

# **TESTIMONY BEFORE THE SENATE JUDICIAL PROCEEDINGS C**

Uploaded by: BARBARA COLEMAN-SPITZ

Position: FAV

TESTIMONY BEFORE THE SENATE JUDICIAL PROCEEDINGS COMMITTEE

TUESDAY, JANUARY 21, 2025

SENATE BILL 63 – COOPERATIVE HOUSING CORPORATIONS, CONDOMINIUMS, AND HOMEOWNERS ASSOCIATIONS – FUNDING OF RESERVE ACCOUNTS AND PREPARATION OF FUNDING PLANS

TESTIMONY BEFORE THE SENATE JUDICIAL PROCEEDINGS COMMITTEE

TUESDAY, JANUARY 21, 2025

SENATE BILL 63 – COOPERATIVE HOUSING CORPORATIONS, CONDOMINIUMS, AND HOMEOWNERS ASSOCIATIONS – FUNDING OF RESERVE ACCOUNTS AND PREPARATION OF FUNDING PLANS

SB 63 – Cooperative Housing Corporations, Condominiums, and Homeowners Associations – Funding of Reserve Accounts and Preparation of Funding Plans, is targeted legislation to address the flaws with the current law surrounding reserve studies. The bill would extend the amount of time after an initial reserve study for a cooperative housing corporation, residential condominium, or HOA to attain the annual reserve funding level from three to five years. Additionally, the bill would allow several funding plan options for HOAs and condominium associations and would require the funding plans to prioritize “adequate amounts” for repair and replacement of common elements with consideration given to the health and safety of members of the governing body.

Under the current law passed in 2022, housing associations are now burdened with keeping track of regulatory timeframes to ensure that their properties are up to code. Combined with insurance rates, owners have been, and will continue to be faced with the increased costs for their association dues, and the assessments of their property. These price increases make the cost of living unaffordable for many residents, especially those who are elderly.

**For the foregoing reasons, I ask that this committee issue a FAVORABLE report on this legislation.**

Thank you, Senate Judicial Proceedings Committee members, and Mr. Chairman for your time.

SB 63 – Cooperative Housing Corporations, Condominiums, and Homeowners Associations – Funding of Reserve Accounts and Preparation of Funding Plans, is targeted legislation to address the flaws with the current law surrounding reserve studies. The bill would extend the amount of time after an initial reserve study for a cooperative housing corporation, residential condominium, or HOA to attain the annual reserve funding level from three to five years. Additionally, the bill would allow several funding plan options for HOAs and condominium associations and would require the funding plans to prioritize “adequate amounts” for repair and replacement of common elements with consideration given to the health and safety of members of the governing body.

Under the current law passed in 2022, housing associations are now burdened with keeping track of regulatory timeframes to ensure that their properties are up to code. Combined with insurance rates, owners have been and will continue to be faced with the increased costs for their association

dues, and the assessments of their property. These price increases make the cost of living unaffordable for many residents, especially those who are elderly.

**For the foregoing reasons, I ask that this committee issue a FAVORABLE report on this legislation.**

Thank you, Senate Judicial Proceedings Committee members, and Mr. Chairman for your time.

Respectively,

Daniel S. Spitz and Barbara E. Coleman-Spitz, Unit 101  
Sovereign Sea Condominium Association  
Ocean City, Maryland 21842

# **SB 63 - Reserve Accounts - Testimony JPR.pdf**

Uploaded by: C. Anthony Muse

Position: FAV



THE SENATE OF MARYLAND  
ANNAPOLIS, MARYLAND 21401

Testimony

**SB 63: Cooperative Housing Corporations, Condominiums, and Homeowners Associations  
– Funding of Reserve Accounts and Preparation of Funding Plans**

Good afternoon, Mr. Chairman, Vice Chair, and members of the Judicial Proceedings Committee:

**SB 63** makes important improvements to the statutory framework governing reserve studies and funding plans for cooperative housing corporations (COCs), residential condominiums, and homeowners associations (HOAs). These changes are essential for ensuring the long-term financial health and sustainability of common ownership communities (COCs) across the state.

The key provisions of SB 63 include:

1. **Extended Timeframe for Funding Compliance:** The bill extends the period from three years to five years for COCs to meet the annual reserve funding levels recommended by an initial reserve study. This additional time gives COCs greater flexibility to meet financial goals without burdening residents with excessive assessment increases.
2. **Updated Reserve Study Definition:** The bill clarifies what constitutes an “updated reserve study,” which includes revising cost estimates, remaining useful life, and reviewing maintenance contracts. This ensures that communities have accurate and current information to make informed financial decisions.
3. **Annual Review of Reserve Studies:** COCs are now explicitly required to review their reserve studies annually for accuracy, ensuring that the reserve studies reflect the community's true financial needs and current condition of common elements.
4. **Funding Plan for Reserves:** The bill mandates that COCs develop a comprehensive funding plan to determine how to fully fund reserves, prioritizing repairs and replacements critical to the health and safety of community members. This approach provides clear direction for long-term financial planning.
5. **Depositing Reserve Funds:** The bill requires that reserve funds be deposited into the reserve account by the end of each fiscal year in accordance with the most recent reserve

study and funding plan, ensuring that COCs are consistently maintaining adequate reserves.

6. **Inclusion of Large Replacement Costs:** If the estimated replacement cost of any common element exceeds \$10,000, the bill mandates that these costs be factored into the reserve funding and budget.

In closing, this legislation is a significant step forward in improving the financial management and sustainability of common ownership communities. It ensures that COCs are properly prepared for major repairs and replacements, while providing transparency and accountability to residents.

Therefore, I respectfully urge the committee to issue a **FAVORABLE** report for SB 63.

# **SB 63 Support Letter.pdf**

Uploaded by: Karen Straughn

Position: FAV



**CAROLYN A. QUATTROCKI**  
*Chief Deputy Attorney General*

**LEONARD J. HOWIE III**  
*Deputy Attorney General*

**CARRIE J. WILLIAMS**  
*Deputy Attorney General*

**ZENITA WICKHAM HURLEY**  
*Chief, Equity, Policy, and Engagement*

**STATE OF MARYLAND**  
**OFFICE OF THE ATTORNEY GENERAL**  
**CONSUMER PROTECTION DIVISION**

**ANTHONY G. BROWN**  
*Attorney General*

**WILLIAM D. GRUHN**  
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January 21, 2025

To: The Honorable William C. Smith, Jr.  
Chair, Judicial Proceedings Committee

From: Karen S. Straughn  
Consumer Protection Division

Re: Senate Bill 63 – Cooperative Housing Corporations, Condominiums and Homeowners Associations – Funding for Reserve Accounts (SUPPORT)

The Consumer Protection Division of the Office of the Attorney General submits the following written testimony in support of Senate Bill 63 submitted by Senator C. Anthony Muse. This bill would extend the length of time to meet reserve study funding requirements from 3 years after the initial study was completed to 5 years and would not require the deposit of the funds until the last day before the end of the association's fiscal year. The bill further clarifies that any generally accepted form of funding can be used for the study.

Legislation passed during the 2022 session requires condominium and homeowners' associations to conduct a reserve study to determine what maintenance is required and to fund the reserves of the association in accordance with that study. In the past, many associations had not been properly funding their reserves, either due to the inability to obtain the votes required to approve large increases or the simple inability to afford the increases necessary. As a result, the infrastructure of many of these communities has deteriorated and residents are now forced to incur substantial increases or face penalties for failing to address the deteriorating conditions of the community.

In many common ownership communities, the infrastructure includes roads, storm water management ponds, sewers, parks, sidewalks and other elements that are the sole responsibility of the association and its members. The failure to maintain the infrastructure can result in both



physical danger to the community members as well as depressed property values and eventually, communities in crisis. Despite this, many communities continue to express concerns about the ability to meet the funding requirements of the law. This bill would extend the requirement to fund the maintenance needs identified in the studies from 3 years after the initial reserve study to 5 years. It would also clarify that the funds need not be deposited with the reserve account until on or before the last day of each fiscal year and that any generally accepted form of funding can be used. These provisions would each give additional time to permit associations to comply with the law.

For these reasons, we ask that the Judicial Proceedings Committee return a favorable report on this bill.

cc: The Honorable C. Anthony Muse  
Members, Judicial Proceedings Committee

**SB 63 - CIC Reserves - FAV - REALTORS.pdf**

Uploaded by: Lisa May

Position: FAV



**Senate Bill 63** – Cooperative Housing Corporations, Condominiums, and Homeowners Associations – Funding of Reserve Accounts and Preparation of Funding Plans

**Position: Support**

Maryland REALTORS® supports SB 63, which extends the deadline for Common Interest Communities to fully fund their reserve accounts.

In 2022, the General Assembly passed a statewide requirement that all condo and homeowner’s associations regularly conduct a reserve study, which evaluates the association’s ability to pay for future financial obligations like maintenance and repairs. If the study determines that an association’s financial reserves are insufficient, the unit owners may face increases in their monthly fees or special assessments to recapitalize the accounts.

Since then, REALTORS® have learned some associations have imposed sharp increases in fee amounts charged to homeowners, due to the large unmet capital needs of these communities. These fee amounts can be difficult for those on fixed incomes to absorb, especially during this time of higher-than-average inflation and housing unaffordability. What’s more, there is concern that associations which are not able to meet the necessary reserve amounts will face difficulties in obtaining mortgages or insurance coverage for residential units within the community.

Giving associations additional time and clarification to fully fund their reserve accounts will moderate these increases on residents while still ensuring that the communities remain financially and structurally sound. REALTORS® recommend a favorable report on SB 63.

**For more information contact [lisa.may@mdrealtor.org](mailto:lisa.may@mdrealtor.org) or  
[christa.mcgee@mdrealtor.org](mailto:christa.mcgee@mdrealtor.org)**



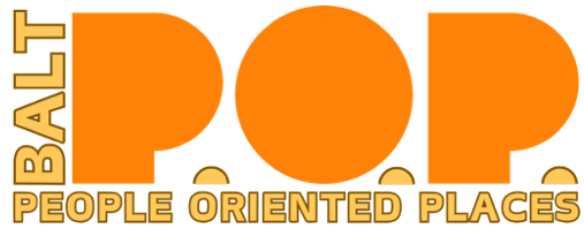
# **MGA 2025 Testimony Bill SB0063 (CHAs - Funding of**

Uploaded by: Michael Scepaniak

Position: FAV

Bill: SB0063

Bill Title: Cooperative Housing Corporations, Condominiums, and Homeowners Associations – Funding of Reserve Accounts and Preparation of Funding Plans



Position: **Favorable**

Members of the Senate Judicial Proceedings Committee,

As a group which advocates for taking a long-term view toward responsibly maintaining and making optimal use of expensive infrastructure assets, we feel that SB0063 is a very necessary bill whose time has come.

Infrastructure is hard.

- Many government officials struggle to fully understand the long-term costs of what are widely thought of as infrastructure investments (but which are actually liabilities).
- Formally-educated full-time professionals employed in municipal departments of public works and transportation struggle to keep the assets under their care well maintained.
- Condominium and homeowners associations (CHAs) are composed of normal people and the property management companies they contract with frequently fail to properly advise their clients on how to properly care for their shared infrastructure.

As such, it should be no surprise that CHAs tend to do a poor job of capital planning and fully grasping the scale at which they need to save funds for long-term maintenance of the common infrastructure that they are responsible for.

Given these realities, the basic due diligence standards called for by this bill make abundant sense. The state's proper role in this is absolutely to provide expertise with helping CHAs and their residents understand the scope of their infrastructure liabilities and guidelines on how to best prepare to address them. CHAs need this guidance - to regularly conduct reserve studies and to have a funding plan prepared to replace aging infrastructure. Once in place, homeowners can rest easy knowing that they are in conformance with guidelines established by the state.

There's a large conflict of interest at play when CHAs are established because the developer is incentivized to set the monthly/quarterly dues as low as possible to make the properties more attractive to potential home-buyers. Beyond that point, it's then up to the residents to a) realize that the infrastructure maintenance situation is unsustainable and b) agree to raise their own dues on themselves. This bill helps to daylight and remedy this situation.

Expecting the state's widely-varying CHAs to adequately run the grass roots equivalents of municipal transportation and public works departments, especially without some basic guidance, is unrealistic. And expecting future waves of residents buying into these communities to properly vet the competence of the applicable CHA board, especially their management of below-ground infrastructure, is also unrealistic.

This is a common sense measure that serves as a valuable step toward helping everyone understand the true cost of the infrastructure we choose to build, keeping that infrastructure properly maintained, and helping communities across the state to become (and remain) fiscally solvent.

We hope the committee finds these points helpful and convincing and we urge its members to **vote in favor of SB0063**. Thank you for your efforts and the opportunity for us to testify on this legislation.

[BaltPOP - Baltimoreans for People-Oriented Places](#)

# **TESTIMONY BEFORE THE SENATE JUDICIAL PROCEEDINGS C**

Uploaded by: Nancy Gebicke

Position: FAV



TESTIMONY BEFORE THE SENATE JUDICIAL PROCEEDINGS COMMITTEE

TUESDAY, JANUARY 21, 2025

SENATE BILL 63 – COOPERATIVE HOUSING CORPORATIONS, CONDOMINIUMS,  
AND HOMEOWNERS ASSOCIATIONS – FUNDING OF RESERVE ACCOUNTS AND  
PREPARATION OF FUNDING PLANS

SB 63 – Cooperative Housing Corporations, Condominiums, and Homeowners Associations – Funding of Reserve Accounts and Preparation of Funding Plans, is targeted legislation to address the flaws with the current law surrounding reserve studies. The bill would extend the amount of time after an initial reserve study for a cooperative housing corporation, residential condominium, or HOA to attain the annual reserve funding level from three to five years. Additionally, the bill would allow several funding plan options for HOAs and condominium associations and would require the funding plans to prioritize “adequate amounts” for repair and replacement of common elements with consideration given to the health and safety of members of the governing body.

Under the current law passed in 2022, housing associations are now burdened with keeping track of regulatory timeframes to ensure that their properties are up to code. Combined with insurance rates, owners have been, and will continue to be faced with the increased costs for their association dues, and the assessments of their property. These price increases make the cost of living unaffordable for many residents, especially those who are elderly.

**For the foregoing reasons, I ask that this committee issue a FAVORABLE report on this legislation.**

Thank you, Senate Judicial Proceedings Committee members, and Mr. Chairman for your time.

Respectively,  
Nancy A. Gebicke, Owner  
Sovereign Sea Condominium Association  
Ocean City, Maryland

# **SB63**

Uploaded by: Peter Miller

Position: FAV

January 21, 2025

Judicial Proceedings Committee

The Honorable William Smith, Jr Chair,  
c/o Senate Office Building  
Annapolis, Maryland 21401

410-841-3623

**RE: SB 63 Cooperative Housing Corporations, Condominiums, and Homeowners Associations - Funding of Reserve Accounts and Preparation of Funding Plans**

Dear Senator Smith and Members of the Committee,

I am writing to you in support of SB 63. I had the honor of working with Del. Marvin Holmes in a small role helping to craft the language of the Reserve Study Bill HB 107. I have been active in the Reserve Study profession for over 25 years and have been asked to contribute my expertise in Reserve Study legislation for the Commonwealth of Virginia and the Commonwealth of Delaware. I have served on the Community Associations Institute's (CAI) Board of Trustees and was selected to serve as a Co-Chair of CAI's Taskforce on Reserves, Maintenance, and Building Safety.

While I am in general agreement with the Bill, there are a couple of detail issues that I see that need to be addressed. The first issue is in Section 5-6B-26.1 where it specifies "SQUARE FEET". This should read "QUANTITY". Not all components are measured in square feet. Some are measured as "each" or "square yards", etc. This same error appears in the sections on condominiums and on Homeowner associations.

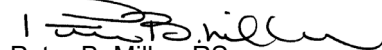
Later in this same section, the phrase "IF THE ESTIMATED REPLACEMENT COST IS GREATER THAN \$10,000 AS DETERMINED BY THE MOST RECENT RESERVE STUDY OR UPDATED RESERVE STUDY". The \$10,000 was originally the minimum amount of the total replacement costs of all components which determined whether a smaller association was required to conduct a Reserve Study. The way the bill is written it could be interpreted to mean that any component whose replacement cost was under \$10,000 would not be included in the Reserve Study. This same error appears in the sections on condominiums and on Homeowner associations.

I would leave out the word "fully" in the following section: **(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.** The word "fully" is a loaded term in our profession. It may be, and has been, interpreted to refer to the "Component or Full Funded Method". This word is not needed in this section since the sentence already states "Reserves necessary under this section. This same error appears in the sections on condominiums and on Homeowner associations.

Thank you for allowing me to submit this letter. A highlighted copy of the Bill, along with my CV is attached herein.

Respectfully Submitted,

**MILLERDODSON ASSOCIATES**

  
Peter B. Miller, RS  
Principal

## **SB63**

Uploaded by: Peter Miller

Position: FAV

## Peter B. Miller, RS, EBP

### Professional CV



Peter B. Miller, RS, a Principal in the firm of Miller + Dodson Associates, is widely recognized as one of the leading experts in the field of Reserve Studies and Strategic Reserve Planning for community associations and other not-for-profit membership organizations.

A graduate of the College of Architecture and Urban Studies at Virginia Tech, Mr. Miller maintained an Architectural practice from 1977 through 2002. Peter's experience with Reserve Studies and community associations began during the "condo conversion boom" of the late 1970's and early 1980's.

In 2002, Mr. Miller, along with James W. Dodson, Jr., founded Miller + Dodson Associates, Inc. Since that time, they have maintained a successful and highly regarded practice focusing on Reserve Studies. Their clients include community associations, municipalities, resorts, country clubs, religious institutions and private schools throughout the United States, Mexico, and the Caribbean. Miller + Dodson Associates conducts approximately 1,000 Reserve Studies annually.

A frequent speaker and author on the topic of Reserve Studies and Strategic Reserve Planning, Peter has been called on to consult on Reserve Study legislation for several States. As a Subject Matter Expert, he assisted in crafting the language of the recent Maryland Reserve Study legislation that was signed into law in 2022. He holds the professional designation of Reserve Specialist (RS) through CAI. He has been widely recognized for his efforts within the Reserve Study and Community Associations industries over the last 20+ years. Below are some of the awards given and positions held or currently holds in the industry:

### Current Industry Positions

- Co-Chair, CAI Task Force for Reserves, Maintenance, and Building Safety, 2022
- Foundation for Community Association Research, Task Force on "Aging Infra-structures".
- Community Association Institute (CAI) professional designation of Reserve Specialist (RS).

### Industry Positions and Awards

- Trustee, Community Association Institute (CAI) National Board of Trustees 2018 -2022.
- "Award for Excellence in Designations" CAI National, 2022
- "Award for Excellence in Designations" CAI National, 2021
- Chair, CAI National Business Partners Council, 2020
- Commonwealth of Virginia, DPOR's Reserve Study Taskforce, 2019
- Hall of Fame Award, Washington Metropolitan Chapter of CAI, 2016
- President, Board of Directors of the Southeast Virginia Chapter of CAI, 2014.
- Member, Board of Directors of the Southeast Virginia Chapter of CAI, 2009 - 2014
- President, Board of Directors of the Washington Metropolitan Chapter of CAI, 2004
- Member, Board of Directors of the Washington Metropolitan Chapter of CAI, 1999 - 2004
- Member, Board of Directors of the South Carolina Chapter of CAI, 1999 - 2004.
- Member of CAI National's Governance Task Force, 2002 - 2004.
- "President's Award" CAI National, 2004
- "Award for Excellence in Chapter Leadership" CAI National, 2003
- Member, National Reserve Study Standards Committee, 1996 through 2002

**Articles (partial list)**

Mr. Miller is the author of several articles and has contributed to a number of professional publications. Below is a sampling of these articles:

- Tennessee Chapter Article on Reserves, June 2023
- "The Reserves Truth; What We Must Learn from the Chaplain Towers South Tragedy!" *Common Ground Magazine*, September/October 2021.
- "Breaking Point: Examining Aging Infrastructure in Community Associations", Contributing Author and Panel Member, *CAI Foundation for Community Association Research*, 2020
- "Community Next: 2020 and Beyond", Contributing Author and Panel Member, *CAI Foundation for Community Association Research*, 2016
- "Vendor or Business Partner" *Common Ground Magazine* April 2015
- "A Place Called Rugby - The rise, fall, and rebirth of an early experiment in cooperative living offers many lessons for today's communities". *Common Ground Magazine* July/August 2008
- "Cutting Through the Fog, Understanding the Difference Between the Cash Flow and Component Methods of Calculating Reserves"; *Common Ground Magazine*, January 2008

**Educational Seminars and Webinars (partial list)**

- NC-CAI Seminar "Reserve Studies and Building Safety", March 2022
- SEVA-CAI Seminar "After Surfside, Aging Buildings, Part 1" March 2022
- CAI Law Seminar, Presenter "Aging Infrastructure – Hidden Conditions" 2021
- Seminar for Hampton Roads Realty Association. "Reserve Studies" 2021
- CAI National Seminar "Building Successful Business Partner Relationships", 2021
- Educated Business Partner online seminar panelist, 2019 through 2022
- Produced and presented the *CAI National Reserve Study Webinar*, 2012

Mr. Miller is a frequent speaker and educator on the topic Replacement Reserves and Strategic Reserve Planning at CAI events, and for management companies and their client Boards of Directors. Mr. Miller currently teaches multiple seminars and webinars each month.

**Expert Witness Testimony:**

Mr. Miller has served as an Expert Witness for the following cases in the last four years:

- C. Michael Goodon v. Waterhouse Unit Owners Assoc. Arl. Va 2020
- Mews at Bailey Station v. Bedwell, et al. PA. 2020
- Union Bank Condo v. ? developer, PA 2021
- Hamborg v. Coyote Landing, AZ 2022
- Dixon Mills v. RDG Holding, et al. 2023

**End of Curriculum Vitae**

*Last Updated February 18, 2024*

## **SB63**

Uploaded by: Peter Miller

Position: FAV

# SENATE BILL 63

N1, C1  
SB 1157/24 – JPR

(PRE-FILED)

5lr1630  
CF 5lr1629

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By: **Senator Muse**

Requested: November 1, 2024

Introduced and read first time: January 8, 2025

Assigned to: Judicial Proceedings

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## A BILL ENTITLED

1 AN ACT concerning

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

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

18 BY repealing and reenacting, with amendments,  
19 Article – Corporations and Associations  
20 Section 5–6B–26.1  
21 Annotated Code of Maryland  
22 (2014 Replacement Volume and 2024 Supplement)

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

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.





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

3 **Article – Corporations and Associations**

4 5–6B–26.1.

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

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

10 [(1)] (I) [Identifies] **USING AN ITEMIZED LIST, CLEARLY IDENTIFIES**  
11 each **structural, mechanical, electrical, and plumbing** component of the common elements  
12 and any other components that are the responsibility of the cooperative housing corporation  
13 to repair and replace;

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

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

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

20 (V) STATES THE **Quantity**  
**SQUARE FOOTAGE** OF EACH IDENTIFIED  
21 COMPONENT.

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

25 (I) ANALYZES ANY WORK PERFORMED;

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

28 (III) IDENTIFIES:

29 1. WORK PERFORMED AND AMOUNTS SPENT; AND

1   **2.     WHETHER ANY MAINTENANCE CONTRACTS ARE IN**  
2 **PLACE.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

14               (1)    Be prepared by a person who:

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

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

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

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

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

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

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

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

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

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

4 (ii) Remaining life; and

5 (iii) Useful life;

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

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

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

14 (f) (1) (i) **1.** Subject to subparagraph (ii) of this paragraph, the  
15 governing body of a cooperative housing corporation shall [provide] **DEPOSIT** funds to the  
16 reserve **ACCOUNT** in accordance with the most recent reserve study **AND THE FUNDING**  
17 **PLAN REQUIRED UNDER SUBSECTION (G) OF THIS SECTION ON OR BEFORE THE LAST**  
18 **DAY OF EACH FISCAL YEAR** and shall review the reserve study annually for accuracy.

19 **2. THE ANNUAL REVIEW OF THE RESERVE STUDY FOR**  
20 **ACCURACY DOES NOT REQUIRE A RESERVE STUDY IN ADDITION TO THE RESERVE**  
21 **STUDY REQUIREMENTS UNDER SUBSECTIONS (B) AND (C) OF THIS SECTION.**

22 (ii) If the most recent reserve study was an initial reserve study, the  
23 governing body shall, within [3] **5** fiscal years following the fiscal year in which the initial  
24 reserve study was completed, attain the annual reserve funding level recommended in the  
25 initial reserve study.

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

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

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

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

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

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

7                   **(IV) THE THRESHOLD CASH FLOW METHOD; AND**

8                   **(V) OTHER FUNDING METHODS ACCEPTED BY GENERALLY**  
9 **ACCEPTED ACCOUNTING PRINCIPLES.**

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

14                   **(I) THE HEALTH, SAFETY, AND WELL-BEING OF THE MEMBERS;**

15                   **(II) ENSURING STRUCTURAL INTEGRITY, SUCH AS ROOFING**  
16 **REPLACEMENTS AND MAINTAINING STRUCTURAL SYSTEMS; AND**

17                   **(III) ESSENTIAL FUNCTIONING, SUCH AS PLUMBING AND**  
18 **ELECTRICAL INFRASTRUCTURE.**

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

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

24                                   **Article – Real Property**

25 11-109.2.

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

27                   (1) Income;

28                   (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 items.

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

12 (I) **BE** the funding amount recommended in the most recent reserve  
13 study **OR UPDATED RESERVE STUDY** completed under § 11-109.4 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 the most recent reserve study was an initial reserve study, the  
17 governing body shall, within **[3] 5** fiscal years following the fiscal year in which the initial  
18 reserve study was completed, attain the annual reserve funding level recommended in the  
19 initial reserve study.

20 (3) (I) **A RESIDENTIAL CONDOMINIUM SHALL REVIEW THE**  
21 **RESERVE STUDY ANNUALLY FOR ACCURACY.**

22 (II) **THE ANNUAL REVIEW OF THE RESERVE STUDY FOR**  
23 **ACCURACY DOES NOT REQUIRE A RESERVE STUDY IN ADDITION TO THE RESERVE**  
24 **STUDY REQUIREMENTS 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

1 any other components that are the responsibility of the council of unit owners to repair and  
2 replace;

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

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

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

9 (V) STATES THE SQUARE FOOTAGE OF EACH IDENTIFIED  
10 COMPONENT.

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

14 (I) ANALYZES ANY WORK PERFORMED;

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

17 (III) IDENTIFIES:

18 1. WORK PERFORMED AND AMOUNTS SPENT; AND

19 2. WHETHER ANY MAINTENANCE CONTRACTS ARE IN  
20 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.

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 condominium established in  
5 Prince George's County before October 1, 2020.

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

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

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

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

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

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

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

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

34           (e)    Each reserve study **AND UPDATED RESERVE STUDY** required under this  
35 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 unit owner;
- 12 (3) Be reviewed by the governing body of the condominium in connection  
13 with the preparation of the annual proposed budget; and
- 14 (4) Be summarized for submission with the annual proposed budget to the  
15 unit owners.

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

20 **(2) IN DEVELOPING THE FUNDING PLAN UNDER THIS SUBSECTION,**  
21 **THE GOVERNING BODY SHALL CONSIDER THE FOLLOWING METHODS TO ACHIEVE**  
22 **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**

27 **(V) OTHER FUNDING METHODS ACCEPTED BY GENERALLY**  
28 **ACCEPTED ACCOUNTING PRINCIPLES.**

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

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

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

4 (III) ESSENTIAL FUNCTIONING, SUCH AS PLUMBING AND  
5 ELECTRICAL INFRASTRUCTURE.

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

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

11 11B-112.2.

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

13 (1) Income;

14 (2) Administration;

15 (3) Maintenance;

16 (4) Utilities;

17 (5) General expenses;

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

21 (7) Capital expenses.

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

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

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

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

5 (3) (I) A HOMEOWNERS ASSOCIATION SHALL REVIEW THE  
 6 RESERVE STUDY ANNUALLY FOR ACCURACY.

7 (II) THE ANNUAL REVIEW OF THE RESERVE STUDY FOR  
 8 ACCURACY DOES NOT REQUIRE A RESERVE STUDY IN ADDITION TO THE RESERVE  
 9 STUDY REQUIREMENTS UNDER § 11B–112.3 OF THIS TITLE.

10 11B–112.3.

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

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

15 [(1)] (I) [Identifies] USING AN ITEMIZED LIST, IDENTIFIES each  
 16 structural, mechanical, electrical, and plumbing component of the common areas and any  
 17 other components that are the responsibility of the homeowners association to repair and  
 18 replace;

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

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

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

25 (V) STATES THE SQUARE FOOTAGE OF EACH IDENTIFIED  
 26 COMPONENT.

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

30 (I) ANALYZES ANY WORK PERFORMED;

1                   **(II) REVISES REPLACEMENT COST, REMAINING LIFE, AND**  
2 **USEFUL LIFE ESTIMATES; AND**

3                   **(III) IDENTIFIES:**

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

5                   **2. WHETHER ANY MAINTENANCE CONTRACTS ARE IN**  
6 **PLACE.**

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

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

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

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

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

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

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

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

20                  (2)   The governing body of the homeowners association shall have an  
21 independent reserve study completed not more than 90 calendar days and not less than 30  
22 calendar days before the meeting of the homeowners association required under §  
23 11B-106.1(a) of this title.

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

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

29                   (ii)   If the governing body of a homeowners association has had a  
30 reserve study conducted on or after October 1, 2016, the governing body shall have an

1 updated reserve study conducted within 5 years after the date of that reserve study and at  
2 least every 5 years thereafter.

3 (iii) If the governing body of a homeowners association has not had a  
4 reserve study conducted on or after October 1, 2016, the governing body shall have a reserve  
5 study conducted on or before October 1, 2021, and an updated reserve study at least every  
6 5 years thereafter.

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

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

13 (iii) If the governing body of a homeowners association has not had a  
14 reserve study conducted on or after October 1, 2017, the governing body shall have a reserve  
15 study conducted on or before October 1, 2022, and an updated reserve study at least every  
16 5 years thereafter.

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

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

24 (iii) If the governing body of a homeowners association has not had a  
25 reserve study conducted on or after October 1, 2018, the governing body shall have a reserve  
26 study conducted on or before October 1, 2023, and an updated reserve study at least every  
27 5 years thereafter.

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

30 (1) Be prepared by a person who:

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

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

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

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

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

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

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

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

15 **(2) IN DEVELOPING THE FUNDING PLAN UNDER THIS SUBSECTION,**  
16 **THE HOMEOWNERS SHALL CONSIDER THE FOLLOWING METHODS TO ACHIEVE THE**  
17 **RESERVE FUNDING UNDER THIS SECTION:**

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

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

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

21 **(IV) THE THRESHOLD CASH FLOW METHOD; AND**

22 **(V) OTHER FUNDING METHODS CONSISTENT WITH GENERALLY**  
23 **ACCEPTED ACCOUNTING PRINCIPLES.**

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

27 **(I) THE HEALTH, SAFETY, AND WELL-BEING OF THE MEMBERS;**

28 **(II) ENSURING STRUCTURAL INTEGRITY, SUCH AS ROOFING**  
29 **REPLACEMENTS AND MAINTAINING STRUCTURAL SYSTEMS; AND**

1                           **(III) ESSENTIAL FUNCTIONING, SUCH AS PLUMBING AND**  
2 **ELECTRICAL INFRASTRUCTURE.**

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

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

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

## **SB63**

Uploaded by: Vickie Caine

Position: FAV



Vicki Caine, Chair  
Igor Conev, CMCA, AMS, PCAM, CIRMS, Vice Chair  
Brenda Wakefield, CMCA, AMS, Secretary

Marie Fowler, PCAM, Treasurer  
Charlene Morazzani Hood, PCAM, MS,  
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Chris Majerle, PCAM, Member

Robin Manougian, CIRMS, Member  
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Nura Rafati, Esq., Member  
Susan Saltsman, CMCA, AMS, Member  
Scott Silverman, Esq., Member  
Ellen Throop, Esq., Member  
Tricia A. Walsh, CISR, Member

January 17, 2025

[will.smith@senate.state.md.us](mailto:will.smith@senate.state.md.us)  
[jeff.waldstreicher@senate.state.md.us](mailto:jeff.waldstreicher@senate.state.md.us)

Senator William C. Smith, Jr., Chair  
Senator Jeff Waldstreicher, Vice-Chair  
Judicial Proceedings Committee  
2 East  
Miller Senate Office Building  
Annapolis, Maryland 21401

**Re: Senate Bill 63 (Cross-filed with HB 292)**  
**Cooperative Housing Corporations, Condominiums and**  
**Homeowners Associations – Funding of Reserve Accounts**  
**Hearing Date: January 21, 2025 – 2:30 p.m.**  
**Position: Support with Amendment**

Dear Chairman Smith, Vice-Chair Waldstreicher, and Members of the Judicial Proceedings Committee:

This letter is submitted on behalf of the Maryland Legislative Action Committee (“MD-LAC”) of the Community Associations Institute (“CAI”). CAI represents individuals and professionals who reside in or work with community associations (condominiums, homeowners’ associations, and cooperatives) throughout the State of Maryland.

We write on behalf of the Maryland residents statewide who reside in common ownership communities to offer our support for the above-referenced legislation, which is scheduled for hearing before your Committee on Tuesday, January 21, 2025, at 2:30 p.m.

**Page 2, Senate Bill 63**

## Community Associations Institute

In the time that has passed since the General Assembly's adoption of legislation mandating the funding of replacement reserve accounts statewide, we have had many interactions with community association board members and professional managers regarding the intricacies of compliance with the new law. In that context, several important concerns emerged, which have, with minor exception, been addressed by the proposed SB 63.

Notwithstanding the progress that the passage SB 63 would represent, there is a new requirement included in the proposed bill that would amend Section 11-109.2 of the Maryland Condominium Act and 11B-112.2 of the Maryland Homeowners Association Act to require a condominium or homeowners association, respectively, to "review the reserve study annually for accuracy." Although the intended language would achieve parity with Section 5-6B-26.1 of the Maryland Cooperative Housing Act, which already includes the same language, we are concerned that a condominium or homeowners association, which is governed by lay volunteers, would not possess the capability to determine whether a replacement reserve study prepared by a qualified professional, as required by current law, was accurate. Moreover, the introduction of an undefined standard of accuracy is problematic and creates potential liability that is unintended in the context of a statute aimed at requiring community associations to do the right thing, unlike what happened in Florida when there was no such requirement. **Therefore, we propose that SB 63 be revised to include language amending all three statutes to require that the respective associations "cause the reserve study to be reviewed annually."** This language would alleviate any burden on lay volunteers by allowing them the option to retain a third party to conduct the required annual review for accuracy, or to delegate that function to a professional management agent.

Assuming the minor revision requested herein can be made, we request a **favorable** recommendation by this Committee. Thank you for your time and attention to this important legislation.

We are available to answer any questions the Committee Members may have. Please feel free to contact Lisa Harris Jones, lobbyist for the MD-LAC, at 410-366-1500, or by e-mail at [lisa.jones@mdlobbyist.com](mailto:lisa.jones@mdlobbyist.com), or Scott Silverman, of the MD-LAC at (410) 740-8100, ext. 108, or by e-mail at [scott@naglezaller.com](mailto:scott@naglezaller.com).

Sincerely,

*Scott J. Silverman*

Scott J. Silverman, Esq.  
Member, CAI MD-LAC

*Vickie Caine*

Vicki Caine  
Chair, CAI MD-LAC

**MBIA Letter of Support with Amendments SB63.pdf**

Uploaded by: Lori Graf

Position: FWA

January 17th, 2025

The Honorable William C. Smith, Jr.  
Chairman, Senate Judicial Proceedings Committee  
Miller Senate Office Building  
11 Bladen Street  
Annapolis, Maryland 21401

**RE: MBIA Letter of Support with Amendment SB 63 Cooperative Housing Corporations, Condominiums, and Homeowners Associations – Funding of Reserve Accounts and Preparation of Funding Plans**

Dear Chairman Smith,

The Maryland Building Industry Association, representing 100,000 employees of the building industry across the State of Maryland, appreciates the opportunity to participate in the discussion surrounding **SB 63 Cooperative Housing Corporations, Condominiums, and Homeowners Associations – Funding of Reserve Accounts and Preparation of Funding Plans**. MBIA supports this measure with amendments.

This bill requires that certain funds for the reserve account of a cooperative housing corporation, a residential condominium, or a homeowner's association be deposited on or before the last day of each fiscal year. It also extends the amount of time from 3 to 5 years that cooperative housing corporations, condominiums, and homeowners associations have to attain the annual reserve funding level recommended in the initial reserve study. This bill will benefit our industry because it gives these housing entities more time to fund their reserve accounts. Requiring an updated reserve study will save time and expenses during crisis periods by making the state of housing corporations' financials well understood.

While we support the passage of this legislation, we would like to point out a few concerns we have about some of its provisions. The requirements in the bill only apply to residential condominiums, and lacks clarity on its application to mixed-use condominiums which are very common in the state of Maryland.

The bill's definition of reserve study includes a requirement to identify the square footage of components, which seems impractical for equipment such as boiler systems, hot water heater systems, dedicated outdoor air systems, or other systems like fire alarms, plumbing, and electrical systems. These components are not typically designated by square footage, and would only apply to things like roofs, exterior walls and site conditions such as roads, sidewalks, etc. Lastly, we would like to point out there may be some issues with certain Condominiums, currently, the reserves are generally established through engineering/structural studies that focused on the estimate useful life of HVAC equipment and the likelihood of the need for structural maintenance. Now that BEPS has been enacted into regulation, the reserves should consider the likelihood that HVAC equipment must be replaced *before* the end of useful life (or, alternatively, the association must pay alternative compliance fees). In addition, if the energy use intensity provisions are enacted, the reserves may have to consider structural building upgrades to meet the efficiency standards if replacing the HVAC equipment is not sufficient.

More clarification is needed on whether the \$10,000 required for including reserves in the budget applies to each component or the overall reserve study, as most funding requirements are typically based on cash flow rather than individual components. It's also unclear if this is the full replacement cost or the requisite annual contribution as determined by the study. If it refers to the full replacement cost, the amount seems insignificant since \$10,000 is a small amount for future replacement costs. However, \$10,000 annually would be more sufficient depending on the size of the community.

For more information about this position, please contact Lori Graf at 410-800-7327 or [lgraf@marylandbuilders.org](mailto:lgraf@marylandbuilders.org)

cc: Members of the Senate Judicial Proceedings Committee

**reserve-funding-plan-review.pdf**

Uploaded by: Thomas Allen

Position: FWA

Regarding this clause:

(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.

Please consider:

While this should be done annually, it should not be required at the one and only annual meeting. Two annual meetings should be required each year. Elections, reserve studies, and citizen participation are too much for one meeting when room space is hard to book and evening meetings face drop off rates as people go to bed.