

# HOUSE BILL 534

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By: **Delegate Holmes**

Introduced and read first time: February 1, 2023

Assigned to: Environment and Transportation

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## A BILL ENTITLED

1 AN ACT concerning

2 **Cooperative Housing Corporations, Condominiums, and Homeowners**  
3 **Associations – Funding of Reserve Accounts**

4 FOR the purpose of requiring that certain funds for the reserve account of a cooperative  
5 housing corporation, a residential condominium, or a homeowners association be  
6 deposited by a certain day each fiscal year; extending the amount of time after an  
7 initial reserve study that a cooperative housing corporation, a residential  
8 condominium, or a homeowners association has to obtain a certain recommended  
9 reserve funding level; requiring a residential condominium or a homeowners  
10 association to review the reserve study annually for accuracy; and generally relating  
11 to reserve studies and annual budgets of cooperative housing corporations,  
12 condominiums, and homeowners associations.

13 BY repealing and reenacting, without amendments,  
14 Article – Corporations and Associations  
15 Section 5–6B–26.1(a)  
16 Annotated Code of Maryland  
17 (2014 Replacement Volume and 2022 Supplement)

18 BY repealing and reenacting, with amendments,  
19 Article – Corporations and Associations  
20 Section 5–6B–26.1(f)  
21 Annotated Code of Maryland  
22 (2014 Replacement Volume and 2022 Supplement)

23 BY repealing and reenacting, with amendments,  
24 Article – Real Property  
25 Section 11–109.2(c) and 11B–112.2(d)  
26 Annotated Code of Maryland  
27 (2015 Replacement Volume and 2022 Supplement)

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 BY repealing and reenacting, without amendments,  
 2 Article – Real Property  
 3 Section 11–109.4(a) and 11B–112.3(a)  
 4 Annotated Code of Maryland  
 5 (2015 Replacement Volume and 2022 Supplement)

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

8 **Article – Corporations and Associations**

9 5–6B–26.1.

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 cooperative housing  
 12 corporation that:

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

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

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

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

22 (f) (1) (i) Subject to subparagraph (ii) of this paragraph, the governing  
 23 body of a cooperative housing corporation shall [provide] **DEPOSIT** funds to the reserve  
 24 **ACCOUNT** in accordance with the most recent reserve study **ON OR BEFORE THE LAST**  
 25 **DAY OF EACH FISCAL YEAR** and shall review the reserve study annually for accuracy.

26 (ii) If the most recent reserve study was an initial reserve study, the  
 27 governing body shall, within [3] **5** fiscal years following the fiscal year in which the initial  
 28 reserve study was completed, attain the annual reserve funding level recommended in the  
 29 initial reserve study.

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

35 **Article – Real Property**

1 11-109.2.

2 (c) (1) Subject to paragraph (2) of this subsection, the reserves provided for in  
3 the annual budget under subsection (b) of this section for a residential condominium shall  
4 **[be]:**

5 (I) **BE** the funding amount recommended in the most recent reserve  
6 study completed under § 11-109.4 of this title; **AND**

7 (II) **BE DEPOSITED IN THE RESERVE ACCOUNT ON OR BEFORE**  
8 **THE LAST DAY OF EACH FISCAL YEAR.**

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

13 (3) **A RESIDENTIAL CONDOMINIUM SHALL REVIEW THE RESERVE**  
14 **STUDY ANNUALLY FOR ACCURACY.**

15 11-109.4.

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

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

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

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

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

27 11B-112.2.

28 (d) (1) Subject to paragraph (2) of this subsection, reserves provided for in the  
29 annual budget under subsection (c) of this section shall **[be]:**

30 (I) **BE** the funding amount recommended in the most recent reserve  
31 study completed under § 11B-112.3 of this title; **AND**

1                   **(II) BE DEPOSITED IN THE RESERVE ACCOUNT ON OR BEFORE**  
2 **THE LAST DAY OF EACH FISCAL YEAR.**

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

7                   **(3) A HOMEOWNERS ASSOCIATION SHALL REVIEW THE RESERVE**  
8 **STUDY ANNUALLY FOR ACCURACY.**

9 11B-112.3.

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

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

16                   (2) States the estimated remaining useful life of 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                  SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
22 October 1, 2023.