SENATE BILL 787

N1, C1 5lr3051

By: Senator Jennings

Introduced and read first time: January 28, 2025

Assigned to: Judicial Proceedings

A BILL ENTITLED

1	ΔN	ACT	concerning
1	AIN	AUI	concerning

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Cooperative Housing Corporations and Condominiums - Funding of Reserve
Accounts and Timing of Reserve Studies

- 4 FOR the purpose of establishing that a reserve study conducted for a cooperative housing 5 corporation or condominium must identify only certain components with a value 6 exceeding a certain amount; establishing a certain exception to the requirement to 7 conduct a reserve study for certain cooperative housing corporations and 8 condominiums; extending the amount of time that a cooperative housing corporation 9 or a residential condominium has to complete a certain reserve study; extending the amount of time after an initial reserve study that a cooperative housing corporation 10 11 or a residential condominium has to obtain a certain recommended reserve funding 12 level; providing that a reserve study may be prepared by certain persons; and generally relating to cooperative housing corporations and condominiums. 13
- 14 BY repealing and reenacting, with amendments,
- 15 Article Corporations and Associations
- 16 Section 5–6B–26.1
- 17 Annotated Code of Maryland
- 18 (2014 Replacement Volume and 2024 Supplement)
- 19 BY repealing and reenacting, without amendments,
- 20 Article Real Property
- 21 Section 11–109.2(a) and (b)
- 22 Annotated Code of Maryland
- 23 (2023 Replacement Volume and 2024 Supplement)
- 24 BY repealing and reenacting, with amendments,
- 25 Article Real Property
- 26 Section 11–109.2(c) and 11–109.4
- 27 Annotated Code of Maryland
- 28 (2023 Replacement Volume and 2024 Supplement)

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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1 2		I. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, Maryland read as follows:			
3	Article - Corporations and Associations				
4	5–6B–26.1.				
5 6 7	(a) In this section, "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:				
8 9 10 11	(1) Identifies each structural, mechanical, electrical, and plumbing component of the common elements and any other components that are the responsibility of the cooperative housing corporation [to repair and replace] WITH A REPAIR OR REPLACEMENT COST THAT EXCEEDS \$10,000;				
12 13	(2) each identified cor	States the normal useful life and the estimated remaining useful life of mponent;			
14 15	(3) component; and	States the estimated cost of repair or replacement of each identified			
16 17	(4) any identified futu	States the estimated annual reserve amount necessary to accomplish are repair or replacement.			
18 19	(B) THIS				
20 21	(1) STORIES USED FO	CONSISTS OF ANY BUILDING CONTAINING FOUR OR MORE OR HABITATION BY RESIDENTS; OR			
22	(2)	CONTAINS FOUR OR MORE SINGLE-FAMILY UNITS.			
23 24	[(b)] (C) established in:	(1) This subsection applies only to a cooperative housing corporation			
25		(i) Prince George's County on or after October 1, 2020;			
26		(ii) Montgomery County on or after October 1, 2021; or			
27 28	County on or after	(iii) Any county other than Prince George's County or Montgomery October 1, 2022.			
29	(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 (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] 10 years thereafter.
- 6 **[**(c)**] (D)** (1) (i) This paragraph applies only to a cooperative housing 7 corporation established in Prince George's County before October 1, 2020.
- 8 (ii) If the governing body of a cooperative housing corporation has 9 had a reserve study conducted on or after October 1, 2016, 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] 10 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, 2016, the governing body shall 14 have a reserve study conducted on or before October 1, 2021, and an updated reserve study 15 at least every [5] 10 years thereafter.
- 16 (2) (i) This paragraph applies only to a cooperative housing corporation established in Montgomery County before October 1, 2021.
- 18 (ii) If the governing body of a cooperative housing corporation has 19 had a reserve study conducted on or after October 1, 2017, 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] 10 years thereafter.
- 22 (iii) If the governing body of a cooperative housing corporation has 23 not had a reserve study conducted on or after October 1, 2017, the governing body shall 24 have a reserve study conducted on or before October 1, 2022, and an updated reserve study 25 at least every [5] 10 years thereafter.
- 26 (3) (i) This paragraph applies to a cooperative housing corporation established in any county other than Prince George's County or Montgomery County before 28 October 1, 2022.
- 29 (ii) If the governing body of a cooperative housing corporation has 30 had a reserve study conducted on or after October 1, 2018, 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] 10 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] 10 years thereafter.

1	[(d)] (E)	Each	reserve study required under this section shall:
2	(1)	Be pr	repared by a person who:
3 4	calendar years;	(i)	Has prepared at least 30 reserve studies within the prior 3
5 6	within the prior 3	(ii) calend	Has participated in the preparation of at least 30 reserve studies ar years while employed by a firm that prepares reserve studies;
7 8	State Board for Pr	(iii) rofessio	Holds a current license from the State Board of Architects or the onal Engineers; [or]
9 10 11	Association Institu Reserve Analysts;		Is currently designated as a reserve specialist by the Community as a professional reserve analyst by the Association of Professional
12		(v)	HOLDS A CURRENT LICENSE FROM:
13			1. THE STATE BOARD OF ELECTRICIANS;
14			2. THE STATE BOARD OF PLUMBERS; OR
15			3. THE MARYLAND HOME IMPROVEMENT COMMISSION;
16	(2)	Be av	ailable for inspection and copying by any unit owner;
17 18	(3) corporation in con		eviewed by the governing body of the cooperative housing a with the preparation of the annual proposed budget; and
19 20	(4) unit owners.	Be su	immarized for submission with the annual proposed budget to the
21 22	[(e)] (F) section indicates a		te extent that a reserve study conducted in accordance with this to budget for reserves, the budget shall include:
23	(1)	For t	he capital components, the current estimated:
24 25	GREATER THAN	(i) \$10,00	Replacement cost IF THE ESTIMATED REPLACEMENT COST IS 0 AS DETERMINED BY THE MOST RECENT RESERVE STUDY;
26		(ii)	Remaining life; and
27		(iii)	Useful life;

1 (2)The amount of accumulated cash reserves set aside for the repair, 2 replacement, or restoration of capital components as of the beginning of the fiscal year in 3 which the reserve study is conducted and the amount of the expected contribution to the 4 reserve fund for the fiscal year; 5 A statement describing the procedures used for estimation and (3)6 accumulation of cash reserves in accordance with this section; and 7 A statement of the amount of reserves recommended in the study and **(4)** 8 the amount of current cash for replacement reserves. 9 [(f)] (G) Subject to subparagraph (ii) of this paragraph, the (1) 10 governing body of a cooperative housing corporation shall provide funds to the reserve in accordance with the most recent reserve study and shall review the reserve study annually 11 12 for accuracy. 13 (ii) If the most recent reserve study was an initial reserve study, the governing body shall, within [3] 10 fiscal years following the fiscal year in which the initial 14 15 reserve study was completed, attain the annual reserve funding level recommended in the 16 initial reserve study. 17 The governing body of a cooperative housing corporation has the authority to increase an assessment levied to cover the reserve funding amount required 18 under this section, notwithstanding any provision of the articles of incorporation, bylaws, 19 20or proprietary lease restricting assessment increases or capping the assessment that may 21be levied in a fiscal year. 22 Article - Real Property 23 11 - 109.2.24The council of unit owners shall cause to be prepared and submitted to the 25 unit owners an annual proposed budget at least 30 days before its adoption. The annual budget shall provide for at least the following items: 26 (b) 27 (1) Income; 28 (2)Administration: 29 Maintenance; (3)30 (4) Utilities: 31 General expenses; (5)

Reserves: and

(6)

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1	(7) Capital items.				
2 3 4 5	(c) (1) Subject to paragraph (2) of this subsection, the reserves provided for in the annual budget under subsection (b) of this section for a residential condominium shall be the funding amount recommended in the most recent reserve study completed under § 11–109.4 of this title.				
6 7 8 9	(2) If the most recent reserve study was an initial reserve study, the governing body shall, within [3] 10 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.				
10	11–109.4.				
11 12	(a) In this section, "reserve study" means a study of the reserves required for future major repairs and replacement of the common elements of a condominium that:				
13 14 15 16	(1) Identifies each structural, mechanical, electrical, and plumbing component of the common elements and any other components that are the responsibility of the council of unit owners to repair and replace WITH A REPAIR OR REPLACEMENT COST THAT EXCEEDS \$10,000;				
17 18	(2) States the normal useful life and the estimated remaining useful life of each identified component;				
19 20	(3) States the estimated cost of repair or replacement of each identified component; and				
21 22	(4) States the estimated annual reserve amount necessary to accomplish any identified future repair or replacement.				
23	(b) This section applies only to a residential condominium THAT:				
24 25	(1) CONSISTS OF ANY BUILDING CONTAINING FOUR OR MORE STORIES USED FOR HABITATION BY RESIDENTS; OR				
26	(2) CONTAINS FOUR OR MORE SINGLE-FAMILY UNITS.				
27	(c) (1) This subsection applies only to a condominium established in:				
28	(i) Prince George's County on or after October 1, 2020;				
29	(ii) Montgomery County on or after October 1, 2021; or				

- 1 Any county other than Prince George's County or Montgomery 2 County on or after October 1, 2022. 3 The governing body of the condominium shall have an independent 4 reserve study completed not less than 30 calendar days before the meeting of the council of 5 unit owners required under § 11–109(c)(16) of this title. 6 The governing body shall have an updated reserve study completed (3)7 within 5 years after the date of the initial reserve study conducted under paragraph (2) of 8 this subsection and at least every [5] 10 years thereafter. 9 This paragraph applies only to a condominium established in (d) (1)10 Prince George's County before October 1, 2020. 11 (ii) If the governing body of a condominium has had a reserve study 12 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] 13 14 10 years thereafter. If the governing body of a condominium has not had a reserve 15 (iii) study conducted on or after October 1, 2016, the governing body shall have a reserve study 16 17 conducted on or before October 1, 2021, and an updated reserve study at least every [5] 10 18 years thereafter. 19 This paragraph applies only to a condominium established in (2) (i) 20 Montgomery County before October 1, 2021. If the governing body of a condominium has had a reserve study 21conducted on or after October 1, 2017, the governing body shall have an updated reserve 2223study conducted within 5 years after the date of that reserve study and at least every [5] 2410 years thereafter. 25If the governing body of a condominium has not had a reserve 26 study conducted on or after October 1, 2017, the governing body shall have a reserve study 27 conducted on or before October 1, 2022, and an updated reserve study at least every [5] 10 28 years thereafter. 29 This paragraph applies only to a condominium established in any (3)(i) 30 county other than Prince George's County or Montgomery County before October 1, 2022.
- 31 (ii) If the governing body of a condominium has had a reserve study 32 conducted on or after October 1, 2018, the governing body shall have an updated reserve 33 study conducted within 5 years after the date of that reserve study and at least every [5] 34 **10** years thereafter.

1 2 3 4	(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] 10 years thereafter.
5	(e) Each reserve study required under this section shall:
6	(1) Be prepared by a person who:
7 8	(i) Has prepared at least 30 reserve studies within the prior 3 calendar years;
9 10	(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;
11 12	(iii) Holds a current license from the State Board of Architects or the State Board for Professional Engineers; [or]
13 14 15	(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; OR
16	(V) HOLDS A CURRENT LICENSE FROM:
17	1. THE STATE BOARD OF ELECTRICIANS;
18	2. THE STATE BOARD OF PLUMBERS; OR
19	3. THE MARYLAND HOME IMPROVEMENT COMMISSION;
20	(2) Be available for inspection and copying by any unit owner;
21 22	(3) Be reviewed by the governing body of the condominium in connection with the preparation of the annual proposed budget; and
23 24	(4) Be summarized for submission with the annual proposed budget to the unit owners.
25 26	SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect October 1, 2025.