

**MARYLAND COOPERATIVE HOUSING  
CORPORATION ACT**

**§ 5-6B-01. Definitions**

- (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.
- (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) (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.
- (k) "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.
- (k) "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) "Governing body" means the board of directors or other entity established to govern the cooperative housing corporation.

(m) "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.

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

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

(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 which satisfies paragraph (1) of this subsection, a proprietary lease.

(q) "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.

(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 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.

(s) (1) "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.

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

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

**§ 5-6B-02. Contract for initial sale of cooperative interest;  
public offering statements.**

(a) A contract for the initial sale of a cooperative interest to a member of the public for residential use is not enforceable against the initial purchaser unless:

(1) The initial purchaser is given at or before the time a contract is entered into between the developer and the initial purchaser, a public offering statement containing all of the information required by this section; and

(2) The contract contains, in conspicuous type, a notice of the initial purchaser's right to receive a public offering statement and the rescission rights provided under this title.

(b) The public offering statement shall contain at least the following:

(1) The name and address of the developer;

(2) The following statements:

(i) A boundary survey or metes-and-bounds description of the cooperative project together with a location survey of all improvements, including recreational facilities, streets, and roads, and a drawing of any proposed improvements not yet constructed within the cooperative project;

(ii) A statement of the form of ownership of all real and personal property which is intended by the developer to be owned or leased by the cooperative housing corporation;

(iii) A statement as to whether streets abutting the cooperative project are to be dedicated to public use or maintained by the cooperative housing corporation;

(iv) A statement of the projected completion dates for proposed improvements and, in the case of a contract for the initial sale of a cooperative interest in a cooperative housing corporation which has not yet been formed, a statement of the projected date of formation;

(v) A statement whether and under what conditions units may be sublet or cooperative interests sold by members;

(vi) A description of the voting and other rights in the cooperative housing corporation which attach to a cooperative interest as such rights are described in § 2-105 of this article;

(vii) An opinion, based on stated factual assumptions, as to whether the members under current laws will be entitled to a pass-through of deductions from federal and State income taxes for payments made by the cooperative housing corporation for real estate taxes and interest on the property of the cooperative housing corporation;

(viii) A statement of the rights and responsibilities of members regarding the blanket encumbrance and a statement as to the nature and extent of any protection to the initial purchaser if the developer or cooperative housing corporation defaults on such a blanket encumbrance after transfer or a statement that there is no such protection;

(ix) A statement that a deposit made in connection with the purchase of a cooperative interest will be held in an

escrow account in the same manner as provided in § 10-301 of the Real Property Article in the case of sales of new, uncompleted single family units;

(x) A statement of any fees required by the cooperative housing corporation in connection with the transfer of membership or issuance of a proprietary lease;

(xi) A statement of the common charges, known or anticipated, however denominated, which may be levied against a member;

(xii) A statement of the cooperative interest associated with each unit and the underlying debt responsibility associated with each unit on a pro rata basis, if applicable;

(xiii) A statement as to whether the cooperative housing corporation has or will obtain insurance coverage for casualty, property damage, and public liability and if so, in what amounts;

(xiv) In the case of a cooperative housing corporation containing buildings substantially completed more than 5 years prior to the date of the notice required under § 5-6B-05 of this subtitle, a statement of the physical condition and state of repair of the major structural, mechanical, electrical, and plumbing components of the improvements, to the extent reasonably ascertainable, the estimated costs of repairs for which a present need is disclosed in the statement, and a statement of repairs which the developer intends to make. The developer is entitled to rely on the reports of architects or engineers authorized to practice their profession in this State; and

(xv) A statement of all warranties and disclaimers being made to the initial purchaser and to the cooperative housing corporation by the developer;

(3) Copies of the proposed or final:

(i) Contract of sale;

(ii) Membership certificate;

(iii) Proprietary lease;

(iv) Articles of incorporation;

(v) Bylaws;

(vi) Rules, if any;

(vii) Floor plans;

(viii) Blanket encumbrances;

(ix) Member loan documents and any contract, note, mortgage given to the developer, or other instrument to be entered into with the developer as part of the initial sale;

(x) Any lease other than the proprietary lease to a third party of real or personal property to which the cooperative housing corporation is a party; and

(xi) Any management contract, employment contract, or other contract excluding contracts of insurance affecting the use, maintenance or access to all or part of the real or personal property of the cooperative housing corporation;

(4) A copy of the projected annual operating budget for the cooperative housing corporation including, where applicable:

(i) Insurance;

(ii) Administration;

- (iii) Maintenance;
- (iv) Utilities;
- (v) General expenses;
- (vi) Reserves;
- (vii) Capital items;
- (viii) Debt service; and
- (ix) Taxes; and

(5) If applicable, a copy of the notice and materials required by § 5-6B-05 of this subtitle, and a copy of the financial standards required to be established under § 5-6B-06(a)(2)(i) of this subtitle.

(c) Statements required in this section may be summarized or produced in a collection of documents which effectively conveys the required information to the initial purchaser.

(d) The requirements of this section do not apply to the sale of any cooperative interest in a unit which is to be used and occupied for nonresidential purposes.

**§ 5-6B-03. Rescission; amendments to public offering statement; failure of developer to comply with section; liability for misrepresentation; waiver of rights; sale of units for nonresidential purposes.**

(a) Within 15 days after a contract is signed or a public offering statement is received, whichever occurs later, the initial purchaser may rescind, in writing, the contract without any liability on the initial purchaser's part, and shall thereupon be entitled to the prompt return of the deposit made on account of the contract.

(b) (1) After a contract is signed and before the issuance of a membership certificate, the developer must deliver to the initial purchaser a copy of any amendments, supplements, or modifications to the public offering statement.

(2) The initial purchaser may rescind, in writing, the contract within 5 days after receiving any of the aforesaid items which are material in nature, without any liability on the initial purchaser's part, and shall be entitled to the return of any deposit made on account of the contract.

(c) If the developer fails to comply with the requirements of this section, the initial purchaser before the issuance of a membership certificate may rescind, in writing, the contract, without liability on the initial purchaser's part and shall thereupon be entitled to the prompt return of any deposits made on account of the contract.

(c-1) If any deposits are held in trust by a licensed real estate broker, the return of the deposits to an initial purchaser under subsection (a), (b), or (c) of this section shall comply with the procedures set forth in § 17-505 of the Business Occupations and Professions Article.

(d) (1) Any developer who, in disclosing the information required under subsections (a) and (b) of § 5-6B-02, makes an untrue statement of a material fact, or omits to state a material fact necessary in order to make the statements made not misleading, in the light of circumstances under which they were made, shall be liable to a person purchasing a cooperative interest from the developer.

(2) However, an action may not be maintained to enforce any liability created under this section unless brought within 1 year after the facts constituting the cause of action are or should have been discovered.

(3) A developer may not be liable under paragraph (1) of this subsection if the developer, after reasonable investigation, had reasonable grounds to believe, and did believe, at the time the information required to be disclosed under § 5-6B-02 of this subtitle, was provided to the purchaser, that:

(i) The statements were true; and

(ii) That there was no omission to state a material fact necessary to make the statements not misleading.

(e) The rights of initial purchasers under this section may not be waived and an attempted waiver is void. If a membership certificate is issued and delivered, the initial purchaser's rights to rescind under this section are terminated.

(f) The requirements of this section do not apply to the sale of any unit which is to be used and occupied for nonresidential purposes.

#### **§ 5-6B-04. Warranties**

(a) (1) There is an implied warranty from the developer to the cooperative housing corporation on the roof, foundation, and other structural elements, ceilings, floors, walls, mechanical, electrical, and plumbing systems.

(2) The warranty shall provide that the developer is responsible for correcting defects in materials or workmanship, and that the building elements specified in this description are within acceptable industry standards in effect when the building or buildings were constructed.

(3) The warranty begins with the first transfer of a cooperative interest in the cooperative housing corporation to an initial purchaser. The warranty on a portion of the cooperative project not completed at the time of the transfer begins with the completion of that building element or with its availability for use by members, whichever occurs later. The warranty extends for a period of 3 years from the commencement date of the warranty.

(4) A suit for enforcement of the warranty on a portion of the cooperative project shall be brought by the cooperative housing corporation or by a member.

(b) Notice of a defect shall be given to the developer within the warranty period and suit for enforcement of the warranty shall be brought within 1 year after expiration of the warranty period.

(c) Warranties do not apply to any damage caused through abuse or failure to perform maintenance by a member or the cooperative housing corporation.

#### **§ 5-6B-05. Notice of conversion to tenants**

(a) (1) At least 180 days before a tenant is required to vacate a portion of a residential rental facility used as a residence that is acquired or is to be acquired by a cooperative housing corporation or that is owned by or is to be owned by a corporation that may become a cooperative housing corporation, the owner and the landlord of each tenant in possession of a portion of the residential rental facility shall give the tenant a notice in substantially the form specified in subsection (f) of this section.

(2) For effective notice, the owner and the landlord, at least 15 days before giving the notice required by this section, shall file with the Secretary of State a copy of the notice, a list of the tenants to whom the owner and the landlord anticipate giving notice, and an affidavit in substantially the following form:

"I hereby affirm under the penalty of perjury that the notice requirements of § 5-6B-05 of the Corporations and Associations Article, if applicable, have been fulfilled.

Developer

By ....."

(3) If a tenant first leases a portion of the premises as a residence after the notice required by this subsection has been given, the owner and the landlord, if other than the owner, shall inform the tenant in writing that the notice has been given. The tenant shall be so informed on or before signing the lease or taking possession, whichever occurs first.

(b) The notice shall be considered to have been given to each tenant if delivered by hand or mailed, postage prepaid, to the tenant's last known address.

(c) A tenant leasing a portion of a residential rental facility as a residence at the time the notice referred to in subsection (a) of this section is given to the tenant may not be required to vacate the premises prior to the expiration of 180 days from the giving of the notice except for:

(1) Breach of a covenant in the lease occurring before or after the notice is given;

(2) Nonpayment of rent occurring before or after the notice is given; or

(3) Failure of the tenant to vacate the premises at the time that is indicated by the tenant in a notice given to the landlord under subsection (e) of this section.

(d) (1) If the lease term of a tenant who leases a portion of a residential rental facility as a residence at the time the notice referred to in subsection (a) of this section is given would ordinarily terminate during the 180-day period, the lease term shall be extended, at the option of the tenant, until the expiration of the 180-day period.

(2) The extended term shall be at the same rent and on the same terms and conditions as were applicable on the last day of the lease term.

(e) A tenant who leases a portion of a residential rental facility as a residence at the time the notice referred to in subsection (a) of this section is given may terminate the lease, without penalty for termination, upon at least 30 days' written notice to the landlord.

(f) The notice referred to in subsection (a) of this section shall be sufficient for the purposes of this section if it is in substantially the following form. As to rental facilities containing fewer than 10 units, "Section 2" of the notice is not required to be given.

**"NOTICE OF INTENTION TO CREATE A COOPERATIVE HOUSING CORPORATION**

..... (date)

This is to inform you that the residential rental facility known as ..... has been or may be acquired by a cooperative housing corporation or that the current owner of the residential rental facility has or may become a cooperative housing corporation in accordance with the Maryland Cooperative Housing Corporation Act. You may be required to move out of your residence after 180 days have passed from the date of this notice, or in other words, after ..... (date).

Section 1

Rights that Apply to All Tenants

If you are a tenant in this residential rental facility and you have not already given notice that you intend to move, you have the following rights, provided you have previously paid your rent and continue to pay your rent and abide by the other terms and conditions of your lease.

(1) You may remain in your residence on the same rent, terms, and conditions of your existing lease until either the end of your lease term or until ..... (date) (the end of the 180-day period), whichever is later. If your lease term ends during the 180-day period, it will be extended on the same rent, terms, and conditions until ..... (date) (the end of the 180-day period). In addition, certain households may be entitled to extend their leases beyond the 180 days as described in Section 2.

(2) You have the right to purchase your residence before it can be sold publicly. A purchase offer describing your right to purchase is included with this notice.

(3) If you do not choose to purchase your residence, and the annual income for all present members of your household did not exceed ..... (the income eligibility figure for the appropriate area which equals approximately 80 percent of the median income for your county or standard metropolitan area) for 20\_\_, you are entitled to receive \$375 when you move out of your residence. You are also entitled to be reimbursed for moving expenses, as defined in the Maryland Cooperative Housing Corporation Act, over \$375 up to \$750 which are actually and reasonably incurred. If the annual income for all present members of your household did exceed ..... (the income eligibility figure for the appropriate area which equals approximately 80 percent of the median income for your county or standard metropolitan area) for 20\_\_, you are entitled to be reimbursed up to \$750 for moving expenses, as defined in the Maryland Cooperative Housing Corporation Act, actually and reasonably incurred. To receive reimbursement for moving expenses, you must make a written request, accompanied by reasonable evidence of your expenses, within 30 days after you move. You are entitled to be reimbursed within 30 days after your request has been received.

(4) If you want to move out of your residence before the end of the 180-day period or the end of your lease, you may cancel your lease without penalty by giving at least 30 days' prior written notice. However, once you give notice of when you intend to move, you will not have the right to remain in your residence beyond that date.

## Section 2

### Right to 3-Year Lease Extension or 3-Month Rent Payment for Certain Handicapped Citizens and Senior Citizens

The developer who converts this residential rental facility to a cooperative housing corporation must offer extended leases to qualified households for up to 20 percent of the units in the residential rental facility. Households which receive extended leases will have the right to continue renting their residences for at least 3 years from the date of this notice. A household may cancel an extended lease by giving 3 months' written notice if more than 1 year remains on the lease, and 1 month's written notice if 1 year or less remains on the lease.

Rents under these extended leases may be increased only once each year and are limited by increases in the cost of living index. Read the enclosed lease to learn the additional rights and responsibilities of tenants under extended leases.

In determining whether your household qualifies for an extended lease, the following definitions apply:

(1) "Handicapped citizen" means a person with a measurable limitation of mobility due to congenital defect, disease, or trauma.

(2) "Senior citizen" means a person who is at least 62 years old on the date of this notice.

(3) "Annual income" means the total income from all sources for all present members of your household for the income tax year immediately preceding the year in which this notice is issued, whether or not included in the definition of gross income for federal or State tax purposes. For purposes of this section, the inclusions to and exclusions from annual income are the same as for "gross income" as that term is defined in § 9-104(a)(8) of the Tax - Property Article for the property tax credits for homeowners by reason of income and age, reduced by unreimbursed medical expenses if the tenant provides reasonable evidence of the unreimbursed medical expenses

or consents in writing to authorize disclosure of relevant information regarding medical expense reimbursement at the time of applying for an extended lease. Total income means the same as "gross income" as defined in § 9-104(a)(8) of the Tax - Property Article.

To qualify for an extended lease you must meet all of the following criteria:

(1) A member of the household must be a handicapped citizen or a senior citizen and must be living in your unit as of the date of this notice and must have been a member of your household for at least the 12 months immediately preceding the date of this notice;

(2) Annual income for all present members of your household must not have exceeded ..... (80 percent of applicable median income) for 20\_\_; and

(3) You must be current in your rental payment and otherwise be in good standing under your existing lease.

If you meet all of these qualifications and you desire an extended lease, then you must complete the enclosed form and execute the enclosed lease and return the completed form and executed lease to the office listed below within 60 days after the date of this notice, or in other words, by ..... (date). If your completed form and executed lease are not received within that time, you will not be entitled to an extended lease.

If the number of qualified households requesting extended leases exceeds the 20 percent limitation, the extended leases shall be allocated as determined by the local governing body. If the local governing body fails to provide for allocation, units shall be allocated by the developer based on seniority by continuous length of residence.

Due to the 20 percent limitation your application for an extended lease must be processed before your lease becomes effective. Your lease will become effective if it is determined that your household is qualified and falls within the 20 percent limitation.

If you return the enclosed form and lease by .....(date), you will be notified within 75 days after the date of this notice, or in other words, by .....(date), whether you are qualified and whether your household falls within the 20 percent limitation.

You may apply for an extended lease and, at the same time, choose to purchase a cooperative interest. If you apply for and receive an extended lease, your contract will be void. If you do not receive an extended lease, your contract will be effective and you will be obligated to purchase a cooperative interest.

If you qualify for an extended lease, but due to the 20 percent limitation, your lease is not effective, the developer must pay you an amount equal to 3 months' rent within 15 days after you move. You are also entitled to up to \$750 reimbursement for your moving expenses, as described in Section 1.

If you qualify for an extended lease, but do not want one, you are also entitled to both the moving expense reimbursement previously described and the payment equal to 3 months' rent. In order to receive the 3 months' rent payment, you must complete and return the enclosed form within 60 days after the date of this notice or by ..... (date), but you should not execute the enclosed lease.

All applications, forms, executed leases, and moving expense requests should be addressed or delivered to:

.....  
.....  
....."

(g) The failure of a landlord or owner to give notice as required by this section is a defense to an action for possession.

(h) This section does not apply to a tenant whose lease term expires during the 180-day period and who has given written notice of intent not to renew the lease before the notice required by subsection (a) of this section is given.

(i) A tenant may not waive the rights under this section except as otherwise provided under this subtitle.

(j) At the expiration of the 180-day period a tenant shall become a tenant from month-to-month subject to the same rent, terms, and conditions as those existing at the giving of the notice required by subsection (a) of this section, if the tenant's initial lease has expired and the tenant has not:

(1) Entered into a new lease;

(2) Vacated under subsection (e) of this section; or

(3) Been notified in accordance with applicable law prior to the expiration of the 180-day period that the tenant must vacate at the end of that period.

#### **§ 5-6B-06. Option to purchase**

(a) (1) An owner required to give notice under § 5-6B-05 of this subtitle shall offer in writing to each tenant entitled to receive that notice the right to purchase the cooperative interest which is coupled with the proprietary lease for that portion of the residential rental facility occupied by the tenant as the tenant's residence. The offer shall be at a price and on terms and conditions at least as favorable as the price, terms, and conditions offered for the cooperative interest which is coupled with the proprietary lease for that portion of the residential rental facility to any other person during the 180-day period following the giving of the notice required by § 5-6B-05 of this subtitle. Settlement cannot be required any earlier than 120 days after the offer is accepted by the tenant.

(2) (i) The cooperative housing corporation shall adopt uniform objective standards concerning financial responsibility which shall apply to all tenants and initial purchasers.

(ii) The tenant's acceptance of the owner's offer is conditioned on the tenant meeting the financial standards established by the cooperative housing corporation under subparagraph (i) of this paragraph.

(3) The offer to each tenant shall be made concurrently with the giving of the notice required by § 5-6B-05 of this subtitle, shall be a part of that notice, and shall state that:

(i) The offer will terminate upon the earlier to occur of termination of the lease by the tenant or 60 days after delivery;

(ii) Acceptance of the offer by a tenant who meets the criteria for an extended lease under § 5-6B-07(b) of this subtitle is contingent upon the tenant not receiving an extended lease;

(iii) Settlement cannot be required earlier than 120 days after acceptance by the tenant; and

(iv) The household is entitled to reimbursement for moving expenses as provided in subsection (h) of this section.

(4) Delivery of a notice in the form specified in § 5-6B-05(f) of this subtitle meets the requirements of subsection (a) of this section.

(b) (1) Notwithstanding the provisions of subsection (a) of this section, an owner may make alterations or additions to the size, location, configuration, and physical condition of the residential rental facility. The developer is not required to make the boundaries of a portion of the residential rental facility occupied by a tenant as the tenant's residence coincide with the boundaries of a proposed unit.

(2) If the boundaries of a portion of the residential rental facility occupied by a tenant as the tenant's residence do not coincide with the boundaries of a proposed unit, then, to the extent reasonable and practicable, the owner shall offer in writing to that tenant the right to purchase a substantially equivalent cooperative interest. The offer shall be at a price and on terms and conditions at least as favorable as the price, terms, and conditions offered for the cooperative interest which is coupled with the proprietary lease for that portion of the residential rental facility to any other person and shall contain the statements required by paragraph (2) of subsection (a) of this section.

(c) Unless written acceptance of an offer made under subsection (a) or (b) of this section is first delivered to the owner by the tenant, the offer shall terminate, without further act, upon the earlier to occur of:

(1) Termination of the lease by the tenant; or

(2) 60 days after the offer is delivered to the tenant.

(d) Acceptance of an offer by a tenant who meets the criteria for an extended lease under § 5-6B-07 of this subtitle shall be contingent upon the tenant not receiving an extended lease.

(e) (1) Except as provided in paragraph (2) of this subsection, if the offer terminates, the owner may not offer to sell that cooperative interest at a price or on terms and conditions more favorable to the offeree than the price, terms, and conditions offered to the tenant during the 180-day period following the giving of the notice required by § 5-6B-05 of this subtitle.

(2) The owner may reoffer to sell that cooperative interest to the tenant on terms and conditions more favorable to the offeree, and if the owner does so, the offer shall supersede the first offer.

(f) Within 75 days after the giving of the notice required by § 5-6B-05 of this subtitle, the developer shall provide to any county, incorporated municipality, or housing agency which has a right to purchase cooperative interests in the residential rental facility under § 5-6B-09 of this subtitle a list of the names and units of all tenants who have validly accepted offers made under this section within 60 days of the giving of the notice required by § 5-6B-05 of this subtitle, except those offers which have terminated because of the granting of an extended lease under § 5-6B-07 of this subtitle.

(g) If a membership certificate for a unit contains an affidavit by the issuer or transferor that the provisions of this section have been fulfilled, then the holder or transferee takes title to the cooperative interest free and clear of all claims and rights of a person arising under this section.

(h) (1) If the household does not accept the purchase offer made under this section, the owner shall:

(i) If the household qualifies as to income under § 5-6B-07 of this subtitle, pay the household \$375 when the household vacates the unit and reimburse the household for moving expenses in excess of \$375 up to \$750 which are actually and reasonably incurred; or

(ii) If the household does not qualify as to income under § 5-6B-07 of this subtitle, reimburse the household for moving expenses up to \$750 which are actually and reasonably incurred.

(2) The household shall make a written request for moving expense reimbursement to the developer, accompanied by reasonable evidence of the costs incurred, within 30 days after moving. The developer shall reimburse the household within 30 days following receipt of the request.

#### **§ 5-6B-07. Lease extension for designated households**

(a) (1) In this section the following words have the meanings indicated.

(2) "Annual income" means the total income, from all sources, of a designated household, for the income tax year immediately preceding the year in which the notice is given under § 5-6B-05 of this subtitle, whether or not

included in the definition of gross income for federal or State tax purposes. For purposes of this section, the inclusions and exclusions from annual income are the same as those listed in § 9-104(a)(8) of the Tax - Property Article for "gross income" as that term is defined for the property tax credits for homeowners by reason of income and age, reduced by unreimbursed medical expenses if the tenant provides reasonable evidence of the unreimbursed medical expenses or consents in writing to authorize disclosure of relevant information regarding medical expense reimbursement at the time of applying for an extended lease.

(3) "Designated household" means a household which includes a senior citizen or a handicapped citizen, provided that the senior citizen or the handicapped citizen has been a member of the household for a period of at least 12 months immediately preceding the giving of the notice required by § 5-6B-05 of this subtitle.

(4) "Handicapped citizen" means a person with a measurable limitation of mobility due to congenital defect, disease, or trauma.

(5) "Household" means only those persons domiciled in the unit at the time the notice required by § 5-6B-05 of this subtitle is given.

(6) "Senior citizen" means a person who is at least 62 years old on the date that the notice required by § 5-6B-05 of this subtitle is given.

(b) A developer may not sell a cooperative interest with respect to a unit in a residential rental facility occupied by a member of a designated household entitled to receive the notice required by § 5-6B-05 of this subtitle without offering to the tenant of the unit a lease extension for a period of at least 3 years from the giving of the notice required by § 5-6B-05 of this subtitle, if the household meets the following criteria:

(1) Had an annual income which did not exceed the income eligibility figure applicable for the county or standard metropolitan statistical area in which the residential rental facility is located, as provided under subsection (n) of this section;

(2) Is current in its rent payment and has not violated any other material terms of the lease;

(3) Has provided the developer within 60 days after the giving of the notice required by § 5-6B-05 of this subtitle with an affidavit under penalty of perjury, with a statement:

(i) Asserting that the household is applying for an extended lease under this section;

(ii) Setting forth the household's annual income for the calendar year preceding the giving of the notice required by § 5-6B-05 of this subtitle, together with reasonable supporting documentation of the household income and, where applicable, of unreimbursed medical expenses or a written authorization for disclosure of relevant information regarding medical expense reimbursement by doctors, hospitals, clinics, insurance companies, or similar persons, entities, or organizations that provide medical treatment coverage to the household; and

(iii) Setting forth facts showing that a member of the household is either a handicapped citizen or a senior citizen who, in either event, has been a member of the household for at least the 12 months immediately preceding the giving of the notice required by § 5-6B-05 of this subtitle; and

(4) Has executed an extended lease and returned it to the developer within 60 days after the giving of the notice required by § 5-6B-05 of this subtitle.

(c) The developer shall deliver to each tenant entitled to receive the notice required by § 5-6B-05 of this subtitle, simultaneously with the notice:

(1) An application on which may be included all of the information required by paragraph (3) of subsection (b) of this section;

(2) A lease containing the terms required by this section and clearly indicating that the lease will be effective, but only if:

(i) The tenant executes and returns the lease not later than 60 days after the giving of the notice required by § 5-6B-05 of this subtitle; and

(ii) The household is allocated one of the units required to be made available to qualified households based on its ranking under subsection (k) of this section and the number of tenants executing and returning leases;

(3) A copy of the public offering statement; and

(4) A notice setting forth the rights and obligations of the tenant under this section. Delivery of a notice in the form specified in § 5-6B-05(f) of this subtitle meets the requirements of this subsection.

(d) Within 75 days after giving the notice required by § 5-6B-05 of this subtitle, the developer shall notify each household which submits to the developer the documentation required by subsection (b)(3) of this section:

(1) Whether the household meets the criteria of subsection (b) of this section, and, if not, an explanation of which criteria have not been met; and

(2) Whether the extended lease has become effective.

(e) Within 75 days after the giving of the notice required by § 5-6B-05 of this subtitle, the developer shall provide to any county, incorporated municipality, or housing agency that has a right to purchase units in the residential rental facility under § 5-6B-09 of this subtitle:

(1) A notice indicating the number of units in the cooperative housing corporation being made available to qualified households under subsection (k)(1) of this section;

(2) A list of all households meeting the criteria of subsection (b) of this section, indicating the ranking of each in relation to that number;

(3) A list of all households returning the affidavit required by subsection (b) of this section that do not meet all the criteria of subsection (b) of this section and copies of the notifications sent to these households under subsection (d) of this section; and

(4) A list of all households as to whom a lease has become effective.

(f) (1) The extended lease shall provide for a term commencing on acceptance and terminating not less than 3 years from the giving of the notice required by § 5-6B-05 of this subtitle.

(2) Annually, on the commencement date of the extended lease, the rental fee for the unit may be increased. The increase shall not exceed an amount determined by multiplying the annual rent for the preceding year by the percentage increase for the rent component of the U.S. Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI - W) (1967 = 100), as published by the U.S. Department of Labor, for the most recent 12-month period.

(3) Except as this section otherwise permits or requires, the extended lease shall contain the same terms and conditions as the lease in effect on the day preceding the giving of the notice required by § 5-6B-05 of this subtitle.

(g) A designated household which exercises its rights under this section may not be denied an opportunity to purchase a cooperative interest at a later date, if one is available.

(h) (1) Except as provided in paragraph (2) of this subsection, a designated household which executes an extended lease under this section which is later accepted may not terminate its extended lease under § 5-6B-05 of this subtitle.

(2) A designated household may terminate its extended lease at any time, with notice to the developer or any subsequent titleholder as follows:

(i) At least a 1-month prior notice in writing shall be given when less than 12 months remain on the lease; and

(ii) At least a 3-months' prior notice in writing shall be given when 12 months or more remain on the lease.

(3) A lease executed under this section shall set forth the provisions for terminating contained in this subsection.

(i) (1) The cooperative interests with respect to units subject to the provisions of this section may be transferred to a person who is not a member of the designated household, provided that:

(i) The provisions of this section continue to apply despite any transfer of a cooperative interest with respect to a unit occupied by a designated household as provided in this section;

(ii) The designated household is provided written notice of the change of ownership of the cooperative interest by the new owner of such interest; and

(iii) The seller of the cooperative interest provides the purchaser written disclosure that the unit is occupied by a designated household subject to the provisions of this section at the time of or prior to the execution of a contract.

(2) Notwithstanding any provisions in the articles of incorporation, bylaws, or proprietary lease that limit, prohibit, or restrict occupancy by persons other than the owner of the cooperative interest with respect to the unit, the designated household may occupy the unit under the extended lease provided for in this section.

(j) The extended tenancy provided for in this section shall cease upon the occurrence of one of the following:

(1) 90 days after the death of the last surviving senior citizen or handicapped citizen residing in the unit or 90 days after the last senior citizen or handicapped citizen has moved from the unit;

(2) Eviction for failure to pay rent due in a timely fashion or violation of any other material term of the lease; or

(3) Voluntary termination of the lease by the designated household under subsection (h) of this section.

(k) (1) A developer shall set aside a percentage of the total number of units within a cooperative project for designated households. A developer is not required to grant extended leases covering more than 20 percent of the units within a cooperative project to designated households.

(2) If the number of units occupied by designated households that meet the criteria of subsection (b) of this section exceeds 20 percent of the total number of units, then the number of available units for tenancy under the provisions of this section shall be allocated as determined by the local governing body. If the local governing body fails to provide for allocation, units shall be allocated by the developer based on seniority by continuous length of residence.

(l) (1) If a conversion involves substantial rehabilitation or reconstruction of such a nature that the work involved does not permit the continued occupancy of a unit because of danger to the health and safety of the tenants, any designated household executing an extended lease under the provisions of this section shall be required to vacate the unit not earlier than the expiration of the 180-day period and to relocate at the expense of the developer in a comparable unit in the residential rental facility to permit the work to be performed.

(2) If there is no comparable unit available, then the designated household shall be required to vacate the residential rental facility. When the work is completed, the developer shall notify the household of its completion. The household shall have 30 days after the date of that notice to return to the original or a comparable rental unit. The term of the extended lease of that household shall begin upon the return to the rental unit.

(3) The developer shall give 180 days' notice prior to the date that units must be vacated. The notice shall explain the household's rights under this subsection and subsection (m) of this section.

(m) (1) The developer shall pay households that qualify as to income under subsection (b)(1) of this section \$375 when the household vacates the unit and for moving expenses in excess of \$375 up to \$750 which are actually and reasonably incurred. The household shall make a written request for reimbursement accompanied by reasonable evidence of the costs incurred within 30 days after moving. The developer shall reimburse the household within 30 days following receipt of the request.

(2) If a household does not qualify as to income under subsection (b)(1) of this section, the developer shall reimburse moving expenses, up to \$750, actually and reasonably incurred to the designated households eligible under this subsection. The designated household shall make a written request for reimbursement accompanied by reasonable evidence of the costs incurred within 30 days after moving. The developer shall reimburse the designated household within 30 days following receipt of the request.

(3) The developer shall also pay compensation equivalent to 3 months rent within 15 days of moving to the designated household eligible under this subsection.

(4) The following designated households which meet the applicable criteria of subsection (b) of this section are eligible under this subsection:

(i) A designated household which does not execute an extended lease;

(ii) A designated household which is precluded from having an extended tenancy by the limitations of subsection (k) of this section; or

(iii) A designated household which is required to vacate the rental unit under subsection (l)(2) of this section.

(5) A developer shall also reimburse moving expenses, up to \$750, actually and reasonably incurred, to a designated household that returns to the rental unit under subsection (l)(2) of this section. The designated household shall make a written request for reimbursement accompanied by reasonable evidence of the costs incurred within 30 days following the designated household's return. The developer shall reimburse the designated household within 30 days following receipt of the request.

(n) (1) The Secretary of State shall prepare an income eligibility figure for each county and standard metropolitan statistical area of the State, which shall reasonably approximate 80 percent of the median income for each county and standard metropolitan statistical area.

(2) (i) A county or incorporated municipality which is in a standard metropolitan statistical area may by ordinance or resolution adopt the income eligibility figure applicable to the county or standard metropolitan statistical area.

(ii) If the county or incorporated municipality does not adopt an income eligibility figure, the county figure shall control.

#### **§ 5-6B-08. Right of local governments to first right of purchase**

(a) (1) A county or an incorporated municipality may provide, by local law or ordinance, that a residential rental facility may not be granted to a purchaser for the purpose of conversion unless the county, incorporated municipality, or housing agency has first been offered in writing the right to purchase the rental facility on

substantially the same terms and conditions offered by the owner to the purchaser. The local law or ordinance shall designate the title and mailing address of the person to whom the offer to the county, incorporated municipality, or housing agency shall be delivered.

(2) The offer shall contain a contingency entitling the county, incorporated municipality, or housing agency, to secure financing within 180 days from the date of the offer, provided that the county, incorporated municipality, or housing agency shall use its best efforts to secure financing as soon as possible.

(3) Unless written acceptance of the offer is first delivered to the owner by the county, incorporated municipality, or housing agency, the offer shall terminate, without further act, 60 days after it is delivered to the county, incorporated municipality, or housing agency. If the offer terminates, the owner may grant the residential rental facility to any person for any purpose on terms and conditions not more favorable to a buyer than those offered by the owner to the county, incorporated municipality, or housing agency.

(4) If the county, incorporated municipality, or housing agency purchases the residential rental facility, it shall retain or provide for the retention of the property as a residential rental facility for at least 3 years from the date of acquisition.

(b) A local law or ordinance adopted under subsection (a) of this section may provide that the owner of a residential rental facility is exempt from the provisions of this section if the purchaser of the rental facility enters into an agreement with the county, incorporated municipality, or housing agency to retain the property as a residential rental facility for a period not to exceed 3 years after the date of acquisition of the property.

(c) The provisions of any local law or ordinance adopted under this section shall not apply to the following transfers of a residential rental facility:

(1) A transfer as a result of a foreclosure made under the terms of a mortgage or deed of trust;

(2) A transfer to a mortgagee in lieu of foreclosure or a transfer under other proceedings, arrangement or deed in lieu of foreclosure;

(3) A transfer made under a judicial sale or other judicial proceeding brought to secure payment of a debt or for the purpose of securing the performance of an obligation;

(4) A transfer of the interest of one co-tenant to another co-tenant by operation of law or otherwise;

(5) A transfer made by will or descent or by interstate distribution;

(6) A transfer made to a municipal or county government, to the State government, or to an agency, instrumentality, or political subdivision of government;

(7) A transfer to a spouse, son, or daughter;

(8) A transfer made under the liquidation of a partnership or corporation; or

(9) A transfer into a partnership or corporation wholly owned by the person(s) so contributing.

(d) A county, incorporated municipality, or housing agency, by execution and delivery by the appropriate official to the grantor of an instrument in recordable form, may waive its right to purchase a particular residential rental facility under this section.

(e) Within 30 days after the enactment of a law or ordinance under this section, the county or incorporated municipality shall forward a copy of the law or ordinance to the Secretary of State.

(f) If a deed for a residential rental facility contains an affidavit by the grantor that the provisions of this section have been fulfilled, then the grantee in that deed takes title to the residential rental facility free and clear of all claims and rights of a county, incorporated municipality, or housing agency arising under this section.

**§ 5-6B-09. Authority of local governments to require first right of purchase at same terms.**

(a) (1) A county or an incorporated municipality may provide by local law or ordinance, that the cooperative interest with respect to a unit in a residential rental facility occupied by a tenant entitled to receive the notice required by § 5-6B-05 of this subtitle may not be transferred unless the county, incorporated municipality, or housing agency has first been offered in writing the right to purchase the cooperative interest at the same price and on the same terms and conditions initially offered to any other person. The local law or ordinance shall designate the title and mailing address of the person to whom the offer to the county, incorporated municipality, or housing agency is to be delivered and the title of the person who may accept the offer on behalf of the county, incorporated municipality, or housing agency.

(2) The local law or ordinance shall provide that the offer to the county, incorporated municipality, or housing agency shall be made at the same time an offer is made to a tenant of the unit under § 5-6B-06 of this subtitle. If a tenant accepts an offer of a unit made under § 5-6B-06 of this subtitle, then the rights of the county, incorporated municipality, or housing agency to such unit under an offer made under this section, whether or not accepted, shall terminate.

(3) Unless written acceptance of the offer is first delivered to the owner of the residential rental facility by the county, incorporated municipality, or housing agency, the offer shall terminate, without further act, 120 days after it is delivered to the county, incorporated municipality, or housing agency.

(b) A county, incorporated municipality, or housing agency may not accept an offer made under this section for a cooperative interest with respect to a unit if that unit together with the aggregate of other units previously accepted or not accepted, subject to an extended lease by a designated family under this subtitle, exceeds 20 percent of the total number of units in the cooperative project.

(c) If a membership certificate for a cooperative interest contains an affidavit by the grantor that the provisions of a law or ordinance enacted under this section have been fulfilled, then the grantee in that grant takes title to the cooperative interest free and clear of all claims and rights of any county, incorporated municipality, or housing agency under a local law or ordinance enacted under this section.

(d) Within 30 days of the enactment of a law or ordinance under this section, the county or incorporated municipality shall forward a copy of the law or ordinance to the Secretary of State.

**§ 5-6B-10. Actions by local governments to protect consumers from displacement during rental housing emergency.**

(a) The intent of the General Assembly of Maryland is to facilitate the orderly development of cooperative housing corporations in Maryland. The General Assembly recognizes, however, that the conversion of residential rental facilities to cooperative housing corporations or condominiums can have an adverse impact on the availability of rental units, resulting in the displacement of tenants.

(b) A county or incorporated municipality may, by legislative finding, recognize and declare that a rental housing emergency exists in all or a part of its jurisdiction and has been caused by the conversion of residential rental facilities. Any legislative finding shall exist for one year, subject to any extensions for periods of one year at a time. The jurisdiction shall consider and make findings as to:

- (1) The nature and incidence of conversions of residential rental facilities;
- (2) The resulting hardship to and displacement of tenants; and
- (3) The scarcity of rental housing.

(c) Upon the finding and declaration of a rental housing emergency caused by the conversion of rental housing, a county or an incorporated municipality may by the enactment of laws, ordinances, and regulations, take the following actions to meet the emergency:

(1) Grant to a designated family as defined in § 5-6B-07 of this subtitle a right to an extended lease for a period in addition to that period provided for in § 5-6B-07 of this subtitle. The right to an extended lease may not, in any event, result in a requirement that a developer set aside for an extended lease more than 20 percent of the total number of units.

(2) Otherwise extend the provisions of § 5-6B-07 of this subtitle except that:

(i) More than 20 percent of the total number of units may not be required to be set aside; and

(ii) The term of an extended lease for a family made a designated family by a county or an incorporated municipality may not exceed 3 years.

(3) Require that the notice required to be given under § 5-6B-05 of this subtitle be altered to disclose the effects of any actions taken under this section.

(d) Within 10 days after the enactment of a law, ordinance, or regulation under this section, a county or incorporated municipality shall forward a copy of the law, ordinance, or regulation to the Secretary of State.

#### **§ 5-6B-11. Deposits made on sale of cooperative interests held in escrow.**

Deposits taken in connection with the sale by a developer of cooperative interests with respect to units intended for residential use shall be deposited or held in an escrow account in the same manner as provided in § 10-301 of the Real Property Article in the case of sales of new, uncompleted single family units, unless a corporate surety bond is obtained and maintained as provided in § 10-301 of the Real Property Article.

#### **§ 5-6B-12. Consumer protection standards and enforcement**

(a) This section is intended to provide minimum standards for the protection of consumers in the State.

(b) (1) For purposes of this section, "consumer" means an actual or prospective purchaser, lessee, assignee, or transferee of a cooperative interest with respect to a residential unit.

(2) "Consumer" includes a co-obligor or surety for a consumer.

(c) (1) To the extent that a violation of a provision of this subtitle affects a consumer, that violation shall be within the scope of the enforcement duties and powers of the Division of Consumer Protection of the Office of the Attorney General, as described in Title 13 of the Commercial Law Article.

(2) The provisions of this subtitle shall otherwise be enforced by each agency of the State within the scope of its authority.

(d) A county or incorporated municipality, or an agency of one of those jurisdictions, may adopt laws or ordinances for the protection of a consumer to the extent and in the manner provided for under § 13-103 of the Commercial Law Article.

(e) Within 30 days after the effective date of a law, ordinance, or regulation enacted under this section which is expressly applicable to cooperative housing corporation, the local jurisdiction shall forward a copy of the law, ordinance, or regulation to the Secretary of State.

**§ 5-6B-13. Cooperative interests not security or investment security.**

(a) A cooperative interest is not a security under the Maryland Securities Act.

(b) The provisions of Title 8 of the Commercial Law Article where consistent with this article shall apply to membership certificates in cooperative housing corporations.

**§ 5-6B-14. Restraints of trade**

The fact that economic activity is organized under this subtitle may not cause the activity to be deemed a conspiracy or combination in restraint of trade or an illegal monopoly, or an attempt to lessen competition or fix prices arbitrarily.

**§ 5-6B-15. Applicability of general corporation law**

To the extent not inconsistent with this subtitle, the provisions of this article applicable to stock and nonstock corporations shall apply to all cooperative housing corporations.

**§ 5-6B-16. Cooperative interest deemed personal property**

(a) A cooperative interest is personal property and, after receipt by the cooperative housing corporation of any outstanding membership certificate and proprietary lease with respect to that cooperative interest, that cooperative interest shall be transferred by appropriate notation made on the books and records of the cooperative housing corporation and the execution and delivery to the transferee by the cooperative housing corporation of a membership certificate and proprietary lease, if any.

(b) The possessory interest evidenced by a proprietary lease is a part of and may not be severed from the cooperative interest evidenced by the membership certificate.

**§ 5-6B-17. Perfection of security interests and cooperative interests**

(a) Except as provided in subsection (b) of this section, a security interest in a cooperative interest shall attach, be perfected, and be enforceable as provided in Title 9 of the Commercial Law Article.

(b) The security interest may be perfected by the secured party's taking possession of the membership certificate or by filing a financing statement as provided in Title 9 of the Commercial Law Article.

(c) On request of a secured party, the cooperative housing corporation shall note on its books and records the interest of the secured party in the cooperative interest.

**§ 5-6B-18. Assignment of votes**

(a) Except as otherwise provided in the articles of incorporation or bylaws, the votes in a cooperative housing corporation shall be assigned so that each unit has one vote.

(b) Cooperative housing corporations shall not engage in mergers or consolidations if such action is undertaken for the purpose of circumventing §§ 5-6B-02 through 5-6B-12 of this subtitle.

**§ 5-6B-19. Meetings of cooperative housing corporation open to members of corporation or their agents**

(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.

(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, attorneys, 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.

**§ 5-6B-20. Distribution of written information or materials relating to operation of cooperative housing corporation**

(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. Meetings relating to operation of cooperative housing corporation**

(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.

**§ 5-6B-22. No-impact home-based businesses**

(a) The provisions of this section relating to no-impact home-based businesses do not apply to a cooperative housing corporation that has adopted, prior to July 1, 1999, procedures in accordance with its articles of incorporation or a proprietary lease or a provision of its bylaws for the prohibition or regulation of no-impact home-based businesses.

(b) (1) Subject to the provisions of subsection (c) of this section, a provision in the articles of incorporation or a proprietary lease or a provision of the bylaws of a cooperative housing corporation that prohibits or restricts commercial or business activity in general, but does not expressly apply to no-impact home-based businesses, may not be construed to prohibit or restrict the establishment and operation of no-impact home-based businesses.

(2) Subject to the provisions of subsection (c) of this section, the operation of a no-impact home-based business shall be:

(i) Considered a residential activity; and

(ii) A permitted activity.

(c) (1) (i) Subject to the provisions of paragraphs (2) and (3) of this subsection, a cooperative housing corporation may include in its articles of incorporation, bylaws, or proprietary leases a provision expressly prohibiting the use of a residential unit as a no-impact home-based business.

(ii) A provision described under subparagraph (i) of this paragraph expressly prohibiting the use of a residential unit as a no-impact home-based business shall apply to an existing no-impact home-based business in the cooperative project.

(2) A provision described under paragraph (1)(i) of this subsection expressly prohibiting the use of a residential unit as a no-impact home-based business may not be enforced unless it is approved by a simple majority of the total eligible voters of the cooperative housing corporation under the voting procedures contained in the articles of incorporation or bylaws of the corporation.

(3) If a cooperative housing corporation includes in its articles of incorporation, bylaws, or proprietary leases a provision prohibiting the use of a residential unit as a no-impact home-based business, it shall also include a provision stating that the prohibition may be eliminated and no-impact home-based businesses may be approved by a simple majority of the total eligible voters of the cooperative housing corporation under the voting procedures contained in the articles of incorporation or bylaws of the corporation.

(4) If a cooperative housing corporation includes in its articles of incorporation, bylaws, or proprietary leases a provision expressly prohibiting the use of a residential unit as a no-impact home-based business, the prohibition may be eliminated and no-impact home-based business activities may be permitted by the approval of a simple majority of the total eligible voters of the cooperative housing corporation under the voting procedures contained in the articles of incorporation or bylaws of the corporation.

(d) A cooperative housing corporation may:

(1) Restrict or prohibit a no-impact home-based business in any areas constituting those portions of a cooperative project possessed in common by the members; and

(2) Impose a fee for use of any areas constituting those portions of a cooperative project possessed in common by the members in a reasonable amount not to exceed \$50 per year on each no-impact home-based business operating in the cooperative project.

#### **§ 5-6B-23. Candidate Signs**

(a) In this section, "candidate sign" means a sign on behalf of a candidate for public office or a slate of candidates for public office.

(b) Except as provided in subsection (c) of this section, a recorded covenant or restriction, a provision in a declaration, or a provision in the bylaws or rules of a cooperative housing corporation may not prohibit or restrict the display of:

(1) A candidate sign; or

(2) A sign that advertises the support or defeat of any question submitted to the voters in accordance with the Election Law Article.

(c) A recorded covenant or restriction, a provision in a declaration, or a provision in the bylaws or rules of a cooperative housing corporation may restrict the display of a candidate sign or a sign that advertises the support or defeat of any proposition:

(1) In any areas constituting those portions of a cooperative project possessed in common by the members;

(2) In accordance with provisions of federal, State, and local law; or

(3) If a limitation to the time period during which signs may be displayed is not specified by a law governing the jurisdiction in which the cooperative housing corporation is located, to a time period not less than:

(i) 30 days before the primary election, general election, or vote on the proposition; and

(ii) 7 days after the primary election, general election, or vote on the proposition.

#### **§5-6B-24. Notice or delivery by electronic transmission**

(a) Notwithstanding language contained in the governing documents of a cooperative housing corporation, the cooperative housing corporation may provide notice of a meeting or deliver information to a member by electronic transmission if:

- (1) The board of directors of the cooperative housing corporation gives the cooperative housing corporation the authority to provide notice of a meeting or deliver information by electronic transmission;
- (2) The member gives the cooperative housing corporation prior written authorization to provide notice of a meeting or deliver information by electronic transmission; and
- (3) An officer or agent of the cooperative housing corporation certifies in writing that the cooperative housing corporation has provided notice of a meeting or delivered information to the member.

(b) Notice or delivery by electronic transmission shall be considered ineffective if:

- (1) The cooperative housing corporation is unable to deliver two consecutive notices; and
- (2) The inability to deliver the electronic transmission becomes known to the person responsible for the sending of the electronic transmission.

(c) The inadvertent failure to deliver notice by electronic transmission does not invalidate any meeting or other action.

#### **§5-6B-25. Voting by electronic transmission**

(a) Notwithstanding language contained in the governing documents of a cooperative housing corporation, the board of directors of the cooperative housing corporation may authorize members to submit a vote or proxy by electronic transmission if the electronic transmission contains information that verifies that the vote or proxy is authorized by the member or the member's proxy.

(b) If the governing documents of the cooperative housing corporation require voting by secret ballot and the anonymity of voting by electronic transmission cannot be guaranteed, voting by electronic transmission shall be permitted if members have the option of casting anonymous printed ballots.

#### **§ 5-6B-26. Books and records**

(a) (1) (i) Except as provided in paragraph (2) of this subsection, all books and records kept by or on behalf of a cooperative housing corporation shall be made available for examination or copying, or both, by a member, a member's mortgagee, and their respective duly authorized agents or attorneys, during normal business hours, and after reasonable notice.

(ii) If a member requests in writing a copy of financial statements of the cooperative housing corporation or the minutes of a meeting of the board of directors or other governing body of the cooperative housing corporation to be delivered, the board of directors or other governing body of the cooperative housing corporation shall compile and send the requested information by mail, electronic transmission, or personal delivery:

1. Within 21 days after receipt of the written request, if the financial statements or minutes were prepared within the 3 years immediately preceding receipt of the request; or

2. Within 45 days after receipt of the written request, if the financial statements or minutes were prepared more than 3 years before receipt of the request.

(2) Books and records kept by or on behalf of a cooperative housing corporation may be withheld from public inspection to the extent that they concern:

- (i) Personnel records, not including information on individual salaries, wages, bonuses, and other compensation paid to employees;
- (ii) An individual's medical records;
- (iii) An individual's personal financial records, including assets, income, liabilities, net worth, bank balances, financial history or activities, and creditworthiness;
- (iv) Records relating to business transactions that are currently in negotiation;
- (v) The written advice of legal counsel; or
- (vi) Minutes of a closed meeting of the board of directors or other governing body of the cooperative housing corporation, unless a majority of a quorum of the board of directors or governing body that held the meeting approves unsealing the minutes or a recording of the minutes for public inspection.

(b) Except for a reasonable charge imposed on a person desiring to review or copy the books and records or who requests delivery of information, the cooperative housing corporation may not impose any charges under this section.

**§ 5-6B-27. Fidelity Insurance.**

- (a) In this section, "fidelity insurance" includes a fidelity bond.
- (b) This section does not apply to a cooperative housing corporation:

(1) That has four or fewer members; and

(2) For which 3 months' worth of gross common charges is less than \$2,500.

(c) (1) The board of directors or other governing body of a cooperative housing corporation shall purchase fidelity insurance not later than the time of the first sale of a cooperative interest with respect to a unit to a person other than the developer and shall keep fidelity insurance in place for each year thereafter.

(2) The fidelity insurance required under paragraph (1) of this subsection shall provide for the indemnification of the cooperative housing corporation against loss resulting from acts or omissions arising from fraud, dishonesty, or criminal acts by:

(i) Any officer, director, managing agent, or other agent or employee charged with the operation or maintenance of the cooperative housing corporation who controls or disburses funds; and

(ii) Any management company employing a management agent or other employee charged with the operation or maintenance of the cooperative housing corporation who controls or disburses funds.

(d) A copy of the fidelity insurance policy 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 of this subtitle.

(e) (1) The amount of the fidelity insurance required under subsection (a) of this section shall equal at least the lesser of:

(i) 3 months' worth of gross common charges and the total amount held in all investment accounts at the time the fidelity insurance is issued; or

(ii) \$3,000,000.

(2) The total liability of the insurance to all insured persons under the fidelity insurance may not exceed the sum of the fidelity insurance.

(f) If a member believes that the board of directors or other governing body of a cooperative housing corporation has failed to comply with the requirements of this section, the aggrieved member may submit the dispute to the Division of Consumer Protection of the Office of the Attorney General under § 5-6B-12 of this subtitle.

**§ 5-6B-28. Duties of governing body relating to books and records**

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

(b)(1)(i) 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.

**§ 5-6B-29. Late charges imposed for delinquent assessments or installments**

(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 10 days or more.

**§ 5-6B-30. Violation of cooperative housing corporation rules or bylaws**

(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.

(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 reasonable attorney's 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-31. Actions to evict members of cooperative housing corporations**

(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 3 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-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.

### **§ 5-6B-32. Building and Zoning Codes Effect**

(a) (1) Except as provided in §§ 5-6B-08 through 5-6B-10 and § 5-6B-12 of this subtitle, the provisions of this subtitle are statewide in their effect.

(2) Except as provided in this subtitle, a county, city, or other jurisdiction may not enact any law, ordinance, or regulation which would impose a burden or restriction on a cooperative housing corporation that is not imposed on all other property of similar character not a cooperative housing corporation. Any such law, ordinance, or regulation is preempted by the subject and material of this title and is void.

(b) The provisions of all laws, ordinances, and regulations concerning building codes or zoning shall have full force and effect to the extent that they apply to property which is a cooperative housing corporation and shall be construed and applied with reference to the overall nature and use of the property without regard to the form of ownership. A law, ordinance, or regulation concerning building codes or zoning may not establish any requirement or standard governing the use, location, placement, or construction of any land and improvements which comprise a cooperative project, unless the requirement or standard is uniformly applicable to all land and improvements of the same kind or character not comprising cooperative projects.

### **§ 5-6B-33. Applicability of act**

(a) (1) Except as provided in paragraph (2) of this subsection, this subtitle is applicable to all cooperative housing corporations.

(2) The articles of incorporation, bylaws, membership certificates, or proprietary leases of a cooperative housing corporation established before July 1, 1986 need not be amended to comply with the requirements of this subtitle.

(b) Section 5-6B-02 shall apply to the initial sale of cooperative interests being offered for sale on or after July 1, 1986, if on that date, the developer has not sold any cooperative interests to initial purchasers.

(c) The provisions of §§ 5-6B-02 through 5-6B-04 and §§ 5-6B-06 through 5-6B-12 of this subtitle are not applicable to cooperative housing corporations in which cooperative interests have been sold to initial purchasers prior to July 1, 1986 if by January 1, 1987, the developer has sold 75 percent or more of the cooperative interests to initial purchasers.

(d) (1) Except as provided in paragraph (2) of this subsection, the notice required by § 5-6B-05 shall be given to any tenant in possession of any portion of a residential rental facility on or after January 1, 1987.

(2) The requirements of paragraph (1) of this subsection do not apply to nonresidential tenants.

(e) Any security interest in a cooperative interest which is perfected in any manner and has attached prior to July 1, 1986 shall continue to be perfected on and after that date.

(f) (1) A corporation, trust, unincorporated association, or other entity existing on July 1, 1986 that desires to confirm its status as a cooperative housing corporation under this subtitle, shall file a resolution with the board of directors or governing body of the entity electing to confirm the status.

(2) If the entity is unincorporated, the entity shall file original articles of incorporation reflecting its status with the Department of Assessments and Taxation.