, community management firms, and other professionals and companies that provide products and services to common interest associations. As part of its mission, CAI advocates for legislative and regulatory policies that support responsible governance and effective management. As part of this purpose state Legislative Action Committees represent CAI members before state legislatures and agencies on issues such as governance, assessments collection, insurance and construction defects.

**Maryland Legislative Action Committee**  
**Post Office Box 6636**  
**Annapolis, Maryland 21401**