

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 AN ACT concerning

2 **Cooperative Housing Corporations and Condominiums – Funding of Reserve**
3 **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
10 amount of time after an initial reserve study that a cooperative housing corporation
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
13 generally relating to cooperative housing corporations and condominiums.

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.



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

Article – Corporations and Associations

5–6B–26.1.

(a) 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:

(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;**

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

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

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

(B) THIS SECTION APPLIES ONLY TO A COOPERATIVE HOUSING CORPORATION THAT:

(1) CONSISTS OF ANY BUILDING CONTAINING FOUR OR MORE STORIES USED FOR HABITATION BY RESIDENTS; OR

(2) CONTAINS FOUR OR MORE SINGLE-FAMILY UNITS.

[(b)] (C) (1) This subsection applies only to a cooperative housing corporation 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 cooperative housing corporation shall have an independent reserve study completed not less than 30 calendar days before the first

meeting of the cooperative housing corporation at which the members other than the owner have a majority of votes in the cooperative housing corporation.

(3) The governing body shall have an updated reserve study completed within 5 years after the date of the initial reserve study conducted under paragraph (2) of this subsection, which shall be updated at least every **[5] 10** years thereafter.

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

(ii) If the governing body of a cooperative housing corporation has had a reserve study conducted on or after October 1, 2016, the governing body shall have an updated reserve study conducted within 5 years after the date of that reserve study and at least every **[5] 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, 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] 10** years thereafter.

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

(ii) If the governing body of a cooperative housing corporation has had a reserve study conducted on or after October 1, 2017, the governing body shall have an updated reserve study conducted within 5 years after the date of that reserve study and at least every **[5] 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, 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] 10** years thereafter.

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

(ii) If the governing body of a cooperative housing corporation has had a reserve study conducted on or after October 1, 2018, the governing body shall have an updated reserve study conducted within 5 years after the date of that reserve study and at least every **[5] 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 prepared by a person who:

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

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

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

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

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 available for inspection and copying by any unit owner;

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

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

21 [(e)] (F) To the extent that a reserve study conducted in accordance with this
22 section indicates a need to budget for reserves, the budget shall include:

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

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

26 (ii) Remaining life; and

27 (iii) Useful life;

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

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

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

[(f)] (G) (1) (i) Subject to subparagraph (ii) of this paragraph, the 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 for accuracy.

(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 reserve study was completed, attain the annual reserve funding level recommended in the initial reserve study.

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

Article – Real Property

11–109.2.

(a) The council of unit owners shall cause to be prepared and submitted to the unit owners an annual proposed budget at least 30 days before its adoption.

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

(1) Income;

(2) Administration;

(3) Maintenance;

(4) Utilities;

(5) General expenses;

(6) Reserves; and

(7) Capital items.

(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.

(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.

11–109.4.

(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:

(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;**

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

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

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

(b) This section applies only to a residential condominium **THAT:**

(1) CONSISTS OF ANY BUILDING CONTAINING FOUR OR MORE STORIES USED FOR HABITATION BY RESIDENTS; OR

(2) CONTAINS FOUR OR MORE SINGLE-FAMILY UNITS.

(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] 10** 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] 10** 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] 10** 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] 10** 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] 10** 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] 10** 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] 10** 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; **OR**

(V) HOLDS A CURRENT LICENSE FROM:

1. THE STATE BOARD OF ELECTRICIANS;

2. THE STATE BOARD OF PLUMBERS; OR

3. THE MARYLAND HOME IMPROVEMENT COMMISSION;

(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.

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