

HOUSE BILL 292

N1, C1

(5lr1629)

ENROLLED BILL

— Environment and Transportation/Judicial Proceedings —

Introduced by ~~Delegate Holmes~~ Delegates Holmes, Roberts, Hartman, Allen, Boyce, and Foley

Read and Examined by Proofreaders:

Proofreader.

Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this _____ day of _____ at _____ o'clock, _____ M.

Speaker.

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; authorizing a cooperative housing corporation, a residential condominium, or
12 a homeowners association to reasonably deviate from certain reserve funding
13 requirements following a certain financial hardship determination by the governing
14 body; requiring that certain updated reserve studies be prepared by a certain person;

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.

Italics indicate opposite chamber/conference committee amendments.



1 requiring the governing body of a cooperative housing corporation, a residential
 2 condominium, or a homeowners association to review the reserves and the most
 3 recent reserve study or updated reserve study annually for accuracy to determine
 4 whether there is adequate funding in accordance with a certain funding plan;
 5 altering the definition of “reserve study” to provide that the governing body of a
 6 cooperative housing corporation, a residential condominium, or a homeowners
 7 association may determine a minimum cost of repair or replacement for components,
 8 subject to certain restrictions; requiring the governing body of a cooperative housing
 9 corporation, a residential condominium, or a homeowners association to prepare a
 10 certain funding plan subject to certain requirements; altering a certain provision of
 11 law relating to component costs and the application of certain reserve study
 12 requirements to a homeowners association; and generally relating to the funding of
 13 reserve accounts, reserve studies, and annual budgets of cooperative housing
 14 corporations, condominiums, and homeowners associations.

15 BY repealing and reenacting, with amendments,
 16 Article – Corporations and Associations
 17 Section 5–6B–26.1
 18 Annotated Code of Maryland
 19 (2014 Replacement Volume and 2024 Supplement)

20 BY repealing and reenacting, without amendments,
 21 Article – Real Property
 22 Section 11–109.2(b) and 11B–112.2(c)
 23 Annotated Code of Maryland
 24 (2023 Replacement Volume and 2024 Supplement)

25 BY repealing and reenacting, with amendments,
 26 Article – Real Property
 27 Section ~~11–109.2(b) and (e)~~ 11–109.2(c), 11–109.4, ~~11B–112.2(e) and (d)~~
 28 11B–112.2(d), and 11B–112.3
 29 Annotated Code of Maryland
 30 (2023 Replacement Volume and 2024 Supplement)

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

33 Article – Corporations and Associations

34 5–6B–26.1.

35 (a) (1) In this section[, “reserve”] THE FOLLOWING WORDS HAVE THE
 36 MEANINGS INDICATED.

1 ~~1. (II) WORK ANALYZES WORK PERFORMED AND AMOUNTS~~
2 SPENT; AND

3 ~~2. (III) WHETHER IDENTIFIES WHETHER ANY~~
4 MAINTENANCE CONTRACTS ARE IN PLACE.

5 (b) (1) This subsection applies only to a cooperative housing corporation
6 established in:

7 (i) Prince George's County on or after October 1, 2020;

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

9 (iii) Any county other than Prince George's County or Montgomery
10 County on or after October 1, 2022.

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

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

18 (c) (1) (i) This paragraph applies only to a cooperative housing corporation
19 established in Prince George's County before October 1, 2020.

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

24 (iii) If the governing body of a cooperative housing corporation has
25 not had a reserve study conducted on or after October 1, 2016, the governing body shall
26 have a reserve study conducted on or before October 1, 2021, and an updated reserve study
27 at least every 5 years thereafter.

28 (2) (i) This paragraph applies only to a cooperative housing corporation
29 established in Montgomery County before October 1, 2021.

30 (ii) If the governing body of a cooperative housing corporation has
31 had a reserve study conducted on or after October 1, 2017, the governing body shall have
32 an updated reserve study conducted within 5 years after the date of that reserve study and
33 at least every 5 years thereafter.

1 (iii) If the governing body of a cooperative housing corporation has
2 not had a reserve study conducted on or after October 1, 2017, the governing body shall
3 have a reserve study conducted on or before October 1, 2022, and an updated reserve study
4 at least every 5 years thereafter.

5 (3) (i) This paragraph applies to a cooperative housing corporation
6 established in any county other than Prince George's County or Montgomery County before
7 October 1, 2022.

8 (ii) If the governing body of a cooperative housing corporation has
9 had a reserve study conducted on or after October 1, 2018, the governing body shall have
10 an updated reserve study conducted within 5 years after the date of that reserve study and
11 at least every 5 years thereafter.

12 (iii) If the governing body of a cooperative housing corporation has
13 not had a reserve study conducted on or after October 1, 2018, the governing body shall
14 have a reserve study conducted on or before October 1, 2023, and an updated reserve study
15 at least every 5 years thereafter.

16 (d) Each reserve study **AND UPDATED RESERVE STUDY** required under this
17 section shall:

18 (1) Be prepared by a person who:

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

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

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

25 (iv) Is currently designated as a reserve specialist by the Community
26 Association Institute or as a professional reserve analyst by the Association of Professional
27 Reserve Analysts;

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

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

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

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

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

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

(ii) Remaining life; and

(iii) Useful life;

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

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

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

(f) (1) (i) **1. Subject to PARAGRAPH (2) OF THIS SUBSECTION AND subparagraph (ii) of this paragraph, the governing body of a cooperative housing corporation shall [provide] DEPOSIT funds to the reserve ACCOUNT in accordance with the most recent reserve study OR UPDATED RESERVE STUDY AND THE FUNDING PLAN REQUIRED UNDER SUBSECTION (G) OF THIS SECTION ON OR BEFORE THE LAST DAY OF EACH FISCAL YEAR and shall review the RESERVES AND THE MOST RECENT RESERVE STUDY OR UPDATED reserve study annually ~~for accuracy~~ TO DETERMINE WHETHER THERE IS ADEQUATE FUNDING IN ACCORDANCE WITH THE FUNDING PLAN REQUIRED UNDER SUBSECTION (G) OF THIS SECTION.**

2. THE ANNUAL REVIEW OF THE RESERVE STUDY FOR ACCURACY UNDER SUBSUBPARAGRAPH 1 OF THIS SUBPARAGRAPH DOES NOT REQUIRE A RESERVE STUDY OR UPDATED RESERVE STUDY IN ADDITION TO THE RESERVE STUDY REQUIREMENTS UNDER SUBSECTIONS (B) AND (C) OF THIS SECTION.

(ii) ~~IF~~ **SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION, IF** the most recent reserve study was an initial reserve study, the governing body shall, within [3] **5** fiscal years following the fiscal year in which the initial reserve study was completed, attain the annual reserve funding level recommended in the initial reserve study **IN ACCORDANCE WITH THE FUNDING PLAN UNDER SUBSECTION (G) OF THIS SECTION.**

1 (2) (I) THE GOVERNING BODY OF A COOPERATIVE HOUSING
2 CORPORATION MAY DETERMINE BY A TWO-THIRDS MAJORITY VOTE THAT THE
3 COOPERATIVE HOUSING CORPORATION AND THE MEMBERS ARE EXPERIENCING A
4 FINANCIAL HARDSHIP THAT LIMITS THE ABILITY TO FUND RESERVES THAT ARE
5 REQUIRED UNDER PARAGRAPH (1)(I) OR (II) OF THIS SUBSECTION.

6 (II) SUBJECT TO SUBPARAGRAPHS (III) THROUGH (V) OF THIS
7 PARAGRAPH, IF A GOVERNING BODY MAKES A FINANCIAL HARDSHIP
8 DETERMINATION BASED ON THE RESERVE FUNDING REQUIREMENTS OF
9 PARAGRAPH (1)(I) OR (II) OF THIS SUBSECTION:

10 1. THE COOPERATIVE HOUSING CORPORATION MAY
11 REASONABLY DEVIATE FROM THAT RESERVE FUNDING REQUIREMENT; AND

12 2. THE FUNDING LEVEL UNDER THAT REQUIREMENT
13 SHALL BE AT LEAST THE FUNDING AMOUNT NECESSARY FOR THE PURPOSES
14 SPECIFIED UNDER SUBSECTION (G)(3) OF THIS SECTION.

15 (III) 1. EXCEPT AS PROVIDED IN SUBSUBPARAGRAPH 2 OF
16 THIS SUBPARAGRAPH, A COOPERATIVE HOUSING CORPORATION MAY NOT DEVIATE
17 FROM THE RESERVE FUNDING REQUIREMENTS OF PARAGRAPH (1)(I) OR (II) OF THIS
18 SUBSECTION FOR A PERIOD OF MORE THAN 1 FISCAL YEAR FOLLOWING THE
19 FINANCIAL HARDSHIP DETERMINATION.

20 2. THE GOVERNING BODY MAY RENEW A FINANCIAL
21 HARDSHIP DETERMINATION UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH BY A
22 TWO-THIRDS MAJORITY VOTE TO EXTEND THE PERIOD THAT A COOPERATIVE
23 HOUSING CORPORATION MAY DEVIATE FROM THE RESERVE FUNDING
24 REQUIREMENT BY 1 FISCAL YEAR FOLLOWING THE RENEWAL.

25 (IV) THE GOVERNING BODY SHALL:

26 1. MAKE GOOD FAITH EFFORTS TO RESOLVE THE
27 FINANCIAL HARDSHIP AND RESUME FUNDING RESERVES AS REQUIRED UNDER
28 PARAGRAPH (1)(I) OR (II) OF THIS SUBSECTION;

29 2. MAINTAIN DETAILED DOCUMENTATION OF THE GOOD
30 FAITH EFFORTS MADE UNDER ITEM 1 OF THIS SUBPARAGRAPH; AND

31 3. TREAT THE DOCUMENTS UNDER ITEM 2 OF THIS
32 SUBPARAGRAPH AS RECORDS FOR EXAMINATION AND COPYING UNDER § 5-6B-26
33 OF THIS SUBTITLE.

1 (V) 1. ALL MEMBERS SHALL BE GIVEN REASONABLE NOTICE
 2 IN ADVANCE OF A VOTE ON AN INITIAL OR A RENEWAL OF A FINANCIAL HARDSHIP
 3 DETERMINATION UNDER THIS PARAGRAPH.

4 2. A VOTE ON AN INITIAL OR A RENEWAL OF A FINANCIAL
 5 HARDSHIP DETERMINATION UNDER THIS PARAGRAPH MAY BE TAKEN ONLY AT A
 6 REGULAR OR SPECIAL MEETING OF THE COOPERATIVE HOUSING CORPORATION.

7 (3) The governing body of a cooperative housing corporation has the
 8 authority to increase an assessment levied to cover the reserve funding amount required
 9 under this section, notwithstanding any provision of the articles of incorporation, bylaws,
 10 or proprietary lease restricting assessment increases or capping the assessment that may
 11 be levied in a fiscal year.

12 (G) (1) THE GOVERNING BODY OF A COOPERATIVE HOUSING
 13 CORPORATION SHALL, IN CONSULTATION WITH A PERSON IDENTIFIED UNDER
 14 SUBSECTION (D)(1) OF THIS SECTION, DEVELOP A FUNDING PLAN TO DETERMINE
 15 HOW TO ~~FULLY~~ FUND THE RESERVES NECESSARY UNDER THIS SECTION.

16 (2) IN DEVELOPING THE FUNDING PLAN UNDER THIS SUBSECTION,
 17 THE GOVERNING BODY SHALL ~~CONSIDER~~ SELECT ONE OF THE FOLLOWING
 18 METHODS TO ACHIEVE THE RESERVE FUNDING UNDER THIS SECTION:

19 (I) THE COMPONENT ~~OR FULL FUNDING~~ METHOD;

20 (II) THE CASH FLOW METHOD;

21 (III) THE BASELINE FUNDING METHOD;

22 (IV) THE THRESHOLD CASH FLOW METHOD; ~~AND~~ OR

23 (V) ~~OTHER FUNDING METHODS ACCEPTED BY ANY OTHER~~
 24 FUNDING METHOD CONSISTENT WITH GENERALLY ACCEPTED ACCOUNTING
 25 PRINCIPLES.

26 (3) A FUNDING PLAN DEVELOPED UNDER THIS SUBSECTION SHALL
 27 PRIORITIZE ADEQUATE AMOUNTS FOR REPAIR AND REPLACEMENT OF COMMON
 28 ELEMENTS OF THE COOPERATIVE HOUSING CORPORATION THAT ARE NECESSARY
 29 FOR:

30 (I) THE HEALTH, SAFETY, AND WELL-BEING OF THE ~~MEMBERS~~
 31 OCCUPANTS;

1 (II) ENSURING STRUCTURAL INTEGRITY, SUCH AS ROOFING
2 REPLACEMENTS AND MAINTAINING STRUCTURAL SYSTEMS; ~~AND~~

3 (III) ESSENTIAL FUNCTIONING, SUCH AS PLUMBING, SEWER,
4 HEATING, COOLING, AND ELECTRICAL INFRASTRUCTURE; AND

5 (IV) ANY OTHER ESSENTIAL OR CRITICAL PURPOSE, AS
6 DETERMINED BY THE GOVERNING BODY.

7 ~~(4) RESERVES MAY NOT BE USED FOR PURPOSES OTHER THAN THOSE~~
8 ~~SPECIFIED IN THE FUNDING PLAN.~~

9 (4) RESERVES MAY BE USED FOR PURPOSES OTHER THAN THOSE
10 SPECIFIED IN THE FUNDING PLAN IF THE FUNDS ARE REPAYED TO THE RESERVE FUND
11 WITHIN 5 YEARS AFTER THEIR USE.

12 (5) A GOVERNING BODY SHALL REVIEW PROGRESS TOWARD
13 COMPLIANCE WITH THE FUNDING PLAN DEVELOPED UNDER THIS SUBSECTION AT
14 EACH ANNUAL MEETING OF THE GOVERNING BODY.

15 Article – Real Property

16 11–109.2.

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

18 (1) Income;

19 (2) Administration;

20 (3) Maintenance;

21 (4) Utilities;

22 (5) General expenses;

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

26 (7) Capital items.

27 (c) (1) Subject to ~~paragraph (2)~~ PARAGRAPHS (2) AND (3) of this subsection
28 AND IN ACCORDANCE WITH THE FUNDING PLAN UNDER § 11–109.4(F) OF THIS TITLE,

1 the reserves provided for in the annual budget under subsection (b) of this section for a
2 residential condominium shall [be]:

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

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

7 (2) ~~IF~~ SUBJECT TO PARAGRAPH (3) OF THIS SUBSECTION, IF the most
8 recent reserve study was an initial reserve study, the governing body shall, within [3] 5
9 fiscal years following the fiscal year in which the initial reserve study was completed, attain
10 the annual reserve funding level recommended in the initial reserve study IN
11 ACCORDANCE WITH THE FUNDING PLAN UNDER § 11-109.4(F) OF THIS TITLE.

12 (3) (I) THE GOVERNING BODY OF A RESIDENTIAL CONDOMINIUM
13 MAY DETERMINE BY A TWO-THIRDS MAJORITY VOTE THAT THE CONDOMINIUM AND
14 THE UNIT OWNERS ARE EXPERIENCING A FINANCIAL HARDSHIP THAT LIMITS THE
15 ABILITY TO FUND RESERVES THAT ARE REQUIRED UNDER PARAGRAPH (1) OR (2) OF
16 THIS SUBSECTION.

17 (II) SUBJECT TO SUBPARAGRAPHS (III) THROUGH (V) OF THIS
18 PARAGRAPH, IF A GOVERNING BODY MAKES A FINANCIAL HARDSHIP
19 DETERMINATION BASED ON THE RESERVE FUNDING REQUIREMENTS OF
20 PARAGRAPH (1) OR (2) OF THIS SUBSECTION:

21 1. THE CONDOMINIUM MAY REASONABLY DEVIATE
22 FROM THAT RESERVE FUNDING REQUIREMENT; AND

23 2. THE FUNDING LEVEL UNDER THAT REQUIREMENT
24 SHALL BE AT LEAST THE FUNDING AMOUNT NECESSARY FOR THE PURPOSES
25 SPECIFIED UNDER § 11-109.4(F)(3) OF THIS TITLE.

26 (III) 1. EXCEPT AS PROVIDED IN SUBSUBPARAGRAPH 2 OF
27 THIS SUBPARAGRAPH, A RESIDENTIAL CONDOMINIUM MAY NOT DEVIATE FROM THE
28 RESERVE FUNDING REQUIREMENTS OF PARAGRAPH (1) OR (2) OF THIS SUBSECTION
29 FOR A PERIOD OF MORE THAN 1 FISCAL YEAR FOLLOWING THE FINANCIAL
30 HARDSHIP DETERMINATION.

31 2. THE GOVERNING BODY MAY RENEW A FINANCIAL
32 HARDSHIP DETERMINATION UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH BY A
33 TWO-THIRDS MAJORITY VOTE TO EXTEND THE PERIOD THAT A RESIDENTIAL
34 CONDOMINIUM MAY DEVIATE FROM THE RESERVE FUNDING REQUIREMENT BY 1
35 FISCAL YEAR FOLLOWING THE RENEWAL.

1 (IV) THE GOVERNING BODY SHALL:

2 1. MAKE GOOD FAITH EFFORTS TO RESOLVE THE
 3 FINANCIAL HARDSHIP AND RESUME FUNDING RESERVES AS REQUIRED UNDER
 4 PARAGRAPH (1) OR (2) OF THIS SUBSECTION;

5 2. MAINTAIN DETAILED DOCUMENTATION OF THE GOOD
 6 FAITH EFFORTS MADE UNDER ITEM 1 OF THIS SUBPARAGRAPH; AND

7 3. TREAT THE DOCUMENTS UNDER ITEM 2 OF THIS
 8 SUBPARAGRAPH AS RECORDS AVAILABLE FOR EXAMINATION AND COPYING UNDER
 9 § 11-116 OF THIS TITLE.

10 (V) 1. ALL UNIT OWNERS SHALL BE GIVEN REASONABLE
 11 NOTICE IN ADVANCE OF A VOTE ON AN INITIAL OR A RENEWAL OF A FINANCIAL
 12 HARDSHIP DETERMINATION UNDER THIS PARAGRAPH.

13 2. A VOTE ON AN INITIAL OR A RENEWAL OF A FINANCIAL
 14 HARDSHIP DETERMINATION UNDER THIS PARAGRAPH MAY BE TAKEN ONLY AT A
 15 REGULAR OR SPECIAL MEETING OF THE CONDOMINIUM.

16 (4) (I) ~~A THE GOVERNING BODY OF A RESIDENTIAL CONDOMINIUM~~
 17 ~~SHALL ANNUALLY REVIEW THE RESERVE STUDY ANNUALLY FOR ACCURACY~~
 18 ~~RESERVES AND THE MOST RECENT RESERVE STUDY OR UPDATED RESERVE STUDY~~
 19 ~~TO DETERMINE WHETHER THERE IS ADEQUATE FUNDING IN ACCORDANCE WITH THE~~
 20 ~~FUNDING PLAN REQUIRED UNDER § 11-109.4(F) OF THIS TITLE.~~

21 (II) ~~THE ANNUAL REVIEW OF THE RESERVE STUDY FOR~~
 22 ~~ACCURACY UNDER THIS PARAGRAPH DOES NOT REQUIRE A RESERVE STUDY OR~~
 23 ~~UPDATED RESERVE STUDY IN ADDITION TO THE RESERVE STUDY REQUIREMENTS~~
 24 ~~UNDER § 11-109.4 OF THIS TITLE.~~

25 11-109.4.

26 (a) (1) In this section[, “reserve”] THE FOLLOWING WORDS HAVE THE
 27 MEANINGS INDICATED.

28 (2) “RESERVE study” means a study of the reserves required for future
 29 major repairs and replacement of the common elements of a condominium that:

30 [(1)] (I) [Identifies] USING AN ITEMIZED LIST, IDENTIFIES each
 31 structural, mechanical, electrical, and plumbing component of the common elements and
 32 any other components that ~~are~~:

1 **1. ARE** the responsibility of the council of unit owners to
2 repair and replace; **AND**

3 **2. IF APPLICABLE, MEET A MINIMUM COST OF REPAIR**
4 **OR REPLACEMENT, AS DETERMINED BY THE GOVERNING BODY, THAT IS:**

5 **A. REASONABLY BASED ON THE EXPENSES OF THE**
6 **CONDOMINIUM; AND**

7 **B. NOT A MINOR EXPENSE THAT IS OTHERWISE**
8 **ADDRESSED BY THE BUDGET OF THE CONDOMINIUM;**

9 **[(2)] (II)** States the normal useful life and the estimated remaining useful
10 life of each identified component;

11 **[(3)] (III)** States the estimated cost of repair or replacement of each
12 identified component; [and]

13 **[(4)] (IV)** States the estimated annual reserve amount necessary to
14 accomplish any identified future repair or replacement; **AND**

15 **(V) STATES THE ~~SQUARE FOOTAGE~~ QUANTITY OR SIZE OF EACH**
16 **IDENTIFIED COMPONENT USING THE APPROPRIATE MEASUREMENT, SUCH AS UNIT**
17 **AMOUNT, SQUARE FOOTAGE, OR CUBIC FEET.**

18 **(3) “UPDATED RESERVE STUDY” MEANS, FOR THE COMMON**
19 **ELEMENTS SINCE THE PRIOR RESERVE STUDY WAS COMPLETED WITHIN THE**
20 **PREVIOUS 5 YEARS, A STUDY THAT:**

21 **(I) ~~ANALYZES ANY WORK PERFORMED;~~**

22 **~~(II)~~ REVISES REPLACEMENT COST, REMAINING LIFE, AND**
23 **USEFUL LIFE ESTIMATES; ~~AND~~**

24 **~~(III)~~ IDENTIFIES;**

25 **~~1. (II) WORK~~ ANALYZES WORK PERFORMED AND AMOUNTS**
26 **SPENT; AND**

27 **~~2. (III) WHETHER~~ IDENTIFIES WHETHER ANY**
28 **MAINTENANCE CONTRACTS ARE IN PLACE.**

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

1 (c) (1) This subsection applies only to a condominium established in:

2 (i) Prince George's County on or after October 1, 2020;

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

4 (iii) Any county other than Prince George's County or Montgomery
5 County on or after October 1, 2022.

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

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

12 (d) (1) (i) This paragraph applies only to a condominium established in
13 Prince George's County before October 1, 2020.

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

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

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

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

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

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

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

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

9 (e) Each reserve study **AND UPDATED RESERVE STUDY** required under this
10 section shall:

11 (1) Be prepared by a person who:

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

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

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

18 (iv) Is currently designated as a reserve specialist by the Community
19 Association Institute or as a professional reserve analyst by the Association of Professional
20 Reserve Analysts;

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

22 (3) Be reviewed by the governing body of the condominium in connection
23 with the preparation of the annual proposed budget; and

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

26 **(F) (1) THE GOVERNING BODY OF A CONDOMINIUM SHALL, IN**
27 **CONSULTATION WITH A PERSON IDENTIFIED UNDER SUBSECTION (E)(1) OF THIS**
28 **SECTION, DEVELOP A FUNDING PLAN TO DETERMINE HOW TO ~~FULLY~~ FUND THE**
29 **RESERVES NECESSARY UNDER THIS SECTION.**

30 **(2) IN DEVELOPING THE FUNDING PLAN UNDER THIS SUBSECTION,**
31 **THE GOVERNING BODY SHALL ~~CONSIDER~~ SELECT ONE OF THE FOLLOWING**
32 **METHODS TO ACHIEVE THE RESERVE FUNDING UNDER THIS SECTION:**

33 **(I) THE COMPONENT ~~OR FULL FUNDING~~ METHOD;**

- 1 (II) THE CASH FLOW METHOD;
- 2 (III) THE BASELINE FUNDING METHOD;
- 3 (IV) THE THRESHOLD CASH FLOW METHOD; ~~AND OR~~
- 4 (V) ~~OTHER FUNDING METHODS ACCEPTED BY ANY OTHER~~
 5 FUNDING METHOD CONSISTENT WITH GENERALLY ACCEPTED ACCOUNTING
 6 PRINCIPLES.

7 (3) A FUNDING PLAN DEVELOPED UNDER THIS SUBSECTION SHALL
 8 PRIORITIZE ADEQUATE AMOUNTS FOR REPAIR AND REPLACEMENT OF COMMON
 9 ELEMENTS OF THE CONDOMINIUM THAT ARE NECESSARY FOR:

10 (I) THE HEALTH, SAFETY, AND WELL-BEING OF THE ~~MEMBERS~~
 11 OCCUPANTS;

12 (II) ENSURING STRUCTURAL INTEGRITY, SUCH AS ROOFING
 13 REPLACEMENTS AND MAINTAINING STRUCTURAL SYSTEMS; ~~AND~~

14 (III) ESSENTIAL FUNCTIONING, SUCH AS PLUMBING, SEWER,
 15 HEATING, COOLING, AND ELECTRICAL INFRASTRUCTURE; AND

16 (IV) ANY OTHER ESSENTIAL OR CRITICAL PURPOSE, AS
 17 DETERMINED BY THE GOVERNING BODY.

18 ~~(4) RESERVES MAY NOT BE USED FOR PURPOSES OTHER THAN THOSE~~
 19 ~~SPECIFIED IN THE FUNDING PLAN.~~

20 (4) RESERVES MAY BE USED FOR PURPOSES OTHER THAN THOSE
 21 SPECIFIED IN THE FUNDING PLAN IF THE FUNDS ARE REPAID TO THE RESERVE FUND
 22 WITHIN 5 YEARS AFTER THEIR USE.

23 (5) A GOVERNING BODY SHALL REVIEW PROGRESS TOWARD
 24 COMPLIANCE WITH THE FUNDING PLAN DEVELOPED UNDER THIS SUBSECTION AT
 25 EACH ANNUAL MEETING OF THE GOVERNING BODY.

26 11B-112.2.

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

- 28 (1) Income;
- 29 (2) Administration;

1 (3) Maintenance;

2 (4) Utilities;

3 (5) General expenses;

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

7 (7) Capital expenses.

8 (d) (1) Subject to ~~paragraph (2)~~ **PARAGRAPHS (2) AND (3)** of this subsection
 9 **AND IN ACCORDANCE WITH THE FUNDING PLAN UNDER § 11B-112.3(F) OF THIS**
 10 **TITLE**, reserves provided for in the annual budget under subsection (c) of this section shall
 11 **[be]:**

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

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

16 (2) ~~IF~~ **SUBJECT TO PARAGRAPH (3) OF THIS SUBSECTION, IF** the most
 17 recent reserve study was an initial reserve study, the governing body shall, within **[3] 5**
 18 fiscal years following the fiscal year in which the initial reserve study was completed, attain
 19 the annual reserve funding level recommended in the initial reserve study **IN**
 20 **ACCORDANCE WITH THE FUNDING PLAN UNDER § 11B-112.3(F) OF THIS TITLE.**

21 (3) (I) **THE GOVERNING BODY OF A HOMEOWNERS ASSOCIATION**
 22 **MAY DETERMINE BY A TWO-THIRDS MAJORITY VOTE THAT THE HOMEOWNERS**
 23 **ASSOCIATION AND THE LOT OWNERS ARE EXPERIENCING A FINANCIAL HARDSHIP**
 24 **THAT LIMITS THE ABILITY TO FUND RESERVES THAT ARE REQUIRED UNDER**
 25 **PARAGRAPH (1) OR (2) OF THIS SUBSECTION.**

26 (II) **SUBJECT TO SUBPARAGRAPHS (III) THROUGH (V) OF THIS**
 27 **PARAGRAPH, IF A GOVERNING BODY MAKES A FINANCIAL HARDSHIP**
 28 **DETERMINATION BASED ON THE RESERVE FUNDING REQUIREMENTS OF**
 29 **PARAGRAPH (1) OR (2) OF THIS SUBSECTION:**

30 **1. THE HOMEOWNERS ASSOCIATION MAY REASONABLY**
 31 **DEVIATE FROM THAT RESERVE FUNDING REQUIREMENT; AND**

1 **2. THE FUNDING LEVEL UNDER THAT REQUIREMENT**
2 **SHALL BE AT LEAST THE FUNDING AMOUNT NECESSARY FOR THE PURPOSES**
3 **SPECIFIED UNDER § 11B-112.3(F)(3) OF THIS TITLE.**

4 **(III) 1. EXCEPT AS PROVIDED IN SUBSUBPARAGRAPH 2 OF**
5 **THIS SUBPARAGRAPH, A HOMEOWNERS ASSOCIATION MAY NOT DEVIATE FROM THE**
6 **RESERVE FUNDING REQUIREMENTS OF PARAGRAPH (1) OR (2) OF THIS SUBSECTION**
7 **FOR A PERIOD OF MORE THAN 1 FISCAL YEAR FOLLOWING THE FINANCIAL**
8 **HARDSHIP DETERMINATION.**

9 **2. THE GOVERNING BODY MAY RENEW A FINANCIAL**
10 **HARDSHIP DETERMINATION UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH BY A**
11 **TWO-THIRDS MAJORITY VOTE TO EXTEND THE PERIOD THAT A HOMEOWNERS**
12 **ASSOCIATION MAY DEVIATE FROM THE RESERVE FUNDING REQUIREMENT BY 1**
13 **FISCAL YEAR FOLLOWING THE RENEWAL.**

14 **(IV) THE GOVERNING BODY SHALL:**

15 **1. MAKE GOOD FAITH EFFORTS TO RESOLVE THE**
16 **FINANCIAL HARDSHIP AND RESUME FUNDING RESERVES AS REQUIRED UNDER**
17 **PARAGRAPH (1) OR (2) OF THIS SUBSECTION;**

18 **2. MAINTAIN DETAILED DOCUMENTATION OF THE GOOD**
19 **FAITH EFFORTS MADE UNDER ITEM 1 OF THIS SUBPARAGRAPH; AND**

20 **3. TREAT THE DOCUMENTS UNDER ITEM 2 OF THIS**
21 **SUBPARAGRAPH AS RECORDS FOR EXAMINATION AND COPYING UNDER § 11B-112**
22 **OF THIS TITLE.**

23 **(V) 1. ALL LOT OWNERS SHALL BE GIVEN REASONABLE**
24 **NOTICE IN ADVANCE OF A VOTE ON AN INITIAL OR A RENEWAL OF A FINANCIAL**
25 **HARDSHIP DETERMINATION UNDER THIS PARAGRAPH.**

26 **2. A VOTE ON AN INITIAL OR A RENEWAL OF A FINANCIAL**
27 **HARDSHIP DETERMINATION UNDER THIS PARAGRAPH MAY ONLY BE TAKEN AT A**
28 **REGULAR OR SPECIAL MEETING OF THE HOMEOWNERS ASSOCIATION.**

29 **(4) (I) ~~A~~ THE GOVERNING BODY OF A HOMEOWNERS ASSOCIATION**
30 **SHALL ANNUALLY REVIEW THE ~~RESERVE STUDY ANNUALLY FOR ACCURACY~~**
31 **RESERVES AND THE MOST RECENT RESERVE STUDY OR UPDATED RESERVE STUDY**
32 **TO DETERMINE WHETHER THERE IS ADEQUATE FUNDING IN ACCORDANCE WITH THE**
33 **FUNDING PLAN REQUIRED UNDER § 11B-112.3(F) OF THIS TITLE.**

1 (II) ~~THE ANNUAL REVIEW OF THE RESERVE STUDY FOR~~
 2 ~~ACCURACY UNDER THIS PARAGRAPH~~ DOES NOT REQUIRE A RESERVE STUDY OR
 3 UPDATED RESERVE STUDY IN ADDITION TO THE RESERVE STUDY REQUIREMENTS
 4 UNDER § 11B-112.3 OF THIS TITLE.

5 11B-112.3.

6 (a) (1) In this section[, “reserve”] THE FOLLOWING WORDS HAVE THE
 7 MEANINGS INDICATED.

8 (2) “RESERVE study” means a study of the reserves required for future
 9 major repairs and replacement of the common areas of a homeowners association that:

10 [(1)] (I) [Identifies] USING AN ITEMIZED LIST, IDENTIFIES each
 11 structural, mechanical, electrical, and plumbing component of the common areas and any
 12 other components that ~~are~~:

13 1. ARE the responsibility of the homeowners association to
 14 repair and replace; AND

15 2. IF APPLICABLE, MEET A MINIMUM COST OF REPAIR
 16 OR REPLACEMENT, AS DETERMINED BY THE GOVERNING BODY, THAT IS:

17 A. REASONABLY BASED ON THE EXPENSES OF THE
 18 HOMEOWNERS ASSOCIATION; AND

19 B. NOT A MINOR EXPENSE THAT IS OTHERWISE
 20 ADDRESSED BY THE BUDGET OF THE HOMEOWNERS ASSOCIATION;

21 [(2)] (II) States the estimated remaining useful life of each identified
 22 component;

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

25 [(4)] (IV) States the estimated annual reserve amount necessary to
 26 accomplish any identified future repair or replacement; AND

27 (V) STATES THE ~~SQUARE FOOTAGE~~ QUANTITY OR SIZE OF EACH
 28 IDENTIFIED COMPONENT USING THE APPROPRIATE MEASUREMENT, SUCH AS UNIT
 29 AMOUNT, SQUARE FOOTAGE, OR CUBIC FEET.

1 **(3) “UPDATED RESERVE STUDY” MEANS, FOR THE COMMON**
 2 ~~ELEMENTS AREAS~~ **SINCE THE PRIOR RESERVE STUDY WAS COMPLETED WITHIN THE**
 3 **PREVIOUS 5 YEARS, A STUDY THAT:**

4 **(I) ~~ANALYZES ANY WORK PERFORMED;~~**

5 **~~(II)~~ REVISES REPLACEMENT COST, REMAINING LIFE, AND**
 6 **USEFUL LIFE ESTIMATES; ~~AND~~**

7 **~~(III)~~ IDENTIFIES:**

8 **~~1. (II) WORK~~ ANALYZES WORK PERFORMED AND AMOUNTS**
 9 **SPENT; AND**

10 **~~2. (III) WHETHER~~ IDENTIFIES WHETHER ANY**
 11 **MAINTENANCE CONTRACTS ARE IN PLACE.**

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

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

15 (ii) For which the total ~~initial purchase and installation~~ **REPAIR OR**
 16 **REPLACEMENT** costs for all components identified in subsection [(a)(1)] **(A)** of this section
 17 is at least \$10,000.

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

20 (c) (1) This subsection applies only to a homeowners association established
 21 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 homeowners association shall have an
 27 independent reserve study completed not more than 90 calendar days and not less than 30
 28 calendar days before the meeting of the homeowners association required under §
 29 11B–106.1(a) of this title.

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

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

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

10 (iii) If the governing body of a homeowners association has not had a
11 reserve study conducted on or after October 1, 2016, the governing body shall have a reserve
12 study conducted on or before October 1, 2021, and an updated reserve study at least every
13 5 years thereafter.

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

16 (ii) If the governing body of a homeowners association has had a
17 reserve study conducted on or after October 1, 2017, the governing body shall have an
18 updated reserve study conducted within 5 years after the date of that reserve study and at
19 least every 5 years thereafter.

20 (iii) If the governing body of a homeowners association has not had a
21 reserve study conducted on or after October 1, 2017, the governing body shall have a reserve
22 study conducted on or before October 1, 2022, and an updated reserve study at least every
23 5 years thereafter.

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

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

31 (iii) If the governing body of a homeowners association has not had a
32 reserve study conducted on or after October 1, 2018, the governing body shall have a reserve
33 study conducted on or before October 1, 2023, and an updated reserve study at least every
34 5 years thereafter.

35 (e) Each reserve study **AND UPDATED RESERVE STUDY** required under this
36 section shall:

1 (1) Be prepared by a person who:

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

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

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

8 (iv) Is currently designated as a reserve specialist by the Community
9 Association Institute or as a professional reserve analyst by the Association of Professional
10 Reserve Analysts;

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

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

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

16 (F) (1) ~~A~~ THE GOVERNING BODY OF A HOMEOWNERS ASSOCIATION
17 SHALL, IN CONSULTATION WITH A PERSON IDENTIFIED UNDER SUBSECTION (E)(1)
18 OF THIS SECTION, DEVELOP A FUNDING PLAN TO DETERMINE HOW TO FULLY FUND
19 THE RESERVES NECESSARY UNDER THIS SECTION.

20 (2) IN DEVELOPING THE FUNDING PLAN UNDER THIS SUBSECTION,
21 THE ~~HOMEOWNERS~~ GOVERNING BODY SHALL ~~CONSIDER~~ SELECT ONE OF THE
22 FOLLOWING METHODS TO ACHIEVE THE RESERVE FUNDING UNDER THIS SECTION:

23 (I) THE COMPONENT ~~OR FULL FUNDING~~ METHOD;

24 (II) THE CASH FLOW METHOD;

25 (III) THE BASELINE FUNDING METHOD;

26 (IV) THE THRESHOLD CASH FLOW METHOD; ~~AND OR~~

27 (V) ~~OTHER FUNDING METHODS~~ ANY OTHER FUNDING METHOD
28 CONSISTENT WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.

1 (3) A FUNDING PLAN DEVELOPED UNDER THIS SUBSECTION SHALL
2 PRIORITIZE ADEQUATE AMOUNTS FOR REPAIR AND REPLACEMENT OF COMMON
3 ~~ELEMENTS~~ AREAS OF THE HOMEOWNERS ASSOCIATION THAT ARE NECESSARY FOR:

4 (I) THE HEALTH, SAFETY, AND WELL-BEING OF THE ~~MEMBERS~~
5 OCCUPANTS;

6 (II) ENSURING STRUCTURAL INTEGRITY, SUCH AS ROOFING
7 REPLACEMENTS AND MAINTAINING STRUCTURAL SYSTEMS; ~~AND~~

8 (III) ESSENTIAL FUNCTIONING, SUCH AS PLUMBING, SEWER,
9 HEATING, COOLING, AND ELECTRICAL INFRASTRUCTURE; AND

10 (IV) ANY OTHER ESSENTIAL OR CRITICAL PURPOSE, AS
11 DETERMINED BY THE GOVERNING BODY.

12 ~~(4) RESERVES MAY NOT BE USED FOR PURPOSES OTHER THAN THOSE~~
13 ~~SPECIFIED IN THE FUNDING PLAN.~~

14 (4) RESERVES MAY BE USED FOR PURPOSES OTHER THAN THOSE
15 SPECIFIED IN THE FUNDING PLAN IF THE FUNDS ARE REPAID TO THE RESERVE FUND
16 WITHIN 5 YEARS AFTER THEIR USE.

17 (5) A GOVERNING BODY OF A HOMEOWNERS ASSOCIATION SHALL
18 REVIEW PROGRESS TOWARD COMPLIANCE WITH THE FUNDING PLAN DEVELOPED
19 UNDER THIS SUBSECTION AT EACH ANNUAL MEETING OF THE HOMEOWNERS
20 ASSOCIATION.

21 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
22 October 1, 2025.

Approved:

Governor.

Speaker of the House of Delegates.

President of the Senate.