

# SENATE BILL 1050

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CF HB 1208

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By: **Senator Mautz**

Introduced and read first time: February 2, 2024

Assigned to: Judicial Proceedings

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## A BILL ENTITLED

1 AN ACT concerning

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

3 FOR the purpose of exempting cooperative housing corporations, condominiums, and  
4 homeowners associations from conducting reserve studies under certain  
5 circumstances; and generally relating to common ownership communities and  
6 reserve studies.

7 BY repealing and reenacting, with amendments,

8 Article – Corporations and Associations

9 Section 5–6B–26.1

10 Annotated Code of Maryland

11 (2014 Replacement Volume and 2023 Supplement)

12 BY repealing and reenacting, with amendments,

13 Article – Real Property

14 Section 11–109.4 and 11B–112.3

15 Annotated Code of Maryland

16 (2023 Replacement Volume)

17 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,

18 That the Laws of Maryland read as follows:

19 **Article – Corporations and Associations**

20 5–6B–26.1.

21 (a) In this section, “reserve study” means a study of the reserves required for  
22 future major repairs and replacement of the common elements of a cooperative housing  
23 corporation that:

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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

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

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

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

10 **(B) NOTWITHSTANDING SUBSECTIONS (C) AND (D) OF THIS SECTION, THIS**  
11 **SECTION DOES NOT APPLY TO A COOPERATIVE HOUSING CORPORATION IF AT LEAST**  
12 **TWO-THIRDS OF THE MEMBERS OF THE COOPERATIVE HOUSING CORPORATION**  
13 **VOTE AGAINST HAVING AN INDEPENDENT RESERVE STUDY CONDUCTED.**

14 **[(b)] (C)** (1) This subsection applies only to a cooperative housing corporation  
15 established in:

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

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

18 (iii) Any county other than Prince George's County or Montgomery  
19 County on or after October 1, 2022.

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

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

27 **[(c)] (D)** (1) (i) This paragraph applies only to a cooperative housing  
28 corporation established in Prince George's County before October 1, 2020.

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

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

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

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

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

15 (3) (i) This paragraph applies to a cooperative housing corporation  
16 established in any county other than Prince George's County or Montgomery County before  
17 October 1, 2022.

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

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

26 [(d)] (E) Each reserve study required under this section shall:

27 (1) Be prepared by a person who:

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

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

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

1 (iv) Is currently designated as a reserve specialist by the Community  
2 Association Institute or as a professional reserve analyst by the Association of Professional  
3 Reserve Analysts;

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

5 (3) Be reviewed by the governing body of the cooperative housing  
6 corporation in connection with the preparation of the annual proposed budget; and

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

9 **[(e)] (F)** To the extent that a reserve study conducted in accordance with this  
10 section indicates a need to budget for reserves, the budget shall include:

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

12 (i) Replacement cost;

13 (ii) Remaining life; and

14 (iii) Useful life;

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

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

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

23 **[(f)] (G)** (1) (i) Subject to subparagraph (ii) of this paragraph, the  
24 governing body of a cooperative housing corporation shall provide funds to the reserve in  
25 accordance with the most recent reserve study and shall review the reserve study annually  
26 for accuracy.

27 (ii) If the most recent reserve study was an initial reserve study, the  
28 governing body shall, within 3 fiscal years following the fiscal year in which the initial  
29 reserve study was completed, attain the annual reserve funding level recommended in the  
30 initial reserve study.

31 (2) The governing body of a cooperative housing corporation has the  
32 authority to increase an assessment levied to cover the reserve funding amount required  
33 under this section, notwithstanding any provision of the articles of incorporation, bylaws,

1 or proprietary lease restricting assessment increases or capping the assessment that may  
2 be levied in a fiscal year.

### 3 **Article – Real Property**

4 11–109.4.

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

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

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

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

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

16 (b) **(1) [This] EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS**  
17 **SUBSECTION, THIS** section applies only to a residential condominium.

18 **(2) THIS SECTION DOES NOT APPLY TO A RESIDENTIAL**  
19 **CONDOMINIUM IF AT LEAST TWO–THIRDS OF UNIT OWNERS IN GOOD STANDING VOTE**  
20 **AGAINST HAVING AN INDEPENDENT RESERVE STUDY CONDUCTED.**

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

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

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

24 (iii) Any county other than Prince George’s County or Montgomery  
25 County on or after October 1, 2022.

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

29 (3) The governing body shall have an updated reserve study completed  
30 within 5 years after the date of the initial reserve study conducted under paragraph (2) of  
31 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 (ii) If the governing body of a condominium has had a reserve study  
24 conducted on or after October 1, 2018, the governing body shall have an updated reserve  
25 study conducted within 5 years after the date of that reserve study and at least every 5  
26 years thereafter.

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

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

32 (1) Be prepared by a person who:

33 (i) Has prepared at least 30 reserve studies within the prior 3  
34 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-112.3.

14 (a) In this section, "reserve study" means a study of the reserves required for  
15 future major repairs and replacement of the common areas of a homeowners association  
16 that:

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

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

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

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

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

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

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

30 (2) This section does not apply to a homeowners association [that]:

1                   **(I) THAT** issues bonds for the purpose of meeting capital  
2 expenditures; **OR**

3                   **(II) IF AT LEAST TWO-THIRDS OF THE LOT OWNERS IN GOOD**  
4 **STANDING VOTE AGAINST HAVING AN INDEPENDENT RESERVE STUDY CONDUCTED.**

5           (c)   (1)   This subsection applies only to a homeowners association established  
6 in:

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

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

9                   (iii) Any county other than Prince George's County or Montgomery  
10 County on or after October 1, 2022.

11                   (2)   The governing body of the homeowners association shall have an  
12 independent reserve study completed not more than 90 calendar days and not less than 30  
13 calendar days before the meeting of the homeowners association required under §  
14 11B-106.1(a) of this title.

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

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

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

24                   (iii) If the governing body of a homeowners association has not had a  
25 reserve study conducted on or after October 1, 2016, the governing body shall have a reserve  
26 study conducted on or before October 1, 2021, and an updated reserve study at least every  
27 5 years thereafter.

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

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



1 (iii) If the governing body of a homeowners association has not had a  
2 reserve study conducted on or after October 1, 2017, the governing body shall have a reserve  
3 study conducted on or before October 1, 2022, and an updated reserve study at least every  
4 5 years thereafter.

5 (3) (i) This paragraph applies only to a homeowners association  
6 established in any county other than Prince George's County or Montgomery County before  
7 October 1, 2022.

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

12 (iii) If the governing body of a homeowners association has not had a  
13 reserve study conducted on or after October 1, 2018, the governing body shall have a reserve  
14 study conducted on or before October 1, 2023, and an updated reserve study at least every  
15 5 years thereafter.

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

17 (1) Be prepared by a person who:

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

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

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

24 (iv) Is currently designated as a reserve specialist by the Community  
25 Association Institute or as a professional reserve analyst by the Association of Professional  
26 Reserve Analysts;

27 (2) Be available for inspection and copying by any lot owner;

28 (3) Be reviewed by the governing body of the homeowners association in  
29 connection with the preparation of the annual proposed budget; and

30 (4) Be summarized for submission with the annual proposed budget to the  
31 lot owners.

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