

Strong Towns Baltimore (STB) is taking an **unfavorable** position toward bill HB0055 (Condominium and Homeowners Associations - Repair and Rehabilitation Funds).

Infrastructure maintenance is expensive, especially for low-density developments. Unfortunately, privately-maintained condominium and homeowners associations (CHAs) are given the impression that, in publicly-maintained communities, property and local taxes paid by those communities are sufficient to maintain their community-specific public infrastructure.

However, our understanding is that the maintenance of public infrastructure, especially in low-density developments, is paid for with growth. [1] Municipalities pull from revenue streams that are unique to government to cover the costs of maintaining the infrastructure in older, existing communities. This lack of knowledge is leading to shortfalls in CHA infrastructure budgets, eye-popping work estimates, and distress for many CHA residents.

CHA-managed developments are very attractive to local municipalities. By approving them, municipalities realize a fresh and ongoing stream of property and local taxes without assuming responsibility for the initial development of the community-specific infrastructure (which the developer typically covers) or long-term maintenance of that infrastructure (when the CHA takes responsibility for it).

However, expecting all of these widely-varying CHAs to adequately run the grass roots equivalents of government transportation and public works departments is unrealistic. And expecting future waves of residents buying into these communities to properly vet the competence of the applicable CHA board, especially their management of below-ground infrastructure, is also unrealistic. It comes as no surprise that many CHAs with aging infrastructure are finding themselves in over their head - with their residents shocked and looking for help.

Municipalities have a role to play in addressing this issue, but a blanket shifting or garnishment of property taxes is not it. Property taxes pay for much more than community-specific infrastructure. Also, these backstop funds, if made available free of drawbacks, will introduce the risk of CHAs abdicating their fiscal discipline.

STB believes that the municipality's proper role in this is to provide expertise with helping CHAs and their residents understand the scope of their infrastructure liabilities and strategies on how to tackle them. Given the low-density layout of many of these communities, this may amount to a combination of increasing housing density and downgrading infrastructure standards.

Unfortunately, many suburban communities are fundamentally designed to make inefficient use of land and infrastructure - to such a degree that they may not be able to escape the financial holes they are in. As such, municipalities also need to take steps to ensure that vulnerable first-time buyers are not baited into buying into neighborhoods with unmanageable deferred maintenance backlogs.

There's a large conflict of interest at play when CHAs are established because the developer is incentivized to set the monthly/quarterly dues as low as possible to make the properties more attractive to potential home-buyers. Beyond that point, it's then up to the residents to a) realize that the infrastructure maintenance situation is unsustainable and b) agree to raise their own dues on themselves. This situation must be daylighted and remedied.

If it is decided that financial relief or support is to be extended to these CHAs, it **must** be coupled with policies that address the root cause(s) of the problem and be tied to a moratorium on any new such developments. We shouldn't allow any additional Maryland residents to be misled and victimized by bad-actor CHA developers. Also, municipalities need to move out ahead of this and get a handle on this "shadow inventory" of private infrastructure.

We hope the committee finds our points helpful and convincing and we urge its members to vote down this bill. Thank you for your time and attention.

[Strong Towns Baltimore](#)

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[1] Charles L. Marohn, *A Bottom-Up Revolution to Rebuild American Prosperity*, chap. 3, The Municipal Ponzi Scheme, e-book