



TO: Delegate Doyle L. Niemann, Chair
House Housing and Real Property Subcommittee
House Office Building, Room 250
6 Bladen Street
Annapolis, MD 21401-1991

RE: Common Interest Ownership Communities: Regulation of
Property Management Companies

FROM: Andrew S. Fortin, Esquire
Vice President, Government & Public Affairs
Community Associations Institute (CAI)
Afortin@caionline.org, Direct: 703-970-9224

Dawn M. Bauman, CAE
Executive Director
National Board of Certification for Community Association
Managers (NBC-CAM)
Dbauman@nbccam.org, Direct: 703-970-9235

The Community Associations Institute (CAI), which represents 60 Chapters in the United States and more than 31,000 members representing 300,000 community associations, is pleased to offer this testimony on the issue of community association manager regulation. CAI supports protecting residents within community associations and raising the professional standards within the community association management profession. In fact CAI has established three professional designations for community association managers and our affiliate the National Board for Certification of Community Association Managers (NBC-CAM) has established a management certification, which is emerging as the global standard for community association management. We are pleased to share our experience with this Committee on the proposals that were considered in Maryland in 2011, and to provide a national perspective on trends in the regulation of professional community association management.

In Maryland CAI is represented by two Chapters, the Washington Metropolitan Chapter and the Chesapeake Region Chapter. Our legislative efforts are guided by our Legislative Action Committees, which consist of appointees from our Maryland Chapters, and our member-developed public policy statements, which outline our members' goals and aspirations on critical issues including manager certification and licensing. CAI's policy on community association manager certification and licensure has three major components; consumer protection, standards of professional competency and standards of ethical conduct. Based on our policy, CAI testified on the five major pieces of legislation addressing community association management before the Maryland General Assembly in 2011. CAI supported three of these measures, HBs 592 & 942 and SB 824, and did not support the two other proposals, HBs 537 and 722.

CAI shares the goal of all the sponsors of legislation addressing professional community association management in Maryland. We all want vibrant, sound and well-governed communities that empower their residents. With that common goal in mind, our position on the 2011 bills is summarized below.

House Bill 537 – Real Property - State Community Association Managers Registry (Braveboy)

CAI did not support the language of HB 537 as it failed to address the three critical areas required by our members. First, it did not have a mechanism to assess competency of a community association manager. Second, it did not require community association managers to comply with any standards of professional or ethical conduct. Finally, it did not provide consumer protection to the more than one million Maryland residents living in community associations. At its core, the proposal merely levied a fee and required a management company to register with the state. Both our homeowner members and our professional managers perceived this bill to be a tax on community association management that offered no benefit to homeowners or managers.

House Bill 722 – Common Interest Communities – Management Services – Required Contract (Holmes & Weir)

CAI did not support the intent of HB 722. Unlike HB 537, HB 722 attempted to provide protection for residents of common interest communities by mandating contract terms for the provision of professional common interest community management in the state of Maryland. While recognizing the incorporation of consumer concerns into this draft, the provisions of HB 722 failed to address the three principles of consumer protection, ethics and professionalism required by CAI's public policy statement. CAI believed that any consumer protections that would have arose from HB 722 would have been outweighed by the one-size-fits-all approach to management company contracts which limits consumer choices and the ability of management companies to develop alternative approaches or offerings for associations. Worse, we believed it was very likely that this approach would establish a backdoor, regulatory regime that would be subject to frequent amendments over time, and would further constrict market flexibility. As with the regulation of other professional occupations in the state, effective regulation requires the partnership with the industry regulated, through a professional board or other means to ensure the policy adopted represents the best practices of the industry and is colored by the experience of the profession to be regulated.

House Bills 592 & 942 and Senate Bill 824: Common Interest Community Managers – Licensing and Regulation (Davis & Vaughn, Beidle, Kelly)

CAI supported the intent of HB 592, HB 942 and SB 824, which provided for the regulation of managers of condominiums, homeowner associations and/or common interest communities to ensure that those who hold themselves out as possessing professional qualifications to engage in management services are, in fact, qualified to render management services of a professional nature, and provide for the maintenance of high standards of professional conduct by those licensed as a common interest community manager. Each of these bills had the same goal – to regulate the common interest community management profession – but the specific language in the bills slightly differed. During the legislative session, stakeholder groups worked together with the bill sponsors to agree upon language to align the details of the bills so that the general goal of effectively regulating common ownership community managers and protecting the more than one million Maryland residents living in common interest communities remained intact.

With these amendments, CAI would have supported the approaches taken by any of these bills and the goal of establishing a regulatory program for common interest community managers. However, CAI did not support the fiscal notes issued for HBs 592 and 942. Those fiscal notes indicated a biennial licensing fee of \$750.00 per manager would have been necessary to fund the licensing process. This fee is quite high compared to the relatively modest (\$75.00 - \$210.00) licensing fees for other professions in Maryland and would be a significant financial burden for individual managers when coupled with costs of continuing education. CAI believes that any licensing fee should be in line with fees charged for other professional licenses in the state.

State Regulatory Trends Regarding Professional Community Association Management

In 2012, Maryland will be one of up to nine states¹ considering legislation that would require certification or licensure for managing community associations. This would be in addition to the nine states that have adopted some form of regulation of professional community association managers. CAI has prepared an overview and analysis of current and pending legislation on manager certification and licensure which is attached to this statement.

Conclusion

CAI commends all the sponsors of legislation addressing the issue of community association management in Maryland. Community associations are home to nearly one million Maryland residents. A well-governed and managed community association benefits not just the residents, but all Marylanders. Community association property appreciates and retains value at a higher rate than non-community association property. In addition, since community associations provide for many of their own amenities, they serve to reduce the tax burden on state and local governments. CAI and our Maryland members look forward to supporting your efforts and sharing our expertise to assist with your deliberations.

¹ States in which CAI anticipates introduction of community association manager credentialing or licensing bills include: Colorado, Maryland, Michigan, New Jersey, Pennsylvania and Washington State. New York, North Carolina and South Carolina introduced legislation in 2011 that carried over and is eligible for consideration in 2012.