

FAVORABLE Testimony - HB 0292

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MD District 32

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The reserve studies are a great tool for the common ownership communities to plan out and ensure they have the funds to cover the maintenance of their properties and to plan for the maintenance on an ongoing basis. My community has already experienced having paid for a reserve study that was poorly written and incomplete, but it was the least expensive one in the list of bids provided to us.

On the next go-round I expressed the need to pay the little extra for the study that included the measurements of the roadways especially, but it included the measurements of everything. What a blessing this was because we can easily copy and past the reserve study requirements into the specifications for the contractors bidding on the project.

Used properly the reserve study is a powerful tool for the community association BOD's.

This bill puts into law some of the things that would have prevented my association's first time waste of money on an incomplete and unusable reserve study and for that I support the bill.

However some amendments would make this bill even more helpful to the communities, as many right now are struggling financially to keep up with the maintenance after years if not decades of neglect. Many of the communities are low income as well. To expect the lower income communities to suddenly come up with the funds to cover all that's necessary to catch up is placing a severe financial burden on those communities and owners and creating **an imbalance of the value of the property with the cost of living in the community**. In other words, when the monthly assessment becomes as much as 70 or even 80 % as much as the mortgage, the cost to live in that community no longer balances with the value as assessed by the mortgage company. Many communities are headed in this direction with the strain of meeting the current requirements of the reserve study legislation.

Section V instead of specifying the "square footage" should specify the **measurements / quantities needed using industry standard units of measure**. Fill dirt is not measured by square footage. Roadway blacktop is not measured by square footage. Sewer lines are not measured by square footage. Got it? Having the measurements as I stated above however are imperative in getting the true value from the study.

The reserve study expert when determining **the life span of components** / line items, must look at the **current usage and apply real time usage data** rather than industry usage data. The maintenance on our roads was calculated based on normal wear and tear of roadways, rather than on 90 cars traveling on the ¼ mile twice per day. Our roads have lasted 50 years. Why then does our reserve study state they need to be fully reconstructed in 20 years? This is senseless and is due to the wrong usage data being applied.

The study must also include **ALL structural components** to include **sewer and water supply lines and yes this needs to be specified in the legislation.** The association property is private property. So the water mains supplying the water once they leave the county roads become the responsibility of the association. Same with the sewer. Our most recent reserve study was fairly complete but did not include these components, mostly because the engineer was getting his information from the incompetent management agent rather than from architectural drawings. Not all engineers will consider sewer and water lines to be structural, but they must be included in the maintenance, as they are on the private property owned by the association and become the responsibility of the association.

Reserve Study Experts – Reserve Studies are not accurate if the supposed expert cannot or does not **visit the site in person.** Too many studies are generated based on Google Earth and existing information from the association. This is not accurate. HB 292 needs to include in the qualifications of the person preparing the reserve study **that they must schedule a site visit in person** to include meeting with a member of the BOD not just the management agent.

The study must also take into account the current balances in the reserves and provide a plan to properly use those without the risk of running out of reserve money. There becomes a cyclical accounting applied to the assessment calculations to assist in this. The accounting methods identified in the bill need to be properly and fully explained to the BOD in order for them to understand the ramifications on the annual budgets and assessments.

Lastly, **meeting the reserve funding should be extended over a longer period of time.** As stated above not doing so will squeeze the current owners out of the community displacing them into possibly government assisted housing putting additional strain on the government. The community I live in falls into this category. Many are on limited fixed incomes and cannot afford the increase in assessments in order to quickly make up for the 20 or 30 years of neglect and disrepair. If the property lasted for 20 years in this state, it will last for another 10 years allowing the community to ramp up the funds to make the community great again! Therefore I recommend a **10 year phased in plan for meeting the reserve recommended funding.** The reserve engineer can help the BOD prioritize the maintenance to assist in this phased in approach.

Request your favorable report with the suggested amendments on HB0292.

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