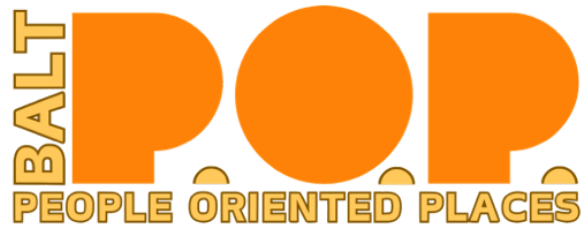


Bill: SB0063

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



Position: **Favorable**

Members of the Senate Judicial Proceedings 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 SB0063 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 common sense 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 SB0063**. Thank you for your efforts and the opportunity for us to testify on this legislation.

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