

HOUSE BILL 534

N1, C1

3lr2860

By: **Delegate Holmes**

Introduced and read first time: February 1, 2023

Assigned to: Environment and Transportation

Committee Report: Favorable

House action: Adopted

Read second time: March 1, 2023

CHAPTER _____

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)

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 BY repealing and reenacting, with amendments,
2 Article – Real Property
3 Section 11–109.2(c) and 11B–112.2(d)
4 Annotated Code of Maryland
5 (2015 Replacement Volume and 2022 Supplement)

6 BY repealing and reenacting, without amendments,
7 Article – Real Property
8 Section 11–109.4(a) and 11B–112.3(a)
9 Annotated Code of Maryland
10 (2015 Replacement Volume and 2022 Supplement)

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

13 **Article – Corporations and Associations**

14 5–6B–26.1.

15 (a) In this section, “reserve study” means a study of the reserves required for
16 future major repairs and replacement of the common elements of a cooperative housing
17 corporation 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 cooperative housing corporation 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 (f) (1) (i) Subject to subparagraph (ii) of this paragraph, the governing
28 body of a cooperative housing corporation shall [provide] **DEPOSIT** funds to the reserve
29 **ACCOUNT** in accordance with the most recent reserve study **ON OR BEFORE THE LAST**
30 **DAY OF EACH FISCAL YEAR** and shall review the reserve study annually for accuracy.

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

1 11B-112.2.

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

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

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

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

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

14 11B-112.3.

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

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

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

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

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

26 SECTION 2. **AND BE IT FURTHER ENACTED**, That this Act shall take effect
27 October 1, 2023.