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February 21, 2025

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Senator William C. Smith, Jr., Chair
Senator Jeff Waldstreicher, Vice-Chair
Judicial Proceedings Committee
2 East
Miller Senate Office Building
Annapolis, Maryland 21401

Re: Senate Bill 787
Cooperative Housing Corporations and Condominiums –
Funding of Reserve Accounts
Hearing Date: February 25, 2025 at 1:00 p.m.
Position: Oppose

Dear Chairman Smith, Vice-Chair Waldstreicher, and Members of the Judicial Proceedings 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 voice our opposition to the above-referenced legislation, which is scheduled for hearing before your Committee on February 25, 2025 at 1:00 p.m.

Maryland Legislative Action Committee
Post Office Box 6636
Annapolis, Maryland 21401

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As you may be aware, the enactment of legislation mandating the funding of replacement reserve accounts statewide has been the product of a multi-year effort. The progression has been marked by the initial adoption of bills applicable only to community associations in Prince George's and Montgomery Counties, followed by the enlargement of enforcement statewide. In the time since the adoption of the first wave of legislation, we have had many interactions with community association board members and professional managers regarding the intricacies of compliance with the new laws. Pursuant to that feedback, we first attempted to "clean up" the reserve funding legislation during the 2024 session, but our efforts were unsuccessful when the legislation we supported in the House eventually failed to progress out of committee following crossover to the Senate. We have renewed our efforts this year, and in cooperation with Delegate Marvin Holmes, we have worked diligently to improve HB 292, which he has introduced and championed. Likewise, we are working with Senate staff to reconcile the cross-filed SB 63, introduced by Senator Muse, with the amended text of HB 292. Based upon our conversation with the sponsors and their staff, we expect consistent cross-filed bills which we fully support to emerge soon from bill drafting.

Notwithstanding our work on HB 292/SB 63, no less than four (4) competing bills have been dropped this session, including SB 787. Some of those bills go too far by diluting the practical effects of the statewide reserve mandate already established in existing law. Others fail to go far enough in addressing the issues that we have identified as critical if the laws mandating reserve studies and funding are to be improved as needed. The passage of any one of these bills, including the instant SB 787, would result in further confusion among boards of directors and managers attempting to comply with the law in good faith.

Specifically, whereas HB 292/SB 63 address the provisions of existing laws affecting reserve studies as they appear in the Maryland Cooperative Housing Act, the Maryland Condominium Act and the Maryland Homeowners Association Act, the instant bill SB 787, inexplicably omits any reference to the Maryland Homeowners Association Act. Furthermore, SB 787 proposes the following changes to existing law, without support or justification:

1. The mandate to obtain and fund a reserve study would not apply to communities consisting of less than four (4) residential units;
2. Items to be included in a reserve study would be limited to those with a replacement cost greater than \$10,000;
3. The list of professionals deemed qualified to prepare a reserve study would be expanded to include those licensed by the State Board of Electricians, State Board of Plumbers or Maryland Home Improvement Commission; and,
4. With regard to cooperatives and condominiums in receipt of an initial reserve study, the time within which full funding is to be attained would be extended from 3 years to 10 years.

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Simply put, from a procedural standpoint, the passage SB 787, as drafted, would create needless confusion, particularly if the pending HB 292/SB 63 were also passed. Substantively, there is no rationale to exclude items from a reserve study that might cost less than \$10,000 to replace. Neither would it be in any community's best interest to broaden the field of potential reserve advisors—already a highly specialized niche—to include electricians, plumbers and home improvement contractors, none of whom possesses the requisite experience, training or qualifications to prepare a replacement reserve study for a cooperative or condominium. Finally, the passage of SB 787, which fails to amend existing provisions of the Maryland Homeowners Association Act, will result in an inconsistent legislative and regulatory framework within the State.

For the foregoing reasons, we request an unfavorable 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 301-251-1414, or by e-mail at ssilverman@schildlaw.com.

Sincerely,

Scott J. Silverman

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

Vickie Caine

Vicki Caine
Chair, CAI MD-LAC