

HOUSE BILL 825

N1, C1
HB 414/19 – ENT

11r2032

By: **Delegate Healey**

Introduced and read first time: January 29, 2021

Assigned to: Environment and Transportation

Committee Report: Favorable

House action: Adopted

Read second time: February 27, 2021

CHAPTER _____

1 AN ACT concerning

2 **Cooperative Housing Corporations – Dispute Settlement and Eviction**
3 **Procedures**

4 FOR the purpose of specifying that a certain dispute settlement mechanism does not apply
5 to complaints or demands arising out of a cooperative housing member's failure to
6 pay certain assessments; repealing a requirement that the governing body of a
7 cooperative housing corporation hold a hearing on a certain alleged violation under
8 certain circumstances; requiring the governing body of a cooperative housing
9 corporation to give certain notice of a member's right to request a hearing on a
10 certain alleged violation under certain circumstances; requiring the governing body
11 of a cooperative housing corporation to hold a certain hearing if a member requests
12 a hearing under certain circumstances; requiring the governing body of a cooperative
13 housing corporation to deliberate on a certain matter and decide whether a certain
14 sanction is appropriate if a member does not request a hearing under certain
15 circumstances; repealing a certain provision that prohibits the governing body of a
16 certain cooperative housing corporation from bringing an action in court to evict a
17 member based solely on the member's failure to pay certain assessments under
18 certain circumstances; altering the date on and after which a certain dispute
19 settlement mechanism applies under certain circumstances; providing for the
20 application of this Act; and generally relating to dispute settlement and evictions in
21 cooperative housing corporations.

22 BY repealing and reenacting, with amendments,
23 Article – Corporations and Associations
24 Section 5–6B–30

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 Annotated Code of Maryland
2 (2014 Replacement Volume and 2020 Supplement)

3 BY repealing
4 Article – Corporations and Associations
5 Section 5–6B–31
6 Annotated Code of Maryland
7 (2014 Replacement Volume and 2020 Supplement)

8 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
9 That the Laws of Maryland read as follows:

10 **Article – Corporations and Associations**

11 5–6B–30.

12 (a) (1) [The] **EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS**
13 **SUBSECTION, THE** dispute settlement mechanism provided by this section applies to any
14 complaint or demand formally arising on or after [January 1, 2015] **OCTOBER 1, 2021,**
15 unless the bylaws of the cooperative housing corporation or the proprietary lease of the
16 member who is a party to the dispute state otherwise.

17 (2) **THE DISPUTE SETTLEMENT MECHANISM PROVIDED BY THIS**
18 **SECTION DOES NOT APPLY TO COMPLAINTS OR DEMANDS ARISING OUT OF A**
19 **MEMBER’S FAILURE TO PAY ASSESSMENTS OWED TO THE COOPERATIVE HOUSING**
20 **CORPORATION.**

21 (b) (1) Except as provided in this subsection, a governing body may not impose
22 a fine, suspend voting, bring an action in court to evict, or infringe on any other rights of a
23 member for a violation of:

24 (i) The rules of the cooperative housing corporation; or

25 (ii) The provisions of the member’s proprietary lease.

26 (2) The governing body shall [serve] **PROVIDE** the member with a written
27 demand to cease and desist from the alleged violation specifying:

28 (i) The alleged violation;

29 (ii) The action required to abate the violation; and

30 (iii) 1. A time period of not less than 10 days during which the
31 violation may be abated without further sanction if the violation is a continuing one; or

32 2. A statement that any further violation of the same rule

1 may result in the imposition of sanction after notice and **THE OPPORTUNITY FOR A**
2 hearing if the violation is not continuing.

3 (3) (i) If the violation continues past the period specified under
4 paragraph (2)(iii)1 of this subsection, or if the same rule is violated subsequently, the
5 governing body shall [serve] **PROVIDE** the member with written notice of **THE MEMBER'S**
6 **RIGHT TO REQUEST** a hearing to be held by the governing body in session.

7 (ii) The [hearing] notice shall specify:

8 1. The nature of the alleged violation;

9 2. [The time and place of the hearing, which time may be not
10 less than 10 days from the giving of the notice;

11 3. An invitation to attend the hearing and produce any
12 statement, evidence, and witnesses on behalf of the member; and

13 4.] The proposed sanction to be imposed;

14 **3. THE PROCEDURE FOR REQUESTING A HEARING; AND**

15 **4. THE TIME FRAME FOR REQUESTING A HEARING,**
16 **WHICH MAY NOT BE LESS THAN 10 DAYS BEGINNING ON THE DATE OF THE NOTICE.**

17 (4) (i) [The] **IF THE MEMBER REQUESTS A HEARING WITHIN THE**
18 **TIME FRAME SPECIFIED IN THE NOTICE GIVEN UNDER PARAGRAPH (3) OF THIS**
19 **SUBSECTION, THE** governing body shall hold a hearing on the alleged violation in
20 executive session[, in accordance with the notice provided under paragraph (3) of this
21 subsection].

22 **(II) THE GOVERNING BODY SHALL GIVE THE MEMBER AT LEAST**
23 **10 DAYS' WRITTEN NOTICE OF THE TIME AND PLACE OF THE HEARING.**

24 [(ii)] **(III)** At the hearing, the member shall have the right to present
25 evidence and to present and cross-examine witnesses regarding the alleged violation.

26 [(iii)] **(IV)** Prior to imposing any sanction on the member, the
27 governing body shall place in the minutes of the meeting proof of the notice provided to the
28 member under paragraph (3) of this subsection, which shall include:

29 1. A copy of the notice, together with a statement of the date
30 and manner of [the delivery of] **PROVIDING** the notice; or

31 2. A statement that the member in fact appeared at the

1 hearing.

2 [(iv)] (v) The governing body shall place in the minutes of the
3 meeting the results of the hearing and the sanction, if any, imposed on the member.

4 **(5) IF THE MEMBER DOES NOT REQUEST A HEARING WITHIN THE TIME**
5 **FRAME SPECIFIED IN THE NOTICE GIVEN UNDER PARAGRAPH (3) OF THIS**
6 **SUBSECTION, THE GOVERNING BODY, AT THE NEXT MEETING, SHALL DELIBERATE**
7 **AS TO WHETHER THE VIOLATION OCCURRED AND DECIDE WHETHER A SANCTION IS**
8 **APPROPRIATE FOR THE VIOLATION.**

9 (c) A member may appeal a decision of a governing body made in accordance with
10 the dispute settlement procedure described in this section to the courts of Maryland.

11 (d) (1) If a member fails to comply with this subtitle, the bylaws of a
12 cooperative housing corporation, or a decision rendered by the governing body in accordance
13 with this section, the governing body or any other member of the cooperative housing
14 corporation may sue the member for any damages caused by the failure or for injunctive
15 relief.

16 (2) The prevailing party in a proceeding authorized under this subsection
17 is entitled to an award for reasonable attorney's fees as determined by court.

18 (e) The failure of a governing body to enforce a provision of this title, the
19 proprietary lease of a member, or the bylaws of the cooperative housing corporation on any
20 occasion is not a waiver of the right to enforce the provision on any other occasion.

21 **[5-6B-31.**

22 (a) This section applies only to a cooperative project that is no longer subject to a
23 mortgage or deed of trust.

24 (b) Notwithstanding the articles of incorporation, bylaws, or regulations of a
25 cooperative housing corporation or the proprietary lease of any member, a governing body
26 may not bring an action in court to evict a member based solely on the failure of the member
27 to pay assessments owed to the cooperative housing corporation unless:

28 (1) The member has been delinquent in paying assessments for a period of
29 3 months or more;

30 (2) The governing body has given the member notice and an opportunity to
31 be heard regarding the delinquency, consistent with § 5-6B-30 of this subtitle;

32 (3) The governing body has given the member an opportunity to cure the
33 delinquency; and

1 (4) The member has failed to cure the delinquency.]

2 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall be construed to
3 apply only prospectively and may not be applied or interpreted to have any effect on or
4 application to any complaint or demand formally arising under the rules of a cooperative
5 housing corporation or the provisions of a member's proprietary lease before the effective
6 date of this Act, unless the bylaws of the cooperative housing corporation or the proprietary
7 lease of the member who is a party to the dispute states otherwise.

8 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
9 October 1, 2021.

Approved:

Governor.

Speaker of the House of Delegates.

President of the Senate.