

February 6, 2025

The Honorable Marc Korman
Chairman, House Environment and Transportation Committee
250 Taylor House Office Building
Annapolis, MD 21401

RE: HB 581 Real Property – Condominiums – Assessments

Dear Chairman Korman:

The Maryland Building Industry Association (MBIA), representing 100,000 employees of the building industry across the State of Maryland, appreciates the opportunity to participate in the discussion surrounding **HB 581 Real Property – Condominiums – Assessments**.

This bill limits the board of directors of a condominium from increasing the amount of assessments levied in a fiscal year to cover common expenses by more than 5% percent. Our industry does not support this measure, as it limits our flexibility when determining an annual budget. In some cases, the costs associated with upgrades under the Building Energy Performance Standards (BEPS) will exceed the 5% cap on assessment increases.

Section 11-109.2 (e) of the Maryland Code, Real Property (Maryland Condominiums Act) states that “Any expenditure made other than those made because of conditions which, if not corrected, could reasonably result in a threat to the health or safety of the unit owners or a significant risk of damage to the condominium, that would result in an increase in an amount of assessments for the current fiscal year of the condominium in excess of 15 percent of the budgeted amount previously adopted, shall be approved by an amendment to the budget adopted at a special meeting, upon not less than 10 days written notice to the council of unit owners.” While this is an increase that could occur during a budget cycle as opposed to the next fiscal year, we are confused as to why the State would limit annual assessment increases to 5%, while allowing for a 15% increase mid-budget.

We also believe that developer-controlled boards should be exempt from this legislation. In the early years of a condominium’s existence, developers will control the board of directors until it is passed off to the unit owners. If the 5% cap applies to developer-controlled boards, it could prevent budget adjustments that are necessary for the condominium. If the developer cannot increase assessments properly, unit owners will inherit an underfunded reserve and an operating budget that has severe deficits. The 5% cap on increasing total assessments might also not be enough to cover insurance expenses. Insurance premiums are rising fast, even if there is no claims history. The bill should exempt insurances premiums as well due to these circumstances.

For these reasons, MBIA respectfully requests the Committee give this measure an unfavorable report. Thank you for your consideration

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

cc: Members of the House Environment and Transportation Committee