

**Testimony for HB55
(Local Government – Condominium and Homeowners Associations –
Repair and Rehabilitation Funds)**

by Alex Hekimian

I'm a long-time resident of Columbia who has served on our state's Task Force on Common Ownership Communities, and I wholeheartedly support HB55.

Many board of directors of homeowners and condominium associations in Maryland find themselves between a rock and a hard place. They are frustrated by how difficult it is to collect enough funds to adequately and timely maintain their infrastructure.

Developers build these communities, but too often it's the associations that have the burden of picking up the cost of repairing their common elements. And, over the years, that cost has turned out to be huge and unaffordable.

The problem is that the governing documents drafted by the original developers of these communities imposed serious restrictions on how much the associations could raise their yearly assessments. For example, my association can increase the assessment by no more than the increase in the federal Consumer Price Index.

In the past decade, for example, the Consumer Price Index increased by about 1-2% per year. Construction costs, meanwhile, increased at a much higher rate. And, any attempt by associations to charge a special assessment has required a supermajority of 66 2/3% of owners to approve it, which has been so hard to attain. There has been no way to keep up.

There is also a serious inequity issue to overcome. An association's roads and stormwater facilities are types of facilities that governments normally provide. But, in many development cases, local governments agreed with developers to declare that such facilities are private and by so doing saddled the associations of the communities with the burden of repairing them. Meanwhile, for other associations, they declared that their facilities were public, and therefore local governments would be responsible for repairs. Those differing decisions have caused an arbitrary divide of haves and have-nots, as some associations pay little or nothing to repair their infrastructure, while other associations pay the entire cost.

This bill enables local governments to establish a fund to help resolve that inequity and place all associations on an equal financial footing. It also removes double taxation, whereby residents of some communities currently not only pay assessments to their associations to restore their own infrastructure but also property taxes to local governments to pay for restoring the infrastructure of other communities.

This bill allows all associations to recoup a percentage of the property taxes that its residents pay each year to local government via a grant from the fund. By so doing, it would prevent further deterioration of common elements that are unsafe and detract from such communities, and would help avoid depressed property values and the resulting negative impact and a drain on local government's property tax income.

Such a fund would be generally similar in principle to TIF (Tax Increment Financing), where the State has enabled local governments to create a fund that developers could use to recoup a portion of their development's property taxes to pay for their development's infrastructure. Just as TIF is a beneficial resource for developers, this fund would be a justified resource for community associations.

For all of these very important reasons, I urge the committee to issue a favorable report on HB55.