A BILL ENTITLED

AN ACT concerning

Maryland Cooperative Housing Corporation Act – Delinquency Period for Purpose of Eviction Action

FOR the purpose of repealing a condition that a member of a cooperative housing corporation be delinquent in paying assessments for a certain number of months before the governing body of the cooperative housing corporation may bring an action in court to evict the member under certain circumstances; and generally relating to cooperative housing corporations.

BY repealing and reenacting, with amendments,

Article – Corporations and Associations

Section 5–6B–31

Annotated Code of Maryland

(2014 Replacement Volume)

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

Article – Corporations and Associations


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

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

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW. [Brackets] indicate matter deleted from existing law.
HOUSE BILL 1328

N1, C1

By: Delegates Swain and Vaughn
Introduced and read first time: February 7, 2014
Assigned to: Environmental Matters

A BILL ENTITLED

AN ACT concerning

Maryland Cooperative Housing Act – Transparency Requirements and Member Rights

FOR the purpose of requiring certain meetings of a cooperative housing corporation to be open to the members of the cooperative housing corporation; requiring that members be given reasonable notice of certain meetings of the cooperative housing corporation; requiring the governing body of a cooperative housing corporation to provide a designated period of time during a meeting to allow members an opportunity to comment on certain matters, subject to certain rules and provisions of law; requiring the governing body of a cooperative housing corporation to convene a certain number of meetings each year at which the agenda is open to any matter relating to the cooperative housing corporation; specifying the reasons for which a cooperative housing corporation may hold a meeting in closed session; placing certain limitations on the actions that may be taken at a closed meeting of a cooperative housing corporation; requiring the minutes of a certain meeting of a cooperative housing corporation to include certain information relating to a closed meeting of the cooperative housing corporation; requiring a cooperative housing corporation to allow any member to distribute certain written information or materials in a certain place and in a certain manner; authorizing a cooperative housing corporation to place reasonable restrictions on the time of any distribution of written information or materials; authorizing the members of a cooperative housing corporation to meet in certain areas for certain purposes, subject to reasonable rules adopted by the governing body; requiring certain cooperative housing corporations to deposit into a certain depository certain disclosures on or before a certain date or within a certain time frame; providing that certain disclosures are unenforceable until the time they are deposited; establishing a cooperative housing corporation depository in the office of the clerk of the court in each county and the City of Baltimore; requiring the clerk of court to establish and maintain the depository for a certain purpose, consistent with certain duties of a clerk of court; describing the form, contents, and availability of the depository;

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.
[Brackets] indicate matter deleted from existing law.
authorizing the clerk of court to regulate the form and manner of documents
deposited into the depository, to collect certain fees, and to adopt certain
regulations to implement the depository; requiring the clerk of court to permit
the deposit of copies of disclosures, however reproduced; requiring the State
Court Administrator to establish certain fees in order to cover certain costs
related to the depository; requiring the clerk of court to maintain a depository
index and to file certain disclosures in a certain manner; providing that
material contained in the depository may not be viewed as recorded under
certain circumstances; authorizing a proprietary lease or the bylaws of a
cooperative housing corporation to provide for certain late charges, subject to
certain requirements and limitations; establishing a certain dispute settlement
mechanism for certain complaints or demands arising between certain
cooporative housing corporations and their members; prohibiting the governing
body of a cooperative housing corporation from taking certain actions with
respect to the rights of a member for a violation of certain rules or provisions,
unless the governing body follows certain procedures; authorizing a member to
appeal a certain decision of the governing body of a cooperative housing
corporation to the courts of Maryland; authorizing the governing body or certain
members of a cooperative housing corporation to sue a certain member for
certain damages or for injunctive relief, under certain circumstances;
authorizing a court to award certain fees to the prevailing party in a certain
proceeding; providing that the failure of a governing body to enforce certain
provisions is not a waiver of the right to enforce the provision on other
occasions; prohibiting the governing body of a certain cooperative housing
corporation from bringing an action to evict a member based on the failure of
the member to pay certain assessments, except under certain circumstances;
defining certain terms; and generally relating to cooperative housing
corporations.

BY renumbering

Article — Corporations and Associations
Section 5–6B–18.1 through 5–6B–18.6 and 5–6B–19 and 5–6B–20, respectively
to be Section 5–6B–22 through 5–6B–27 and 5–6B–33 and 5–6B–34,
respectively
Annotated Code of Maryland
(2007 Replacement Volume and 2013 Supplement)

BY repealing and reenacting, with amendments,
Article — Corporations and Associations
Section 5–6B–01 and 5–6B–27(d)
Annotated Code of Maryland
(2007 Replacement Volume and 2013 Supplement)

BY adding to
Article — Corporations and Associations
Section 5–6B–19 through 5–6B–21 and 5–6B–28 through 5–6B–32
Annotated Code of Maryland
(2007 Replacement Volume and 2013 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That Section(s) 5–6B–18.1 through 5–6B–18.6 and 5–6B–19 and 5–6B–20, respectively, of Article – Corporations and Associations of the Annotated Code of Maryland be renumbered to be Section(s) 5–6B–22 through 5–6B–27 and 5–6B–33 and 5–6B–34, respectively.

SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland read as follows:

Article – Corporations and Associations

5–6B–01.

(a) In this subtitle the following terms have the meanings indicated.

(b) “Articles of incorporation” means the charter by which a cooperative housing corporation becomes incorporated under this article.

(C) “ASSESSMENT” MEANS ANY SHARE OF COMMON COSTS OR OTHER EXPENSE CHARGED TO A MEMBER BY A COOPERATIVE HOUSING CORPORATION.

(D) “Blanket encumbrance” means any contract binding on a cooperative housing corporation and creating a lien or security interest or other encumbrance or imposing restrictions on any real or personal property owned by the cooperative housing corporation.

(E) “Bylaws” means the document which details and governs the internal organization and operation of the cooperative housing corporation.

(F) “Conversion” means the creation of a cooperative housing corporation from a property which was immediately previously a residential rental facility.

(G) “Cooperative housing corporation” means a domestic or foreign corporation qualified in this State, either stock or nonstock, having only one class of stock or membership, in which each stockholder or member, by virtue of such ownership or membership, has a cooperative interest in the corporation.

(H) “Cooperative interest” means the ownership interest in a cooperative housing corporation which is coupled with a possessory interest in real or personal property or both and evidenced by a membership certificate.
(h) (i) "Cooperative project" means all the real and personal property in this State owned or leased by the cooperative housing corporation for the primary purpose of residential use.

(j) "DEPOSITORY" MEANS THE COOPERATIVE HOUSING CORPORATION DEPOSITORY CREATED BY THE CLERK OF THE COURT OF EACH COUNTY AND THE CITY OF BALTIMORE WHERE A COOPERATIVE HOUSING CORPORATION MAY DEPOSIT INFORMATION AS REQUIRED BY THIS SUBTITLE.

([g] (k) (1) "Developer" means a person who:

(i) Owns an equitable interest, including a cooperative interest, in a unit prior to its initial sale to a member of the public;

(ii) Exercises control over cooperative interests before they are transferred to initial purchasers, excluding management agents and sales agents acting in their capacities as such; or

(iii) Receives a material portion of the sales proceeds, not including customary brokerage commissions or payment for indebtedness to an institutional banker, from the initial sale of a cooperative interest to a member of the public.

(2) "Developer" does not include a cooperative housing corporation.

([g] (l) "Electronic transmission" means any form of communication, not directly involving the physical transmission of paper, that creates a record that:

(1) May be retained, retrieved, and reviewed by a recipient of the communication; and

(2) May be reproduced directly in paper form by a recipient through an automated process.

(M) "GOVERNING BODY" MEANS THE BOARD OF DIRECTORS OR OTHER ENTITY ESTABLISHED TO GOVERN THE COOPERATIVE HOUSING CORPORATION.

([k] (N) "Initial purchaser" means a member of the public, not an affiliate of or a successor to the developer, who, for value, acquires a cooperative interest as part of the initial sale of a cooperative interest which is used for residential purposes.

([l] (O) "Initial sale" means the first transfer of a cooperative interest to an initial purchaser.

([m] (P) "Member" means a person who owns a cooperative interest.
“Membership certificate” means:

(1) A document, including a stock certificate issued by a cooperative housing corporation, evidencing ownership of a cooperative interest; or

(2) If there is no other document which satisfies paragraph (1) of this subsection, a proprietary lease.

“Moving expenses” means costs incurred to:

(1) Hire contractors, labor, trucks, or equipment for the transportation of personal property;

(2) Pack and unpack personal property;

(3) Disconnect and install personal property;

(4) Insure personal property to be moved; and

(5) Disconnect and reconnect utilities such as telephone service, gas, water, and electricity.

“No-impact home-based business” means a business that:

(1) Is consistent with the residential character of the dwelling unit;

(2) Is subordinate to the use of the dwelling unit for residential purposes and requires no external modifications that detract from the residential appearance of the dwelling unit;

(3) Uses no equipment or process that creates noise, vibration, glare, fumes, odors, or electrical or electronic interference detectable by neighbors; and

(4) Does not involve use, storage, or disposal of any grouping or classification of materials that the United States Secretary of Transportation or the State or any local governing body designates as a hazardous material.

“Proprietary lease” means an agreement with the cooperative housing corporation under which a member has an exclusive possessory interest in a unit and a possessory interest in common with other members in that portion of a cooperative project not constituting units and which creates a legal relationship of landlord and tenant between the cooperative housing corporation and the member, respectively.

(2) “Proprietary lease” includes, if there is no other document that satisfies paragraph (1) of this subsection, a membership certificate.
HOUSE BILL 1328

[(a)] (E) “Residential rental facility” means property containing at least 10 dwelling units leased for residential purposes.

[(s)] (V) “Unit” means a portion of the cooperative project leased for exclusive occupancy by a member under a proprietary lease.

5–6B–19.

(A) THIS SECTION APPLIES TO ANY MEETING OF A COOPERATIVE HOUSING CORPORATION, THE GOVERNING BODY OF A COOPERATIVE HOUSING CORPORATION, OR A COMMITTEE OF A COOPERATIVE HOUSING CORPORATION, NOTWITHSTANDING ANYTHING CONTAINED IN THE DOCUMENTS OF THE COOPERATIVE HOUSING CORPORATION.

(B) SUBJECT TO THE PROVISIONS OF SUBSECTION (E) OF THIS SECTION, ALL MEETINGS OF THE COOPERATIVE HOUSING CORPORATION SHALL BE OPEN TO THE MEMBERS OF THE COOPERATIVE HOUSING CORPORATION OR THEIR AGENTS.

(C) ALL MEMBERS SHALL BE GIVEN REASONABLE NOTICE OF ALL REGULARLY SCHEDULED OPEN MEETINGS OF THE COOPERATIVE HOUSING CORPORATION.

(D) (1) THIS SUBSECTION DOES NOT APPLY TO A MEETING OF A GOVERNING BODY THAT OCCURS AT ANY TIME BEFORE THE MEMBERS, OTHER THAN THE DEVELOPER, HAVE A MAJORITY OF VOTES IN THE COOPERATIVE HOUSING CORPORATION.

(2) SUBJECT TO PARAGRAPH (3) OF THIS SUBSECTION AND TO REASONABLE RULES ADOPTED BY A GOVERNING BODY, A GOVERNING BODY SHALL PROVIDE A DESIGNATED PERIOD OF TIME DURING A MEETING TO ALLOW MEMBERS AN OPPORTUNITY TO COMMENT ON ANY MATTER RELATING TO THE COOPERATIVE HOUSING CORPORATION.

(3) DURING A MEETING AT WHICH THE AGENDA IS LIMITED TO SPECIFIC TOPICS OR AT A SPECIAL MEETING, THE COMMENTS OF MEMBERS MAY BE LIMITED TO THE TOPICS LISTED ON THE MEETING AGENDA.

(4) THE GOVERNING BODY SHALL CONVENE AT LEAST ONE MEETING EACH YEAR AT WHICH THE AGENDA IS OPEN TO ANY MATTER RELATING TO THE COOPERATIVE HOUSING CORPORATION.

(E) (1) A MEETING OF A COOPERATIVE HOUSING CORPORATION MAY BE HELD IN CLOSED SESSION ONLY FOR THE PURPOSE OF:
HOUSE BILL 1328

1 (I) DISCUSSING MATTERS PERTAINING TO EMPLOYEES AND
2 PERSONNEL;

3 (II) PROTECTING THE PRIVACY OR REPUTATION OF
4 INDIVIDUALS IN MATTERS NOT RELATED TO THE BUSINESS OF THE
5 COOPERATIVE HOUSING CORPORATION;

6 (III) CONSULTING WITH LEGAL COUNSEL ON LEGAL
7 MATTERS;

8 (IV) CONSULTING WITH STAFF PERSONNEL, CONSULTANTS,
9 ATTORNEYS, BOARD MEMBERS, OR OTHER PERSONS IN CONNECTION WITH
10 PENDING OR POTENTIAL LITIGATION OR OTHER LEGAL MATTERS;

11 (V) CONDUCTING INVESTIGATIVE PROCEEDINGS
12 CONCERNING POSSIBLE OR ACTUAL CRIMINAL MISCONDUCT;

13 (VI) CONSIDERING THE TERMS OR CONDITIONS OF A
14 BUSINESS TRANSACTION IN THE NEGOTIATION STAGE IF THE DISCLOSURE
15 COULD ADVERSELY AFFECT THE ECONOMIC INTERESTS OF THE COOPERATIVE
16 HOUSING CORPORATION;

17 (VII) COMPLYING WITH A SPECIFIC CONSTITUTIONAL,
18 STATUTORY, OR JUDICIALLY IMPOSED REQUIREMENT PROTECTING
19 PARTICULAR PROCEEDINGS OR MATTERS FROM PUBLIC DISCLOSURE; OR

20 (VIII) DISCUSSING INDIVIDUAL OWNER ASSESSMENT
21 ACCOUNTS.

22 (2) IF A MEETING IS HELD IN CLOSED SESSION UNDER
23 PARAGRAPH (1) OF THIS SUBSECTION:

24 (I) AN ACTION MAY NOT BE TAKEN AND A MATTER MAY NOT
25 BE DISCUSSED IF IT IS NOT PERMITTED BY PARAGRAPH (1) OF THIS
26 SUBSECTION; AND

27 (II) THE MINUTES OF THE NEXT MEETING OF THE
28 COOPERATIVE HOUSING CORPORATION SHALL INCLUDE:

29 1. A STATEMENT OF THE TIME, PLACE, AND
30 PURPOSE OF A CLOSED MEETING;
2. A RECORD OF THE VOTE OF EACH BOARD OR COMMITTEE MEMBER BY WHICH THE MEETING WAS CLOSED; AND

3. A STATEMENT OF THE AUTHORITY UNDER THIS SUBSECTION FOR CLOSING THE MEETING.

5-6B-20.

(A) THIS SECTION DOES NOT APPLY TO THE DISTRIBUTION OF INFORMATION OR MATERIALS AT ANY TIME BEFORE THE MEMBERS, OTHER THAN THE DEVELOPER, HAVE A MAJORITY OF VOTES IN THE COOPERATIVE HOUSING CORPORATION.

(B) SUBJECT TO SUBSECTION (C) OF THIS SECTION, A COOPERATIVE HOUSING CORPORATION SHALL ALLOW ANY MEMBER TO DISTRIBUTE WRITTEN INFORMATION OR MATERIALS REGARDING MATTERS RELATING TO THE OPERATION OF THE COOPERATIVE HOUSING CORPORATION IN THE SAME PLACE AND MANNER AS THE GOVERNING BODY DISTRIBUTES WRITTEN INFORMATION OR MATERIALS OTHER THAN:

1. INFORMATION OR MATERIALS REFLECTING ASSESSMENTS IMPOSED ON MEMBERS THAT THE GOVERNING BODY DISTRIBUTES DOOR-TO-DOOR; OR

2. MEETING NOTICES THAT THE GOVERNING BODY DISTRIBUTES DOOR-TO-DOOR.

(C) A COOPERATIVE HOUSING CORPORATION MAY PLACE REASONABLE RESTRICTIONS ON THE TIME OF ANY DISTRIBUTION OF WRITTEN INFORMATION OR MATERIALS.

5-6B-21.

(A) THIS SECTION DOES NOT APPLY TO ANY MEETINGS OF MEMBERS OCCURRING AT ANY TIME BEFORE THE MEMBERS, OTHER THAN THE DEVELOPER, HAVE A MAJORITY OF THE VOTES IN THE COOPERATIVE HOUSING CORPORATION.

(B) SUBJECT TO REASONABLE RULES ADOPTED BY THE GOVERNING BODY, MEMBERS MAY MEET FOR THE PURPOSE OF CONSIDERING AND DISCUSSING MATTERS RELATING TO THE OPERATION OF THE COOPERATIVE HOUSING CORPORATION IN THE AREA THAT THE GOVERNING BODY OF THE COOPERATIVE HOUSING CORPORATION USES FOR SCHEDULED MEETINGS.
5–6B–27.

(d) A copy of the fidelity insurance policy or fidelity bond shall be included in the books and records kept and made available by or on behalf of the cooperative housing corporation under [§ 5–6B–18.5] § 5–6B–26 of this subtitle.

5–6B–28.

(A) (1) On or before December 31, 2015, each cooperative housing corporation that was in existence on June 30, 2015, shall deposit in the depository all disclosures required by paragraph (3) of this subsection.

(2) Each cooperative housing corporation established after June 30, 2015, shall deposit in the depository all disclosures required by paragraph (3) of this subsection by the later of the date 30 days following the establishment or December 31, 2015.

(3) The disclosures required to be deposited under this subsection include:

(i) The contents of the public offering statement, as required under § 5–6B–02(b) of this subtitle; and

(ii) The contents of proprietary lease agreements issued by the cooperative housing corporation.

(B) Beginning January 1, 2016, within 30 days after the adoption of or amendment to any of the disclosures required by this title to be deposited in the depository, a cooperative housing corporation shall deposit the adopted or amended disclosures in the depository.

(C) Any disclosure required to be deposited by this section shall be unenforceable until the time that it is deposited.

5–6B–29.

(A) There is a cooperative housing corporation depository in the office of the clerk of the court in each county and the City of Baltimore.
(B) Consistent with the duties of a clerk of a court as enumerated in § 2-201 of the Courts and Judicial Proceedings Article, the clerk of the court shall establish and thereafter maintain a depository for the purpose of making available to the public on request the information to be deposited by cooperative housing corporations.

(C) The depository shall:

(1) Be established and maintained in each county and the City of Baltimore as a document file separate from the land records of the county or City;

(2) Contain a record of the names of all cooperative housing corporations for each county and the City of Baltimore;

(3) Contain all disclosures deposited by a cooperative housing corporation; and

(4) Be available to the public for viewing and for obtaining copies during the regular business hours of the office of the clerk.

(D) (1) The clerk of the court is authorized to regulate the form and manner of documents deposited into the depository and to collect fees for a deposit.

(2) The clerk of the court shall permit the deposit of copies of disclosures, however reproduced.

(3) The clerk of the court may adopt regulations as necessary or desirable to implement the depository.

(4) The State Court Administrator shall establish, so as to cover the reasonable and ordinary expenses of maintaining the depository, the amount of the fees that the clerk of the court may charge for deposits in the depository.

(5) (i) The clerk of the court shall maintain a depository index; and

(ii) All disclosures shall be filed under the name of the cooperative housing corporation.
(E) Material contained in the depository may not be viewed as recorded under Title 3 of the Real Property Article.

5–6B–30.

(A) Subject to the requirements of this section, a proprietary lease or the bylaws of a cooperative housing corporation may provide for a late charge of no more than $15 or one-tenth of the total amount of any delinquent assessment or installment owed by a member, whichever is greater.

(B) A late charge may not be imposed more than once for the same delinquent assessment or installment.

(C) A late charge may only be imposed if the delinquency has continued for a period of 15 days or more.


(A) The dispute settlement mechanism provided by this section applies to any complaint or demand formally arising on or after January 1, 2015, unless the bylaws of the cooperative housing corporation or the proprietary lease of the member who are parties to the dispute state otherwise.

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

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

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

(2) The governing body shall serve the member with a written demand to cease and desist from the alleged violation specifying:

   (i) The alleged violation;

   (ii) The action required to abate the violation; and
(III) 1. A TIME PERIOD OF NOT LESS THAN 10 DAYS DURING WHICH THE VIOLATION MAY BE ABATED WITHOUT FURTHER SANCTION IF THE VIOLATION IS A CONTINUING ONE; OR

2. A STATEMENT THAT ANY FURTHER VIOLATION OF THE SAME RULE MAY RESULT IN THE IMPOSITION OF SANCTION AFTER NOTICE AND HEARING IF THE VIOLATION IS NOT CONTINUING.

(3) (i) If the violation continues past the period specified under paragraph (2)(iii)1 of this subsection, or if the same rule is violated subsequently, the governing body shall serve the member with written notice of a hearing to be held by the governing body in session.

(ii) The hearing notice shall specify:

1. The nature of the alleged violation;

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

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

4. The proposed sanction to be imposed.

(4) (i) The governing body shall hold a hearing on the alleged violation in executive session, in accordance with the notice provided under paragraph (3) of this subsection.

(ii) At the hearing, the member shall have the right to present evidence and to present and cross-examine witnesses regarding the alleged violation.

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

1. A copy of the notice, together with a statement of the date and manner of the delivery of the notice; or
2. A statement that the member in fact appeared at the hearing.

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

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

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

(2) The prevailing party in a proceeding authorized under this subsection is entitled to an award for counsel fees as determined by court.

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

5–6B–32.

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

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

(1) the member has been delinquent in paying assessments for a period of 6 months or more;
(2) The governing body has given the member notice and an opportunity to be heard regarding the delinquency, consistent with § 5–6B–31 of this subtitle;

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

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

SECTION 2. And be it further enacted, That this Act shall take effect October 1, 2014.
SENATE BILL 865

ENROLLED BILL
— Judicial Proceedings/Environmental Matters —

Introduced by Senator Benson

Read and Examined by Proofreaders:

__________________________
Proofreader.

__________________________
Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this

day of __________ at ______________ o'clock, ______M.

__________________________
President.

CHAPTER _____

1 AN ACT concerning

2 Maryland Cooperative Housing Act – Transparency Requirements and
Member Rights

3 FOR the purpose of requiring certain meetings of a cooperative housing corporation to
be open to the members of the cooperative housing corporation; requiring that
members be given reasonable notice of certain meetings of the cooperative
housing corporation; requiring the governing body of a cooperative housing
 corporation to provide a designated period of time during a meeting to allow
members an opportunity to comment on certain matters, subject to certain rules
and provisions of law; requiring the governing body of a cooperative housing
corporation to convene a certain number of meetings each year at which the
agenda is open to any matter relating to the cooperative housing corporation;
specifying the reasons for which a cooperative housing corporation may hold a
meeting in closed session; placing certain limitations on the actions that may be
taken at a closed meeting of a cooperative housing corporation; requiring the

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.
/Italics indicate opposite chamber/conference committee amendments.
SENATE BILL 365

minutes of a certain meeting of a cooperative housing corporation to include certain information relating to a closed meeting of the cooperative housing corporation; requiring a cooperative housing corporation to allow any member to distribute certain written information or materials in a certain manner; authorizing a cooperative housing corporation to place reasonable restrictions on the time of any distribution of written information or materials; authorizing the members of a cooperative housing corporation to meet in certain areas for certain purposes, subject to reasonable rules adopted by the governing body; requiring the governing body of a cooperative housing corporation to keep books and records in a certain manner; requiring the governing body of a cooperative housing corporation to cause an audit of the books and records under certain circumstances; requiring certain cooperative housing corporations to deposit into a certain depository certain disclosures on or before a certain date, or within a certain time frame, providing that certain disclosures are unfavorable until the time they are deposited; establishing a cooperative housing corporation depository in the office of the clerk of the court in each county and the City of Baltimore; requiring the clerk of court to establish and maintain the depository for a certain purpose, consistent with certain duties of a clerk of court; describing the form, content, and availability of the depository; authorizing the clerk of court to regulate the form and manner of documents deposited into the depository; to collect certain fees and to adopt certain regulations to implement the depository; requiring the clerk of court to permit the deposit of copies of disclosures, however reproduced; requiring the State Court Administrator to establish certain fees in order to cover certain costs related to the depository; requiring the clerk of court to maintain a depository index and to file certain disclosures in a certain manner, providing that material contained in the depository may not be viewed or recorded under certain circumstances; authorizing a proprietary lease or the bylaws of a cooperative housing corporation to provide for certain late charges, subject to certain requirements and limitations; establishing a certain dispute settlement mechanism for certain complaints or demands arising between certain cooperative housing corporations and their members; prohibiting the governing body of a cooperative housing corporation from taking certain actions with respect to the rights of a member for a violation of certain rules or provisions, unless the governing body follows certain procedures; authorizing a member to appeal a certain decision of the governing body of a cooperative housing corporation to the courts of Maryland; authorizing the governing body or certain members of a cooperative housing corporation to sue a certain member for certain damages or for injunctive relief, under certain circumstances; authorizing a court to award certain fees to the prevailing party in a certain proceeding, providing that the failure of a governing body to enforce certain provisions is not a waiver of the right to enforce the provision on other occasions; prohibiting the governing body of a certain cooperative housing corporation from bringing an action in court to evict a member based on the failure of the member to pay certain assessments, except under certain circumstances; defining certain terms; and generally relating to cooperative housing corporations.
BY renumbering

Article — Corporations and Associations
Section 5–6B–1 through 5–6B–18 and 5–6B–18 and 5–6B–20, respectively
to be Section 5–6B–22 through 5–6B–22 and 5–6B–24 and 5–6B–24 5–6B–24
Annexed Code of Maryland
(2007 Replacement Volume and 2013 Supplement)

BY repealing and reenacting with amendments,
Article — Corporations and Associations
Section 5–6B–01 and 5–6B–27(d)
Annexed Code of Maryland
(2007 Replacement Volume and 2013 Supplement)

BY adding to
Article — Corporations and Associations
Section 5–6B–19 through 5–6B–21 and 5–6B–23 through 5–6B–23 5–6B–31
Annexed Code of Maryland
(2007 Replacement Volume and 2013 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
MARYLAND, That Section(a) 5–6B–19 through 5–6B–19 and 5–6B–21, respectively, of Article — Corporations and Associations of the Annexed Code of Maryland be renumbered to be Section(a) 5–6B–22 through 5–6B–22 and 5–6B–22 and 5–6B–22, respectively.

SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland read as follows:

Article — Corporations and Associations

5–6B–01.

(a) In this subtitle the following terms have the meanings indicated.

(b) “Articles of incorporation” means the charter by which a cooperative housing corporation becomes incorporated under this article.

(c) “ASSESSMENT” MEANS ANY SHARE OF COMMON COSTS OR OTHER EXPENSE CHARGED TO A MEMBER BY A COOPERATIVE HOUSING CORPORATION.

(c)(d) “Blanket encumbrance” means any contract binding on a cooperative housing corporation and creating a lien or security interest in other encumbrance or imposing restrictions on any real or personal property owned by the cooperative housing corporation.
[(d) (R)] "Bylaws" means the document which details and governs the internal organization and operation of the cooperative housing corporation.

[(e) (R)] "Conversion" means the creation of a cooperative housing corporation from a property which was immediately previously a residential rental facility.

[(f) (G)] "Cooperative housing corporation" means a domestic or foreign corporation qualified in this State, either stock or nonstock, having only one class of stock or membership, in which each stockholder or member, by virtue of such ownership or membership, has a cooperative interest in the corporation.

[(g) (R)] "Cooperative interest" means the ownership interest in a cooperative housing corporation which is coupled with a possessory interest in real or personal property or both and evidenced by a membership certificate.

[(h) (R)] "Cooperative project" means all the real and personal property in this State owned or leased by the cooperative housing corporation for the primary purpose of residential use.

[(i)] "DEPOSITORY" MEANS THE COOPERATIVE HOUSING CORPORATION DEPOSITORY CREATED BY THE CLERK OF THE COURT OF EACH COUNTY AND THE CITY OF BALTIMORE WHERE A COOPERATIVE HOUSING CORPORATION MAY DEPOSIT INFORMATION AS REQUIRED BY THIS SUBTITLE.

[(j) (4) (d) (1)] "Developer" means a person who:

(i) Owns an equitable interest, including a cooperative interest, in a unit prior to its initial sale to a member of the public;

(ii) Exercises control over cooperative interests before they are transferred to initial purchasers, excluding management agents and sales agents acting in their capacities as such; or

(iii) Receives a material portion of the sales proceeds, not including customary brokerage commissions or payment for indebtedness to an institutional banker, from the initial sale of a cooperative interest to a member of the public.

[(2)] "Developer" does not include a cooperative housing corporation.

[(i) (4) (e)] "Electronic transmission" means any form of communication, not directly involving the physical transmission of paper, that creates a record that
(1) May be retained, retrieved, and reviewed by a recipient of the communication; and

(2) May be reproduced directly in paper form by a recipient through an automated process.

(M) (L) "GOVERNING BODY" MEANS THE BOARD OF DIRECTORS OR OTHER ENTITY ESTABLISHED TO GOVERN THE COOPERATIVE HOUSING CORPORATION.

(03) (0) "Initial purchaser" means a member of the public, not an affiliate of or a successor to the developer, who, for value, acquires a cooperative interest as part of the initial sale of a cooperative interest which is used for residential purposes.

(0) (0) (O) "Initial sale" means the first transfer of a cooperative interest to an initial purchaser.

(0) (0) (O) "Member" means a person who owns a cooperative interest.

(0) (0) (P) "Membership certificate" means:

(1) A document, including a stock certificate issued by a cooperative housing corporation, evidencing ownership of a cooperative interest; or

(2) If there is no other document that satisfies paragraph (1) of this subsection, a proprietary lease.

(0) (0) (R) "Moving expenses" means costs incurred in

(1) Hire contractors, labor, trucks, or equipment for the transportation of personal property;

(2) Pack and unpack personal property;

(3) Disconnect and install personal property;

(4) Insure personal property to be moved; and

(5) Disconnect and reconnect utilities such as telephone service, gas, water, and electricity;

(R) "No-impact home-based business" means a business that:

(1) Is consistent with the residential character of the dwelling unit;
(2) Is subordinate to the use of the dwelling unit for residential purposes and requires no external modifications that detract from the residential appearance of the dwelling unit;

(3) Uses no equipment or process that creates noise, vibration, glare, fumes, odors, or electrical or electronic interference detestable by neighbors and

(4) Does not involve use, storage, or disposal of any grouping or classification of materials that the United States Secretary of Transportation or the State or any local governing body designates as a hazardous material.

§ (g) "Proprietary lease" means an agreement with the cooperative housing corporation under which a member has an exclusive possessory interest in a unit and a possessory interest in common with other members in that portion of a cooperative project not constituting units and which creates a legal relationship of landlord and tenant between the cooperative housing corporation and the member, respectively.

(2) "Proprietary lease" includes, if there is no other document that satisfies paragraph (1) of this subsection, a membership certificate.

§ (h) "Residential rental facility" means property containing at least 10 dwelling units leased for residential purposes.

§ (i) "Unit" means a portion of the cooperative project leased for exclusive occupancy by a member under a proprietary lease.

5-6H-19.

(a) This section applies to any meeting of a cooperative housing corporation, the governing body of a cooperative housing corporation, or a committee of a cooperative housing corporation, notwithstanding anything contained in the documents of the cooperative housing corporation.

(b) Subject to the provisions of subsection (e) of this section, all meetings of the cooperative housing corporation shall be open to the members of the cooperative housing corporation or their agents.

(c) All members shall be given reasonable notice of all regularly scheduled open meetings of the cooperative housing corporation.
(D) (1) This subsection does not apply to a meeting of a
governing body that occurs at any time before the members, other
than the developer, have a majority of votes in the cooperative
housing corporation.

(2) Subject to paragraph (3) of this subsection and to
reasonable rules adopted by a governing body, a governing body
shall provide a designated period of time during a meeting to allow
members an opportunity to comment on any matter relating to the
cooperative housing corporation.

(3) During a meeting at which the agenda is limited to
specific topics or at a special meeting, the comments of members may
be limited to the topics listed on the meeting agenda.

(4) The governing body shall convene at least one
meeting each year at which the agenda is open to any matter
relating to the cooperative housing corporation.

(E) (1) A meeting of a cooperative housing corporation may
be held in closed session only for the purpose of:

(i) discussing matters pertaining to employees and
personnel;

(ii) protecting the privacy or reputation of
individuals in matters not related to the business of the
cooperative housing corporation;

(iii) consulting with legal counsel on legal
matters;

(iv) consulting with staff personnel, consultants,
atorneys, board members, or other persons in connection with
pending or potential litigation or other legal matters;

(v) conducting investigative proceedings
concerning possible or actual criminal misconduct;

(vi) considering the terms or conditions of a
business transaction in the negotiation stage if the disclosure
could adversely affect the economic interests of the cooperative
housing corporation;
(VII) Complying with a specific constitutional, statutory, or judicially imposed requirement protecting particular proceedings or matters from public disclosure; or

(viii) Discussing individual owner assessment accounts.

(2) If a meeting is held in closed session under paragraph (1) of this subsection:

(i) An action may not be taken and a matter may not be discussed if it is not permitted by paragraph (1) of this subsection; and

(ii) The minutes of the next meeting of the cooperative housing corporation shall include:

1. A statement of the time, place, and purpose of a closed meeting;

2. A record of the vote of each board or committee member by which the meeting was closed; and

3. A statement of the authority under this subsection for closing the meeting.

5-6P-20.

(A) This section does not apply to the distribution of information or materials at any time before the members, other than the developer, have a majority of votes in the cooperative housing corporation.

(B) Subject to subsection (C) of this section, a cooperative housing corporation shall allow any member to distribute written information or materials regarding matters relating to the operation of the cooperative housing corporation in the same place and manner as the governing body distributes written information or materials other than:

(1) Information or materials reflecting assessments imposed on members that the governing body distributes door-to-door; or
SENATE BILL 885

(2) Meeting notices that the governing body distributes door-to-door.

(c) A cooperative housing corporation may place reasonable restrictions on the time of any distribution of written information or materials.

5-6B-21.

(a) This section does not apply to any meetings of members occurring at any time before the members, other than the developer, have a majority of the votes in the cooperative housing corporation.

(b) Subject to reasonable rules adopted by the governing body, members may meet for the purpose of considering and discussing matters relating to the operation of the cooperative housing corporation in any area that is generally open to all members of the cooperative housing corporation used for scheduled meetings.

5-6B-27.

(d) A copy of the fidelity insurance policy or fidelity bond shall be included in the books and records kept and made available by or on behalf of the cooperative housing corporation under §§ 5-6B-13.5, 5-6B-26 of this subtitle.

5-6B-28.

(a) The governing body shall keep books and records in accordance with good accounting practices.

(b) (1) Subject to subparagraph (ii) of this paragraph, on the request of the members of at least 5 percent of the units, the governing body shall cause an audit of the books and records to be made by an independent certified public accountant.

(ii) An audit may not be made more than once in any consecutive 12-month period.

(2) The cost of the audit shall be a common expense.

(a) (1) On or before December 31, 2015, each cooperative housing corporation that was in existence on June 30, 2015, shall
(2) Each cooperative housing corporation established after June 30, 2016, shall deposit in the depository all disclosures required by paragraph (1) of this subsection by the later of the date 30 days following the establishment or December 31, 2015.

(3) The disclosures required to be deposited under this subsection include:

(4) The contents of the public offering statement, as required under § 6-6B-03(b) of this subtitle.

(11) The contents of proprietary leases agreements issued by the cooperative housing corporation.

(b) Beginning January 1, 2016, within 30 days after the adoption of or amendment to any of the disclosures required by this title to be deposited in the depository, a cooperative housing corporation shall deposit the adopted or amended disclosures in the depository.

(c) Any disclosure required to be deposited by this section shall be unenforceable until the time that it is deposited.

5-6B-28.

(a) There is a cooperative housing corporation depository in the office of the clerk of the court in each county and the City of Baltimore,

(b) Consistent with the duties of a clerk of a court as enumerated in § 3-201 of the Courts and Judicial Proceedings Article, the clerk of the court shall establish and thereafter maintain a depository for the purpose of making available to the public on request the information to be deposited by cooperative housing corporations,

(c) The depository shall

(d) Be established and maintained in each county and the City of Baltimore as a document file separate from the land records of the county or city.
(2) CONTAIN A RECORD OF THE NAMES OF ALL COOPERATIVE HOUSING CORPORATIONS FOR EACH COUNTY AND THE CITY OF BALTIMORE.

(3) CONTAIN ALL DISCLOSURES DEPOSITED BY A COOPERATIVE HOUSING CORPORATION.

(4) BE AVAILABLE TO THE PUBLIC FOR VIEWING AND FOR OBTAINING COPIES DURING THE REGULAR BUSINESS HOURS OF THE OFFICE OF THE CLERK.

(5) THE CLERK OF THE COURT IS AUTHORIZED TO REGULATE THE FORM AND MANNER OF DOCUMENTS DEPOSITED INTO THE DEPOSITORY AND TO COLLECT FEE FOR A DEPOSIT.

(6) THE CLERK OF THE COURT SHALL PERMIT THE DEPOSIT OF COPIES OF DISCLOSURES, HOWEVER REPRODUCED.

(7) THE CLERK OF THE COURT MAY ADOPT REGULATIONS AS NECESSARY OR DESIRABLE TO IMPLEMENT THE DEPOSITORY.

(8) THE STATE COURT ADMINISTRATOR SHALL ESTABLISH, SO AS TO COVER THE REASONABLE AND ORDINARY EXPENSES OF MAINTAINING THE DEPOSITORY, THE AMOUNT OF THE FEE THAT THE CLERK OF THE COURT MAY CHARGE FOR DEPOSITS IN THE DEPOSITORY.

(9) THE CLERK OF THE COURT SHALL MAINTAIN A DEPOSITORY INDEX AND

(10) ALL DISCLOSURES SHALL BE FILED UNDER THE NAME OF THE COOPERATIVE HOUSING CORPORATION.

(11) MATERIAL CONTAINED IN THE DEPOSITORY MAY NOT BE VIEWED AS RECORDED UNDER TITLE 3 OF THE REAL PROPERTY ARTICLE.

5-6B-20, 5-6B-22.

(a) SUBJECT TO THE REQUIREMENTS OF THIS SECTION, A PROPRIETARY LEASE OR THE BYLAWS OF A COOPERATIVE HOUSING CORPORATION MAY PROVIDE FOR A LATE CHARGE OF NO MORE THAN $15 OR ONE-TENTH OF THE TOTAL AMOUNT OF ANY DELINQUENT ASSESSMENT OR INSTALLMENT OWED BY A MEMBER, WHICHEVER IS GREATER.
(B) A late charge may not be imposed more than once for the same delinquent assessment or installment.

(c) A late charge may only be imposed if the delinquency has continued for a period of 45 days or more.

6-6B-41; 5-6B-30.

(A) The dispute settlement mechanism provided by this section applies to any complaint or demand formally arising on or after January 1, 2015, unless the bylaws of the cooperative housing corporation or the proprietary lease of the member who are parties to the dispute state otherwise.

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

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

(ii) the provisions of the member's proprietary lease.

(2) The governing body shall serve the member with a written demand to cease and desist from the alleged violation specifying:

(i) the alleged violation;

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

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

2. A statement that any further violation of the same rule may result in the imposition of sanction after notice and hearing if the violation is not continuing.

(3) (i) If the violation continues past the period specified under paragraph (2)(iii)1 of this subsection, or if the same rule is violated subsequently, the governing body shall serve the
MEMBER WITH WRITTEN NOTICE OF A HEARING TO BE HELD BY THE GOVERNING
BODY IN SESSION.

(II) THE HEARING NOTICE SHALL SPECIFY:

1. THE NATURE OF THE ALLEGED VIOLATION;

2. THE TIME AND PLACE OF THE HEARING, WHICH
   TIME MAY BE NOT LESS THAN 10 DAYS FROM THE GIVING OF THE NOTICE;

3. AN INVITATION TO ATTEND THE HEARING AND
   PRODUCE ANY STATEMENT, EVIDENCE, AND WITNESSES ON BEHALF OF THE
   MEMBER; AND

4. THE PROPOSED SANCTION TO BE IMPOSED.

(A) (i) THE GOVERNING BODY SHALL HOLD A HEARING ON THE
ALLEGED VIOLATION IN EXECUTIVE SESSION, IN ACCORDANCE WITH THE
NOTICE PROVIDED UNDER PARAGRAPH (3) OF THIS SUBSECTION.

(II) AT THE HEARING, THE MEMBER SHALL HAVE THE
RIGHT TO PRESENT EVIDENCE AND TO PRESENT AND CROSS-EXAMINE
WITNESSES REGARDING THE ALLEGED VIOLATION.

(III) PRIOR TO IMPOSING ANY SANCTION ON THE MEMBER,
THE GOVERNING BODY SHALL PLACE IN THE MINUTES OF THE MEETING PROOF
OF THE NOTICE PROVIDED TO THE MEMBER UNDER PARAGRAPH (3) OF THIS
SUBSECTION, WHICH SHALL INCLUDE:

1. A COPY OF THE NOTICE, TOGETHER WITH A
   STATEMENT OF THE DATE AND MANNER OF THE DELIVERY OF THE NOTICE; OR

2. A STATEMENT THAT THE MEMBER IN FACT
   APPEARED AT THE HEARING,

(IV) THE GOVERNING BODY SHALL PLACE IN THE MINUTES
OF THE MEETING THE RESULTS OF THE HEARING AND THE SANCTION, IF ANY,
IMPOSED ON THE MEMBER.

(C) A MEMBER MAY APPEAL A DECISION OF A GOVERNING BODY MADE
IN ACCORDANCE WITH THE DISPUTE SETTLEMENT PROCEDURE DESCRIBED IN
THIS SECTION TO THE COURTS OF MARYLAND.
(7) (1) If a member fails to comply with this subtitle, the
bylaws of a cooperative housing corporation, or a decision
rendered by the governing body in accordance with this section, the
governing body of any other member of the cooperative housing
corporation may sue the member for any damages caused by the
failure or for injunctive relief.

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

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

§ 6R-33. § 6R-34.

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

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

(1) The member has been delinquent in paying
assessments for a period of 6 or months or more;

(2) The governing body has given the member notice and
an opportunity to be heard regarding the delinquency, consistent
with §§ 6R-33 § 6R-30 of this subtitle;

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

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

Section 8, and be it further enacted, That this Act shall take effect
October 1, 2014.
March 3, 2014

The Honorable Anne Healey
Maryland House of Delegates
House Office Building - #350
6 Bladen Street
Annapolis, MD 21401

Dear Delegate Healey:

Thank you for making Greenbelt Homes, Inc. aware of House Bill 1328 and requesting our comments.

Our Board of Directors reviewed the Bill at our Board Meeting on February 27th. The Board’s comments are outlined in the attachment.

Sincerely,

Susan Ready
President
Greenbelt Homes, Inc.

Attachment: Comments from GHI Re: House Bill 1328
GREENBELT HOMES, INC.
HAMILTON PLACE, GREENBELT, MARYLAND 20770
Area Code (301) 474-4181   Fax (301) 474-4008

GREENBELT HOMES, INC.
RESPONSE TO HOUSE BILL 1328

Our Cooperative’s Background

- Greenbelt Homes, Inc. (GHI) is a housing cooperative with 1600 homes in Prince
  Georges County. The homes are in a total of 335 buildings situated on 250 acres.
- Our cooperative was founded in 1951 and celebrated our 60th birthday last year.
- Most of our housing was originally part of one of the three green towns build by the
  federal government in the late 1930s as low-income housing.
- We are well-regulated by federal law (e.g. Fair Housing, ADA), state law, and our own
  governing documents (e.g. Articles of Incorporation, Bylaws, Mutual Ownership
  Contract).
- Over the years we have been members of the National Association of Housing
  Cooperatives, as well as local cooperative housing associations, allowing us the
  opportunity to network with, mentor and be mentored by other housing cooperatives
  nationwide.
- We are a full-equity coop, i.e. members own 100% of the equity in their homes and,
  when becoming a member of the coop, purchase this equity directly from an outgoing
  member.
- Most members finance the purchase of the equity in their home through a share loan
  (similar to a mortgage) from an approved lender. GHI has recognition agreements with
  these lenders.
- All cooperatives are owned and run by the members.

Feedback re HB1328

- GHI cannot support this bill as it is currently written. In short, our Board feels that this
  bill needs more work.
- Many sections do not work for a coop the size, physical layout, age and equity structure
  of Greenbelt Homes, Inc.
- We do not understand the need for this bill.
  - It seems unnecessary, redundant to existing law and unlikely to benefit co-ops or
    their members.
  - Members’ rights are already protected by law.
  - The co-op has a mutual ownership agreement with each member which explains
    the rights and responsibilities of each.
  - The co-op is further governed by its bylaws which can only be changed by the
    membership.
  - Members’ already have recourse through the court system.
- Complying with this bill would add an unnecessary layer of bureaucracy, time, expense
  and complications to the running of housing cooperatives.
  - These unnecessary costs would be borne by the membership.
These dollars can be better spent supporting the community of cooperative members.
The requirement for a six-month delinquency before initiating membership termination is too long a period.

The GHI Board of Directors understands that this bill’s sponsors have good intentions, but questions whether this bill is the best way to achieve their goals. The following is a list of sections that we find problematic and the reasons we find them so.

**Detailed Analysis**

**Page 3, line 14:** This definition of “Assessment” is problematic for us. Our bylaws specifically prohibit assessments which we define as any charges imposed by the coop upon all members beyond those included in the budget for a particular fiscal year. (Individual members may be charged a fee for services which are of benefit only to that member. Members are informed of the cost before the service is rendered.)

Sections-6B-19: This section fairly closely mirrors our current policies and practices. We value and encourage member input and participation.

- Our bylaws require that all Board and Committee meeting be open to the public.
- All meetings are publicized.
- It has been our practice to allow any member who attends such a meeting to participate in whatever discussions are taking place.
- Additionally, there is a time on the agenda of each Board meeting for members to address the Board about any item that is not a part of the agenda. Such items are non-action items, but may be included on a future Board agenda for action.
- Our annual membership meeting is driven by the agenda to ensure that the meeting packet which is sent to all 1600 of our members contains the background information that will help each member to make an informed decision at the meeting.
- Though not called for in our bylaws, in recent years, the coop has been holding a town hall meeting of the membership. This is not a business meeting, but a meeting for the Board of Directors to share information with the members, give updates on current projects, discuss the state of the coop, and answer any questions members may have on any topic.

We have only two minor concerns:

1. Given all of the above, is it really necessary to “convene at least one meeting each year at which the agenda is open to any matter relating to the” coop? Rather than being productive, such a meeting has the potential to turn into a real circus and be counterproductive.
2. We are aware of and careful to follow the guidelines governing what matters are appropriate for discussion in executive session. However, executive sessions are usually scheduled immediately before regularly scheduled, open board meetings. This is done due to the fact that executive sessions often include meeting with a member in regard to some confidential matter. By meeting with members before regularly scheduled meeting, we can give the member a definite time to come to the meeting. The member involved does not have to sit through a long meeting waiting for the Board to finish its regular business. Nor does the Board need to ask other members who have come for the open
meeting to leave while the Board goes into executive session. This seems to work well for all concerned, but, of course, precludes voting to go into executive session and recording the votes to do so as required by E(2)(II)2.

Section 5-6B-20(B): One of the ways that we distribute “written information” is through our website. Is this saying that we must allow members to distribute information via our website? We are careful to ensure the accuracy of the information we place on the website and think that it would be very confusing to other members if we posted, possibly erroneous, information from individual members. It would also be onerous to vet such information to ensure accuracy. (We have 1600 members.) Note: We do have a Facebook page on which members can comment.

Section 5-6B-21(B)

Our cooperative consists of 1600 units in over 200 buildings. These building do not have common areas or rooms, only residences. Our Board Room is located in our Administration Building which is normally closed after working hours. The Board Room will accommodate only around 30 persons. A staff member would have to be compensated for staying to lock the building after a member meeting. Is this really practical? Note: We, the coop, must rent space when we hold large meetings.

Section 5-6B-28(A)(1)

We support full disclosure. All of these records are available to our members. We do not understand the point of creating this depository. This seems to add an unnecessary layer of bureaucracy and fees (for which members are ultimately responsible in their coop fees.) Members are unlikely to travel to Upper Marlboro (or wherever the depository is housed) to view documents that they can view at the offices of the cooperative which are located onsite.

Section 5-6B-28(A)(3)(II)

We need clarity here. Over the 60 years of our existence, various changes have been made to our Mutual Ownership Contract (MOC), i.e. proprietary lease. The cooperative and each of our members has signed whatever MOC was in effect at the time. Thus, not all 1600 members have signed exactly the same MOC. E.g., a member who signed the MOC in 1953 has a late fee of $1.00; whereas, a member signing an MOC in 2014 has a late fee of 5% of the coop payment.

Does HB1328 require that we place a copy of the latest version of our proprietary lease, or a copy of each version of our proprietary lease or a copy of all 1600 proprietary leases in the depository?

Section 5-6B-28(C)

We find it unreasonable that a legal contract entered into by the Cooperative and its member would not be enforceable if not deposited in the depository.

Section 5-6B-29
We question the need for such a depository. It seems redundant, as these documents are already available for view at GHI’s administration building. It adds unnecessary bureaucracy, expense and travel for coop members. Why not just say that the Cooperative must make these documents available for view during normal business hours?

5-6B-30(C)

This is inconsistent with our Mutual Ownership Contract which provides a 10-day grace period (not 15). Would this nullify all 1600 current MOCs? Or would this affect only new members who join the cooperative after January 1, 2015.

Note: The MOC specifies that it can be changed only by a change to the Bylaws (which must be approved by 2/3 of the members voting) or by mutual agreement between the two parties (GHI and the member).

5-6B-31

This section closely aligns with the procedures GHI follows if a complaint reaches the level of a Formal Hearing of the Board of Directors. However, the cooperative’s attempts to resolve complaints start much earlier and, if not resolved, proceed through a much longer process. Often complaints arise between two members who both feel the other is infringing on their rights. We sincerely hope that this section does not preclude the Board taking steps to resolve such disputes long before they reach the level of a Formal Hearing.

5-6B-32(1)

A six-month delinquency in the payment of coop fees is much too long to wait to begin eviction proceedings. GHI’s coop fees are sizable. They include real estate taxes, insurance on the structure, maintenance and repair or replacement of many physical components (e.g. roofs, plumbing, wiring, siding, windows, doors). The co-op is dependent upon the collection of coop fees to cover these and other expenses. Any shortage must be borne by the coop (i.e. all members). The coop’s financial department meets with any member experiencing financial difficulty to work out acceptable payment terms to catch up on arrears. However, when this fails, a coop must act to protect the interests of the membership.

Thank you for taking the time to read our concerns and consider how they should be addressed.
December 1, 2014

Honorable Joanne C. Benson
214 James Senate Office Building
11 Bladen Street
Annapolis, MD 21401-1991

Re: Maryland Cooperative Housing Act – Request Amendment

Dear Senator Benson:

On behalf of Reservoir Hill Mutual Homes, Inc. (RHMH), we are requesting the introduction and passage of an amendment to the Maryland Housing Cooperative Act in the 2015 Legislative Session. You sponsored this bill in the recent legislative session and we have encountered several problems during its implementation this fall. Reservoir Hill Mutual Homes, Inc. is a housing cooperative incorporated in 1976 and has been a fabric of the Reservoir Hill community since its inception. Their main objective is to offer affordable housing in a safe environment. RHMH has 153 units and during the majority of their existence has maintained full occupancy with a varied demographic of families, new couples, college students, and senior citizens.

We are in agreement with the provisions of the Act, which aim to ensure that Maryland Housing Cooperatives provide transparency to its members and to adequately protect the rights of its members. However, there is provision that should be removed. This legislation should be amended by deleting the dispute settlement mechanism provision (Maryland Code, Corporations and Associations, § 5-6B-30) and restrictions on Maryland Housing Cooperatives from bringing an action to evict a member until 3 months of assessments have accumulated. (Maryland Code, Corporations and Associations, § 5-6B-31).

It is my concern that there is no reasonable basis to distinguish between a Housing Cooperative that is subject to a mortgage or deed of trust and a Housing Cooperative that has no mortgage with respect to the right to evict a member who is not paying their monthly assessments/housing charges/carrying charges (rent) based on their yearly budget.

- My client does not have the resources to withstand its members not paying their monthly carrying charges (rent) and not having recourse for 3 months before they even have a right to file a Complaint for Nonpayment of housing charges/carrying charges (rent). Obviously, after filing a Complaint for Nonpayment of housing charges/carrying charges (rent), there are a considerable period of time (months) and numerous steps before a Cooperative Housing Corporation or any landlord could evict a tenant (member).
In addition, as a result of the burdensome and possibly financially disastrous consequences of restricting Cooperative Housing Corporations without a mortgage to evict members would be financially devastating.

Reservoir Hill Mutual Homes, Inc., is a limited equity housing corporation that is designed to provide affordable housing as well as a democratic form of living.

Here, the Act threatens the affordability of limited equity housing corporations in Maryland because the added costs will be shared by the Members in increased carrying charges (rent).

My client is also concerned that there is no reasonable basis to differentiate between Cooperative Housing Corporations and other landlords, such as apartment complexes, etc. as it pertains to the dispute settlement mechanism of Maryland Code, Corporations and Associations, § 5-6B-30.

I cannot envision any legitimate justification as to why a Cooperative Housing Corporation would have any different procedure for imposing fines on its members or bringing an action in court for breach of lease (Occupancy Agreement) than any other landlord.

I am even more puzzled as to why there is this differentiation of rights between different types of landlords when in the definitions section, Maryland Code, Corporations and Associations § 5-6B-01 (S), defining proprietary lease, states a legal relationship of landlord and tenant exists between the Cooperative and the Member.

The Maryland Cooperative Housing Act also does not provide any comparable right afforded to other landlords, akin to Maryland Code, Real Property, § 8-402.1 (repossession of premises for breach of lease) (B) when breach of the lease involves behavior by a tenant or a person who is on the property with the tenant’s consent, which demonstrates a clear and imminent danger of the tenant or person doing serious harm to themselves, other tenants, the landlord, the landlord’s property or representatives, or any other person on the property, and the landlord has given 14 days written notice. Here, Maryland Code, Corporations and Associations, § 5-6B-30 does not provide an emergency remedy for the Cooperative governing board to remove members who present a clear and imminent danger as other landlords are afforded.

For the foregoing reasons, I request that Maryland Cooperative Housing Act be revised to address the concerns outlined in this correspondence. If these issues are not addressed, my client will be forced individually or in concert with other Maryland Housing Cooperatives to pursue civil action in the form of a declarative action to determine the constitutionality of the offending provision of the Act.

If you have any questions or concerns, please give me a call at 443-691-4356 or I can be reached by email at derekchallenger@hotmail.com.

Very truly yours,
Government Watch Committee

PAHC’s Government Watch Committee keeps members current on issues related to cooperative housing and other issues at the federal, state and local level as it relates to the livelihood of cooperative members. PAHC will work with National Association of Housing Cooperative (NAHC) to address issues, from time to time; PAHC will ask members to contact their elected officials in support of specific legislation. Committee will frequently check on federal, state and local issues and follow up on any updates. Committee members will meet quarterly via teleconference and will be notified in advance of such meetings (in the case where a key legislative issue is of immediate concern, an impromptu teleconference meeting may be necessary). The committee members will be sent a teleconference dial-in number prior to each meeting.

Overview: The Government Watch Committee provides overall guidance and assistance establishing PAHC public policy and legislative and regulatory matters.

Function: The Committee will serve the following functions:

1. Recommend positions on public policy, and legislative and regulatory matters for adoption by the Board.

2. Make recommendations to the PAHC Board as to the desirability of creating position statements, fact sheets, white papers, surveys or research studies to educate the public, policy makers and members on major issues facing housing cooperatives, including issues that may have no immediate legislative or regulatory solution.

3. Endeavor to enhance PAHC’s awareness of legislative and regulatory trends and issues facing members. Encourage member to alert PAHC to such trends and issues at the earliest possible point. Provide periodic reports to the Board on these trends.

4. Committee members shall, from time to time, represent PAHC in reaching out to association members, NAHC, other member associations and national partners in support of PAHC positions on specific issues.
5. Advise the Board of policy issues that should be addressed at PAHC and NAHC conferences.

6. In conjunction with the Board of Director establish task forces as needed to carry out certain functions of the Committee.

7. Collaborate with NAHC on key issues that affect housing cooperatives.