

HOUSE BILL 220

L2, N1

9lr0458

By: **Prince George's County Delegation**

Introduced and read first time: January 23, 2019

Assigned to: Environment and Transportation

A BILL ENTITLED

1 AN ACT concerning

2 **Prince George's County – Condominiums and Homeowners Associations –**
3 **Reserve Studies – Annual Budgets**

4 **PG 402–19**

5 FOR the purpose of requiring the governing body of certain condominiums located in Prince
6 George's County to have a reserve study conducted of the common elements of the
7 condominium by a certain date and at certain intervals under certain circumstances;
8 requiring the reserve study conducted of the common elements of a condominium
9 located in Prince George's County to meet certain criteria; altering the content of the
10 annual budget of certain homeowners associations; requiring the governing body of
11 certain homeowners associations located in Prince George's County to have a reserve
12 study conducted of the common areas of the homeowners association by a certain
13 date and at certain intervals under certain circumstances; requiring the reserve
14 study conducted of the common areas of a homeowners association located in Prince
15 George's County to meet certain criteria; defining certain terms; providing for the
16 application of this Act; and generally relating to reserve studies and annual budgets
17 of condominiums and homeowners associations located in Prince George's County.

18 BY repealing and reenacting, without amendments,
19 Article – Real Property
20 Section 11–109.2
21 Annotated Code of Maryland
22 (2015 Replacement Volume and 2018 Supplement)

23 BY adding to
24 Article – Real Property
25 Section 11–109.4 and 11B–112.3
26 Annotated Code of Maryland
27 (2015 Replacement Volume and 2018 Supplement)

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 BY repealing and reenacting, with amendments,
2 Article – Real Property
3 Section 11B–112.2
4 Annotated Code of Maryland
5 (2015 Replacement Volume and 2018 Supplement)

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

8 **Article – Real Property**

9 11–109.2.

10 (a) The council of unit owners shall cause to be prepared and submitted to the
11 unit owners an annual proposed budget at least 30 days before its adoption.

12 (b) The annual budget shall provide for at least the following items:

13 (1) Income;

14 (2) Administration;

15 (3) Maintenance;

16 (4) Utilities;

17 (5) General expenses;

18 (6) Reserves; and

19 (7) Capital items.

20 (c) The budget shall be adopted at an open meeting of the council of unit owners
21 or any other body to which the council of unit owners delegates responsibilities for
22 preparing and adopting the budget.

23 (d) Any expenditure made other than those made because of conditions which, if
24 not corrected, could reasonably result in a threat to the health or safety of the unit owners
25 or a significant risk of damage to the condominium, that would result in an increase in an
26 amount of assessments for the current fiscal year of the condominium in excess of 15
27 percent of the budgeted amount previously adopted, shall be approved by an amendment
28 to the budget adopted at a special meeting, upon not less than 10 days written notice to the
29 council of unit owners.

30 (e) The adoption of a budget shall not impair the authority of the council of unit
31 owners to obligate the council of unit owners for expenditures for any purpose consistent
32 with any provision of this title.

1 (f) The provisions of this section do not apply to a condominium that is occupied
2 and used solely for nonresidential purposes.

3 **11-109.4.**

4 (A) IN THIS SECTION, "RESERVE STUDY" MEANS A STUDY OF THE RESERVES
5 REQUIRED FOR MAJOR REPAIRS AND REPLACEMENT OF THE COMMON ELEMENTS
6 OF A CONDOMINIUM CONDUCTED AT THE CONDOMINIUM'S EXPENSE AND IN A
7 MANNER ADOPTED BY THE GOVERNING BODY OF THE CONDOMINIUM.

8 (B) THIS SECTION APPLIES ONLY TO A CONDOMINIUM LOCATED IN PRINCE
9 GEORGE'S COUNTY THAT HAS MORE THAN 50 UNITS.

10 (C) (1) THIS SUBSECTION APPLIES TO A CONDOMINIUM ESTABLISHED ON
11 OR AFTER OCTOBER 1, 2019.

12 (2) NOT MORE THAN 90 CALENDAR DAYS AND NOT LESS THAN 30
13 CALENDAR DAYS BEFORE THE MEETING OF THE COUNCIL OF UNIT OWNERS
14 REQUIRED UNDER § 11-109(C)(16) OF THIS SUBTITLE, THE GOVERNING BODY OF
15 THE CONDOMINIUM SHALL HAVE A RESERVE STUDY CONDUCTED OF ALL THE
16 COMMON ELEMENTS.

17 (3) WITHIN 5 YEARS AFTER THE DATE OF THE INITIAL RESERVE
18 STUDY CONDUCTED UNDER PARAGRAPH (2) OF THIS SUBSECTION, AND AT LEAST
19 EVERY 5 YEARS THEREAFTER, THE GOVERNING BODY SHALL HAVE A RESERVE
20 STUDY CONDUCTED.

21 (D) (1) THIS SUBSECTION APPLIES TO A CONDOMINIUM ESTABLISHED
22 BEFORE OCTOBER 1, 2019.

23 (2) IF THE GOVERNING BODY OF A CONDOMINIUM HAS HAD A
24 RESERVE STUDY CONDUCTED ON OR AFTER OCTOBER 1, 2015, THE GOVERNING
25 BODY SHALL HAVE A RESERVE STUDY CONDUCTED WITHIN 5 YEARS AFTER THE DATE
26 OF THAT RESERVE STUDY AND AT LEAST EVERY 5 YEARS THEREAFTER.

27 (3) IF THE GOVERNING BODY OF A CONDOMINIUM HAS NOT HAD A
28 RESERVE STUDY CONDUCTED ON OR AFTER OCTOBER 1, 2015, THE GOVERNING
29 BODY SHALL HAVE A RESERVE STUDY CONDUCTED ON OR BEFORE
30 OCTOBER 1, 2020, AND AT LEAST EVERY 5 YEARS THEREAFTER.

31 (E) EACH RESERVE STUDY REQUIRED UNDER THIS SECTION SHALL:

32 (1) INCLUDE A STATEMENT OF THE QUALIFICATIONS OF THE PERSON

1 **WHO PREPARED THE RESERVE STUDY;**

2 **(2) BE AVAILABLE FOR INSPECTION AND COPYING BY ANY UNIT**
3 **OWNER;**

4 **(3) BE REVIEWED BY THE GOVERNING BODY OF THE CONDOMINIUM**
5 **IN CONNECTION WITH THE PREPARATION OF THE ANNUAL PROPOSED BUDGET; AND**

6 **(4) BE SUMMARIZED FOR SUBMISSION WITH THE ANNUAL PROPOSED**
7 **BUDGET TO THE UNIT OWNERS.**

8 11B-112.2.

9 (a) This section applies only to a homeowners association that has responsibility
10 under its declaration for maintaining and repairing common areas.

11 (b) (1) The board of directors or other governing body of a homeowners
12 association shall cause to be prepared and submitted to the lot owners an annual proposed
13 budget at least 30 days before its adoption.

14 (2) The annual proposed budget may be sent to each lot owner by electronic
15 transmission, by posting on the homeowners association's home page, or by including the
16 annual proposed budget in the homeowners association's newsletter.

17 (c) The annual budget shall provide [information on or expenditures] for at least
18 the following items:

19 (1) Income;

20 (2) Administration;

21 (3) Maintenance;

22 (4) Utilities;

23 (5) General expenses;

24 (6) Reserves; and

25 (7) Capital expenses.

26 (d) (1) The budget shall be adopted at an open meeting of the homeowners
27 association or any other body to which the homeowners association delegates
28 responsibilities for preparing and adopting the budget.

29 (2) (i) Notice of the meeting at which the proposed budget will be

1 considered shall be sent to each lot owner.

2 (ii) Notice under subparagraph (i) of this paragraph may be sent by
3 electronic transmission, by posting on the homeowners association's home page, or by
4 including the notice in the homeowners association's newsletter.

5 (e) Except for an expenditure made by the homeowners association because of a
6 condition that, if not corrected, could reasonably result in a threat to the health or safety
7 of the lot owners or a significant risk of damage to the development, any expenditure that
8 would result in an increase in an amount of assessments for the current fiscal year of the
9 homeowners association in excess of 15% of the budgeted amount previously adopted shall
10 be approved by an amendment to the budget adopted at a special meeting for which not
11 less than 10 days' written notice shall be provided to the lot owners.

12 (f) The adoption of a budget does not impair the authority of the homeowners
13 association to obligate the homeowners association for expenditures for any purpose
14 consistent with any provision of this title.

15 **11B-112.3.**

16 (A) IN THIS SECTION, "RESERVE STUDY" MEANS A STUDY OF THE RESERVES
17 REQUIRED FOR MAJOR REPAIRS AND REPLACEMENT OF THE COMMON AREAS OF A
18 HOMEOWNERS ASSOCIATION CONDUCTED AT THE HOMEOWNERS ASSOCIATION'S
19 EXPENSE AND IN A MANNER ADOPTED BY THE GOVERNING BODY OF THE
20 HOMEOWNERS ASSOCIATION.

21 (B) (1) THIS SECTION APPLIES ONLY TO A HOMEOWNERS ASSOCIATION
22 LOCATED IN PRINCE GEORGE'S COUNTY THAT:

23 (I) HAS MORE THAN 50 DWELLING UNITS IN THE
24 DEVELOPMENT; AND

25 (II) HAS RESPONSIBILITY UNDER ITS DECLARATION FOR
26 MAINTAINING AND REPAIRING COMMON AREAS.

27 (2) THIS SECTION DOES NOT APPLY TO A HOMEOWNERS ASSOCIATION
28 THAT ISSUES BONDS FOR THE PURPOSE OF MEETING CAPITAL EXPENDITURES.

29 (C) (1) THIS SUBSECTION APPLIES TO A HOMEOWNERS ASSOCIATION
30 ESTABLISHED ON OR AFTER OCTOBER 1, 2019.

31 (2) NOT MORE THAN 90 CALENDAR DAYS AND NOT LESS THAN 30
32 CALENDAR DAYS BEFORE THE FIRST MEETING OF THE HOMEOWNERS ASSOCIATION
33 AT WHICH THE LOT OWNERS, OTHER THAN THE DECLARANT, HAVE A MAJORITY OF
34 VOTES IN THE HOMEOWNERS ASSOCIATION, THE GOVERNING BODY OF THE

1 HOMEOWNERS ASSOCIATION SHALL HAVE A RESERVE STUDY CONDUCTED OF ALL
2 THE COMMON AREAS.

3 (3) WITHIN 5 YEARS AFTER THE DATE OF THE INITIAL RESERVE
4 STUDY CONDUCTED UNDER PARAGRAPH (2) OF THIS SUBSECTION, AND AT LEAST
5 EVERY 5 YEARS THEREAFTER, THE GOVERNING BODY SHALL HAVE A RESERVE
6 STUDY CONDUCTED.

7 (D) (1) THIS SUBSECTION APPLIES TO A HOMEOWNERS ASSOCIATION
8 ESTABLISHED BEFORE OCTOBER 1, 2019.

9 (2) IF THE GOVERNING BODY OF A HOMEOWNERS ASSOCIATION HAS
10 HAD A RESERVE STUDY CONDUCTED ON OR AFTER OCTOBER 1, 2015, THE
11 GOVERNING BODY SHALL HAVE A RESERVE STUDY CONDUCTED WITHIN 5 YEARS
12 AFTER THE DATE OF THAT RESERVE STUDY AND AT LEAST EVERY 5 YEARS
13 THEREAFTER.

14 (3) IF THE GOVERNING BODY OF A HOMEOWNERS ASSOCIATION HAS
15 NOT HAD A RESERVE STUDY CONDUCTED ON OR AFTER OCTOBER 1, 2015, THE
16 GOVERNING BODY SHALL HAVE A RESERVE STUDY CONDUCTED ON OR BEFORE
17 OCTOBER 1, 2020, AND AT LEAST EVERY 5 YEARS THEREAFTER.

18 (E) EACH RESERVE STUDY REQUIRED UNDER THIS SECTION SHALL:

19 (1) INCLUDE A STATEMENT OF THE QUALIFICATIONS OF THE PERSON
20 WHO PREPARED THE RESERVE STUDY;

21 (2) BE AVAILABLE FOR INSPECTION AND COPYING BY ANY LOT
22 OWNER;

23 (3) BE REVIEWED BY THE GOVERNING BODY OF THE HOMEOWNERS
24 ASSOCIATION IN CONNECTION WITH THE PREPARATION OF THE ANNUAL PROPOSED
25 BUDGET; AND

26 (4) BE SUMMARIZED FOR SUBMISSION WITH THE ANNUAL PROPOSED
27 BUDGET TO THE LOT OWNERS.

28 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
29 October 1, 2019.