



# Maryland

## Department of the Environment

Larry Hogan  
Governor

Boyd Rutherford  
Lieutenant Governor

Ben Grumbles  
Secretary

March 29, 2022

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

**Re: House Bill 107 – Cooperative Housing Corporations, Condominiums, and Homeowners Associations – Reserve Studies – Statewide**

Dear Chair Smith and Members of the Committee:

The Maryland Department of the Environment (MDE or the Department) has reviewed HB 107, entitled *Cooperative Housing Corporations, Condominiums, and Homeowners Associations – Reserve Studies – Statewide*, and would like to offer our support for this bill.

HB 107 expands the existing requirement for housing cooperatives (co-ops), condominiums (condos), and homeowners' associations (HOAs) to have independent reserve studies performed and updated every 5 years. Currently, these requirements only apply in Prince George's and Montgomery counties, and HB 107 would expand these requirements statewide.

The independent reserve study is required to identify the common elements that the governing body is responsible for maintaining and repairing, the useful lives of those common elements, estimated costs for repair and maintenance, and estimated annual reserve amount needed. At the outset of a condo or HOA development, the developer must transfer reserve funding to the HOA or condo, equal to the reserve funding that is recommended in the initial reserve study. Every 5 years after the initial reserve study, the reserve study must be updated, and the recommended reserve amount must be used in the preparation of the budget. Co-ops, HOAs, and condos are authorized to increase assessments charged to home/unit owners to cover the reserve funding specified in the reserve study, even if bylaws or other documents would otherwise limit the increase of such assessments.

The requirements in HB 107 would be beneficial for MDE as they would provide additional due diligence and financial security, thereby better ensuring that the environment and public health are protected. A couple of examples of common elements that would be captured through the reserve study and transfer of reserve funding are shared water and wastewater facilities that are under the control of the co-op, condo, or HOA, as well as environmental covenants to maintain land use controls (LUCs) that are common elements of the co-op, condo, or HOA.

HB 107 would ensure that there is a periodic independent assessment of the reserve funds needed for these purposes, and that the reserve funds needed are incorporated into the budget for the co-op, HOA, or condo. It would also ensure that governing bodies always have the authority to collect assessments from unit/homeowners to cover reserve costs. While the proposed legislation would not change any obligations of a co-op, HOA, or condo that exist under an environmental covenant or shared facility agreement, it would be helpful in ensuring that governing bodies include adequate funds in the budget to cover the expected future

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costs of repairing or replacing any water and wastewater facilities, as well as LUCs that are common elements.

Thank you for your consideration. We will continue to monitor HB 107 during the committee's deliberations, and I am available to answer any questions you may have. Please feel free to contact me at 410-260-6301 or [tyler.abbott@maryland.gov](mailto:tyler.abbott@maryland.gov).

Sincerely,

A handwritten signature in black ink, appearing to read "Tyler Abbott", written over a horizontal line.

Tyler Abbott

cc: The Honorable Marvin E. Holmes, Jr.