

SB403_QAC PnZ Support.pdf

Uploaded by: Amy Moredock

Position: FAV



*Queen
Anne's
County*

DEPARTMENT OF PLANNING & ZONING

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9 February 2023

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

**Re: SB403 - Condominiums – Mandatory Insurance Coverage – Alterations
SUPPORT**

Dear Senator Smith,

Having reviewed last year's HB553 and this year's SB403 (cross-filed with HB98), I am comfortable in noting the fact that insurance coverage would have no impact (negative or positive) on the zoning of a condominium regime and/or cottage homes. I would note that QAC enacted cottage homes provisions in March 2021 in order to support affordable housing options in accordance with numerous Comprehensive Plan and Community Plan strategies. I would further note that the 2022 Queen Anne's County Comprehensive Plan identifies the need to ensure avenues for workforce and affordable housing as key issues and Plan themes.

The County's cottage homes use is a condominium regime by definition and is now a permitted multifamily use option in sixteen zoning districts on the County. Cottage housing provides more diverse housing opportunities that will serve all age and income levels. Due to their modest size and smaller land requirements, they may be more affordable than the traditional single-family units on larger lots. Cottage homes may meet the needs of a buyer who wants less home and yard to maintain and is not attached to their neighbor, while still providing a sense of community that a typical neighborhood provides.

If you have any additional questions or concerns, please do not hesitate to contact the Department at (410) 758-1255.

Sincerely,

A handwritten signature in black ink that reads "Amy G. Moredock".

Amy G. Moredock, CFM
Director

CC: Delegate Steven J. Arentz, District 36
Todd Mohn, QAC County Administrator

Sb 403.pdf

Uploaded by: Anne Stewart

Position: FAV

STEPHEN S. HERSHEY, JR.
Legislative District 36
Caroline, Cecil, Kent, and
Queen Anne's Counties

—
MINORITY LEADER
—

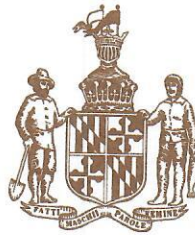
Finance Committee

Executive Nominations Committee

Rules Committee
—

Joint Committee on Legislative Ethics

Legislative Policy Committee



THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

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February 15, 2023

The Honorable Williams C. Smith Jr.

Judicial Proceedings Committee

Senate Bill 403 – Condominiums – Declarations and Mandatory Insurance Coverage - Alterations

Dear Chairman and Members of the Committee:

Currently, under the Maryland Condominium Act, all condominiums regardless of dwelling type must provide insurance for the common elements at common expense. Senate Bill 403 alters the insurance coverage requirements under this Act so that condominiums in which all units are detached, are only required to insure against common elements. The council would still maintain property and liability insurance for the common elements, but individual unit owners would be responsible for property and liability policies for their own personal units.

Senate Bill 403 is supported by the Maryland Realtors Association, and I ask for a favorable consideration.

SB 403 - Cottage Condo Insurance - FAV - REALTORS.

Uploaded by: Lisa May

Position: FAV



Senate Bill 403 – Condominiums – Mandatory Insurance Coverage - Alterations

Position: Support

Maryland REALTORS® support SB 403 which clarifies insurance coverage for condominiums that are developed as single-family detached properties.

Queen Anne’s County currently allows condominiums to be constructed as small, detached cottages on a single parcel as opposed to the traditional, multifamily arrangement of units. The cottage homes provision was part of a strategy to build more “missing middle” and affordable housing. By using a condominium structure, the county can build detached homes closer together, thereby saving homebuyers on land costs.

Typically, detached properties would be organized under a homeowner’s association rather than a condominium regime, and would provide a master insurance policy just for the shared common areas. Condominiums, by contrast, would provide a much more comprehensive master insurance policy because of the shared nature of a condo unit’s walls, floors, ceilings, hallways, and the like.

Unfortunately, the way insurance is mandated for condominiums poses challenges for owners in a cottage home development like those in Queen Anne’s County. These homes have their own walls, yards and are separated from the other units, but are still required to carry larger insurance policies as if they were attached. Forcing these cottage home developments to carry larger insurance policies drives up the condo fees for housing intended to be more affordable.

Many buyers think of these units in the same way as other detached units in HOAs and are confused about the difference in association fees. SB 403 will provide homebuyers seeking detached properties a better comparison between the ownership costs of all detached properties in a given area.

For these reasons, the REALTORS® recommend a favorable report.

**For more information contact
lisa.may@mdrealtor.org or christa.mcgee@mdrealtor.org**

Insurance Barriers to Cottage Homes in Maryland

- Under §11-114 of the Maryland Condominium Act it is a specified duty of the council of unit owners to obtain and maintain property insurance on both the common elements and units of the condominium.
- This requirement makes sense if the condominium units share physical connections between units (walls, roof, etc.). It makes much less sense however if the units are all detached, single family units.
- This creates 2 distinct problems with cottage home communities
 - First, as most cottage communities are small, seldom more than a dozen units and often less, if even a single owner is unable to pay their condo fees it imperils the insurance of the entire condominium as that is a substantial cost to be borne by the remaining owners (compare to a traditional condominium with dozens or even hundreds of units to disperse these kinds of costs over).
 - Second, in our experience with the community of Cole's Crossing (see attached for more information about this community), it was in fact highly counter-intuitive to potential buyers, who saw the high condo fee and thought they would have to pay both that and the typical costs of home ownership of a fee simple home as well rather than the comparatively less expensive condo owner's policy.
- We believe that the simple fix is to modify the Maryland Condominium Act to exempt condos in which all units are detached homes from the requirement that the council of owners maintain property and liability insurance for the units. The council would still maintain property and liability insurance for the common elements, but individual unit owners would be responsible for property and liability policies for their own personal units.
- This solves both noted problems the current law poses for cottage home communities and will help encourage them as a viable means of diversifying the range of available housing choices for all Marylanders.
- As an additional benefit, by providing opportunity for people to purchase individual homeowners policies rather than the smaller condo policies there are potentially greater savings to homeowners from policy bundling with auto and other policies they may have.

Cole's Crossing

Cole's Crossing is a small condominium development in Stevensville, MD created by Waterman Realty in 2007 and built in 2015. It consists of 1 prior existing home and 8 newly created single-family homes, with each home and lot parcel comprising a unit of the condominium. Each of the 8 new homes is 1164 sq. ft. with a 1 car garage.



While marketing the homes in this project we found a consistent issue with potential buyers not understanding that the condo fee included their property insurance and that many never even contacted us or came to see the homes, meaning there was no opportunity to explain it.

These homes were all eventually sold, and the individual owners now run the condo association but we do speak with them and it is definitely a concern they have as to what will happen if even a single owner finds themselves unable to keep up with the condo fees – a concern that grew especially pressing in light of the last year and the economic hardships so many faced as a result of the shutdowns.