

Department of Legislative Services
 Maryland General Assembly
 2024 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 286 (Delegate Holmes, *et al.*)
 Environment and Transportation

Task Force on Common Ownership Communities

This bill establishes the Task Force on Common Ownership Communities, staffed by the Office of the Attorney General (OAG), to study numerous issues related to the operation of common ownership communities (COC). Members of the task force may not receive compensation but are entitled to reimbursement for expenses under the standard State travel regulations. The task force must report its findings and recommendations to the Governor and the General Assembly by December 31, 2025. **The bill takes effect June 1, 2024, and terminates June 30, 2026.**

Fiscal Summary

State Effect: No effect in FY 2024. General fund expenditures increase by \$61,300 in FY 2025 for contractual staff. Future years reflect the elimination of the contractual position during FY 2026, after the final report is due. No effect on revenues.

(in dollars)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	61,300	26,000	0	0	0
Net Effect	(\$61,300)	(\$26,000)	\$0	\$0	\$0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: The bill does not affect local government finances or operations.

Small Business Effect: None.

Analysis

Bill Summary: The task force must elect a chair from among its members and is required to study:

- the education and training needs of COC boards and new and prospective owners of homes and dwelling units in COCs, including (1) the creation and dissemination of information on the best practices for COC governing boards and (2) options for providing appropriate classes and brochures through a State agency or an institution regulated by the Maryland Higher Education Commission on the responsibilities of members of COC governing boards and the obligations and rights of owners of homes and dwelling units in COCs;
- the feasibility of establishing statewide alternative dispute resolution services for COCs, including (1) providing resources to OAG for enforcement of laws related to COCs and (2) offering assistance and guidance to owners of homes and dwelling units in COCs prior to litigation;
- the advisability of creating a permanent State Commission on Common Ownership Communities;
- the feasibility of requiring COC managers to be licensed; and
- best practices related to COC election processes and governance.

Current Law: Generally, State statute includes the Maryland Condominium Act, the Maryland Homeowners Association Act, and the Maryland Cooperative Housing Corporation Act, all of which regulate various aspects of COC operations.

For more information on condominiums, homeowners associations, and cooperative housing corporations, commonly known as COCs, see the **Appendix – Common Ownership Communities**.

State Fiscal Effect: General fund expenditures for OAG increase by \$61,333 in fiscal 2025, which reflects the costs of hiring one part-time contractual employee to staff the task force (and assumes a 30-day start-up delay from the bill’s June 1, 2024 effective date). It includes a salary, fringe benefits, one-time start-up costs and ongoing operating expenses.

Contractual Position	0.5
Salaries and Fringe Benefits	\$54,347
Operating Expenses	<u>6,986</u>
Total FY 2025 State Expenditures	\$61,333

Future year expenditures reflect termination of the contractual position on December 31, 2025, when the task force's final report is due.

This estimate does not include any health insurance costs that could be incurred for specified contractual employees under the State's implementation of the federal Patient Protection and Affordable Care Act.

Any expense reimbursements for task force members are assumed to be minimal and absorbable within existing budgeted resources.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See HB 423 and SB 894 of 2023.

Designated Cross File: None.

Information Source(s): Office of the Attorney General (Consumer Protection Division); Department of Legislative Services

Fiscal Note History: First Reader - February 9, 2024
km/jkb

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Appendix – Common Ownership Communities

When a person purchases a single-family home, condominium, or an interest in a cooperative housing corporation, he or she may also be required to join an association of owners, which is intended to act in the common interests of all the homeowners, condominium unit owners, or cooperative owners in the community. Collectively, these associations are often referred to as common ownership communities (COCs). In Maryland, a growing number of newly constructed or newly converted residences are located in some form of a COC. Because registration of the various COCs is not required statewide, the exact number of COCs in Maryland is unknown. However, the Foundation for Community Association Research estimated that there were 7,100 community associations with an estimated 1 million residents in these associations in the State in 2023.

The affairs of a condominium are governed by a council of unit owners, which comprises all unit owners. Among other powers, the council of unit owners has the power to impose assessments on the unit owners to pay common expenses. A council of unit owners may delegate its powers to a board of directors, officers, or a managing agent. Condominiums are governed under Title 11 of the Real Property Article.

Many new housing developments are subject to a homeowners association (HOA) that is created by a governing document and has the authority to impose mandatory fees on lots in the development in connection with the provision of services or for the benefit of the lots, the lot owners, or the common areas. HOAs are governed under Title 11B of the Real Property Article.

A cooperative housing corporation or “cooperative” is a corporation that owns real property. A resident of a cooperative does not own his or her unit; instead, the person owns an interest in the corporation, which leases the unit to the person for residential use. Cooperatives are governed by the laws in Title 5, Subtitle 6B of the Corporations and Associations Article.

Condominiums and HOAs may be authorized by their governing documents to impose liens on units or lots to collect unpaid assessments or fees. In a cooperative, the governing documents usually provide for the collection of delinquent fees, and evictions for outstanding fees are generally pursued by way of a landlord-tenant action.

Task Force on Common Ownership Communities

With a growing number of Marylanders residing in COCs, and evidence that some COCs had issues with governance, dispute resolution, and financial stability, the

General Assembly created the Task Force on Common Ownership Communities in 2005 (Chapter 469 of 2005). The issues addressed by the task force included the availability of alternative dispute resolution services, special considerations of aging COCs, collection of assessments, and resale of homes within COCs. The task force met 10 times, held five public hearings, and submitted its [final report](#) in December 2006. The report's findings and recommendations have served, in subsequent years, as the basis for numerous pieces of legislation intended to improve the operation of COCs.

The task force's report also featured findings and recommendations relating to the creation of an ombudsman in local governments. Since the report's release, Prince George's County created its Common Ownership Communities Program in 2007 with the stated purpose of assisting governing bodies, as well as owners and residents of HOAs, residential condominiums, and cooperative housing corporations, with education, training, and alternative dispute resolution. Charles and Montgomery counties have offices dedicated to COCs that predate the task force.