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By: Delegates Adams, Chisholm, Hornberger, Hutchinson, Kipke, and Tomlinson Introduced and read first time: February 8, 2024 Assigned to: Environment and Transportation

## A BILL ENTITLED

| 4 | A TAT |                                     | •            |
|---|-------|-------------------------------------|--------------|
| 1 | AN    | $\mathbf{A}(\mathcal{I}^{*}\Gamma)$ | concerning   |
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| 9        | Common | Ormonahir | Communi   | tion Donom  | ro Studios   | Exemptions |
|----------|--------|-----------|-----------|-------------|--------------|------------|
| $\angle$ | Common | Ownership | ) Communi | ues – neser | ve Stuates – | Exemplions |

- FOR the purpose of exempting cooperative housing corporations, condominiums, and homeowners associations from conducting reserve studies under certain 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

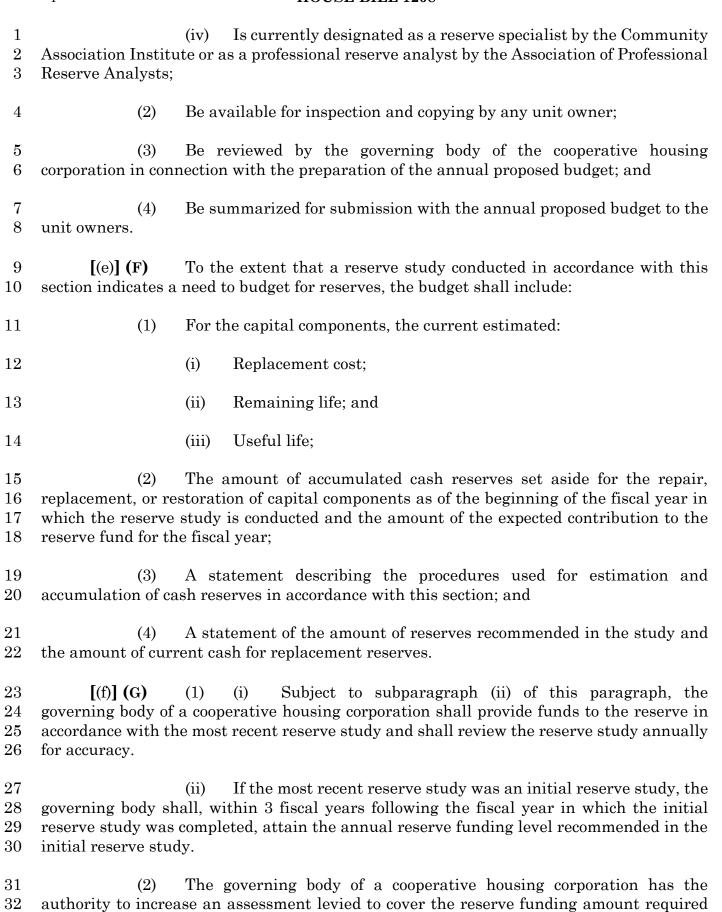
- 20 5-6B-26.1.
- 21 (a) In this section, "reserve study" means a study of the reserves required for
- 22 future major repairs and replacement of the common elements of a cooperative housing
- 23 corporation that:

- 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 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 SECTION DOES NOT APPLY TO A COOPERATIVE HOUSING CORPORATION IF AT LEAST TWO-THIRDS OF THE MEMBERS OF THE COOPERATIVE HOUSING CORPORATION VOTE AGAINST HAVING AN INDEPENDENT RESERVE STUDY CONDUCTED.
- [(b)] (C) (1) This subsection applies only to a cooperative housing corporation 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.
- [(c)] (D) (1) (i) This paragraph applies only to a cooperative housing 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 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)This paragraph applies only to a cooperative housing corporation (i) 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 If the governing body of a cooperative housing corporation has (iii) 12 not had a reserve study conducted on or after October 1, 2017, the governing body shall have a reserve study conducted on or before October 1, 2022, and an updated reserve study 13 14 at least every 5 years thereafter. 15 This paragraph applies to a cooperative housing corporation (3)(i) established in any county other than Prince George's County or Montgomery County before 16 17 October 1, 2022. 18 If the governing body of a cooperative housing corporation has (ii) 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. 22If 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 24have a reserve study conducted on or before October 1, 2023, and an updated reserve study 25at least every 5 years thereafter. 26 [(d)] **(E)** Each reserve study required under this section shall: 27Be prepared by a person who: (1)28 (i) Has prepared at least 30 reserve studies within the prior 3 29 calendar years; 30 Has participated in the preparation of at least 30 reserve studies (ii)
- 32 (iii) Holds a current license from the State Board of Architects or the 33 State Board for Professional Engineers; or

within the prior 3 calendar years while employed by a firm that prepares reserve studies;

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under this section, notwithstanding any provision of the articles of incorporation, bylaws,

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

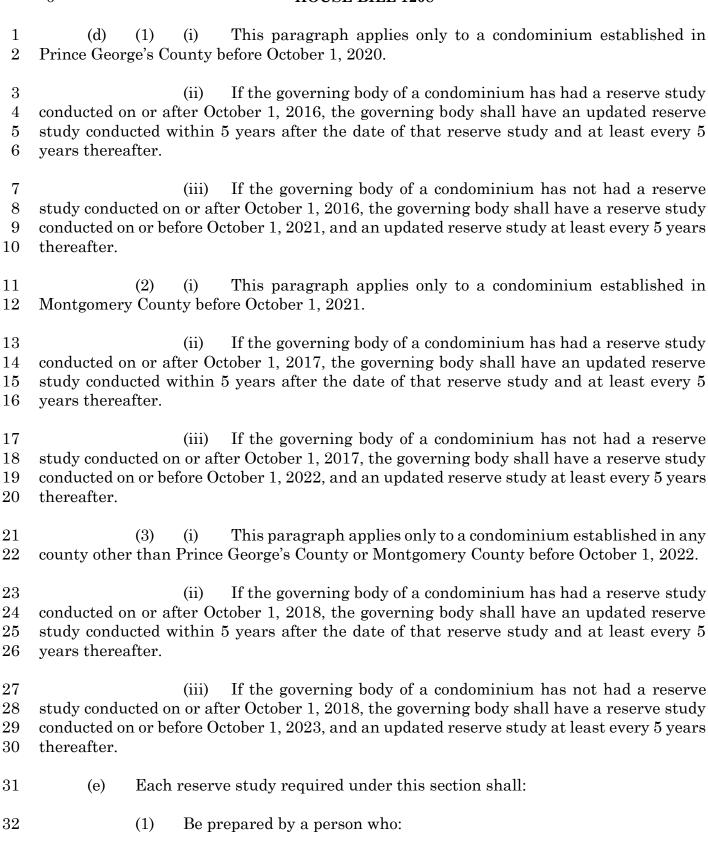
## 3 Article – Real Property

- 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 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 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 reserve study completed not less than 30 calendar days before the meeting of the council of 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.

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calendar years:

(i)



Has prepared at least 30 reserve studies within the prior 3

1 Has participated in the preparation of at least 30 reserve studies (ii) 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 State Board for Professional Engineers; or 4 5 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. 11B-112.3. 13 In this section, "reserve study" means a study of the reserves required for 14 (a) future major repairs and replacement of the common areas of a homeowners association 15 16 that: 17 Identifies each structural, mechanical, electrical, and plumbing (1) 18 component of the common areas and any other components that are the responsibility of the homeowners association to repair and replace; 19 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 22component; and 23States the estimated annual reserve amount necessary to accomplish **(4)** any identified future repair or replacement. 2425(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 28For which the total initial purchase and installation costs for all (ii) 29 components identified in subsection (a)(1) of this section is at least \$10,000.

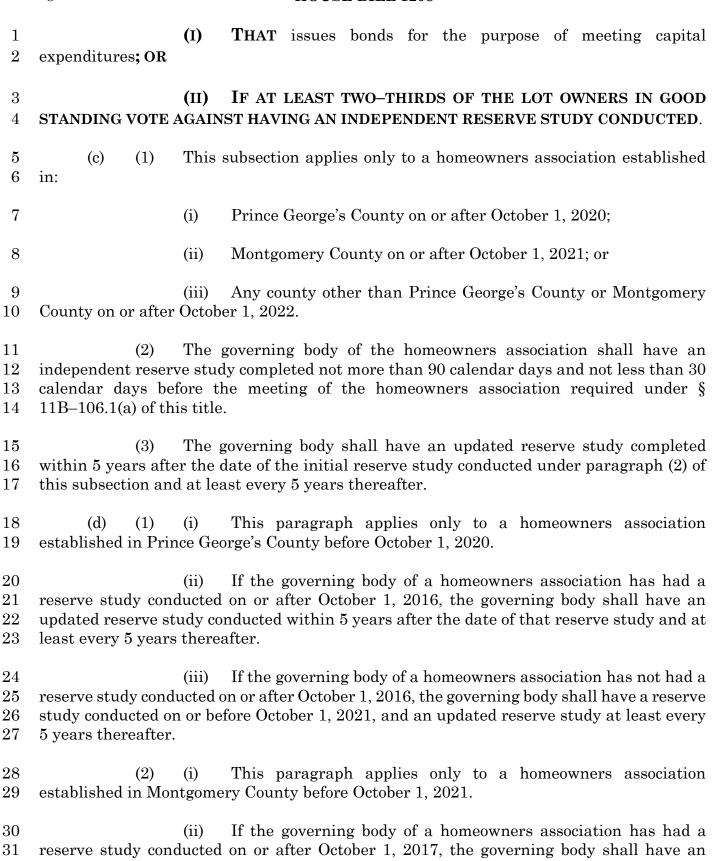
This section does not apply to a homeowners association [that]:

30

(2)

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least every 5 years thereafter.



updated reserve study conducted within 5 years after the date of that reserve study and at

- 1 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)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 If the governing body of a homeowners association has had a (ii) 9 reserve study conducted on or after October 1, 2018, the governing body shall have an updated reserve study conducted within 5 years after the date of that reserve study and at 10 11 least every 5 years thereafter. 12 (iii) If the governing body of a homeowners association has not had a reserve study conducted on or after October 1, 2018, the governing body shall have a reserve 13 14 study conducted on or before October 1, 2023, and an updated reserve study at least every 15 5 years thereafter. Each reserve study required under this section shall: 16 (e) 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 Has participated in the preparation of at least 30 reserve studies (ii) 21 within the prior 3 calendar years while employed by a firm that prepares reserve studies; 22Holds a current license from the State Board of Architects or the (iii) 23State Board for Professional Engineers; or 24Is 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 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
- 32 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect 33 October 1, 2024.

lot owners.