

# SENATE BILL 63

N1, C1  
SB 1157/24 – JPR

(PRE-FILED)

5lr1630  
CF HB 292

By: **Senator Muse**

Requested: November 1, 2024

Introduced and read first time: January 8, 2025

Assigned to: Judicial Proceedings

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: February 23, 2025

## 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;  
15 requiring the governing body of a cooperative housing corporation, a residential  
16 condominium, or a homeowners association to review the reserves and the most  
17 recent reserve study or updated reserve study annually for accuracy to determine  
18 whether there is adequate funding in accordance with a certain funding plan;  
19 altering the definition of “reserve study” to provide that the governing body of a  
20 cooperative housing corporation, a residential condominium, or a homeowners  
21 association may determine a minimum cost of repair or replacement for components,  
22 subject to certain restrictions; requiring the governing body of a cooperative housing  
23 corporation, a residential condominium, or a homeowners association to prepare a  
24 certain funding plan subject to certain requirements; altering a certain provision of

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.



law relating to component costs and the application of certain reserve study requirements to a homeowners association; and generally relating to the funding of reserve accounts, reserve studies, and annual budgets of cooperative housing corporations, condominiums, and homeowners associations.

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

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

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

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[, “reserve”] **THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.**

**(2)** “**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] **USING AN ITEMIZED LIST, CLEARLY IDENTIFIES** each structural, mechanical, electrical, and plumbing component of the common elements and any other components that ~~are~~:

**1.** ARE the responsibility of the cooperative housing corporation to repair and replace; AND

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

3                               **A. REASONABLY BASED ON THE EXPENSES OF THE**  
4 **COOPERATIVE HOUSING CORPORATION; AND**

5                               **B. NOT A MINOR EXPENSE THAT IS OTHERWISE**  
6 **ADDRESSED BY THE BUDGET OF THE COOPERATIVE HOUSING CORPORATION;**

7                       [(2)] (II) States the normal useful life and the estimated remaining useful  
8 life of each identified component;

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

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

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

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

19                               (I) ~~ANALYZES ANY WORK PERFORMED;~~

20                               ~~(II)~~ REVISES REPLACEMENT COST, REMAINING LIFE, AND  
21 USEFUL LIFE ESTIMATES; ~~AND~~

22                               ~~(III)~~ IDENTIFIES;

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

25                               2. (III) ~~WHETHER~~ IDENTIFIES WHETHER ANY  
26 MAINTENANCE CONTRACTS ARE IN PLACE.

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

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

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

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

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

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

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

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

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

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

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

(iii) If the governing body of a cooperative housing corporation has 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 at least every 5 years thereafter.

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

(ii) If the governing body of a cooperative housing corporation has had a 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 least every 5 years thereafter.

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

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

(1) Be prepared by a person who:

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

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

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

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

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

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

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

(e) To the extent that a reserve study conducted in accordance with this section 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

1 which the reserve study is conducted and the amount of the expected contribution to the  
2 reserve fund for the fiscal year;

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

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

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

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

21 (ii) ~~IF SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION, IF~~ the  
22 most recent reserve study was an initial reserve study, the governing body shall, within [3]  
23 **5** fiscal years following the fiscal year in which the initial reserve study was completed,  
24 attain the annual reserve funding level recommended in the initial reserve study **IN**  
25 **ACCORDANCE WITH THE FUNDING PLAN UNDER SUBSECTION (G) OF THIS SECTION.**

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

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

35 1. THE COOPERATIVE HOUSING CORPORATION MAY  
36 REASONABLY 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 SUBSECTION (G)(3) OF THIS SECTION.

4                                (III) 1. EXCEPT AS PROVIDED IN SUBSUBPARAGRAPH 2 OF  
5 THIS SUBPARAGRAPH, A COOPERATIVE HOUSING CORPORATION MAY NOT DEVIATE  
6 FROM THE RESERVE FUNDING REQUIREMENTS OF PARAGRAPH (1)(I) OR (II) OF THIS  
7 SUBSECTION FOR A PERIOD OF MORE THAN 1 FISCAL YEAR FOLLOWING THE  
8 FINANCIAL 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 COOPERATIVE  
12 HOUSING CORPORATION MAY DEVIATE FROM THE RESERVE FUNDING  
13 REQUIREMENT BY 1 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)(I) OR (II) 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 § 5-6B-26  
22 OF THIS SUBTITLE.

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

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

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

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

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

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

(II) THE CASH FLOW METHOD;

(III) THE BASELINE FUNDING METHOD;

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

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

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

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

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

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

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

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

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



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

#### Article – Real Property

11–109.2.

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

(1) Income;

(2) Administration;

(3) Maintenance;

(4) Utilities;

(5) General expenses;

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

(7) Capital items.

(c) (1) Subject to ~~paragraph (2)~~ **PARAGRAPHS (2) AND (3)** of this subsection **AND IN ACCORDANCE WITH THE FUNDING PLAN UNDER § 11–109.4(F) OF THIS TITLE**, the reserves provided for in the annual budget under subsection (b) of this section for a residential condominium shall [be]:

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

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

(2) ~~IF~~ **SUBJECT TO PARAGRAPH (3) 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 § 11–109.4(F) OF THIS TITLE.**

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

10                   1. THE CONDOMINIUM MAY REASONABLY DEVIATE  
11 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 § 11-109.4(F)(3) OF THIS TITLE.

15                   (III) 1. EXCEPT AS PROVIDED IN SUBSUBPARAGRAPH 2 OF  
16 THIS SUBPARAGRAPH, A RESIDENTIAL CONDOMINIUM MAY NOT DEVIATE FROM THE  
17 RESERVE FUNDING REQUIREMENTS OF PARAGRAPH (1) OR (2) OF THIS SUBSECTION  
18 FOR A PERIOD OF MORE THAN 1 FISCAL YEAR FOLLOWING THE FINANCIAL  
19 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 RESIDENTIAL  
23 CONDOMINIUM MAY DEVIATE FROM THE RESERVE FUNDING REQUIREMENT BY 1  
24 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) OR (2) 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 AVAILABLE FOR EXAMINATION AND COPYING UNDER  
33 § 11-116 OF THIS TITLE.

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

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

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

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

11-109.4.

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

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

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

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

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

A. REASONABLY BASED ON THE EXPENSES OF THE CONDOMINIUM; AND

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

1 [(2)] (II) States the normal useful life and the estimated remaining useful  
2 life of each identified 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; AND

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

10 (3) "UPDATED RESERVE STUDY" MEANS, FOR THE COMMON  
11 ELEMENTS SINCE THE PRIOR RESERVE STUDY WAS COMPLETED WITHIN THE  
12 PREVIOUS 5 YEARS, A STUDY THAT:

13 (I) ~~ANALYZES ANY WORK PERFORMED;~~

14 ~~(II)~~ REVISES REPLACEMENT COST, REMAINING LIFE, AND  
15 USEFUL LIFE ESTIMATES; ~~AND~~

16 ~~(III)~~ IDENTIFIES;

17 ~~I.~~ (II) ~~WORK~~ ANALYZES WORK PERFORMED AND  
18 AMOUNTS SPENT; AND

19 ~~2.~~ (III) ~~WHETHER~~ IDENTIFIES WHETHER ANY  
20 MAINTENANCE CONTRACTS ARE IN PLACE.

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

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

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

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

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

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

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

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

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

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

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

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

(iii) If the governing body of a condominium has 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 at least every 5 years thereafter.

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

(ii) If the governing body of a condominium has had a 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 least every 5 years thereafter.

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

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

(1) Be prepared by a person who:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11B-112.2.

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

(1) Income;

(2) Administration;

(3) Maintenance;

(4) Utilities;

(5) General expenses;

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

(7) Capital expenses.

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

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

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

(2) ~~IF~~ **SUBJECT TO PARAGRAPH (3) 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 § 11B-112.3(F) OF THIS TITLE.**

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

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

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

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

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

**2. THE GOVERNING BODY MAY RENEW A FINANCIAL HARDSHIP DETERMINATION UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH BY A TWO-THIRDS MAJORITY VOTE TO EXTEND THE PERIOD THAT A HOMEOWNERS**



ASSOCIATION MAY DEVIATE FROM THE RESERVE FUNDING REQUIREMENT BY 1  
FISCAL YEAR FOLLOWING THE RENEWAL.

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

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

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

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

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

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

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

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

11B-112.3.

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

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

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

4                            1.     ARE the responsibility of the homeowners association to  
5 repair and replace; AND

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

8                            A.     REASONABLY BASED ON THE EXPENSES OF THE  
9 HOMEOWNERS ASSOCIATION; AND

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

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

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

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

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

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

24                           (I)     ~~ANALYZES ANY WORK PERFORMED;~~

25                           ~~(II)~~     REVISES REPLACEMENT COST, REMAINING LIFE, AND  
26 USEFUL LIFE ESTIMATES; AND

27                           ~~(III)~~     IDENTIFIES:

28                           1. (II)     WORK ANALYZES WORK PERFORMED AND  
29 AMOUNTS SPENT; AND

30                           2. (III)     WHETHER IDENTIFIES WHETHER ANY  
31 MAINTENANCE CONTRACTS ARE IN PLACE.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(iii) If the governing body of a homeowners association has 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 at least every 5 years thereafter.

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

(ii) If the governing body of a homeowners association has had a 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 least every 5 years thereafter.

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

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

(1) Be prepared by a person who:

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

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

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

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

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

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

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

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

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

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

(II) THE CASH FLOW METHOD;

(III) THE BASELINE FUNDING METHOD;

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

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

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

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

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

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

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

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

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

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

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

Approved:

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Governor.

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President of the Senate.

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Speaker of the House of Delegates.