

HOUSE BILL 462

N1, C1
HB 616/22 – ENT

3lr0979

By: **Delegates Healey and Holmes**

Introduced and read first time: January 30, 2023

Assigned to: Environment and Transportation

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 1, 2023

CHAPTER _____

1 AN ACT concerning

2 **Cooperative Housing Corporations – Dispute Settlement**

3 FOR the purpose of altering procedures for the dispute settlement mechanism under the
4 Maryland Cooperative Housing Corporation Act; ~~specifying that the dispute~~
5 ~~settlement mechanism does not apply to complaints or demands arising out of a~~
6 ~~cooperative housing member's failure to pay certain assessments;~~ and generally
7 relating to dispute settlement in cooperative housing corporations.

8 BY repealing and reenacting, with amendments,
9 Article – Corporations and Associations
10 Section 5–6B–30
11 Annotated Code of Maryland
12 (2014 Replacement Volume and 2022 Supplement)

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

15 **Article – Corporations and Associations**

16 5–6B–30.

17 (a) ~~(1) [The] EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS~~
18 ~~SUBSECTION, THE~~ dispute settlement mechanism provided by this section applies to any
19 complaint or demand formally arising on or after [January 1, 2015] **OCTOBER 1, 2023,**

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 unless the bylaws of the cooperative housing corporation or the proprietary lease of the
2 member who is a party to the dispute state otherwise.

3 ~~(2) THE DISPUTE SETTLEMENT MECHANISM PROVIDED BY THIS~~
4 ~~SECTION DOES NOT APPLY TO COMPLAINTS OR DEMANDS ARISING OUT OF A~~
5 ~~MEMBER'S FAILURE TO PAY ASSESSMENTS OWED TO THE COOPERATIVE HOUSING~~
6 ~~CORPORATION.~~

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

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

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

12 (2) The governing body shall [serve] SEND the member [with] AT THE
13 ADDRESS OF RECORD FOR NOTICE PURPOSES WITH THE COOPERATIVE HOUSING
14 CORPORATION a written demand to cease and desist from the alleged violation specifying:

15 (i) The alleged violation;

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

17 (iii) 1. A time period of not less than [10] 15 days during which
18 the violation may be abated without further sanction if the violation is a continuing one; or

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

22 (3) (i) If the violation continues past the period specified under
23 paragraph (2)(iii)1 of this subsection, or if the same rule is violated subsequently, the
24 governing body shall [serve] SEND the member [with] AT THE ADDRESS OF RECORD FOR
25 NOTICE PURPOSES WITH THE COOPERATIVE HOUSING CORPORATION A written notice
26 of THE MEMBER'S RIGHT TO REQUEST a hearing to be held by the governing body in
27 session.

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

29 1. The nature of the alleged violation;

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

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

3 [4.] 2. The proposed sanction to be imposed;

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

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

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

12 **(II) THE GOVERNING BODY SHALL GIVE THE MEMBER AT LEAST**
13 **10 DAYS' WRITTEN NOTICE OF THE TIME AND PLACE OF THE HEARING.**

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

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

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

21 2. A statement that the member in fact appeared at the
22 hearing.

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

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

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

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

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

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

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

17 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
18 October 1, 2023.

Approved:

Governor.

Speaker of the House of Delegates.

President of the Senate.