

February 6, 2024

The Honorable Marc Korman
Environment & Transportation Committee
House Office Building, Room 251,
6 Bladen St., Annapolis, MD, 21401

RE: HB 281 Cooperative Housing Corporations, Condominiums, and Homeowners Associations – Funding of Reserve Accounts

Dear Chairman Korman,

The Maryland Building Industry Association, representing 100,000 employees statewide, appreciates the opportunity to participate in the discussion surrounding **HB 281 Cooperative Housing Corporations, Condominiums, and Homeowners Associations – Funding of Reserve Accounts. MBIA Supports the Act with Amendments.**

This bill requires that certain funds for the reserve account of a cooperative housing corporation, a residential condominium, or a homeowner's association be deposited on or before the last day of each fiscal year. It also extends the amount of time from 3 to 5 years that cooperative housing corporations, condominiums, and homeowners associations have to attain the annual reserve funding level recommended in the initial reserve study. This bill will benefit our industry because it gives these housing entities more time to fund their reserve accounts. Requiring an updated reserve study will save time and expenses during crisis periods by making the state of housing corporations' financials well understood.

MBIA believes that there are some other areas that can strengthen this law and help communities comply. MBIA has also proposed some additional Amendments (attached).

- Amendment #1, #3 and #6- clarify that the funding does not need to be done all at one time and can be done in accordance with the schedule put forth in the Reserve Study
- Amendment #2, #4 and #8 The common element warranty or common area period on common elements usually runs for the later of a period of 2 years (i) after transfer of control of the HOA or Condo to the homeowners, or (ii) the last common element is available for use by the owners. So, it really is late in the process of the development. The legislation requires the initial study to be prior to transition of the HOA or Condo to the homeowners, however most common elements won't be completed or some even started yet, and therefore, the reserve study will be incomplete because it will not consider those items that will be completed later. Having the reserve study requirement to be later in the construction/development, such as waiting for the warranty period to be almost expired, then you will at that point have a more complete picture of all the items to include in the reserve study.
- Amendment #7- extends the exemption for the communities that the total initial purchase and installation costs for all components identified from \$10,000 to \$50,000.
- We would also propose an additional amendment that would exempt reserve study items that are NOT related to life, health and safety of the residents. For example, a HOA or Condominium will not need to fund reserves for carpet etc. They would only need to set aside reserves for items that protect the residents.

For more information about this position, please contact Lori Graf at 410-800-7327 or lgraf@marylandbuilders.org.

cc: Members of the House Environment & Transportation Committee

BY: Delegate Holmes
(To be offered in the Environment & Transportation Committee)

AMENDMENTS TO HOUSE BILL 281
(First Reading File Bill)

AMENDMENT NO. 1

On page 2, line 28, strike “**RECOMMENDED IN THE INITIAL RESERVE STUDY**” and replace with “**IN ACCORDANCE WITH THE FUNDING SCHEDULE RECOMMENDED IN THE INITIAL RESERVE STUDY**”

AMENDMENT NO. 2

On page 2, line 35, add (2)(b), “**THE GOVERNING BODY OF THE COOPERATIVE HOUSING CORPORATION SHALL HAVE AN INDEPENDENT RESERVE STUDY COMPLETED WITHIN NINETY(90) DAYS PRIOR TO THE EXPIRATION OF THE WARRANTY PERIOD ON IMPROVEMENTS TO THE PORTIONS OF THE COOPERATIVE PROJECT PURSUANT TO SECTION 5-6b-04 OF THIS TITLE**”

AMENDMENT NO. 3

On page 3, line 11, strike “**RECOMMENDED IN THE INITIAL RESERVE STUDY**” and replace with “**IN ACCORDANCE WITH THE FUNDING SCHEDULE RECOMMENDED IN THE INITIAL RESERVE STUDY**”

AMENDMENT NO. 4

Add a new subsection (b)(1) to section 11-109.4 On page 3, line 27, “**THE GOVERNING BODY OF THE CONDOMINIUM SHALL HAVE AN INDEPENDENT RESERVE STUDY COMPLETED WITHIN NINETY(90) DAYS PRIOR TO THE EXPIRATION OF THE WARRANTY PERIOD ON IMPROVEMENTS TO THE COMMON ELEMENTS PURSUANT TO SECTION 11-131 OF THIS TITLE**”

AMENDMENT NO. 5

Add a new subsection (b)(2) to section 11-109.4 as follows “**THE GOVERNING BODY OF THE CONDOMINIUM HAS THE AUTHORITY TO INCREASE AN ASSESSMENT LEVIED TO COVER THE RESERVE FUNDING AMOUNT REQUIRED UNDER THIS SECTION, NOTWITHSTANDING ANY PROVISION OF THE ARTICLES OF INCORPORATION, BYLAWS OR DECLARATION RESTRICTING ASSESSMENT INCREASES OR CAPPING THE ASSESSMENT THAT MAY BE LEVIED IN A FISCAL YEAR.**”

AMENDMENT NO. 6

On page 4, line 5, strike “**RECOMMENDED IN THE INITIAL RESERVE STUDY**” and replace with “**IN ACCORDANCE WITH THE FUNDING SCHEDULE RECOMMENDED IN THE INITIAL RESERVE STUDY**”

AMENDMENT NO. 7

On page 4, line 21, insert “(5) For which the total initial purchase and installation costs for all components identified in subsection (A)(1) of this section is at Least \$10,000” , strike, “**\$10,000**” and replace with “**\$50,000**”.

AMENDMENT NO. 8

Add a new subsection () to section 11B-112.3 as follows, “**THE GOVERNING BODY OF THE HOMEOWNERS ASSOCIATION SHALL HAVE AN INDEPENDENT RESERVE STUDY COMPLETED WITHIN NINETY (90) DAYS PRIOR TO THE EXPIRATION OF THE WARRANTY PERIOD ON IMPROVEMENTS TO THE COMMON AREAS PURSUANT TO SECTION 11B-110 OF THIS TITLE**”