Opposition to HB281 by Kings Court Townhouse Association #2 (222 homeowners) Request to Amend HB 281 to Remove HOAs from the bill.

Submitted by: The Board of Directors (501c4) and Conway Property Management Company

KCTHA2 was not aware of the introduction of HB 107 and HB 534 to the House of Delegates in past years. **HB 107 discussion and passage took place primarily during COVID years when many Home Owners Association (HOA) and Condominium Association (Condo) boards were not meeting.**

There was no official Maryland statewide communication to HOAs, Condos, or property management companies to inform them of pending legislation that would affect operation. *There are over 6000 of these nonprofit groups in all 26 jurisdictions.* (Can the state verify how many of the 501c4 groups knew the legislation was pending?)

Our KCTHA2 board is presently only four members (we cannot find homeowners who will serve), a majority who are new within the past two years. KCTHA2 became aware of the legislation this past summer when we were told about it by our property management firm (Conway).

Although KCTHA2 is in support of certain pieces within HB 107, particularly the option for boards to be able to raise annual HOA/Condo fees beyond 10%, **KCTHA2 DOES NOT SUPPORT the requirement that *HOAs must have a reserve study,*** *& thereby* ***made*** *to spend limited funds on it.*

KCTHA2 DOES NOT SUPPORT HB281 as it is presently written since it will force HOAs to raise funds from current homeowners (major special assessments) in order fund a "required reserve account and amount determined by an outside entity". Having a reserve account is very important for all nonprofits. **However, the amount of a reserve account should be decided by the board (and in discussion/guidance with the property management company), and NOT mandated through a requirement in the laws of the State of Maryland.** *The State of Maryland does not regulate 501c3 nonprofits with a mandate to have a reserve account and a required amount—and the law should be no different for a 501c4 and HOAs.*

KCTHA2 agrees that a Condo organization with contiguous property (roofs, elevators, walls, etc.) should have a reserve account that is of an amount that is suitable to the operation of that type of property. **An HOA, however, should not be bound to the same laws, operations, and reserve requirements as a Condo.**

HOA nonprofit organizations should not be included with Condos in the current or proposed HB281. These are two different types of housing developments and organizational

operations. HOAs do not have the same risk management concerns/issues that Condos have relating to the need and timing of structural improvements.

HOAs (with no condo units) generally require substantially less major capital improvement/expense except in certain situations.

Conway Management had the reserve study done for KCTHA2 as required in HB 107. ***However, the board does not agree with what was presented to us by the state approved engineering firm***. *The board's review of the reserve report determined that the outlined structural items and the cost is not in line with the HOA capital improvement history of our common property.* Homeowners who have lived in the HOA for decades and/or are on the board, understand the capital needs of our common property (some of us were on the board before in a previous decade). *The reserve study is out of line with what the board and property management company has determined is needed. (Our board does not believe the state would pay and agree to do the improvements this firm has presented to us.)*

The KCTHA2 reserve amount total approaches $1million! Part of the problem is that the KCCA Master Association development structure (with its six subdivisions of which KCTHA2 is one) was created by a developer (Rouse) in agreement with Baltimore County in the early 1970s making it the oldest organization in the State of Maryland. Back then, how these property agreements and nonprofit bylaws were set up by the various counties and the state with the developers were very different than in recent years. **This situation now creates a major burden on older HOAs which under this reserve study have five times as many capital requirements then on those created in recent years.** ***One size does not fit all for the fiscal impact of what both HB107 and HB281 are requiring.***

The number of state approved engineering firms are limited within Maryland. This is also an issue for our board, since money is being made by a small number of profit companies from a very large number of nonprofit organizations (over 6000).

KCTHA2 is OPPOSED to a bill/state law that would require HOAs to have a "mandated reserve account" of a "mandated amount" and "determined by an outside entity determined by the state" and "requiring an HOA to raise these funds by a certain year".

It is not possible to for KCTHA2 to "assess and collect" major fees to meet a state law in this economic environment (and most likely this would be the case for a majority of other HOAs in the state). ***KCTHA2 homeowners cannot afford major increased fees/assessments and many will default. A significant number of homeowners are already in arrears with the quarterly HOA fees and the 2023 special assessment.***

KCTHA2 proposes these actions be taken by the State in support of HOAs/Condos:

1. That the State and each County jurisdiction review all HOA and Condo agreements as they were originally written between developers and each jurisdiction. Then the State/County should meet with the HOAs and Condos groups in each jurisdiction to review these agreements and determine whether they are still viable with the passage of years since they were created, and the current post COVID and economic conditions. (Note: The impact of HB107 and HB281 on homeowners in many of the older HOA organizations could lead to a default of the entire structure thereby causing the State and County to take control of the common areas, streets, infrastructure, and buildings and perhaps rezone it.)

2. *The state should re-instate the Homeowner HOA/Condo fee grant request option for COVID funding using state monies.* The KCTHA2 board, our homeowners, and the property management company were not aware of the COVID funding (which was available and no longer is) for homeowners to request help to pay their fees.

3. The state should create an office/staff to support HOAs and Condo associations and require that each be registered with current board officers and property management companies.

4. There needs to be communication between the state and the 6000+ groups statewide on an on-going basis and before laws such as these are proposed or passed.

5. The state needs to support HOA and Condo boards with training. If homeowners are reluctant or refuse to serve on these nonprofit boards and/or do not understand the responsibility of doing so before they buy, this entire property development concept will fail one by one. Boards will be nonexistent and the state will need to step in—the state needs to be proactive in partnership with the HOAs to keep this from taking place.

6. The state needs to be sure that the realty, mortgage, and banking industries support the HOA/Condo operation in Maryland by ensuring that new buyers understand their fiscal and fiduciary responsibilities before buying into these types of nonprofit entities.

Written by,

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Have owned in the community since the early 80s

Served on the Board for 7 years in the 1990s (Served as President and VP)