

HOUSE BILL 281

N1, C1
HB 534/23 – ENT

4r1019
CF SB 1157

By: **Delegate Holmes**

Introduced and read first time: January 12, 2024

Assigned to: Environment and Transportation

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 6, 2024

CHAPTER _____

1 AN ACT concerning

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

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

18 BY repealing and reenacting, ~~without~~ with amendments,
19 Article – Corporations and Associations
20 Section ~~5-6B-26.1(a)~~ 5-6B-26.1
21 Annotated Code of Maryland
22 (2014 Replacement Volume and 2023 Supplement)

23 ~~BY repealing and reenacting, with amendments,~~

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.



~~Article – Corporations and Associations
Section 5-6B-26.1(f)
Annotated Code of Maryland
(2014 Replacement Volume and 2023 Supplement)~~

BY repealing and reenacting, with amendments,

Article – Real Property

Section ~~11-109.2(e)~~ 11-109.2(b) and (c), 11-109.4, 11B-112.2(c) and (d), and
~~11B-112.2(d)~~ 11B-112.3

Annotated Code of Maryland
(2023 Replacement Volume)

~~BY repealing and reenacting, without amendments,~~

~~Article – Real Property~~

~~Section 11-109.4(a) and 11B-112.3(a)~~

~~Annotated Code of Maryland
(2023 Replacement Volume)~~

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

Article – Corporations and Associations

5-6B-26.1.

(a) **(1)** In this ~~section,~~ SECTION THE FOLLOWING WORDS HAVE THE
MEANINGS INDICATED.

(2) “~~reserve~~ **RESERVE** study” means a study of the reserves required for future major repairs and replacement of the common elements of a cooperative housing corporation that:

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

~~(2)~~ **(II)** States the normal useful life and the estimated remaining useful life of each identified component;

~~(3)~~ **(III)** States the estimated cost of repair or replacement of each identified component; and

~~(4)~~ **(IV)** States the estimated annual reserve amount necessary to accomplish any identified future repair or replacement.

1 **(3) “UPDATED RESERVE STUDY” MEANS, FOR THE COMMON**
2 **ELEMENTS SINCE THE PRIOR RESERVE STUDY WAS COMPLETED:**

3 **(I) ANALYZING ANY WORK PERFORMED;**

4 **(II) REVISING REPLACEMENT COST, REMAINING LIFE, AND**
5 **USEFUL LIFE ESTIMATES; AND**

6 **(III) IDENTIFYING:**

7 **1. WORK PERFORMED AND AMOUNTS SPENT; AND**

8 **2. WHETHER ANY MAINTENANCE CONTRACTS ARE IN**
9 **PLACE.**

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

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

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

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

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

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

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

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

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

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 AND UPDATED RESERVE STUDY required under this
23 section shall:

24 (1) Be prepared by a person who:

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

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

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

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

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

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

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

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

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

8 (i) Replacement cost **IF THE ESTIMATED REPLACEMENT COST IS**
9 **GREATER THAN \$10,000 AS DETERMINED BY THE MOST RECENT RESERVE STUDY OR**
10 **UPDATED RESERVE STUDY;**

11 (ii) Remaining life; and

12 (iii) Useful life;

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

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

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

21 (f) (1) (i) Subject to subparagraph (ii) of this paragraph, the governing
22 body of a cooperative housing corporation shall [provide] **DEPOSIT** funds to the reserve
23 **ACCOUNT** in accordance with the most recent reserve study **AND THE FUNDING PLAN**
24 **REQUIRED UNDER SUBSECTION (G) OF THIS SECTION ON OR BEFORE THE LAST DAY**
25 **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,

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

3 (G) (1) THE GOVERNING BODY OF A COOPERATIVE HOUSING
4 CORPORATION SHALL, IN CONSULTATION WITH A PERSON IDENTIFIED UNDER
5 SUBSECTION (D)(1) OF THIS SECTION, DEVELOP A FUNDING PLAN TO DETERMINE
6 HOW TO FULLY FUND THE RESERVES NECESSARY UNDER THIS SECTION.

7 (2) IN DEVELOPING THE FUNDING PLAN UNDER THIS SUBSECTION,
8 THE GOVERNING BODY SHALL CONSIDER THE FOLLOWING METHODS TO ACHIEVE
9 THE RESERVE FUNDING UNDER THIS SECTION:

10 (I) COMPONENT OR FULL FUNDING METHOD;

11 (II) CASH FLOW METHOD;

12 (III) BASELINE FUNDING METHOD;

13 (IV) THRESHOLD CASH FLOW METHOD; AND

14 (V) OTHER FUNDING METHODS ACCEPTED BY GENERALLY
15 ACCEPTED ACCOUNTING PRINCIPLES.

16 (3) A FUNDING PLAN DEVELOPED UNDER THIS SUBSECTION SHALL
17 PRIORITIZE ADEQUATE AMOUNTS FOR REPAIR AND REPLACEMENT OF COMMON
18 ELEMENTS WITH CONSIDERATION GIVEN TO THE HEALTH AND SAFETY OF MEMBERS
19 OF THE COOPERATIVE HOUSING CORPORATION.

20 (4) A GOVERNING BODY SHALL REVIEW PROGRESS TOWARD
21 COMPLIANCE WITH THE FUNDING PLAN DEVELOPED UNDER THIS SUBSECTION AT
22 EACH ANNUAL MEETING OF THE GOVERNING BODY.

23 Article – Real Property

24 11–109.2.

25 (b) The annual budget shall provide for at least the following items:

26 (1) Income;

27 (2) Administration;

28 (3) Maintenance;

29 (4) Utilities;

1 (5) General expenses;

2 (6) Reserves, INCLUDING REPLACEMENT COSTS IF THE ESTIMATED
3 REPLACEMENT COST IS GREATER THAN \$10,000 AS DETERMINED BY THE MOST
4 RECENT RESERVE STUDY OR UPDATED RESERVE STUDY; and

5 (7) Capital items.

6 (c) (1) Subject to paragraph (2) of this subsection AND IN ACCORDANCE WITH
7 THE FUNDING PLAN UNDER § 11-109.4(F) OF THIS SUBTITLE, the reserves provided
8 for in the annual budget under subsection (b) of this section for a residential condominium
9 shall [be]:

10 (I) **BE** the funding amount recommended in the most recent reserve
11 study OR UPDATED RESERVE STUDY completed under § 11-109.4 of this title; **AND**

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

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

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

20 11-109.4.

21 (a) (1) In this ~~section~~, SECTION THE FOLLOWING WORDS HAVE THE
22 MEANINGS INDICATED.

23 (2) “~~reserve~~ **RESERVE** study” means a study of the reserves required for
24 future major repairs and replacement of the common elements of a condominium that:

25 ~~(1)~~ (1) Identifies each structural, mechanical, electrical, and plumbing
26 component of the common elements and any other components that are the responsibility
27 of the council of unit owners to repair and replace;

28 ~~(2)~~ (II) States the normal useful life and the estimated remaining useful
29 life of each identified component;

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

1 ~~(4)~~ **(IV)** States the estimated annual reserve amount necessary to
2 accomplish any identified future repair or replacement.

3 **(3) “UPDATED RESERVE STUDY” MEANS, FOR THE COMMON**
4 **ELEMENTS SINCE THE PRIOR RESERVE STUDY WAS COMPLETED:**

5 **(I) ANALYZING ANY WORK PERFORMED;**

6 **(II) REVISING REPLACEMENT COST, REMAINING LIFE, AND**
7 **USEFUL LIFE ESTIMATES; AND**

8 **(III) IDENTIFYING:**

9 **1. WORK PERFORMED AND AMOUNTS SPENT; AND**

10 **2. WHETHER ANY MAINTENANCE CONTRACTS ARE IN**
11 **PLACE.**

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

13 **(c) (1) This subsection applies only to a condominium established 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.**

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

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 and at least every 5 years thereafter.**

24 **(d) (1) (i) This paragraph applies only to a condominium established in**
25 **Prince George’s County before October 1, 2020.**

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

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

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

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

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

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

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

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

25 (e) Each reserve study AND UPDATED RESERVE STUDY required under this
26 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 condominium in connection
6 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 (F) (1) THE GOVERNING BODY OF A CONDOMINIUM SHALL, IN
10 CONSULTATION WITH A PERSON IDENTIFIED UNDER SUBSECTION (E)(1) OF THIS
11 SECTION, DEVELOP A FUNDING PLAN TO DETERMINE HOW TO FULLY FUND THE
12 RESERVES NECESSARY UNDER THIS SECTION.

13 (2) IN DEVELOPING THE FUNDING PLAN UNDER THIS SUBSECTION,
14 THE GOVERNING BODY SHALL CONSIDER THE FOLLOWING METHODS TO ACHIEVE
15 THE RESERVE FUNDING UNDER THIS SECTION:

16 (I) COMPONENT OR FULL FUNDING METHOD;

17 (II) CASH FLOW METHOD;

18 (III) BASELINE FUNDING METHOD;

19 (IV) THRESHOLD CASH FLOW METHOD; AND

20 (V) OTHER FUNDING METHODS ACCEPTED BY GENERALLY
21 ACCEPTED ACCOUNTING PRINCIPLES.

22 (3) A FUNDING PLAN DEVELOPED UNDER THIS SUBSECTION SHALL
23 PRIORITIZE ADEQUATE AMOUNTS FOR REPAIR AND REPLACEMENT OF COMMON
24 ELEMENTS WITH CONSIDERATION GIVEN TO THE HEALTH AND SAFETY OF MEMBERS
25 OF THE CONDOMINIUM.

26 (4) A GOVERNING BODY SHALL REVIEW PROGRESS TOWARD
27 COMPLIANCE WITH THE FUNDING PLAN DEVELOPED UNDER THIS SUBSECTION AT
28 EACH ANNUAL MEETING OF THE GOVERNING BODY.

29 11B-112.2.

30 (c) The annual budget shall provide for at least the following items:

- 1 (1) Income;
- 2 (2) Administration;
- 3 (3) Maintenance;
- 4 (4) Utilities;
- 5 (5) General expenses;
- 6 (6) Reserves, INCLUDING REPLACEMENT COSTS IF THE ESTIMATED
 7 REPLACEMENT COST IS GREATER THAN \$10,000 AS DETERMINED BY THE MOST
 8 RECENT RESERVE STUDY OR UPDATED RESERVE STUDY; and
- 9 (7) Capital expenses.

10 (d) (1) Subject to paragraph (2) of this subsection AND IN ACCORDANCE WITH
 11 THE FUNDING PLAN UNDER § 11B-112.3(F) OF THIS SUBTITLE, reserves provided for
 12 in the annual budget under subsection (c) of this section shall [be]:

13 (I) **BE** the funding amount recommended in the most recent reserve
 14 study OR UPDATED RESERVE STUDY completed under § 11B-112.3 of this title; **AND**

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

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

23 11B-112.3.

24 (a) (1) In this ~~section~~, SECTION THE FOLLOWING WORDS HAVE THE
 25 MEANINGS INDICATED.

26 (2) “~~reserve~~ **RESERVE** study” means a study of the reserves required for
 27 future major repairs and replacement of the common areas of a homeowners association
 28 that:

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

1 ~~(2)~~ **(II)** States the estimated remaining useful life of each identified
2 component;

3 ~~(3)~~ **(III)** States the estimated cost of repair or replacement of each
4 identified component; and

5 ~~(4)~~ **(IV)** States the estimated annual reserve amount necessary to
6 accomplish any identified future repair or replacement.

7 **(3) “UPDATED RESERVE STUDY” MEANS, FOR THE COMMON**
8 **ELEMENTS SINCE THE PRIOR RESERVE STUDY WAS COMPLETED:**

9 **(I) ANALYZING ANY WORK PERFORMED;**

10 **(II) REVISING REPLACEMENT COST, REMAINING LIFE, AND**
11 **USEFUL LIFE ESTIMATES; AND**

12 **(III) IDENTIFYING:**

13 **1. WORK PERFORMED AND AMOUNTS SPENT; AND**

14 **2. WHETHER ANY MAINTENANCE CONTRACTS ARE IN**
15 **PLACE.**

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

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

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

21 (2) This section does not apply to a homeowners association that issues
22 bonds for the purpose of meeting capital expenditures.

23 (c) (1) This subsection applies only to a homeowners association established
24 in:

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

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

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

1 (2) The governing body of the homeowners association shall have an
2 independent reserve study completed not more than 90 calendar days and not less than 30
3 calendar days before the meeting of the homeowners association required under §
4 11B-106.1(a) of this title.

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

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

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

14 (iii) If the governing body of a homeowners association has not had a
15 reserve study conducted on or after October 1, 2016, the governing body shall have a reserve
16 study conducted on or before October 1, 2021, and an updated reserve study at least every
17 5 years thereafter.

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

20 (ii) If the governing body of a homeowners association has had a
21 reserve study conducted on or after October 1, 2017, 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, 2017, the governing body shall have a reserve
26 study conducted on or before October 1, 2022, and an updated reserve study at least every
27 5 years thereafter.

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

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

35 (iii) If the governing body of a homeowners association has not had a
36 reserve study conducted on or after October 1, 2018, the governing body shall have a reserve

1 study conducted on or before October 1, 2023, and an updated reserve study at least every
2 5 years thereafter.

3 (e) Each reserve study AND UPDATED RESERVE STUDY required under this
4 section shall:

5 (1) Be prepared by a person who:

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

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

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

12 (iv) Is currently designated as a reserve specialist by the Community
13 Association Institute or as a professional reserve analyst by the Association of Professional
14 Reserve Analysts;

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

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

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

20 (F) (1) **A HOMEOWNERS ASSOCIATION SHALL, IN CONSULTATION WITH A**
21 **PERSON IDENTIFIED UNDER SUBSECTION (E)(1) OF THIS SECTION, DEVELOP A**
22 **FUNDING PLAN TO DETERMINE HOW TO FULLY FUND THE RESERVES NECESSARY**
23 **UNDER THIS SECTION.**

24 (2) **IN DEVELOPING THE FUNDING PLAN UNDER THIS SUBSECTION,**
25 **THE HOMEOWNERS SHALL CONSIDER THE FOLLOWING METHODS TO ACHIEVE THE**
26 **RESERVE FUNDING UNDER THIS SECTION:**

27 (I) **COMPONENT OR FULL FUNDING METHOD;**

28 (II) **CASH FLOW METHOD;**

29 (III) **BASELINE FUNDING METHOD;**

30 (IV) **THRESHOLD CASH FLOW METHOD; AND**

1 **(v) OTHER FUNDING METHODS CONSISTENT WITH GENERALLY**
2 **ACCEPTED ACCOUNTING PRINCIPLES.**

3 **(3) A FUNDING PLAN DEVELOPED UNDER THIS SUBSECTION SHALL**
4 **PRIORITIZE ADEQUATE AMOUNTS FOR REPAIR AND REPLACEMENT OF COMMON**
5 **ELEMENTS WITH CONSIDERATION GIVEN TO THE HEALTH AND SAFETY OF MEMBERS**
6 **OF THE HOMEOWNERS ASSOCIATION.**

7 **(4) A HOMEOWNERS ASSOCIATION SHALL REVIEW PROGRESS**
8 **TOWARD COMPLIANCE WITH THE FUNDING PLAN DEVELOPED UNDER THIS**
9 **SUBSECTION AT EACH ANNUAL MEETING OF THE HOMEOWNERS ASSOCIATION.**

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

Approved:

Governor.

Speaker of the House of Delegates.

President of the Senate.