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March 26, 2024

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

From: Karen S. Straughn
Consumer Protection Division

Re: House Bill 281 – Cooperative Housing Corporations, 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 281 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 association's fiscal year.

Legislation passed during the 2022 session requires Condominium and Homeowners' associations to conduct a reserve study to determine what maintenance is required 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 maintenance needs identified in the studies from 3 years after the initial reserve study to 5 years. It would also clarify that the funds need not 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