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February 7, 2025

Hon. Marc Korman, Chair
Hon. Regina T. Boyce, Vice-Chair
Hon. Delegate Marvin E. Holmes, Sponsor
Environment and Transportation Committee
251 Taylor House Office Building
Annapolis, Maryland 21401

RE: HB0557 - Residential Owners in Common Ownership Communities - Bill of Rights

Position: Oppose

Dear Chair Korman, Vice-Chair Boyce, Delegate Holmes and Committee Members:

This letter is submitted on behalf of the Maryland Legislative Action Committee ("MD-LAC") of the Community Associations Institute ("CAI"). CAI MD-LAC represents individuals and professionals who reside in or work with condominiums, homeowners' associations, and cooperatives throughout the State of Maryland.

The MD-LAC is writing to voice opposition to HB0557. While the purpose of a Bill of Rights may be laudatory, the legislation conflicts with current laws, is unnecessary, is ambiguous and in parts, is overly burdensome. Many of the rights noted in general terms already exist in more specific terms in the Maryland Condominium Act (MCA), and/or in the Maryland Homeowners Association Act (MHAA); and/or on the Maryland Cooperative Housing Corporation Act (MCHCA) and/or in many thousands of the governing documents filed in the Land Records or with the State Department of Assessments and Taxation that govern condominium, homeowners associations and cooperatives in the State of Maryland. The legislation may be erroneously interpreted to change already codified (statute) and contracted (governing documents) "rights," provisions, or processes. Note too, that many communities

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have already created their own bill of rights, based on and tailored to their own governing documents. These tailored bills of rights include not only rights, but also responsibilities that apply to the owners, the Board of Directors, and committees. Many of these association bills of rights apply to all residents in the community, whereas this proposed Bill of Rights applies solely to owners. Although HB0557 states that it is subject to all applicable laws, it does not generally state that it is subject to rights, rules, procedures or processes set forth in the governing documents. Thus, in a conflict between the governing documents and the law, the law would prevail. The law would then trounce some rights, rules, procedures, and processes that have been in place for decades. In addition, although the proposed law is subject to applicable laws, many lay residential owners would not be skilled in the practice of toggling between this Bill of Rights and existing applicable law and their governing documents. Allow us to illustrate these concerns with specifics:

Homeowners have the right to Participate in Meetings on Community Issues with other members (B) (1)(I)

Homeowners have the right to participate, either in person or by remote access, in open meetings that are easily accessible to the residential owners (B) (8) (II)

Homeowners have a right to a reasonable opportunity to speak during a timely period when matters are discussed or voted on by the governing body or committee (B) (8) (III)

The foregoing rights to attend open meetings and to participate already exist in the MCA and MHAA. These general statements could be construed as expanding those rights. Some of the terms are without definitions such as “participate.” Owners already have the right to participate by attending the open meetings and by listening to the Board conduct the business of the community association and by speaking during the open forum. “Meetings that are easily accessible” - this phrase is unclear. Does this phrase mean the communities must have their meetings onsite or they must train their owners as to how to remotely access a meeting? “Reasonable opportunity to speak during a timely period” - this phrase is also unclear. The right to speak during an open forum already exists and the conduct of open forum is subject to reasonable rules to maintain order and decorum. Who will decide what is a reasonable opportunity or a timely period?

Homeowners have the right to be represented by the governing body of the community and to have the governing body consider the priorities of all owners when approving a budget and managing the facilities and open space.

What does this mean and does this “right” expand those that already exist? Homeowners already have the right to vote for members of the governing body (the Board of Directors). The governing body already is bound by its fiduciary duty to act in the best interests of the community. Considering the priorities of “all owners” could be construed to mean *accepting* the priorities of all, which could clearly be in conflict with the Board’s fiduciary duty. Does *accepting* the priorities of all owners mean that if one owner cannot afford an increase in assessments, there can be no increase? What if no increases in assessments is a priority of many of the owners, but the Board recognizes the need to increase the assessments to fund the reserves or to take care of a large unanticipated repair project?

Homeowners have the right to an annual budget . . . to be delivered

In many associations there is already an obligation to send the proposed budget and to allow comment before adoption and to send a copy of the adopted budget to all owners of record. Could this restated “right” mean that the adoption of a budget is ineffective if the owner claims that it was not delivered? Since there are already statutory and contractual regulations and procedures in place for the budget process, we do not see the need for this restatement.

Homeowners have the right to use of all facilities and services at a reasonable cost that does not exceed one half the costs charged to eligible users who are not residential owners. This “right” could easily be misconstrued. Many associations charge a guest fee for non-owners or a rental fee for the amenities, but the fee may not relate to the reasonable cost of the facilities and services. Who is going to determine this “reasonable cost”?

The right to be a member of the class of sole or primary users of the common ownership community’s facilities and services if there is scarce available capacity of these facilities and services and to be provided with additional capacity, to the extent possible, so that the class is not denied the opportunity to use those facilities and services. This provision is entirely ambiguous as to the meaning of “the class of sole or primary users” and “to be provided with additional capacity so that the class is not denied. . . .” This phrasing could also violate the principles established by the Maryland Courts - specifically that unless otherwise provided in the documents, general common elements are subject to mutual, non exclusive use by all unit owners in the Condominium. That being said of course some facilities and services must be limited due to limited capacity. But it is very difficult to discern what this “right” means.

Homeowners have the right to fair treatment in the repayment of debt so that present and future owners share in repayment.

Fair treatment is undefined. Who decides when debt is incurred and debt is repaid, what is fair treatment? Can an owner argue that he or she should not have to pay the adopted and due and owing special assessment for the roof because it is a twenty-year roof and s/he intends to sell next year? This “right” could also wreak havoc with financing decisions. We are particularly concerned that this provision hints that future owners must share in debt repayment. Does this preclude a special assessment to pay off a loan taken by current owners? Requiring fairness that debt be passed onto to future owners is not consistent with the scheme of every present owner paying their share of the common expenses as assessed, in full, and on time, without set off.

The legislation requires secret ballots and "fair elections administered by neutral parties" (cost) subject to audit. Not all governing documents require secret ballots. When secret balloting is required, there are significant costs associated with either paper ballot package or electronic voting systems. Administration of the election process by neutral parties and subject to audit will undoubtedly add costs... costs that would most often be unwarranted.

Homeowners have the right to recall incumbent members of the Board

Many governing documents already set a process for removal of a Board member. The legislation does not say how this recall should occur.

Homeowners have the right to vote on certain financial matters "if permitted in the governing documents"

Homeowners have the right to vote on new capital projects, "if permitted in the governing documents"

These "rights" could create highly charged disputes where the owners have a right to comment on financial matters or capital projects, but do not have the right to vote thereon. In some cases, even though it is clear in the governing documents that the vote is with the Board of Directors, we have seen owners who think they have this right to vote. Further these rights are ambiguous and unnecessary – let us explain.

What "certain" financial matters"? Clearly, the intent cannot be to have homeowners vote on every financial matter or every new capital project. In many cases, but not all, the governing documents do call for an owner vote and, in many cases, even if the decision is a Board vote, the Board must involve the members. Association Boards find that members favor projects like new carpet, lobby furniture and beautification, but that they fail to understand the gravity of boiler renovations, structural enhancements, and elevator modernizations. Many of these financial matters involve high dollar amount projects for maintenance or replacement of the infrastructure. Owners want to vote with their wallet while the Board if Directors is constrained by acting in the best interest of all owners. If the rights are already present in the documents and the law defers to the documents, why is there a need for this restatement?

Homeowners have the right to receive reasonable advance notice of meetings, agenda and supporting information.

There are existing laws with respect to giving notice of meetings and most governing documents set out the notice requirements in detail. Does this restated right expand that obligation by requiring that the owner "receive" the notice? In this provision, the terms "agenda" and "supporting information" are not defined. Could this restated right require that members be provided with all bids, proposals, financial reports, engineering studies, correspondence, and the like, in addition to the agenda. Mandating that this information be provided and/or received would entail a substantial cost to many associations.

Homeowners have the right to have a governing body and manager that are:

Properly trained and indemnified

This is too broad and undefined to have meaning.

Stewards of the community's interests

This is subject to interpretation and will certainly test the limits of indemnification, above.

Protective of the rights of owners

This is too broad and undefined to have meaning.

Provide due process & equal protection

Due process is already required in the MCA and MHAA and equal protection is undefined and unreasonably broad. In addition, Maryland courts have ruled that community associations are not

the “government” or “arms of the government” and therefore constitutional mandates such as equal protection do not apply.

Comply and function in accordance with State law and the governing documents

The law and the documents already require that the board and management comply with the law and the documents.

Homeowners have the right to receive timely access to documents

“Timely” is undefined. Access is already required by law.

Homeowners have the right to receive prompt and nondiscriminatory service

“Prompt” is undefined. Illegal discrimination is already prohibited by law.

Homeowners have the right to privacy by the governance and management

“Right to privacy” is undefined and overly broad and, in some cases, may not be able to exist in an open and transparent community association.

Homeowners have the right to fair treatment on violations

“Fair treatment” is undefined, and the violation enforcement process is already in the law.

Homeowners have the right to be informed of changes to governing documents and policies and the right to vote on changes and to have those changes properly adopted and published

The amendment and approval process for changes to governing documents is already a requirement of every set of governing documents. Not all governing documents require a “vote” by the owners, so if the adoption/approval process does not require a vote by the owners will the statement of this right now impose that requirement? Also, the terms “policies” and “published” are not defined and are capable of several different meanings.

Homeowners have the right to have Consumer Protection Division of the Maryland Attorney General (AG) review alleged violations of state law and right to have the AG take direct enforcement action on behalf of the owner

To the extent that a violation of the MCA or the MHAA affects a consumer or constitutes an unfair trade practice, the Consumer Protection Division (CPD) already has enforcement jurisdiction. If an owner only reads this Bill of Rights, without regard to the documents or to applicable law, due to undefined terms and ambiguous provisions, the owner may easily be able to argue that the owner has been aggrieved beyond the original intent of the MCA or MHAA. Given that the CPD complaint process is relatively easy in terms of filing a complaint, it can be expected that dissatisfied owners will file complaints that are based on emotion not facts, and perceived grievances not based in the facts or the law. The CPD and Associations will then be forced to use limited resources to respond to these complaints.

In sum, many of the rights in this proposed Bill of Rights are already present in the law and in the governing documents and in places where the law defers to the governing documents, why is there a need for restatement? The community association industry believes that often the best way for owners should know their rights is to read their governing documents and the applicable law and to attend governance seminars designed to give this education and information. This Bill of Rights has the potential to create unintentional confusion and may provide a false sense of a “right” or “rights” that do not exist or that already exist in the law in another form.

For the foregoing reasons, the MD LAC opposes HB0557 in its entirety. We are available to answer any questions the Committee Members may have. Please feel free to contact any of the individuals listed: Lisa Harris Jones, CAI MD-LAC lobbyist, at 410 366 1500 or lisa.jones@mdlobbyist.com or Vicki Caine, CAI MD-LAC Chair, at 215 806 9143 or vcaine1@gmail.com. or Cynthia Hitt Kent, CAI MD-LAC member, at 410 363 9600 or ckent@hittkentlaw.com. Despite our opposition to this Bill, we thank you for your efforts on behalf of community associations and your time in this matter.

Sincerely,

Vicki Caine

Chair, CAI MD-LAC

Cynthia Hitt Kent

Member, CAI MD-LAC

cc:

Delegate Marvin Holmes, Sponsor

Marvin.holmes@house.state.md.us

CAI is a national organization dedicated to fostering vibrant, competent, harmonious community associations for more than thirty years. Its members include community association volunteer leaders, professional managers, community management firms, and other professionals and companies that provide products and services to common interest associations. As part of its mission, CAI advocates for legislative and regulatory policies that support responsible governance and effective management. As part of this purpose state Legislative Action Committees represent CAI members before state legislatures and agencies on issues such as governance, assessments collection, insurance and construction defects.