

CAI MD-LAC

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Position: FAV

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January 23, 2025

Delegate Marc Korman, Chair
Delegate Regina T. Boyce, Vice-Chair
House Environment & Transportation Committee
250-251 Taylor House Office Building
Annapolis, Maryland 21401

Re: House Bill 292 (Cross-filed with SB 63)
Cooperative Housing Corporations, Condominiums and
Homeowners Associations – Funding of Reserve Accounts
Hearing Date: January 24, 2025 – 2:30 p.m.
Position: Support with Amendment

Dear Chairman Korman, Vice-Chair Boyce,
and Members of the Environment & Transportation Committee:

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

We write on behalf of the Maryland residents statewide who reside in common ownership communities to offer our support for the above-referenced legislation, which is scheduled for hearing before your Committee on **Friday, January 24, 2025, at 2:30 p.m.**

Page 2, House Bill 292
Community Associations Institute

In the time that has passed since the General Assembly's adoption of legislation mandating the funding of replacement reserve accounts statewide, we have had many interactions with community association board members and professional managers regarding the intricacies of compliance with the new law. In that context, several important concerns emerged, which have, with minor exception, been addressed by the proposed HB 292.

Notwithstanding the progress that the passage HB 292 would represent, there is a new requirement included in the proposed bill that would amend Section 11-109.2 of the Maryland Condominium Act and 11B-112.2 of the Maryland Homeowners Association Act to require a condominium or homeowners association, respectively, to "review the reserve study annually for accuracy." Although the intended language would achieve parity with Section 5-6B-26.1 of the Maryland Cooperative Housing Act, which already includes the same language, we are concerned that a condominium or homeowners association, which is governed by lay volunteers, would not possess the capability to determine whether a replacement reserve study prepared by a qualified professional, as required by current law, was accurate. Moreover, the introduction of an undefined standard of accuracy is problematic and creates potential liability that is unintended in the context of a statute aimed at requiring community associations to do the right thing, unlike what happened in Florida when there was no such requirement. **Therefore, we propose that HB 292 be revised to include language amending all three statutes to require that the respective associations "cause the reserve study to be reviewed annually."** This language would alleviate any burden on lay volunteers by allowing them the option to retain a third party to conduct the required annual review for accuracy, or to delegate that function to a professional management agent.

Assuming the minor revision requested herein can be made, we request a **favorable** recommendation by this Committee. Thank you for your time and attention to this important legislation.

We are available to answer any questions the Committee Members may have. Please feel free to contact Lisa Harris Jones, lobbyist for the MD-LAC, at 410-366-1500, or by e-mail at lisa.jones@mdlobbyist.com, or Scott Silverman, of the MD-LAC at (410) 740-8100, ext. 108, or by e-mail at scott@naglezaller.com.

Sincerely,

Scott J. Silverman

Scott J. Silverman, Esq.
Member, CAI MD-LAC

Vickie Caine

Vicki Caine
Chair, CAI MD-LAC

Cash Flow vs. Component Model

Uploaded by: Delegate Holmes Delegate Holmes

Position: FAV

Simple Illustration of the
Difference:

Cash Flow Calculations

versus

Component Method Calculation

CASH FLOW v COMPONENT (Pooling vs. Full Funding)

- **CASH FLOW** (“Pooling”) METHOD
 - Treats Reserves as an aggregate “pool” of funds. It makes sure that adequate funding is available as needed in each year.
- **COMPONENT** (“Full Funding”) METHOD
 - Treats each Reserve Item as a separate “line item” budget. Money cannot be borrowed from one budget to fund another.

CASH FLOW vs. COMPONENT

Illustration of the Different Mathematical Models

- Four Buildings
- Painted 1 per year, repeat every 4 years
- Cost of \$12,000 per building
- (Assume \$Zero Starting Balance)
- (Assume \$Zero Threshold)

Cash Flow Calculations

	YEAR	1st	2nd	3rd	4th	Total
COMPONENT	Cost X \$1000	Annual Contributions to Reserves				
Painting Building One	\$12					
Painting Building Two	\$12					
Painting Building Three	\$12					
Painting Building Four	\$12					
Total Cost	\$48					

Cash Flow Calculations

	YEAR	1st	2nd	3rd	4th	Total
COMPONENT	Cost X \$1000	Annual Contributions to Reserves				
Painting Building One	\$12	3				3
Painting Building Two	\$12	3				3
Painting Building Three	\$12	3				3
Painting Building Four	\$12	3				3
Total Cost	\$48	\$12				\$12

Each Year is funded at the necessary level, in this case \$12k per year.

Cash Flow Calculations

	YEAR	1st	2nd	3rd	4th	Total
COMPONENT	Cost X \$1000	Annual Contributions to Reserves				
Painting Building One	\$12	3	3			6
Painting Building Two	\$12	3	3			6
Painting Building Three	\$12	3	3			6
Painting Building Four	\$12	3	3			6
Total Cost	\$48	12	\$12			\$24

Each Year is funded at the necessary level, in this case \$12k per year.

Cash Flow Calculations

	YEAR	1st	2nd	3rd	4th	Total
COMPONENT	Cost X \$1000	Annual Contributions to Reserves				
Painting Building One	\$12	3	3	3		9
Painting Building Two	\$12	3	3	3		9
Painting Building Three	\$12	3	3	3		9
Painting Building Four	\$12	3	3	3		9
Total Cost	\$48	12	12	\$12		\$36

Each Year is funded at the necessary level, in this case \$12k per year.

Cash Flow Calculations

	YEAR	1st	2nd	3rd	4th	Total	
COMPONENT	Cost X \$1000	Annual Contributions to Reserves					
Painting Building One	\$12	3	3	3	3	12	
Painting Building Two	\$12	3	3	3	3	12	
Painting Building Three	\$12	3	3	3	3	12	
Painting Building Four	\$12	3	3	3	3	12	
Total Cost	\$48	12	12	12	\$12	\$48	

Each Year is funded at the necessary level, in this case \$12k per year.

Cash Flow Calculations

	YEAR	1st	2nd	3rd	4th	Total	
COMPONENT	Cost X \$1000	Annual Contributions to Reserves					
Painting Building One	\$12	3	3	3	3	12	
Painting Building Two	\$12	3	3	3	3	12	
Painting Building Three	\$12	3	3	3	3	12	
Painting Building Four	\$12	3	3	3	3	12	
Total Cost	\$48	12	12	12	\$12	\$48	

As shown above, \$12k was funded as was needed in each year. \$48k was needed over 4 years, and \$48k was funded.

Component Method Calculations

	YEAR	1st	2nd	3rd	4th	Total
COMPONENT	Cost X \$1000	Annual Contributions to Reserves				
Painting Building One	\$12					
Painting Building Two	\$12					
Painting Building Three	\$12					
Painting Building Four	\$12					
Total Cost	\$48					

Each Component is required to be funded individually. Money can't be borrowed from one to pay component for another component.

Component Method Calculations

	YEAR	1st	2nd	3rd	4th	Total
COMPONENT	Cost X \$1000	Annual Contributions to Reserves				
Painting Building One	\$12	12				\$12
Painting Building Two	\$12	6				\$6
Painting Building Three	\$12	4				\$4
Painting Building Four	\$12	3				\$3
Total Cost	\$48	\$25				\$25

Each Component is required to be funded individually. Money can't be borrowed from one component to pay for another component.

Component Method Calculations

	YEAR	1st	2nd	3rd	4th	Total
COMPONENT	Cost X \$1000	Annual Contributions to Reserves				
Painting Building One	\$12	12	3			\$15
Painting Building Two	\$12	6	6			\$12
Painting Building Three	\$12	4	4			\$8
Painting Building Four	\$12	3	3			\$3
Total Cost	\$48	\$25	\$16			\$38

Each Component is required to be funded individually. Money can't be borrowed from one component to pay for another component.

Component Method Calculations

	YEAR	1st	2nd	3rd	4th	Total
COMPONENT	Cost X \$1000	Annual Contributions to Reserves				
Painting Building One	\$12	12	3	3		\$18
Painting Building Two	\$12	6	6	3		\$15
Painting Building Three	\$12	4	4	4		\$12
Painting Building Four	\$12	3	3	3		\$9
Total Cost	\$48	\$25	\$16	\$13		\$54

Each Component is required to be funded individually. Money can't be borrowed from one component to pay for another component.

Component Method Calculations

	YEAR	1st	2nd	3rd	4th	Total
COMPONENT	Cost X \$1000	Annual Contributions to Reserves				
Painting Building One	\$12	12	3	3	3	21
Painting Building Two	\$12	6	6	3	3	18
Painting Building Three	\$12	4	4	4	3	15
Painting Building Four	\$12	3	3	3	3	12
Total Cost	\$48	\$25	\$16	\$13	\$12	\$66

Each Component is required to be funded individually. Money can't be borrowed from one component to pay for another component.

Component Method Calculations

	YEAR	1st	2nd	3rd	4th	Total
COMPONENT	Cost X \$1000	Annual Contributions to Reserves				
Painting Building One	\$12	12	3	3	3	\$21
Painting Building Two	\$12	6	6	3	3	\$18
Painting Building Three	\$12	4	4	4	3	\$15
Painting Building Four	\$12	3	3	3	3	\$12
Total Cost	\$48	\$25	\$16	\$13	\$12	\$66

As seen above, \$48k in Reserve funding was needed. However, \$66k was required to “Fully fund” the Reserves using the Component Method.

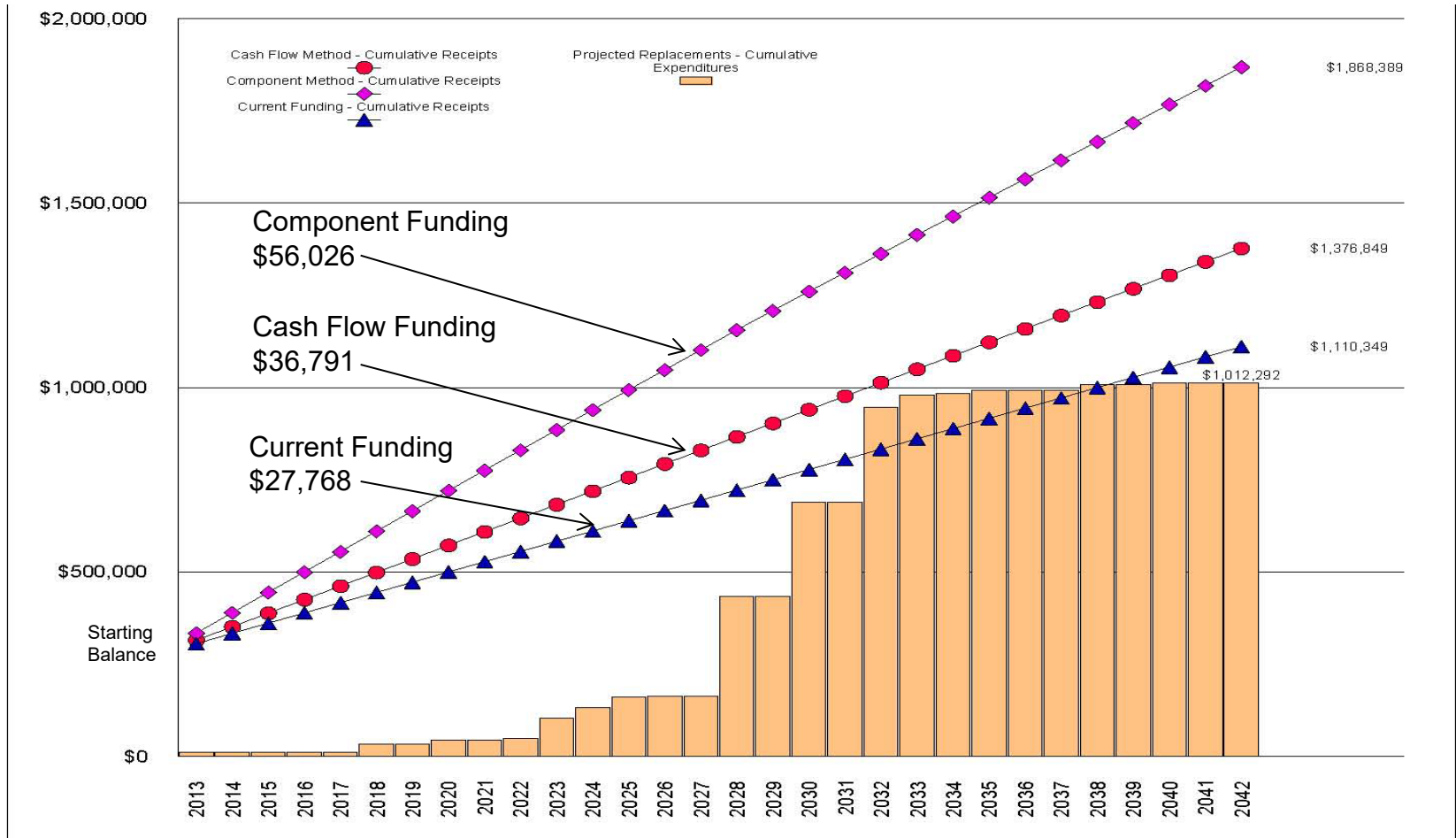
Cash Flow Calculations

	YEAR	1st	2nd	3rd	4th	Total	
COMPONENT	Cost X \$1000	Annual Contributions to Reserves					
Painting Building One	\$12	3	3	3	3	12	
Painting Building Two	\$12	3	3	3	3	12	
Painting Building Three	\$12	3	3	3	3	12	
Painting Building Four	\$12	3	3	3	3	12	
Total Cost	\$48	12	12	12	12	\$48	

Comparison:

- Cash Flow Recommendation: \$48K
- Component Recommendation: \$66K
- Component Method requires 38% more funding than Cash Flow.
- Cash Flow would be 72% of “Full Funding” if using Component Method.

Actual Maryland Community 2013 Reserve Funding



- Cash Flow Funding is 32.5% increase over Current Funding.
- Component Funding is ~200% of Current Funding!
- Component Funding is ~50% more than Cash Flow Funding.

Note: MillerDodson ceased using or showing the Component Method in 2014.

Scoop on Reserves

Uploaded by: Delegate Holmes Delegate Holmes

Position: FAV

The Scoop on Reserves

Delegate Marvin E. Holmes, Jr.

There is a lot of confusion surrounding the requirements of a reserve study and the funding calculations to be met as a result of a reserve study. As the original author of this legislation beginning in 2017, there have been many revisions to reserve requirements in Maryland and across the United States. The Champlain Towers South collapse in Florida in 2021 which killed 98 people, has been proven to be primarily due to the Board of Directors not taking the recommendations of many engineering, and maintenance professionals repeatedly suggesting the absolute necessity to repair and replace major structural items in their building. The reserve study and its funding requirements have gained increased discussion across the United States because of this catastrophe.

Maryland legislation has never been based on the Florida tragedy and the conditions of that coastal state are vastly different from ours. There is one connecting issue that all Common Ownership Communities (COC) have in common, however, and it is the need for public area maintenance, repair, and periodic replacement. For eight years I have been trying to accurately address Maryland's particular needs and requirements, and to that end, more revisions are forthcoming.

Current Maryland law for reserve studies tried to discern the difference between an initial reserve study and an "updated" reserve study, but there seems to still be some misunderstanding between the two. Therefore, new language will be proposed in the upcoming 2025 legislation session to clarify the differences between the two.

A "Reserve Study" will be defined as an initial "Level I" study specifically used to determine the amount of funding required for future major repairs and replacement of the common elements. The new language will define a "Level I" study as a tabular listing of the component inventory, to include each component, and its quantity to determine useful life, remaining life, and current replacement cost of that item. The first reserve study must also be based upon a visual site inspection conducted by a reserve study professional.

The new language to be proposed to the 2025 General Assembly, which begins on January 8, and ends on April 7, 2025, will be more detailed on the definition of an "Updated Reserve Study". One revision is that an "Updated Reserve Study" may not require a visual site inspection, because the quantities and measurements of each component have not likely changed.

An "Updated Reserve Study" will analyze any work completed since the prior study was implemented, it will estimate the remaining useful life and replacement cost since the prior study was performed, and it will take into consideration money spent and the types of work finished since the prior reserve study was approved by the Board. This will include any maintenance contracts currently in place and will revise the useful life and remaining useful life of those items within the study. This clarification will significantly reduce the cost between a Level I study and an Updated Reserve Study.

The type of funding needed after the reserve study has been completed has been misinterpreted also. The existing language in the Reserve Study law, intentionally did not require or dictate the type of funding that must be calculated. This was done in an attempt to suggest that the Reserve Study Specialist needs to communicate with the Board Members to discuss the various types of funding calculations available. As it turns out, because of the lack of identifying the various types of funding mechanisms available, many Board Members erroneously assumed that the absence of defining language, by default, meant “Full Funding”.

Therefore the 2025 legislation will require that the Reserve Study Provider determine, in consultation with the Boards of Director, a Funding Plan that may include, but should not be limited to the Component Funding Method, Full Funding, Cash Flow Method, Baseline Funding, Threshold Cash Flow Method, or other funding plans as accepted by Generally Accepted Accounting Principles (GAAP). I am hopeful that this will eliminate the most conservative Full Funding calculation that is currently being used by most COC’s because not all COC’s need this type of funding. An alternative calculation method can reduce incremental assessments.

There will be other language edits to the current law, which is entitled, *Cooperative Housing Corporations, Condominiums, and Homeowners Associations - Funding of Reserve Accounts and Preparation of Funding Plans*. Hopefully, you will find this article useful. If you have additional comments or suggestions, please feel free to contact my office.

About Delegate Marvin E. Holmes, Jr.

Marvin.Holmes@house.state.md.us
301-858-3310

First elected to the Maryland House of Delegates in 2002

General Assembly House of Delegates Current Assignments:

- Environment and Transportation Committee
- Chair, Housing and Real Property Subcommittee of the Environment and Transportation Committee
- Land Use and Ethics Subcommittee of the Environment and Transportation Committee
- Vice Chair, Rules and Executive Nominations Committee
- Joint Committee on Administrative, Executive, and Legislative Review (AELR)
- Maryland Veterans Caucus
- Legislative Black Caucus of Maryland, Inc.
- Maryland Legislative Latino Caucus

Current Professional Occupation:

- M.E. Holmes Entreprises, LLC
 - Chief Executive Officer (CEO)
 - Real Estate Investment
 - Residential Property Management
 - Land Use Consultant
- Century 21, New Millenium Real Estate Brokerage
 - Realtor®,
 - Graduate Realtor Institute (GRI),
 - Certified Manager of Community Associations (CMCA),
 - Association Management Specialist (AMS)
- NAI Michael Company Commercial Real Estate
 - Brokerage
 - Commercial Property Management
 - Development Consulting



HB 292 Support Letter.pdf

Uploaded by: Karen Straughn

Position: FAV



CAROLYN A. QUATTROCKI
Chief Deputy Attorney General

LEONARD J. HOWIE III
Deputy Attorney General

CARRIE J. WILLIAMS
Deputy Attorney General

ZENITA WICKHAM HURLEY
Chief, Equity, Policy, and Engagement

STATE OF MARYLAND
OFFICE OF THE ATTORNEY GENERAL
CONSUMER PROTECTION DIVISION

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Fax: 410-576-7040

January 24, 2025

To: The Honorable Marc Korman
Chair, Environment and Transportation Committee

From: Karen S. Straughn
Consumer Protection Division

Re: House Bill 292 – 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 292 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 the deposit of the funds until the last day before the end of the association's fiscal year. The bill further clarifies that any generally accepted form of funding can be used for the study.

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 communities has deteriorated and residents 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 continue to express 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 until on or before the last day of each fiscal year and that any generally accepted form of funding can be used. These provisions would each give additional time to permit associations to comply with the law.

For these reasons, we ask that the Environment and Transportation Committee return a favorable report on this bill.

cc: The Honorable Marvin E. Holmes, Jr.
Members, Environment and Transportation Committee

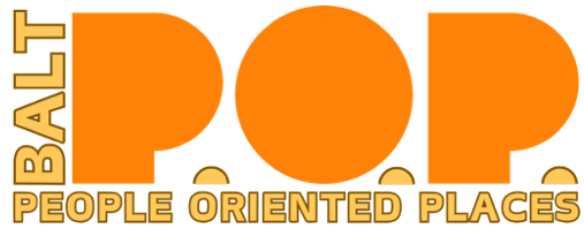
MGA 2025 Testimony Bill HB0292 (CHAs - Funding of

Uploaded by: Michael Scepaniak

Position: FAV

Bill: HB0292

Bill Title: Cooperative Housing Corporations, Condominiums, and Homeowners Associations – Funding of Reserve Accounts and Preparation of Funding Plans



Position: **Favorable**

Members of the House Environment and Transportation Committee,

As a group which advocates for taking a long-term view toward responsibly maintaining and making optimal use of expensive infrastructure assets, we feel that HB0292 is a very necessary bill whose time has come.

Infrastructure is hard.

- Many government officials struggle to fully understand the long-term costs of what are widely thought of as infrastructure investments (but which are actually liabilities).
- Formally-educated full-time professionals employed in municipal departments of public works and transportation struggle to keep the assets under their care well maintained.
- Condominium and homeowners associations (CHAs) are composed of normal people and the property management companies they contract with frequently fail to properly advise their clients on how to properly care for their shared infrastructure.

As such, it should be no surprise that CHAs tend to do a poor job of capital planning and fully grasping the scale at which they need to save funds for long-term maintenance of the common infrastructure that they are responsible for.

Given these realities, the basic due diligence standards called for by this bill make abundant sense. The state's proper role in this is absolutely to provide expertise with helping CHAs and their residents understand the scope of their infrastructure liabilities and guidelines on how to best prepare to address them. CHAs need this guidance - to regularly conduct reserve studies and to have a funding plan prepared to replace aging infrastructure. Once in place, homeowners can rest easy knowing that they are in conformance with guidelines established by the state.

There's a large conflict of interest at play when CHAs are established because the developer is incentivized to set the monthly/quarterly dues as low as possible to make the properties more attractive to potential home-buyers. Beyond that point, it's then up to the residents to a) realize that the infrastructure maintenance situation is unsustainable and b) agree to raise their own dues on themselves. This bill helps to daylight and remedy this situation.

Expecting the state's widely-varying CHAs to adequately run the grass roots equivalents of municipal transportation and public works departments, especially without some basic guidance, is unrealistic. And expecting future waves of residents buying into these communities to properly vet the competence of the applicable CHA board, especially their management of below-ground infrastructure, is also unrealistic.

This is a financially prudent measure that serves as a valuable step toward helping everyone understand the true cost of the infrastructure we choose to build, keeping that infrastructure properly maintained, and helping communities across the state to become (and remain) fiscally solvent.

We hope the committee finds these points helpful and convincing and we urge its members to **vote in favor of HB0292**. Thank you for your efforts and the opportunity for us to testify on this legislation.

[BaltPOP - Baltimoreans for People-Oriented Places](#)

HB 292 Testimony

Uploaded by: Peter Miller

Position: FAV

January 23, 2025

Environment and Transportation Committee

The Honorable Marc Korman, Jr Chair,
251 Taylor House Office Building
6 Bladen Street
Annapolis, Maryland 21401

410-841-3990

RE: HB 292 Cooperative Housing Corporations, Condominiums, and Homeowners Associations - Funding of Reserve Accounts and Preparation of Funding Plans

Dear Delegate Korman and Members of the Committee,

I am writing to you in support of HB 292. I had the honor of working with Del. Marvin Holmes in a small role helping to craft the language of the Reserve Study Bill HB 107. I have been active in the Reserve Study profession for over 25 years and have been asked to contribute my expertise in Reserve Study legislation for the Commonwealth of Virginia and the Commonwealth of Delaware. I have served on the Community Associations Institute's (CAI) Board of Trustees and was selected to serve as a Co-Chair of CAI's Taskforce on Reserves, Maintenance, and Building Safety.

While I am in general agreement with the Bill, there are a couple of detail issues that I see that need to be addressed. The first issue is in Section 5-6B-26.1 where it specifies "SQUARE FEET". This should read "QUANTITY". Not all components are measured in square feet. Some are measured as "each" or "square yards", etc. This same error appears in the sections on Condominiums and on Homeowner associations.

Later in this same section, the phrase "IF THE ESTIMATED REPLACEMENT COST IS GREATER THAN \$10,000 AS DETERMINED BY THE MOST RECENT RESERVE STUDY OR UPDATED RESERVE STUDY". The \$10,000 was originally the minimum amount of the total replacement costs of all components which determined whether a smaller association was required to conduct a Reserve Study. The way the bill is written it could be interpreted to mean that any component whose replacement cost was under \$10,000 would not be included in the Reserve Study. This same error appears in the sections on condominiums and homeowner association.

Under Section 11B-112.3 (b) (1) (ii) "For which the total initial purchase and installation cost for all components identified in (A) of this section is at least \$10,000. The phrase "total initial purchase and installation costs" needs to be modified to read "total replacement costs". This is because the initial purchase and installation cost does not include demolition and disposal costs, which can be substantial.

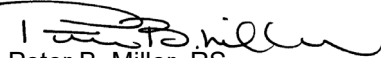
I would leave out the word "fully" in the following section: **(G) (1) THE GOVERNING BODY OF A COOPERATIVE HOUSING CORPORATION SHALL, IN CONSULTATION WITH A PERSON IDENTIFIED UNDER SUBSECTION (D)(1) OF THIS SECTION, DEVELOP A FUNDING PLAN TO DETERMINE HOW TO FULLY FUND THE RESERVES NECESSARY UNDER THIS SECTION.** The word "fully" is a loaded term in our profession. It may be, and has been, mistakenly interpreted to refer to the "Component or Full Funded Method". This word is not needed in this section since the sentence already states "reserves necessary under this section. This same error appears in the sections on condominiums and on Homeowner associations.

Thank you for allowing me to submit this letter for your consideration. A highlighted copy of the Bill, along with my CV is attached herein.

If I can be of further service, please do not hesitate to contact me. Delegate Holmes can provide you with my direct contact information.

Respectfully Submitted,

MILLERDODSON ASSOCIATES



Peter B. Miller, RS
Principal

Attachments: Highlighted copy of HB 292
Professional CV

HB292-FavAmends-FinkD32-2025.pdf

Uploaded by: Nelda Fink

Position: FWA

FAVORABLE Testimony - HB 0292

Nelda Fink, 8372 Norwood Dr, Millersville

MD District 32

1/22/2025

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.

Nelda Fink

Maryland Legislature - 2025 SB63 _ HB292 Testimony

Uploaded by: Steve Horvath

Position: FWA



HOMEOWNERS
OF AMERICA
UNITED

January 22, 2025

**Testimony for
2025 SB 63 / HB292 - Funding Reserves & Preparation of Funding Plans**

My name is Steve Horvath from HOA United. *Homeowners of America United* is a nonprofit organization funded entirely by member donations that connects homeowners to provide advocacy, collaboration, education, empowerment, and inspiration to create positive, transformative impacts for common interest communities. A number of our members are Maryland COC homeowners.

Please consider the following recommendations:

- **Fiscal Ramp for Reserves:** One glance at Florida's still unfolding condo special assessment catastrophe should prompt every legislator to move with haste to elongate the glide path for reserve funding. Moving from 3 years to 5 years is an improvement, but even 5 years is insufficient for current owners to compensate for decades (up to 60 years) of insufficient reserve practices and deferred maintenance. 10 years for "full funding" would be a more reasonable ramp with milestones along the way.
- **Frequency of Reserve Studies:** Follow Washington's lead. Reserve studies should be updated annually which can be accomplished using a slightly sophisticated spreadsheet, with "professional" oversight every 3 years at most. 5 year intervals are too infrequent.
- **Expertise:** Credentials aren't enough. Create accountability for firms and individuals who identify as reserve study "professionals." Reserve studies need to be: comprehensive, accurate and precise. Planning tools don't work well when the expected useful life is off by half or the replacement cost is double, triple or more.

Consider a requirement to have subject matter experts involved at least every 5 years to provide bids and estimates for major components. Elevator experts should provide information for elevators. Roofing experts should provide useful life and costs for roofs. And so on.

- **Defining Reserve Components:** *A reserve study must include a list containing any component provided by the developer pursuant to [Section 11-132] and any additional component for which the cost of inspection, maintenance, repair and/or replacement is not consistently included as a line-item in the association's annual budget.*
- **Requiring a list of components as structured data:** *A reserve study must include quantities and estimates for the useful life of each reserve component, the remaining useful life of each reserve component, and current major replacement costs for each reserve component.*

Whether provided as part of or integrated into a reserve study report, the reserve study components, quantities, estimated useful life, remaining useful life and current replacement costs must also be provided as discrete data in a structured format that can be filtered and sorted by the association using a typical office software program. [Not in an inscrutable PDF.]

- [Section 11-132 - Documents to be delivered to council of unit owners by developer](#)
 - Sub (4) requires turnover of "any report relating to the reserves"
 - Sub (10) requires *drawings, architectural plans, and other suitable documents setting forth the necessary information for location, maintenance and repair of all condominium facilities*
 - Require developers to compile a structured list of all components that need to be inspected, maintained, repaired and/or replaced over the life of a building.
- [Section 11-109\(c\)\(16\)](#) requires a turnover meeting within 60 days from the date of conveyance of 50% of the allocated interest. The initial reserve study is due not less than 30 days before that turnover, but that's too late.
 - Require developers to perform an initial reserve study within the earlier of the existing requirement OR within 60 days of obtaining a certificate of occupancy.

Thank you for considering testimony from *HOA United*.

Sincerely,

A handwritten signature in black ink that reads "Steve Horvath". The signature is written in a cursive style with a large, stylized 'S' and 'H'.

Steve Horvath
Co-Founder, HOA United

HB292_Wales_UNF

Uploaded by: Marian Wales

Position: UNF



Bill 292 today at 1:00 p.m.

3 messages

Marian Wales -DHS- Caroline County <marian.wales@maryland.gov>
To: AA_JUD@mlis.state.md.us

Tue, Jan 28, 2025 at 8:42 AM

To assist us as quickly and comprehensively as possible, please include the following information.

Name: Marian Wales
701 S. 2nd St. Denton, MD 21629

PHONE NUMBER: (410) 829-4935

Please consider the safety of all Marylanders and give the police officers and all members of the law enforcement agency our full support when they are carrying out their daily duties. All evidence in and around all traffic stops should be allowed to be admissible in the courts for the Judges and jury to make educated decisions. The benefits of this bill make no sense and seem to only protect the people trying to find a loophole when disobeying the law. All law abiding citizens would not oppose any evidence surrounding any interaction with police officers to be admissible. This also goes against the direction our country is going and makes Maryland stand out as not supporting our law enforcement as a whole. Please, please stop this madness and do no support bills such as this one.

Thank you.

AA_JUD <AA_JUD@mlis.state.md.us>
To: Marian Wales -DHS- Caroline County <marian.wales@maryland.gov>

Tue, Jan 28, 2025 at 9:35 AM

Hi there, I have forwarded this to the Environment and Transportation Committee as they are hearing this bill.

Thanks,

Denise Messineo, Assistant
House of Delegates Judiciary Committee
410-841-3488

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Click [here](#) to complete a short customer satisfaction survey.

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Marian Wales -DHS- Caroline County <marian.wales@maryland.gov>
To: AA_JUD <AA_JUD@mlis.state.md.us>

Tue, Jan 28, 2025 at 9:36 AM

Thank you.



Marian Wales -DHS- Caroline County

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