

January 17th, 2025

The Honorable William C. Smith, Jr.
Chairman, Senate Judicial Proceedings Committee
Miller Senate Office Building
11 Bladen Street
Annapolis, Maryland 21401

RE: MBIA Letter of Support with Amendment SB 63 Cooperative Housing Corporations, Condominiums, and Homeowners Associations – Funding of Reserve Accounts and Preparation of Funding Plans

Dear Chairman Smith,

The Maryland Building Industry Association, representing 100,000 employees of the building industry across the State of Maryland, appreciates the opportunity to participate in the discussion surrounding **SB 63 Cooperative Housing Corporations, Condominiums, and Homeowners Associations – Funding of Reserve Accounts and Preparation of Funding Plans**. MBIA supports this measure with amendments.

This bill requires that certain funds for the reserve account of a cooperative housing corporation, a residential condominium, or a homeowner's association be deposited on or before the last day of each fiscal year. It also extends the amount of time from 3 to 5 years that cooperative housing corporations, condominiums, and homeowners associations have to attain the annual reserve funding level recommended in the initial reserve study. This bill will benefit our industry because it gives these housing entities more time to fund their reserve accounts. Requiring an updated reserve study will save time and expenses during crisis periods by making the state of housing corporations' financials well understood.

While we support the passage of this legislation, we would like to point out a few concerns we have about some of its provisions. The requirements in the bill only apply to residential condominiums, and lacks clarity on its application to mixed-use condominiums which are very common in the state of Maryland.

The bill's definition of reserve study includes a requirement to identify the square footage of components, which seems impractical for equipment such as boiler systems, hot water heater systems, dedicated outdoor air systems, or other systems like fire alarms, plumbing, and electrical systems. These components are not typically designated by square footage, and would only apply to things like roofs, exterior walls and site conditions such as roads, sidewalks, etc. Lastly, we would like to point out there may be some issues with certain Condominiums, currently, the reserves are generally established through engineering/structural studies that focused on the estimate useful life of HVAC equipment and the likelihood of the need for structural maintenance. Now that BEPS has been enacted into regulation, the reserves should consider the likelihood that HVAC equipment must be replaced *before* the end of useful life (or, alternatively, the association must pay alternative compliance fees). In addition, if the energy use intensity provisions are enacted, the reserves may have to consider structural building upgrades to meet the efficiency standards if replacing the HVAC equipment is not sufficient.

More clarification is needed on whether the \$10,000 required for including reserves in the budget applies to each component or the overall reserve study, as most funding requirements are typically based on cash flow rather than individual components. It's also unclear if this is the full replacement cost or the requisite annual contribution as determined by the study. If it refers to the full replacement cost, the amount seems insignificant since \$10,000 is a small amount for future replacement costs. However, \$10,000 annually would be more sufficient depending on the size of the community.

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

cc: Members of the Senate Judicial Proceedings Committee