

HOUSE BILL 1262

N1, C1

4lr1545

By: **Delegates Hartman, Adams, Boyce, Griffith, Otto, and Rose**

Introduced and read first time: February 8, 2024

Assigned to: Environment and Transportation

A BILL ENTITLED

1 AN ACT concerning

2 **Common Ownership Communities – Reserve Studies – Alterations**

3 FOR the purpose of exempting the governing bodies of certain cooperative housing
4 corporations, condominiums, and homeowners associations from reserve study
5 requirements; extending the time in which the governing body of a cooperative
6 housing corporation, condominium, or homeowners association has to attain a
7 certain recommended annual reserve funding level following an initial reserve study;
8 and generally relating to reserve studies for cooperative housing corporations,
9 condominiums, and homeowners associations.

10 BY repealing and reenacting, with amendments,
11 Article – Corporations and Associations
12 Section 5–6B–26.1
13 Annotated Code of Maryland
14 (2014 Replacement Volume and 2023 Supplement)

15 BY repealing and reenacting, with amendments,
16 Article – Real Property
17 Section 11–109.2(c), 11–109.4, 11B–112.2(d), and 11B–112.3
18 Annotated Code of Maryland
19 (2023 Replacement Volume)

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

22 **Article – Corporations and Associations**

23 5–6B–26.1.

24 (a) In this section, “reserve study” means a study of the reserves required for
25 future major repairs and replacement of the common elements of a cooperative housing

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 corporation that:

2 (1) Identifies each structural, mechanical, electrical, and plumbing
3 component of the common elements and any other components that are the responsibility
4 of the cooperative housing corporation to repair and replace;

5 (2) States the normal useful life and the estimated remaining useful life of
6 each identified component;

7 (3) States the estimated cost of repair or replacement of each identified
8 component; and

9 (4) States the estimated annual reserve amount necessary to accomplish
10 any identified future repair or replacement.

11 (b) (1) This subsection applies only to a cooperative housing corporation
12 established in:

13 (i) Prince George's County on or after October 1, 2020;

14 (ii) Montgomery County on or after October 1, 2021; or

15 (iii) Any county other than Prince George's County or Montgomery
16 County on or after October 1, 2022, **THAT CONTAINS SEVEN OR MORE UNITS.**

17 (2) The governing body of the cooperative housing corporation shall have
18 an independent reserve study completed not less than 30 calendar days before the first
19 meeting of the cooperative housing corporation at which the members other than the owner
20 have a majority of votes in the cooperative housing corporation.

21 (3) The governing body shall have an updated reserve study completed
22 within 5 years after the date of the initial reserve study conducted under paragraph (2) of
23 this subsection, which shall be updated at least every 5 years thereafter.

24 (c) (1) (i) This paragraph applies only to a cooperative housing corporation
25 established in Prince George's County before October 1, 2020.

26 (ii) If the governing body of a cooperative housing corporation has
27 had a reserve study conducted on or after October 1, 2016, the governing body shall have
28 an updated reserve study conducted within 5 years after the date of that reserve study and
29 at least every 5 years thereafter.

30 (iii) If the governing body of a cooperative housing corporation has
31 not had a reserve study conducted on or after October 1, 2016, the governing body shall
32 have a reserve study conducted on or before October 1, 2021, and an updated reserve study
33 at least every 5 years thereafter.

1 (2) (i) This paragraph applies only to a cooperative housing corporation
2 established in Montgomery County before October 1, 2021.

3 (ii) If the governing body of a cooperative housing corporation has
4 had a reserve study conducted on or after October 1, 2017, the governing body shall have
5 an updated reserve study conducted within 5 years after the date of that reserve study and
6 at least every 5 years thereafter.

7 (iii) If the governing body of a cooperative housing corporation has
8 not had a reserve study conducted on or after October 1, 2017, the governing body shall
9 have a reserve study conducted on or before October 1, 2022, and an updated reserve study
10 at least every 5 years thereafter.

11 (3) (i) This paragraph applies to a cooperative housing corporation
12 established in any county other than Prince George's County or Montgomery County before
13 October 1, 2022, **THAT CONTAINS SEVEN OR MORE UNITS.**

14 (ii) If the governing body of a cooperative housing corporation has
15 had a reserve study conducted on or after October 1, 2018, the governing body shall have
16 an updated reserve study conducted within 5 years after the date of that reserve study and
17 at least every 5 years thereafter.

18 (iii) If the governing body of a cooperative housing corporation has
19 not had a reserve study conducted on or after October 1, 2018, the governing body shall
20 have a reserve study conducted on or before October 1, 2023, and an updated reserve study
21 at least every 5 years thereafter.

22 (d) Each reserve study required under this section shall:

23 (1) Be prepared by a person who:

24 (i) Has prepared at least 30 reserve studies within the prior 3
25 calendar years;

26 (ii) Has participated in the preparation of at least 30 reserve studies
27 within the prior 3 calendar years while employed by a firm that prepares reserve studies;

28 (iii) Holds a current license from the State Board of Architects or the
29 State Board for Professional Engineers; or

30 (iv) Is currently designated as a reserve specialist by the Community
31 Association Institute or as a professional reserve analyst by the Association of Professional
32 Reserve Analysts;

33 (2) Be available for inspection and copying by any unit owner;

34 (3) Be reviewed by the governing body of the cooperative housing

1 corporation in connection with the preparation of the annual proposed budget; and

2 (4) Be summarized for submission with the annual proposed budget to the
3 unit owners.

4 (e) To the extent that a reserve study conducted in accordance with this section
5 indicates a need to budget for reserves, the budget shall include:

6 (1) For the capital components, the current estimated:

7 (i) Replacement cost;

8 (ii) Remaining life; and

9 (iii) Useful life;

10 (2) The amount of accumulated cash reserves set aside for the repair,
11 replacement, or restoration of capital components as of the beginning of the fiscal year in
12 which the reserve study is conducted and the amount of the expected contribution to the
13 reserve fund for the fiscal year;

14 (3) A statement describing the procedures used for estimation and
15 accumulation of cash reserves in accordance with this section; and

16 (4) A statement of the amount of reserves recommended in the study and
17 the amount of current cash for replacement reserves.

18 (f) (1) (i) Subject to subparagraph (ii) of this paragraph, the governing
19 body of a cooperative housing corporation shall provide funds to the reserve in accordance
20 with the most recent reserve study and shall review the reserve study annually for
21 accuracy.

22 (ii) If the most recent reserve study was an initial reserve study, the
23 governing body shall, within [3] 5 fiscal years following the fiscal year in which the initial
24 reserve study was completed, attain the annual reserve funding level recommended in the
25 initial reserve study.

26 (2) The governing body of a cooperative housing corporation has the
27 authority to increase an assessment levied to cover the reserve funding amount required
28 under this section, notwithstanding any provision of the articles of incorporation, bylaws,
29 or proprietary lease restricting assessment increases or capping the assessment that may
30 be levied in a fiscal year.

31 **Article – Real Property**

32 11–109.2.

1 (c) (1) Subject to paragraph (2) of this subsection, the reserves provided for in
2 the annual budget under subsection (b) of this section for a residential condominium shall
3 be the funding amount recommended in the most recent reserve study completed under §
4 11–109.4 of this title.

5 (2) If the most recent reserve study was an initial reserve study, the
6 governing body shall, within [3] 5 fiscal years following the fiscal year in which the initial
7 reserve study was completed, attain the annual reserve funding level recommended in the
8 initial reserve study.

9 11–109.4.

10 (a) In this section, “reserve study” means a study of the reserves required for
11 future major repairs and replacement of the common elements of a condominium that:

12 (1) Identifies each structural, mechanical, electrical, and plumbing
13 component of the common elements and any other components that are the responsibility
14 of the council of unit owners to repair and replace;

15 (2) States the normal useful life and the estimated remaining useful life of
16 each identified component;

17 (3) States the estimated cost of repair or replacement of each identified
18 component; and

19 (4) States the estimated annual reserve amount necessary to accomplish
20 any identified future repair or replacement.

21 (b) This section applies only to a residential condominium.

22 (c) (1) This subsection applies only to a condominium established in:

23 (i) Prince George’s County on or after October 1, 2020;

24 (ii) Montgomery County on or after October 1, 2021; or

25 (iii) Any county other than Prince George’s County or Montgomery
26 County on or after October 1, 2022, **THAT CONTAINS SEVEN OR MORE UNITS.**

27 (2) The governing body of the condominium shall have an independent
28 reserve study completed not less than 30 calendar days before the meeting of the council of
29 unit owners required under § 11–109(c)(16) of this title.

30 (3) The governing body shall have an updated reserve study completed
31 within 5 years after the date of the initial reserve study conducted under paragraph (2) of
32 this subsection and at least every 5 years thereafter.

1 (d) (1) (i) This paragraph applies only to a condominium established in
2 Prince George's County before October 1, 2020.

3 (ii) If the governing body of a condominium has had a reserve study
4 conducted on or after October 1, 2016, the governing body shall have an updated reserve
5 study conducted within 5 years after the date of that reserve study and at least every 5
6 years thereafter.

7 (iii) If the governing body of a condominium has not had a reserve
8 study conducted on or after October 1, 2016, the governing body shall have a reserve study
9 conducted on or before October 1, 2021, and an updated reserve study at least every 5 years
10 thereafter.

11 (2) (i) This paragraph applies only to a condominium established in
12 Montgomery County before October 1, 2021.

13 (ii) If the governing body of a condominium has had a reserve study
14 conducted on or after October 1, 2017, the governing body shall have an updated reserve
15 study conducted within 5 years after the date of that reserve study and at least every 5
16 years thereafter.

17 (iii) If the governing body of a condominium has not had a reserve
18 study conducted on or after October 1, 2017, the governing body shall have a reserve study
19 conducted on or before October 1, 2022, and an updated reserve study at least every 5 years
20 thereafter.

21 (3) (i) This paragraph applies only to a condominium established in any
22 county other than Prince George's County or Montgomery County before October 1, 2022,
23 **THAT CONTAINS SEVEN OR MORE UNITS.**

24 (ii) If the governing body of a condominium has had a reserve study
25 conducted on or after October 1, 2018, the governing body shall have an updated reserve
26 study conducted within 5 years after the date of that reserve study and at least every 5
27 years thereafter.

28 (iii) If the governing body of a condominium has not had a reserve
29 study conducted on or after October 1, 2018, the governing body shall have a reserve study
30 conducted on or before October 1, 2023, and an updated reserve study at least every 5 years
31 thereafter.

32 (e) Each reserve study required under this section shall:

33 (1) Be prepared by a person who:

34 (i) Has prepared at least 30 reserve studies within the prior 3
35 calendar years;

1 (ii) Has participated in the preparation of at least 30 reserve studies
2 within the prior 3 calendar years while employed by a firm that prepares reserve studies;

3 (iii) Holds a current license from the State Board of Architects or the
4 State Board for Professional Engineers; or

5 (iv) Is currently designated as a reserve specialist by the Community
6 Association Institute or as a professional reserve analyst by the Association of Professional
7 Reserve Analysts;

8 (2) Be available for inspection and copying by any unit owner;

9 (3) Be reviewed by the governing body of the condominium in connection
10 with the preparation of the annual proposed budget; and

11 (4) Be summarized for submission with the annual proposed budget to the
12 unit owners.

13 11B-112.2.

14 (d) (1) Subject to paragraph (2) of this subsection, reserves provided for in the
15 annual budget under subsection (c) of this section shall be the funding amount
16 recommended in the most recent reserve study completed under § 11B-112.3 of this title.

17 (2) If the most recent reserve study was an initial reserve study, the
18 governing body shall, within [3] 5 fiscal years following the fiscal year in which the initial
19 reserve study was completed, attain the annual reserve funding level recommended in the
20 initial reserve study.

21 11B-112.3.

22 (a) In this section, “reserve study” means a study of the reserves required for
23 future major repairs and replacement of the common areas of a homeowners association
24 that:

25 (1) Identifies each structural, mechanical, electrical, and plumbing
26 component of the common areas and any other components that are the responsibility of
27 the homeowners association to repair and replace;

28 (2) States the estimated remaining useful life of each identified component;

29 (3) States the estimated cost of repair or replacement of each identified
30 component; and

31 (4) States the estimated annual reserve amount necessary to accomplish
32 any identified future repair or replacement.

1 (b) (1) This section applies only to a homeowners association:

2 (i) That has responsibility under its declaration for maintaining and
3 repairing common areas; and

4 (ii) For which the total initial purchase and installation costs for all
5 components identified in subsection (a)(1) of this section is at least \$10,000.

6 (2) This section does not apply to [a]:

7 (I) A homeowners association that issues bonds for the purpose of
8 meeting capital expenditures; OR

9 (II) **IN A COUNTY OTHER THAN PRINCE GEORGE'S COUNTY OR**
10 **MONTGOMERY COUNTY, A HOMEOWNERS ASSOCIATION THAT HAS SIX OR FEWER**
11 **LOTS.**

12 (c) (1) This subsection applies only to a homeowners association established
13 in:

14 (i) Prince George's County on or after October 1, 2020;

15 (ii) Montgomery County on or after October 1, 2021; or

16 (iii) Any county other than Prince George's County or Montgomery
17 County on or after October 1, 2022, **THAT CONTAINS SEVEN OR MORE LOTS.**

18 (2) The governing body of the homeowners association shall have an
19 independent reserve study completed not more than 90 calendar days and not less than 30
20 calendar days before the meeting of the homeowners association required under §
21 11B-106.1(a) of this title.

22 (3) The governing body shall have an updated reserve study completed
23 within 5 years after the date of the initial reserve study conducted under paragraph (2) of
24 this subsection and at least every 5 years thereafter.

25 (d) (1) (i) This paragraph applies only to a homeowners association
26 established in Prince George's County before October 1, 2020.

27 (ii) If the governing body of a homeowners association has had a
28 reserve study conducted on or after October 1, 2016, the governing body shall have an
29 updated reserve study conducted within 5 years after the date of that reserve study and at
30 least every 5 years thereafter.

31 (iii) If the governing body of a homeowners association has not had a
32 reserve study conducted on or after October 1, 2016, the governing body shall have a reserve

1 study conducted on or before October 1, 2021, and an updated reserve study at least every
2 5 years thereafter.

3 (2) (i) This paragraph applies only to a homeowners association
4 established in Montgomery County before October 1, 2021.

5 (ii) If the governing body of a homeowners association has had a
6 reserve study conducted on or after October 1, 2017, the governing body shall have an
7 updated reserve study conducted within 5 years after the date of that reserve study and at
8 least every 5 years thereafter.

9 (iii) If the governing body of a homeowners association has not had a
10 reserve study conducted on or after October 1, 2017, the governing body shall have a reserve
11 study conducted on or before October 1, 2022, and an updated reserve study at least every
12 5 years thereafter.

13 (3) (i) This paragraph applies only to a homeowners association
14 established in any county other than Prince George's County or Montgomery County before
15 October 1, 2022, **THAT CONTAINS SEVEN OR MORE LOTS.**

16 (ii) If the governing body of a homeowners association has had a
17 reserve study conducted on or after October 1, 2018, the governing body shall have an
18 updated reserve study conducted within 5 years after the date of that reserve study and at
19 least every 5 years thereafter.

20 (iii) If the governing body of a homeowners association has not had a
21 reserve study conducted on or after October 1, 2018, the governing body shall have a reserve
22 study conducted on or before October 1, 2023, and an updated reserve study at least every
23 5 years thereafter.

24 (e) Each reserve study required under this section shall:

25 (1) Be prepared by a person who:

26 (i) Has prepared at least 30 reserve studies within the prior 3
27 calendar years;

28 (ii) Has participated in the preparation of at least 30 reserve studies
29 within the prior 3 calendar years while employed by a firm that prepares reserve studies;

30 (iii) Holds a current license from the State Board of Architects or the
31 State Board for Professional Engineers; or

32 (iv) Is currently designated as a reserve specialist by the Community
33 Association Institute or as a professional reserve analyst by the Association of Professional
34 Reserve Analysts;

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- 1 (2) Be available for inspection and copying by any lot owner;
- 2 (3) Be reviewed by the governing body of the homeowners association in
3 connection with the preparation of the annual proposed budget; and
- 4 (4) Be summarized for submission with the annual proposed budget to the
5 lot owners.

6 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
7 October 1, 2024.