

Department of Legislative Services  
Maryland General Assembly  
2008 Session

FISCAL AND POLICY NOTE

House Bill 195 (Delegate McConkey, *et al.*)  
Environmental Matters

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**Real Property - Common Ownership Communities - Reserve Study**

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This bill requires the governing body of a condominium, cooperative housing corporation, or homeowners association with common areas to conduct a reserve study at least once every five years, distribute a summary of the reserve study findings to all unit owners, lot owners, or members and annually review the results of the reserve study.

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**Fiscal Summary**

**State Effect:** The bill would not directly affect State finances or operations.

**Local Effect:** The bill would not directly affect local finances or operations.

**Small Business Effect:** Potential minimal.

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**Analysis**

**Bill Summary:** Under the bill, the “common areas” of a cooperative housing project are defined as the portions of a project possessed in common by the members or unit owners. A “reserve fund” is defined as a fund for major repairs and replacement of the common areas. A “reserve study” is defined as a study of the amount of reserves required for major repairs and replacement of the common areas conducted in a manner adopted by the governing body.

The bill also creates similar specific definitions of the above terms with respect to condominiums and housing associations. The bill requires the bylaws of every condominium to express the frequency with which a reserve study must be conducted and

requires contracts for resale of units by owners to contain a statement of the intended use of the reserve fund, a statement of the results of the latest reserve study, and corresponding notice of these statements. Only housing associations with common areas are bound by the requirements of the bill.

**Current Law/Background:** A condominium's annual budget must provide for reserves and capital items among the expenses of the condominium. In a condominium, money for the payment of current common expenses and the creation of reserves for the payment of future common expenses must be obtained by assessments against the unit owners in proportion to their percentage interests in the common expenses and common profits. No provision specifically governs whether the budget of a cooperative housing corporation or a homeowners association must provide for reserves.

Chapter 469 of 2005 established the Task Force on Common Ownership Communities. The full task force met 10 times during 2006 and conducted 5 public hearings, at which public comments were solicited. In addition, subcommittees comprising task force members met several times. The task force made several recommendations on various topics; the bill reflects one of those recommendations. The task force reported that many aging communities face financial difficulty because assessments are insufficient to repair capital components under common ownership.

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### **Additional Information**

**Prior Introductions:** Similar bills were introduced in 2007. HB 768 received an unfavorable report from the House Environmental Matters Committee, and SB 285 received an unfavorable report from the Senate Judicial Proceedings Committee.

**Cross File:** None.

**Information Source(s):** Office of the Attorney General (Consumer Protection Division); Department of Legislative Services

**Fiscal Note History:** First Reader - February 5, 2008  
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