

HB567 Del. Crutchfield's Written Testimony.pdf

Uploaded by: Pope, Jeremiah

Position: FAV

CHARLOTTE CRUTCHFIELD
Legislative District 19
Montgomery County

Judiciary Committee

Subcommittees

Family Law

Chair, Juvenile Law



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THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

March 30, 2021

WRITTEN TESTIMONY IN SUPPORT OF HOUSE BILL 567

**MONTGOMERY COUNTY-COOPERATIVE HOUSING CORPORATIONS,
CONDOMINIUMS AND HOMEOWNERS ASSOCIATIONS-RESERVE STUDIES**

House Bill 567 will ensure that the governing bodies for Common Ownership Communities in Montgomery County such as Cooperative Housing Corporations, Condominiums and Homeowners Associations conduct reserve studies every five (5) years or conduct an update of an already existing reserve study every five (5) years.

A reserve study is a long-term budget planning tool which identifies the status of the reserve fund by conducting a study of future major repairs and replacement of the common areas of a cooperative, condominium or HOA. The reserve fund consists of money set aside for scheduled, routine and unscheduled expenses for maintenance, repair and replacement that otherwise would be drawn from a general fund.

This bill provides guidelines and standards for the manner in which the reserve study should be conducted and prepared; provides for the governing body's review of the study; inspection and copying of the study by homeowners; requirements for submission with the annual proposed budget to homeowners; and budget guidelines for reserve funding and allocation of funds towards the proposed funded amount.

With this legislation, Montgomery County homeowners living in Common Ownership Communities will continue with the quiet enjoyment of homeownership without the risk of mandated costly and sometimes exorbitant assessments for scheduled, routine and unscheduled expenses associated with maintenance, repair and replacement of common areas within their communities.

I respectfully request a favorable report for House Bill 567.

Sincerely,

Delegate Charlotte Crutchfield

HB 567 - MoCo (Senate)(GA 21).pdf

Uploaded by: Samman, Amy

Position: FAV



Montgomery County

Office of Intergovernmental Relations

ROCKVILLE: 240-777-6550

ANNAPOLIS: 240-777-8270

HB 567

DATE: March 26, 2021

SPONSOR: Montgomery County Delegation

ASSIGNED TO: Judicial Proceedings

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

POSITION: Support

Montgomery County – Cooperative Housing Corporations, Condominiums, and Homeowners Associations – Reserve Studies MC 3-21

This bill requires the governing body of a common ownership community (COC) in Montgomery County 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. House Bill 567 reflects a recommendation made by the 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. The bill applies to cooperative housing corporations, condominiums, and homeowners associations.

House Bill 567 requires that the study be prepared by a person with specified experience who would: (1) identify 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 homeowners association to repair and replace; (2) state the normal useful life and estimated remaining useful life of each identified component; (3) state the estimated cost of repair or replacement of each identified component; and (4) state the estimated annual reserve amount necessary to accomplish any identified future repair or replacement.

If the reserve study indicates a need to budget for reserves, the budget must include: (1) the current estimated replacement cost, remaining life and useful life for capital components; (2) the amount of accumulated cash reserves set aside for the repair, replacement or restoration of capital components as of the beginning of the fiscal year in which the reserve study is conducted and the amount of expected contribution to the reserve fund for the fiscal year; (3) a statement describing the procedures used for estimation and accumulation of cash reserves; and (4) a statement of the amount of reserves recommended in the study and the amount of current cash for replacement reserves.

Additionally, the governing body of the COC is required to “provide funds to the reserve in accordance with the most recent reserve study” and review the reserve study annually for accuracy. The bill authorizes the governing body of the COC to increase an assessment levied to cover the reserve funding required by the study regardless of any restrictions capping assessments found in the articles of incorporation, bylaws, or proprietary leases.

The bill would only apply to a COC responsible under its declaration for maintaining and repairing common areas. Common ownership communities will have until October 1, 2022 to complete a reserve study if they had not conducted a study on or after October 1, 2017. If the COC conducted a reserve study on or after October 1, 2017, then a reserve study is required within five years of the date of the last study.

Montgomery County believes this bill 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 Montgomery County respectfully requests a favorable Committee report on House Bill 567.

HB 567 Testimony - MD LAC.pdf

Uploaded by: Jones, Lisa

Position: UNF



Steven Randol, Chair

Reese F. Cropper III, CIRMS, Member

Julie Dymowski, Esq., Member

Steven Landsman, PCAM, Member

Judyann Lee, Esq., Member

March 23, 2021

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

**Re: Montgomery County - Cooperative Housing Corporations, Condominiums, and
Homeowners Associations - Reserve Studies MC 3-21**

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 567. This bill is duplicative of HB313 which proposes mandatory reserve studies statewide. Like that bill, though limited to a single county, it has the same features that cause us to oppose its passage.

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

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 567 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; or Steven K Randol, Chair CAI MD-LAC, at 410-695-2183, or 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.

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