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To: The Honorable Guy Guzzone  
Chair, Budget and Taxation Committee

From: Karen S. Straughn  
Consumer Protection Division

Re: Senate Bill 446 – Local Government – Condominium and Homeowners Associations –  
Repair and Rehabilitation Funds (SUPPORT)

The Consumer Protection Division of the Office of the Attorney General submits the following written testimony in support of Senate Bill 446 submitted by Senator C. Anthony Muse. This bill authorizes a county or municipality to establish a fund to provide support for the repair of infrastructure in condominium or homeowners associations. If the local government establishes such a fund, a portion of property tax revenues paid by the members of these associations would go to that fund.

Legislation recently passed requires 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 of the residents 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 along with the deteriorating conditions of the community.

In many common ownership communities, the infrastructure includes roads, storm water management ponds, sewers, parks and other elements that would normally be maintained by the local government, but instead 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. To assist in maintaining these communities, a portion of the property taxes paid by these communities would be used to maintain the infrastructure. Notably, this legislation does not require a local government to take action, but merely provides the basis by which a local government is enabled to take such action. When setting the parameters for payment of a percentage of property taxes into these funds, however, it may be prudent for the funding to be limited to property taxes paid by residents of communities where the infrastructure is not maintained by the local government.

For these reasons, we ask that the Budget and Taxation Committee return a favorable report on this bill.

cc: The Honorable C. Anthony Muse  
Members, Budget and Taxation Committee