

HB 534 Crossover Support Letter.pdf

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Position: FAV

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March 23, 2023

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

From: Karen S. Straughn
Consumer Protection Division

Re: House Bill 534 – Cooperative Housing Cooperations, Condominiums and Homeowners Associations – Funding for Reserve Accounts (SUPPORT)

The Consumer Protection Division of the Office of the Attorney General submits the following written testimony in support of House Bill 534 submitted by Delegate Marvin E. Holmes, Jr. This bill would extend the length of time to meet reserve study funding requirements from 3 years after the initial study was completed to 5 years and would not require deposit of the funds until the last day before the end of the fiscal year for the association.

Legislation passed last session requires Condominium and Homeowners associations to conduct a reserve study and to fund the reserves of the association in accordance with that study. In the past, many associations had not been properly funding their reserves, either due to the inability to obtain the votes required to approve large increases or the simple inability to afford the increases necessary. As a result, the infrastructure of many of these associations has deteriorated and associations are now forced to incur substantial increases or face penalties for failing to address the deteriorating conditions of the community.

In many common ownership communities, the infrastructure includes roads, storm water management ponds, sewers, parks, sidewalks and other elements that are the sole responsibility of the association and its members. The failure to maintain the infrastructure can result in both physical danger to the community members as well as depressed property values and eventually, communities in crisis. Despite this, many communities have expressed concerns about the ability to meet the funding requirements of the law. This bill would extend the requirement to fund the studies from 3 years after the initial reserve study to 5 years. It would also clarify that

the funds must be deposited with the reserve account on or before the last day of each fiscal year. These provisions would each give additional time to permit associations to comply with the law.

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

HB 534 - CIC Reserves - FAV - REALTORS.pdf

Uploaded by: Lisa May

Position: FAV



House Bill 534 – Cooperative Housing Corporations, Condominiums, and Homeowners Associations – Funding of Reserve Accounts

Position: Support

Maryland REALTORS® supports HB 534, which extends the deadline for Common Interest Communities to fully fund their reserve accounts.

Last year, the General Assembly passed a statewide requirement that all condo and homeowner’s associations regularly conduct a reserve study, which evaluates the association’s ability to pay for future financial obligations like maintenance and repairs. If the study determines that an association’s financial reserves are insufficient, the unit owners may face increases in their monthly fees or special assessments to recapitalize the accounts.

After passage of the reserve study requirement in 2022’s HB 107, REALTORS® have heard of some associations which have imposed sharp increases in fee amounts charged to homeowners. These fee amounts can be difficult for those on fixed incomes to absorb, especially during this time of higher-than-average inflation.

Giving associations additional time to fully fund their reserve accounts will moderate these increases on residents while still ensuring that the communities remain financially and structurally sound. REALTORS® recommend a favorable report on HB 534.

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

HB 534 testimony to Senata JPR.FINAL.03222023.pdf

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Position: FAV

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March 22, 2023

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Senator William C. Smith, Jr., Chair
Senator Jeff Waldstreicher, Vice Chair
Senate Judicial Proceedings Committee
Room 2 East, Miller Senate Office Building
Annapolis, Maryland 21401

Re: House Bill 534
Cooperative Housing Corporations, Condominiums
and Homeowners Associations –
Funding of Reserve Accounts
Hearing Date: March 23, 2023
Position: Support

Dear Chairman Smith, Vice Chair Waldstreicher, and Judicial Proceedings Committee Members:

We write on behalf of the Maryland residents statewide who reside in common ownership communities to offer our support for the above-referenced legislation, which originated in the House of Delegates, is sponsored by Delegate Marvin Holmes, Jr., and is scheduled for hearing before your Committee on March 23, 2023.

Page 2, House Bill 534
Community Associations Institute

In the year since the passage of legislation mandating the funding of replacement reserve accounts statewide, we have had many interactions with community association board members and professional managers regarding the intricacies of compliance with the new law. In the course of our conversations, two important concerns have emerged, both of which are addressed by the proposed HB 534.

The first concern has been that those communities obtaining initial reserve studies have found themselves confronted with the urgent need to increase assessments precipitously in order to meet the funding requirements recommended by their reserve specialists. Those increases, when combined with current inflationary pressure, have prompted our constituents to ask if the 3-year grace period in the current statute might be expanded to 5 years. HB 534 incorporates the new 5-year provision; and, in so doing, it will diffuse any negative fiscal impact, as well as to enlarge the opportunity for compliance.

The second concern is one raised by professional managers, accountants, auditors and attorneys. The current legislation—like its predecessors, which were originally applicable solely to community associations in Prince George’s and then Montgomery County—requires only that the association’s annual budget make provision for reserve account contributions. However, there has not previously been any requirement that such contributions actually be made. This is a significant issue during years when operating expenses in excess of those projected would cause a budgeted reserve contribution to become impossible to make without requiring owners to pay a special assessment or forego services. The present statute allows a board of directors to budget for reserves, and to increase assessments accordingly, as needed, without obeying any requirement to obtain owner approval for such increases. Thus, there is no reason not to require also—as does HB 534—that amounts budgeted to be contributed to reserves actually be deposited into the community association’s reserve accounts.

Inasmuch as HB 534 satisfactorily addresses both of the foregoing concerns, we request a **favorable** recommendation by this Committee.

Thank you for your time and attention to this important legislation. We are available to answer any questions the Committee Members may have. Please feel free to contact Lisa Harris Jones, lobbyist for the MD-LAC, at 410-366-1500, or by e-mail at lisa.jones@mdlobbyist.com, or Steven Randol, Chair of the MD-LAC, 410-279-8054, or by e-mail at srandol@pineorchard.com, or Scott Silverman, of the MD-LAC, at 301-251-1414, or by e-mail at ssilverman@schildlaw.com

Sincerely,

Scott J. Silverman

Scott J. Silverman, Esq.
Member, CAI MD-LAC

Steven Randol

Steven Randol
Chair, CAI MD-LAC