

HOUSE BILL 968

N1

4lr2256

By: **Delegates Wivell, Baker, Hinebaugh, and Valentine**

Introduced and read first time: February 2, 2024

Assigned to: Environment and Transportation

A BILL ENTITLED

1 AN ACT concerning

2 **Condominiums and Homeowners Associations – Reserve Studies – Exemptions**

3 FOR the purpose of exempting condominiums under certain circumstances and certain
4 homeowners associations from provisions of law pertaining to reserve studies; and
5 generally relating to condominiums, homeowners associations, and reserve studies.

6 BY repealing and reenacting, with amendments,
7 Article – Real Property
8 Section 11–109.4 and 11B–112.3
9 Annotated Code of Maryland
10 (2023 Replacement Volume)

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

13 **Article – Real Property**

14 11–109.4.

15 (a) In this section, “reserve study” means a study of the reserves required for
16 future major repairs and replacement of the common elements of a condominium that:

17 (1) Identifies each structural, mechanical, electrical, and plumbing
18 component of the common elements and any other components that are the responsibility
19 of the council of unit owners to repair and replace;

20 (2) States the normal useful life and the estimated remaining useful life of
21 each identified component;

22 (3) States the estimated cost of repair or replacement of each identified
23 component; and

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



(4) States the estimated annual reserve amount necessary to accomplish any identified future repair or replacement.

(b) (1) [This] EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION, THIS section applies only to a residential condominium.

(2) THIS SECTION DOES NOT APPLY TO A RESIDENTIAL CONDOMINIUM FOR WHICH THE COUNCIL OF UNIT OWNERS VOTES TO FUND REPAIRS TO THE COMMON ELEMENTS OF THE CONDOMINIUM THROUGH A SPECIAL ASSESSMENT BY AN AFFIRMATIVE VOTE OF THE UNIT OWNERS IN GOOD STANDING HAVING AT LEAST 80% OF THE VOTES IN THE COUNCIL.

(c) (1) This subsection applies only to a condominium 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 condominium shall have an independent reserve study completed not less than 30 calendar days before the meeting of the council of unit owners required under § 11-109(c)(16) of this title.

(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 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.

1 11B-112.3.

2 (a) In this section, “reserve study” means a study of the reserves required for
3 future major repairs and replacement of the common areas of a homeowners association
4 that:

5 (1) Identifies each structural, mechanical, electrical, and plumbing
6 component of the common areas and any other components that are the responsibility of
7 the homeowners association to repair and replace;

8 (2) States the estimated remaining useful life of each identified component;

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

11 (4) States the estimated annual reserve amount necessary to accomplish
12 any identified future repair or replacement.

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

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

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

18 (2) This section does not apply to a homeowners association that [issues]:

19 (I) ISSUES bonds for the purpose of meeting capital expenditures;

20 (II) COMPRISES 50 OR FEWER HOMES;

21 (III) COMPRISES ONLY SINGLE FAMILY HOMES ON LOTS THAT
22 ARE UNABLE TO BE SUBDIVIDED; OR

23 (IV) DOES NOT HAVE RESPONSIBILITY UNDER ITS DECLARATION
24 FOR MAINTAINING AND REPAIRING COMMON ELEMENTS OTHER THAN COMMON
25 PRIVATE ROADS.

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

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

29 (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 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.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect October 1, 2024.