

SB787_Support_Letter_and_Resolution.pdf

Uploaded by: David Marks

Position: FAV



COUNTY COUNCIL OF BALTIMORE COUNTY
COURT HOUSE, TOWSON, MARYLAND 21204

DAVID MARKS
COUNCILMAN, FIFTH DISTRICT
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STATEMENT OF SUPPORT
BALTIMORE COUNTY COUNCILMAN DAVID MARKS

SENATE BILL 787
COOPERATIVE HOUSING CORPORATIONS AND CONDOMINIUMS – FUNDING OF
RESERVE ACCOUNTS AND TIMING OF RESERVE STUDIES

I wish to commend Senator Jennings for introducing this bill, which seeks to correct requirements for condominiums and cooperative housing corporations that have, unfortunately, lead to extremely high costs for many homeowners, including senior citizens on fixed income.

The Maryland General Assembly may have had laudatory goals when it established these reserve requirements. No one wants a repeat of the building collapse that occurred in Surfside, Florida, in 2021. Unfortunately, the rigidity of the reserve requirements has led to situations where homeowners are experiencing a doubling or tripling of fees. We need to provide some relief.

My colleagues on the Baltimore County agree, which is why they unanimously supported a resolution urging the state to reform its reserve requirements. Thank you for your consideration.

A handwritten signature in black ink that reads "David Marks". The signature is fluid and cursive, with a long horizontal stroke at the end.

Councilman David Marks

COUNTY COUNCIL OF BALTIMORE COUNTY, MARYLAND
Legislative Session 2025, Legislative Day No. 1

Resolution No. 5-25

Councilmembers Marks & Jones

By the County Council, January 7, 2025

A RESOLUTION of the Baltimore County Council encouraging the Maryland General Assembly to support and pass legislation to amend the reserve fund mandates for Maryland condominium associations and homeowners' associations.

WHEREAS, in its 2022 legislative session, the General Assembly passed H.B. 107, which expanded state-wide a Montgomery and Prince George's County requirement that condominium associations complete a reserve study at least once every five years that; (1) states the remaining useful life of each structural, electrical, mechanical, and plumbing component of all common elements; (2) estimates the total repair or replacement cost for all such elements; and (3) sets an annual financial reserve for the Condominium association to afford all future major repairs or replacements of those common elements; and

WHEREAS, H.B. 107 also imposed a substantially similar reserve study requirement on homeowners' associations ("HOA"), with the only difference being an exemption for any HOA common area or component for which the total initial purchase and installation is less than \$10,000; and

WHEREAS, many condominium associations are now facing looming deadlines to collect unaffordable fees and assessments from unit owners – including low-income owners and seniors on fixed incomes; and

WHEREAS, in its 2024 legislative session, several members of the General Assembly proposed adequate reforms that would alleviate this financial burden; and

WHEREAS, for example, H.B. 1035 and H.B. 1187 respectively proposed the creation of a low-income unit owner grant fund and a disabled and senior reserve assistance program to subsidize the fee increases caused by reserve studies; H.B. 968 proposed an exemption whereby a condominium association may approve by an 80% vote an alternative assessment structure from the fees required under their most recent reserve study; H.B. 1262 extended initial reserve funding deadlines from three to five years and exempted condominiums with less than seven units; and S.B. 1157 (cross-filed with H.B. 281) allowed updated reserve studies to give credit for maintenance costs already spent and ongoing maintenance contracts, exempted replacement costs under \$10,000 for capital components, and allowed condominium associations to create a flexible and customized funding plan, so long as it fully funds the reserves identified by their most recent reserve study; and

WHEREAS, other concepts proposed during the 2024 legislative session included permitting local governments to set up condominium reserve review commissions and re-forming the 2005 Task Force on Common Ownership Communities; and

WHEREAS, while some of these legislative proposals also addressed the unaffordable HOA aspects imposed by H.B. 107, none recognized that the common area and component responsibilities of HOAs – and the reserve funds needed to maintain them – varies much more widely than for condominium associations; and

WHEREAS, while it is appropriate to apply reserve study requirements to HOAs that own and maintain a building, private roads, or other infrastructure, like a swimming pool, such requirements are too costly for an HOA that merely maintains a small amount of green space or a

simple neighborhood identification sign; and

WHEREAS, while the General Assembly may explore different paths, the Baltimore County Council requests that the end-result be the alleviation of unaffordable condominium unit assessments or fees on owners that are already financially stressed and greater flexibility for HOAs to accommodate their wider variation of responsibilities; now therefore

BE IT RESOLVED BY THE COUNTY COUNCIL OF BALTIMORE COUNTY, MARYLAND, that the Baltimore County Council encourages the Maryland General Assembly to pass legislation to amend the reserve fund mandates for Maryland condominium associations and HOAs; and

BE IT FURTHER RESOLVED, that copies of this resolution shall be sent to the Governor of Maryland; the Baltimore County delegation to the Maryland General Assembly; ~~and~~ the Baltimore County Executive, and the Maryland Association of Counties; and

BE IT FURTHER RESOLVED, that this Resolution shall take effect from the date of its passage by the County Council.

KarenZeilerTestimonyRvsd.pdf

Uploaded by: Karen Zeiler

Position: FAV

I support Md. Senate Bill 787.

I am a 56-year-old woman living on Social Security Disability Insurance. I own a condo in Nottingham, Maryland. Expenses for everything have increased with inflation, and I am having trouble making ends meet.

The current law regarding condominium association reserve studies has made condo fees — once reasonable — now unaffordable for people like me.

The \$67-a-month increase in my condo fee this year could end up pricing me out of my home.

Besides the normal expenses one would expect, I also have to pay for medical visits and medication.

In my building, there are three other unit owners who are seniors dependent on Social Security.

Condo living was an attractive option for us years ago, but we can't afford these out-of-control condo fees.

The reserve fund requirements are unnecessary for my condo community, which consists of 12 three-story buildings. The infrastructure is not the same as the community that inspired the law in Surfside, FL.

Condo buildings of three stories are not in danger of imminent collapse.

Please pass SB 787, and provide financial relief for people like me and my neighbors, who are on a fixed income.

Thank You.

Karen L. Zeiler
Southfield at White Marsh Condominiums

Nottingham, Maryland

klz05@aol.com

MBIA Letter of Support SB 787.pdf

Uploaded by: Lori Graf

Position: FAV

February 20th, 2025

The Honorable William C. Smith Jr.
Chair, Senate Judicial Proceedings Committee
2 East Miller Senate Office Building
Annapolis, MD, 21401

RE: MBIA Letter of Support SB 787 Cooperative Housing Corporations and Condominiums – Funding of Reserve Accounts and Timing of Reserve Studies

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 787 Cooperative Housing Corporations and Condominiums – Funding of Reserve Accounts and Timing of Reserve Studies**. MBIA supports this measure.

This bill extends the time needed to update reserve studies from 5 years to 10 years and the time needed to achieve the recommended reserve funding level from 3 years to 10 years after the initial reserve study. This extension gives housing entities much-needed additional time to fund their reserve accounts, and allows for more financial flexibility in the early years of a community. The bill also provides an exemption from reserve study requirements given to buildings of less than 4 stories or units. This will make smaller housing projects much easier to develop without the extra time and cost associated with conducting a reserve study.

Another key part of the bill is the provision that expands the list of professionals who are allowed to prepare a reserve study to include licensed electricians, plumbers, and members of the Maryland Home Improvement Commission. This adds competition to the market and will lead to lower costs for anyone who needs to conduct a reserve study in the State of Maryland.

For these reasons, MBIA respectfully requests the Committee give this measure a favorable 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 Senate Judicial Proceedings Committee

SB 787 - CIC Reserves - FWA - REALTORS.pdf

Uploaded by: Lisa May

Position: FWA



Senate Bill 787 – Cooperative Housing Corporations and Condominiums - Funding of Reserve Accounts and Timing of Reserve Studies

Position: Support with Amendments

Maryland REALTORS® supports efforts to help Common Ownership Communities fully fund their reserve accounts. However, we caution against creating exemptions to the reserve study requirement for both resident safety and the ability to conduct real estate transactions in that development.

In 2022, the General Assembly passed a requirement that associations regularly conduct reserve studies, which evaluate the ability to pay for future financial obligations like maintenance and repairs. If the study determines that an association's financial reserves are insufficient, the unit owners may face increases in their monthly fees or special assessments to recapitalize the accounts.

Some associations have imposed sharp increases in fee amounts charged to homeowners, due to the large unmet capital needs of these communities. Extending the timeline that associations have to fund these accounts will help associations to reduce the impacts of new assessments or dues increases.

On the other hand, exempting communities from reserve study requirements can place residents in dangerous housing conditions. Even small associations can have facilities that impact resident health and safety, including bridges, stormwater retention or retaining walls. A more appropriate exemption, if there is to be one, should be based on the type of facilities maintained by the association rather than the size of the development itself.

REALTORS® remain committed to working with the General Assembly on solutions to minimize the impacts of reserve study requirements on community residents, while also protecting their safety and the equity in their most valuable asset.

**For more information contact lisa.may@mdrealtor.org or
christa.mcgee@mdrealtor.org**

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2025 Maryland Legislature - SB728 SB758 SB777 SB78

Uploaded by: Steve Horvath

Position: FWA



HOMEOWNERS
OF AMERICA
UNITED

February 21, 2025

My name is Steve Horvath. *Homeowners of America (HOA) 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.

Thank you for considering testimony from *HOA United*.

Sincerely,

Steve Horvath
Co-Founder, HOA United

Testimony for [SB728](#)

Charles County - Governing Bodies of COCs - Member Training

HOA United recommends a favorable report on this bill in concept because training is important, but also encourages you to maintain consistent standards across the state and allow local commissions to set minimum requirements for COCs that remain unaddressed in state law. [Montgomery](#) and [Prince George's](#) county commissions have proven to be successful vehicles to provide information and resources to COC owners and their condos and HOAs.

The entire institution of common interest housing rests on the resources of individual owners—their money, judgment, loyalty, commitment, organizational expertise, and social skills. There is virtually no institutional support for them, except for the professionals they are able to hire to advise them and to carry out delegated tasks. — Evan McKenzie | [Rethinking Residential Private Government in the US: Recent Trends in Practices and Policy](#) | 2016

Boards draw their membership from people whose work experience is in other sectors—government and business. Many conflicts on boards and between boards and executives result from the introduction of practices and values that may be appropriate to the way other sectors do business, but which may be incompatible with nonprofits' legal and ethical obligations. — Marion Peters Angelica | 1999 | [🔗](#)

"Community associations occupy a space that lies somewhere between public governments and private businesses... As common interest communities have become more prevalent, the legal and social challenges they post have become more apparent." — Susan F. French | 2005 | [🔗](#)

Testimony for [SB758](#) **Condominiums and HOAs - Elections, Financial Statements, and Enforcement**

HOA United recommends a favorable report on this bill with amendments to streamline the language and provide additional standards established by multiple other states. Consider the levers that contribute to fair elections:

1. **Require ballots** as you would expect in any election for local, state or federal government. Arizona requires ballots for COCs (reference [ARS 33-1812](#)).
2. **If proxies are allowed, require directed proxies.** Undirected proxies are a source of election harvesting. Nevada began requiring directed proxies years ago (reference [NRS 116.311](#)).
3. **Consider vote recount procedures** like Texas (reference [TPC 209.0057](#)).
4. **Prohibit exclusionary candidacy practices.** Reference [CA Civil Code §5100-5145](#), [CRS 38-33.3-310](#), [718.112\(1\)\(d\)\(2\)](#), [765 ILCS 605/18\(a\)\(1\)](#), [NRS 116.31034\(10\)\(11\)\(12\)\(13\)](#), [116.31034\(16\)\(17\)](#) and [116.31035](#), [TPC 209.00591](#) and [PA Title 68 - §3308](#).

EXAMPLE LANGUAGE EXCERPTS

View more in [Election Recommendations](#)

Consider in context with [Maryland Real Property Title 11, Section 109](#)

CANDIDACY AND ACCESS TO RESOURCES

- *(a) Notwithstanding any contrary provision in the declaration or organizational documents, prior to an election of board members or appointment to fill vacancies of the board, the association must provide notice to all unit owners of the following:*
 - (i) The number of board positions that may be filled;*
 - (ii) The qualifications to be a board candidate, if any; and*
 - (iii) The process, manner, and deadline for submitting nominations which shall allow potential candidates at least fourteen (14) days after receipt of the notice required by this section to submit their interest to become a candidate.*
- (b) An association shall not adopt any rule or regulation that has the effect of prohibiting or unreasonably interfering with a candidate in the candidate's campaign for election as a member of the executive board, except that the candidate's campaign may be limited to 90 days before the date that ballots are required to be returned to the association.*
- (c) A nomination or election procedure shall not be deemed reasonable if it:*
 - (i) it discourages participation;*
 - (ii) disadvantages any member based on any class protected by [RCW 49.60.224](#);*
 - (iii) disallows any member from nominating themselves for election to the board; or*
 - (iv) encourages members to vote for a particular candidate based on their selection by a nominating committee or the board*
- ***equal access shall be provided to association media, newsletters, or internet websites or web portals during a campaign for purposes that are reasonably related to that election to all candidates and members advocating a point of view reasonably related to the election. The association shall not edit or redact any content from these communications, but may include a statement specifying that the candidate or member, and not the association, is responsible for that content.***
- ***equal access to the common area meeting space, if any exists, during a campaign, at no cost, to all candidates, including those who are not incumbents, and to all members advocating a point of view, including those not endorsed by the board, for purposes reasonably related to the election.***
- ***in the event that there are more candidates than open positions on the board, then, upon request of one or more of the candidates, the association shall permit each***

candidate for a board position equal time to address the unit owners during a meeting before the close of the election period.

- *If the number of board members whose terms expire at the annual meeting equals or exceeds the number of candidates, the candidates become members of the board effective upon the adjournment of the annual meeting.*

BALLOT COUNTING

- *At a meeting of unit owners held pursuant to this section, the secret ballots physically received by the association must be opened and counted and the results of the secret ballots received by the association by electronic means must be reviewed, announced, and recorded in the meeting minutes. A quorum is not required to be present when the secret ballots physically received by the association are opened and counted or the results of the secret ballots received by the association by electronic means are reviewed, announced, and recorded in the meeting minutes.*
- *The incumbent members of the board and each person whose name is placed on the ballot as a candidate for membership on the board may not possess, be given access to, or participate in the opening or counting of the secret ballots that the association physically receives, or the collection of data regarding the secret ballots that the association receives by electronic means, before those secret ballots have been opened and counted or reviewed, announced, and recorded in the meeting minutes, as applicable, at a meeting of the association.*

BALLOT REQUIREMENTS

- *An association with over 100 units must provide absentee ballots to all Unit owners pursuant to subsection (4) of this section and all associations containing 100 or more units whose annual operating budget exceeds \$100,000 and associations whose annual gross revenue exceeds \$250,000 must allow, but not require, owners to cast their ballots electronically.*
- *Absentee ballots must provide the option for owners to have their ballot count toward quorum without casting any vote in the affirmative or negative and, for election matters, must:*
 - (i) designate space for members to write-in one or more candidates of their choice;*
 - (ii) contain the name of each candidate and proposal to be voted upon; and*
 - (iii) for associations containing 100 or more units whose annual gross revenue exceeds \$100,000, be supervised by an independent inspector.*

↓ WHEN STATE LAW HAS INADEQUATE PROXY REQUIREMENTS ↓

Country Club Estates Condominium Homes

PROXY

Annual Meeting: March 28, 2024

If you return your Proxy *before* the meeting you do not need to attend.

I certify that I am an Owner of the Property below and I give _____ (my proxy) permission to vote for me at the Annual Meeting.

(If blank, then President Marianne Andringa is designated with power of succession)

This proxy confers authority to the person named herein to exercise his or her best judgment in voting on any matters as they may be properly presented at the Annual Meeting on March 28, 2024, or any adjourned meetings thereof.

Testimony for [SB777](#)

Howard County - Common Ownership Communities - Funding of Reserve Accounts and Preparation of Funding Plans Ho. Co. 4-25

HOA United recommends a UNfavorable report on this bill. The state of Maryland should maintain consistent standards for condominiums, cooperatives and HOAs and amend current state law pursuant to recommendations for SB787, HB292 and SB63.

Testimony for [SB787](#) | Reference [HB292](#) + [SB63](#) | [HB1133](#)

Cooperative Housing Corporations and Condominiums - Funding of Reserve Accounts and Timing of Reserve Studies

HOA United recommends a favorable report with an amendment. Please consider the following recommendations and read [The Myth of Full Funding](#):

- **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.
-

Testimony for [SB817](#) / [HB363](#)
***Common Ownership Communities - Candidate or Proposition Signs -
Display Period***

HOA United recommends a favorable report with an amendment to:

1. **Simplify the language.** The recommended language below uses 4 subsections to accomplish what takes 11 subsections in the proposed bill.
2. Ensure that signs can be **posted to support ballot initiatives within the COC.**
3. Ensure that signs can be **posted continuously throughout an advocacy cycle.**

EXAMPLE LANGUAGE

(a) Except as provided in subsection (b) of this section, a recorded covenant or restriction, a provision in a declaration, or a provision in the bylaws or rules of a [COC] may not prohibit or restrict the display of:

(1) signs, including outdoor signs, regarding candidates for public or association office, or ballot issues related to the [COC], or any question submitted to the voters in accordance with the Election Law Article, on or within a unit or limited common element

[update the language to reference lots in HOAs as needed]

(b) An association may adopt reasonable rules pertaining to the placement and manner of signs and may limit the time period during which signs may be displayed continuously to no less than 30 days before the beginning of the earliest of an applicable primary election, general election or other vote or election related to any subject of subsection (a)(1) of this section and

to no less than 7 days after the conclusion of voting in a general election or other vote or election related to the same.

(c) If there is early voting, the time periods specified in subsection (b) of this section shall be extended to begin 30 days before the start of early voting.

Testimony for [SB866](#) / [HB306](#) **Common Ownership Communities - Ombudsman Unit, Governing Document Database, and Local Commissions**

HOA United recommends a careful consideration of this bill. Maryland's existing state law allows for AG enforcement that the AG refuses to take. That's probably the best place to start.

The Senate *Judicial Proceedings Committee* [heard testimony from Karen Strong of the Maryland Attorney General's Office of Consumer Protection](#) on February 14, 2024 stating:

The Office of the Attorney General does NOT represent individuals...

Quite simply, the Maryland AG Office of Consumer Protection refuses to enforce the provisions of [§11-130](#) and [§11B-115](#) for the overwhelming majority of circumstances and especially when concerns are raised by an individual COC owner. Here's the pertinent excerpt from the two aforementioned sections (with emphasis):

In this section, "consumer" means an actual or prospective purchaser, lessee, assignee, or recipient of a condominium unit or lot in a development.

To the extent that a violation of ANY provision of this title affects a consumer, that violation SHALL be within the scope of the enforcement duties and powers of the Division of Consumer Protection of the Office of the Attorney General, as described in Title 13 of the Commercial Law Article.

If Maryland continues to allow its AG to disregard enforcement authority prescribed by state law, it only seems prudent that the legislature should adopt additional, binding consumer protections; however, this bill does not provide binding enforcement authority to an ombudsman unit. State agencies in Colorado, Delaware, Florida, Illinois, Nevada, South Carolina and Virginia all collect complaint statistics. CAI has [disfavorably reported](#) on ombuds programs for years, in part due to the non-binding nature of many

such programs. To the contrary, the leaders of these programs believe they can and do provide positive results:

"In many cases, the threat of public accountability is enough to get condo boards to respond to complaints..." — [Heather Gillespie](#) has served as the Virginia State community association Ombudsman since 2018.

⚠ Governmental oversight can also have shortcomings. **Before reforms in 2024 to add binding regulatory authority and millions more dollars in funding, Spencer Hennings called Florida's DBPR ombuds program a "toothless tiger."** [Watch the 11/14/23 testimony](#) from Florida's Senate Committee on Regulated Industries (start at minute 15):

"I think it's quite confusing to have a 120 page condominium act filled with laws that there is no enforcement for. I can't tell you how many, probably thousands of times condominium owners throughout the state would call me and say "My association is clearly violating this law. Who do I call? Who do I go to? What do I do?"

"And so many times I would have to tell those people: I'm sorry, there is a law and you're right, they're probably violating it based on what you're telling me, but there's no one to enforce this, so hire a lawyer, good luck. I hope you have \$200,000 to spend because that's what it's going to take to enforce this law." — Spencer Hennings, former Florida Condominium Ombudsman

The [Condominium Authority of Ontario \(CAO\) Condominium Authority Tribunal \(CAT\)](#) is the best example of efficient, effective, low-cost, high-functioning binding government COC oversight.

SB 787 Letter of Opposition.pdf

Uploaded by: Karen Straughn

Position: UNF



CAROLYN A. QUATTROCKI
Chief Deputy Attorney General

LEONARD J. HOWE 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

ANTHONY G. BROWN
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February 25, 2025

To: The Honorable William C. Smith, Jr.
Chair, Judicial Proceedings Committee

From: Karen S. Straughn
Consumer Protection Division

Re: Senate Bill 787 – Cooperative Housing Corporations and Condominiums – Funding of Reserve Accounts and Timing of Reserve Studies (OPPOSE)

The Consumer Protection Division of the Office of the Attorney General submits the following written testimony in opposition to Senate Bill 787 submitted by Senator J. B. Jennings. This bill would increase the types of persons eligible to complete reserve studies for Common Ownership Communities and would extend the period of time to fund the study to 10 years. In addition, it would exclude buildings under four stories tall from the requirement to complete a reserve study.

Reserve studies review the common elements of a Common Ownership Community to determine the major repairs and replacements that may be needed in the future and ensure that the association is properly planning for these estimated costs. Such studies not only help to secure the financial stability of the association and address problems that could impact the structural soundness of the buildings and other common elements, they are also needed to enable members to buy and sell their homes, since most banks and mortgage companies will not lend money to owners who reside in associations that do not have current reserve studies.

This bill attempts to limit the associations that would be required to comply with the reserve study law, exempting those cooperative and condominium associations that are less than 4 stories in height. However, reserve studies are intended to protect against damage to all common elements and the height of the building is not the only factor to be considered. By exempting buildings under a certain height, an arbitrary measure is used to determine whether sidewalks, roads, pools, elevators and tennis courts in the associations may be in need of serious repairs. In

fact, the need to reserve funds is equally as great for a smaller community as there are fewer owners to meet the financial demands at the time repairs or replacements are needed. The reserve studies law helps to ensure that maintenance and repairs are addressed in a comprehensive manner and that the costs of maintenance and repairs are addressed in a more orderly fashion.

The bill further expands the type of individuals who can complete a reserve study analysis to include persons licensed by the State Board of Electricians, the State Board of Plumbers or the Maryland Home Improvement Commission. However, merely being a licensed contractor in a particular field does not necessarily qualify an individual to determine the useful life of common elements and their replacement costs.

Finally, the bill expands the period of time to fund in accordance with the reserve study to 10 years. While additional time may be needed by many associations to come into compliance, 10 years is simply too long a period of time.

For these reasons, we ask that the Judicial Proceedings Committee return an unfavorable report on this bill.

cc: The Honorable J. B. Jennings
Members, Judicial Proceedings Committee

SB 787 Senate JP testimony.02212025.pdf

Uploaded by: Scott Silverman

Position: UNF

Vicki Caine, Chair
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Ellen Throop, Esq., Member
Tricia A. Walsh, CISR, Member

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

Page 2, Senate Bill 787
Community Associations Institute

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](tel:301-251-1414), or by e-mail at ssilverman@schildlaw.com.

Sincerely,

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