

HOUSE BILL 254

N1, C1

0lr0948

By: **Prince George's County Delegation**

Introduced and read first time: January 20, 2020

Assigned to: Environment and Transportation

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 11, 2020

CHAPTER _____

1 AN ACT concerning

2 **Prince George's County – Cooperative Housing Corporations, Condominiums,**
3 **and Homeowners Associations – Reserve Studies**

4 **PG 403–20**

5 FOR the purpose of requiring the governing body of certain cooperative housing
6 corporations in Prince George's County to have a reserve study conducted of the
7 common elements of the cooperative housing corporation by a certain date and at
8 certain intervals under certain circumstances; requiring the reserve study conducted
9 of the common elements of a cooperative housing corporation in Prince George's
10 County to meet certain criteria; ~~requiring the owner of a residential rental facility~~
11 ~~transitioning to a cooperative housing corporation in Prince George's County to~~
12 ~~deliver certain funds within a certain period of time after a certain meeting;~~
13 ~~requiring the annual budget of a cooperative housing corporation in Prince George's~~
14 ~~County to include certain reserve funds~~ requiring the annual budget of a cooperative
15 housing corporation in Prince George's County to include certain information if a
16 reserve study indicates a need to budget for reserves; requiring the governing body
17 of a cooperative housing corporation in Prince George's County to provide reserve
18 funds in the annual budget for the cooperative housing corporation in accordance
19 with a reserve study conducted under this Act; establishing that the governing body
20 of a cooperative housing corporation in Prince George's County has the authority to
21 increase a certain assessment notwithstanding certain provisions; altering the
22 ~~reserve funds a certain condominium developer is required to deliver to the officers~~
23 ~~or board of directors of a condominium in Prince George's County within a certain~~
24 ~~period of time after a certain meeting; altering the content of the annual budget of~~

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 certain condominiums in Prince George's County; requiring the governing body of
2 certain condominiums in Prince George's County to have a reserve study conducted
3 of the common elements of the condominium by a certain date and at certain
4 intervals under certain circumstances; requiring the reserve study conducted of the
5 common elements of a condominium in Prince George's County to meet certain
6 criteria; requiring the governing body of a condominium in Prince George's County
7 to provide reserve funds in the annual budget for the condominium in accordance
8 with a reserve study conducted under this Act; establishing that the board of
9 directors of a condominium in Prince George's County has the authority to increase
10 a certain assessment notwithstanding certain provisions; altering the content of the
11 annual budget of certain homeowners associations; ~~altering the reserve funds a~~
12 ~~certain developer is required to deliver to the governing body of a homeowners~~
13 ~~association in Prince George's County within a certain period of time after a certain~~
14 ~~meeting;~~ requiring the governing body of certain homeowners associations in Prince
15 George's County to have a reserve study conducted of the common areas of a
16 homeowners association by a certain date and at certain intervals under certain
17 circumstances; requiring the reserve study conducted of the common areas of a
18 homeowners association in Prince George's County to meet certain criteria; requiring
19 the governing body of a homeowners association in Prince George's County to provide
20 reserve funds in the annual budget for the homeowners association in accordance
21 with a reserve study conducted under this Act; establishing that the governing body
22 of a homeowners association in Prince George's County has the authority to increase
23 a certain assessment notwithstanding certain provisions; authorizing the electronic
24 transmission of notice of a certain meeting of a homeowners association; defining
25 certain terms; providing for the application of this Act; and generally relating to
26 reserve studies and annual budgets of cooperative housing corporations,
27 condominiums, and homeowners associations in Prince George's County.

28 BY adding to

29 Article – Corporations and Associations

30 Section 5–6B–26.1

31 Annotated Code of Maryland

32 (2014 Replacement Volume and 2019 Supplement)

33 BY repealing and reenacting, with amendments,

34 Article – Real Property

35 Section 11–109(c)(16), 11–109.2, 11–110(b)(1), 11B–106.1, 11B–112.2, and
36 11B–117(a)

37 Annotated Code of Maryland

38 (2015 Replacement Volume and 2019 Supplement)

39 BY adding to

40 Article – Real Property

41 Section 11–109.4 and 11B–112.3

42 Annotated Code of Maryland

43 (2015 Replacement Volume and 2019 Supplement)

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

Article – Corporations and Associations

5-6B-26.1.

(A) 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 ~~IN PRINCE GEORGE’S~~
~~COUNTY~~ 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;

(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 IN PRINCE GEORGE’S COUNTY ~~THAT HAS MORE THAN 50 UNITS.~~

(C) (1) THIS SUBSECTION APPLIES TO A COOPERATIVE HOUSING
CORPORATION ESTABLISHED ON OR AFTER OCTOBER 1, 2020.

(2) THE GOVERNING BODY OF THE COOPERATIVE HOUSING
CORPORATION SHALL HAVE AN INDEPENDENT RESERVE STUDY COMPLETED NOT
~~MORE THAN 90 CALENDAR DAYS AND 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 A 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) THIS SUBSECTION APPLIES TO A COOPERATIVE HOUSING CORPORATION ESTABLISHED BEFORE OCTOBER 1, 2020.

(2) 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 A RESERVE STUDY CONDUCTED WITHIN 5 YEARS AFTER THE DATE OF THAT RESERVE STUDY AND AT LEAST EVERY 5 YEARS THEREAFTER.

(3) 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 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) HOLDS A BACHELOR'S DEGREE IN CONSTRUCTION MANAGEMENT, ARCHITECTURE, OR ENGINEERING OR EQUIVALENT EXPERIENCE AND EDUCATION; ~~OR~~

(III) HOLDS A CURRENT LICENSE FROM THE STATE BOARD OF ARCHITECTS OR THE STATE BOARD FOR PROFESSIONAL ENGINEERS; OR

(IV) IS CURRENTLY DESIGNATED AS A RESERVE SPECIALIST BY THE COMMUNITY ASSOCIATION INSTITUTE OR AS A PROFESSIONAL RESERVE ANALYST BY THE ASSOCIATION OF PROFESSIONAL RESERVE ANALYSTS;

(2) BE AVAILABLE FOR INSPECTION AND COPYING BY ANY UNIT OWNER;

(3) BE REVIEWED BY THE GOVERNING BODY OF THE COOPERATIVE HOUSING CORPORATION IN CONNECTION WITH THE PREPARATION OF THE ANNUAL PROPOSED BUDGET; AND

(4) BE SUMMARIZED FOR SUBMISSION WITH THE ANNUAL PROPOSED BUDGET TO THE UNIT OWNERS.

~~(F) WITHIN 30 DAYS AFTER THE FIRST MEETING OF A COOPERATIVE HOUSING CORPORATION AT WHICH THE MEMBERS OTHER THAN THE OWNER HAVE A MAJORITY OF THE VOTES IN THE COOPERATIVE HOUSING CORPORATION, THE OWNER SHALL DELIVER TO THE COOPERATIVE HOUSING CORPORATION RESERVE FUNDS EQUAL TO AT LEAST THE RESERVE FUNDING AMOUNT RECOMMENDED IN THE RESERVE STUDY COMPLETED UNDER SUBSECTION (C) OF THIS SECTION AS OF THE DATE OF THE MEETING.~~

~~(G) ANY ANNUAL BUDGET OF THE COOPERATIVE HOUSING CORPORATION SHALL INCLUDE RESERVE FUNDS EQUAL TO AT LEAST 80% OF THE FUNDING AMOUNT RECOMMENDED IN THE MOST RECENT RESERVE STUDY COMPLETED UNDER SUBSECTION (C) OR (D) OF THIS SECTION.~~

(F) TO THE EXTENT THAT A RESERVE STUDY CONDUCTED IN ACCORDANCE WITH THIS SECTION INDICATES A NEED TO BUDGET FOR RESERVES, THE BUDGET SHALL INCLUDE:

(1) FOR THE CAPITAL COMPONENTS, THE CURRENT ESTIMATED:

(I) REPLACEMENT COST;

(II) REMAINING LIFE; AND

(III) USEFUL LIFE;

(2) THE AMOUNT OF ACCUMULATED CASH RESERVES SET ASIDE FOR THE REPAIR, REPLACEMENT, OR RESTORATION OF CAPITAL COMPONENTS AS OF THE BEGINNING OF THE FISCAL YEAR IN 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.

~~(H)~~ (G) (1) 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.

(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.

(c) (16) (i) A meeting of the council of unit owners to elect a board of directors for the council of unit owners, as provided in the condominium declaration or bylaws, shall be held within:

1. 60 days from the date that units representing 50 percent of the votes in the condominium have been conveyed by the developer to members of the public for residential purposes; or

2. If a lesser percentage is specified in the declaration or bylaws of the condominium, 60 days from the date the specified lesser percentage of units in the condominium are sold to members of the public for residential purposes.

(ii) 1. Before the date of the meeting held under subparagraph (i) of this paragraph, the developer shall deliver to each unit owner notice that the requirements of subparagraph (i) of this paragraph have been met.

2. The notice shall include the date, time, and place of the meeting to elect the board of directors for the council of unit owners.

(iii) If a replacement board member is elected, the term of each member of the board of directors appointed by the developer shall end 10 days after the meeting is held as specified in subparagraph (i) of this paragraph.

(iv) Within 30 days from the date of the meeting held under subparagraph (i) of this paragraph, the developer shall deliver to the officers or board of directors for the council of unit owners, as provided in the condominium declaration or bylaws, at the developer's expense:

1. The documents specified in § 11–132 of this title;

2. The condominium funds, including operating funds, replacement reserves, investment accounts, and working capital;

3. The tangible property of the condominium; and

(6) Reserves; and

(7) Capital items.

(C) IN PRINCE GEORGE’S COUNTY, THE RESERVES PROVIDED FOR IN THE ANNUAL BUDGET UNDER SUBSECTION (B) OF THIS SECTION SHALL BE ~~EQUAL TO AT LEAST 80% OF~~ THE FUNDING AMOUNT RECOMMENDED IN THE MOST RECENT RESERVE STUDY COMPLETED UNDER § 11-109.4 OF THIS TITLE.

[(c)] (D) The budget shall be adopted at an open meeting of the council of unit owners or any other body to which the council of unit owners delegates responsibilities for preparing and adopting the budget.

[(d)] (E) Any expenditure made other than those made because of conditions which, if not corrected, could reasonably result in a threat to the health or safety of the unit owners or a significant risk of damage to the condominium, that would result in an increase in an amount of assessments for the current fiscal year of the condominium in excess of 15 percent of the budgeted amount previously adopted, shall be approved by an amendment to the budget adopted at a special meeting, upon not less than 10 days written notice to the council of unit owners.

[(e)] (F) The adoption of a budget shall not impair the authority of the council of unit owners to obligate the council of unit owners for expenditures for any purpose consistent with any provision of this title.

[(f)] (G) The provisions of this section do not apply to a condominium that is occupied and used solely for nonresidential purposes.

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 IN PRINCE GEORGE’S COUNTY 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;

(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

1 (4) STATES THE ESTIMATED ANNUAL RESERVE AMOUNT NECESSARY
2 TO ACCOMPLISH ANY IDENTIFIED FUTURE REPAIR OR REPLACEMENT.

3 (B) THIS SECTION APPLIES ONLY TO A CONDOMINIUM IN PRINCE GEORGE'S
4 COUNTY ~~THAT HAS MORE THAN 50 UNITS.~~

5 (C) (1) THIS SUBSECTION APPLIES TO A CONDOMINIUM ESTABLISHED ON
6 OR AFTER OCTOBER 1, 2020.

7 (2) THE GOVERNING BODY OF THE CONDOMINIUM SHALL HAVE AN
8 INDEPENDENT RESERVE STUDY COMPLETED NOT ~~MORE THAN 90 CALENDAR DAYS~~
9 ~~AND NOT~~ LESS THAN 30 CALENDAR DAYS BEFORE THE MEETING OF THE COUNCIL OF
10 UNIT OWNERS REQUIRED UNDER § 11-109(C)(16) OF THIS SUBTITLE.

11 (3) THE GOVERNING BODY SHALL HAVE A RESERVE STUDY
12 COMPLETED WITHIN 5 YEARS AFTER THE DATE OF THE INITIAL RESERVE STUDY
13 CONDUCTED UNDER PARAGRAPH (2) OF THIS SUBSECTION AND AT LEAST EVERY 5
14 YEARS THEREAFTER.

15 (D) (1) THIS SUBSECTION APPLIES TO A CONDOMINIUM ESTABLISHED
16 BEFORE OCTOBER 1, 2020.

17 (2) IF THE GOVERNING BODY OF A CONDOMINIUM HAS HAD A
18 RESERVE STUDY CONDUCTED ON OR AFTER OCTOBER 1, 2016, THE GOVERNING
19 BODY SHALL HAVE A RESERVE STUDY CONDUCTED WITHIN 5 YEARS AFTER THE DATE
20 OF THAT RESERVE STUDY AND AT LEAST EVERY 5 YEARS THEREAFTER.

21 (3) IF THE GOVERNING BODY OF A CONDOMINIUM HAS NOT HAD A
22 RESERVE STUDY CONDUCTED ON OR AFTER OCTOBER 1, 2016, THE GOVERNING
23 BODY SHALL HAVE A RESERVE STUDY CONDUCTED ON OR BEFORE OCTOBER 1, 2021,
24 AND AT LEAST EVERY 5 YEARS THEREAFTER.

25 (E) EACH RESERVE STUDY REQUIRED UNDER THIS SECTION SHALL:

26 (1) BE PREPARED BY A PERSON WHO:

27 (I) HAS PREPARED AT LEAST 30 RESERVE STUDIES WITHIN THE
28 PRIOR 3 CALENDAR YEARS;

29 (II) HOLDS A BACHELOR'S DEGREE IN CONSTRUCTION
30 MANAGEMENT, ARCHITECTURE, OR ENGINEERING, OR EQUIVALENT EXPERIENCE
31 AND EDUCATION; ~~OR~~

(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.

11–110.

(b) (1) (I) Funds for the payment of current common expenses and for the creation of reserves for the payment of future common expenses shall be obtained by assessments against the unit owners in proportion to their percentage interests in common expenses and common profits.

(II) THE BOARD OF DIRECTORS OF A CONDOMINIUM IN PRINCE GEORGE'S COUNTY HAS THE AUTHORITY TO INCREASE THE ASSESSMENT LEVIED TO COVER THE RESERVE FUNDING AMOUNT REQUIRED UNDER § 11–109.4 OF THIS TITLE, NOTWITHSTANDING ANY PROVISION OF THE DECLARATION, ARTICLES OF INCORPORATION, OR BYLAWS RESTRICTING ASSESSMENT INCREASES OR CAPPING THE ASSESSMENT THAT MAY BE LEVIED IN A FISCAL YEAR.

11B–106.1.

(a) A meeting of the members of the homeowners association to elect a governing body of the homeowners association shall be held within:

(1) 60 days from the date that at least 75% of the total number of lots that may be part of the development after all phases are complete are sold to members of the public for residential purposes; or

(2) If a lesser percentage is specified in the governing documents of the homeowners association, 60 days from the date the specified lesser percentage of the total number of lots in the development after all phases are complete are sold to members of the public for residential purposes.

1 (b) (1) Before the date of the meeting held under subsection (a) of this section,
2 the declarant shall deliver to each lot owner notice that the requirements of subsection (a)
3 of this section have been met.

4 (2) The notice shall include the date, time, and place of the meeting to elect
5 the governing body of the homeowners association.

6 (c) The term of each member of the governing body of the homeowners association
7 appointed by the declarant shall end 10 days after the meeting under subsection (a) of this
8 section is held, if a replacement board member is elected.

9 (d) Within 30 days from the date of the meeting held under subsection (a) of this
10 section, the declarant shall deliver the following items to the governing body at the
11 declarant's expense:

12 (1) The deeds to the common areas;

13 (2) Copies of the homeowners association's filed articles of incorporation,
14 declaration, and all recorded covenants, plats, restrictions, and any other records of the
15 primary development and of related developments;

16 (3) A copy of the bylaws and rules of the primary development and of other
17 related developments as filed in the depository of the county in which the development is
18 located;

19 (4) The minute books, including all minutes;

20 (5) Subject to the restrictions of § 11B-112 of this title, all books and
21 records of the homeowners association, including financial statements, minutes of any
22 meeting of the governing body, and completed business transactions;

23 (6) Any policies, rules, and regulations adopted by the governing body;

24 (7) The financial records of the homeowners association from the date of
25 creation to the date of transfer of control, including budget information regarding estimated
26 and actual expenditures by the homeowners association and any report relating to the
27 reserves required for major repairs and replacement of the common areas of the
28 homeowners association;

29 (8) A copy of all contracts to which the homeowners association is a party;

30 (9) The name, address, and telephone number of any contractor or
31 subcontractor employed by the homeowners association;

32 (10) Any insurance policies in effect;

(11) Any permit or notice of code violations issued to the homeowners association by the county, local, State, or federal government;

(12) Any warranty in effect and all prior insurance policies;

(13) The homeowners association funds, including operating funds, replacement reserves, investment accounts, and working capital;

(14) The tangible property of the homeowners association;

(15) A roster of current lot owners, including their mailing addresses, telephone numbers, and lot numbers, if known;

(16) Individual member files and records, including assessment account records, correspondence, and notices of any violations; and

(17) Drawings, architectural plans, or other suitable documents setting forth the necessary information for location, maintenance, and repairs of all common areas.

(E) IN PRINCE GEORGE'S COUNTY, THE REPLACEMENT RESERVES DELIVERED UNDER SUBSECTION (D)(13) OF THIS SECTION SHALL BE EQUAL TO AT LEAST THE RESERVE FUNDING AMOUNT RECOMMENDED IN THE RESERVE STUDY COMPLETED UNDER § 11B-112.3 OF THIS TITLE AS OF THE DATE OF THE MEETING.

[(e)] (F) (1) This subsection does not apply to a contract entered into before October 1, 2009.

(2) (i) In this subsection, "contract" means an agreement with a company or individual to handle financial matters, maintenance, or services for the homeowners association.

(ii) "Contract" does not include an agreement relating to the provision of utility services or communication systems.

(3) Until all members of the governing body are elected by the lot owners at a transitional meeting under subsection (a) of this section, a contract entered into by the governing body may be terminated, at the discretion of the governing body and without liability for the termination, not later than 30 days after notice.

[(f)] (G) If the declarant fails to comply with the requirements of this section, an aggrieved lot owner may submit the dispute to the Division of Consumer Protection of the Office of the Attorney General under § 11B-115(c) of this title.

11B-112.2.

(a) This section applies only to a homeowners association that has responsibility under its declaration for maintaining and repairing common areas.

(b) (1) The board of directors or other governing body of a homeowners association shall cause to be prepared and submitted to the lot owners an annual proposed budget at least 30 days before its adoption.

(2) The annual proposed budget may be sent to each lot owner by electronic transmission, by posting on the homeowners association's home page, or by including the annual proposed budget in the homeowners association's newsletter.

(c) The annual budget shall provide [information on or expenditures] for at least the following items:

- (1) Income;
- (2) Administration;
- (3) Maintenance;
- (4) Utilities;
- (5) General expenses;
- (6) Reserves; and
- (7) Capital expenses.

(D) IN PRINCE GEORGE'S COUNTY, RESERVES PROVIDED FOR IN THE ANNUAL BUDGET UNDER SUBSECTION (C) OF THIS SECTION SHALL BE ~~EQUAL TO AT LEAST 80% OF~~ THE FUNDING AMOUNT RECOMMENDED IN THE MOST RECENT RESERVE STUDY COMPLETED UNDER § 11B-112.3 OF THIS TITLE.

~~[(d)]~~ (E) (1) The budget shall be adopted at an open meeting of the homeowners association or any other body to which the homeowners association delegates responsibilities for preparing and adopting the budget.

(2) (i) Notice of the meeting at which the proposed budget will be considered shall be sent to each lot owner.

(ii) Notice under subparagraph (i) of this paragraph may be sent by electronic transmission, by posting on the homeowners association's home page, or by including the notice in the homeowners association's newsletter.

~~[(e)]~~ (F) Except for an expenditure made by the homeowners association because of a condition that, if not corrected, could reasonably result in a threat to the health or

safety of the lot owners or a significant risk of damage to the development, any expenditure that would result in an increase in an amount of assessments for the current fiscal year of the homeowners association in excess of 15% of the budgeted amount previously adopted shall be approved by an amendment to the budget adopted at a special meeting for which not less than 10 days' written notice **OR NOTICE BY ELECTRONIC TRANSMISSION** shall be provided to the lot owners.

[(f)] (G) The adoption of a budget does not impair the authority of the homeowners association to obligate the homeowners association for expenditures for any purpose consistent with any provision of this title.

11B-112.3.

(A) IN THIS SECTION, "RESERVE STUDY" MEANS A STUDY OF THE RESERVES REQUIRED FOR FUTURE MAJOR REPAIRS AND REPLACEMENT OF THE COMMON AREAS OF A HOMEOWNERS ASSOCIATION IN PRINCE GEORGE'S COUNTY THAT:

(1) IDENTIFIES EACH STRUCTURAL, MECHANICAL, ELECTRICAL, AND PLUMBING COMPONENT OF THE COMMON AREAS AND ANY OTHER COMPONENTS THAT ARE THE RESPONSIBILITY OF THE HOMEOWNERS ASSOCIATION TO REPAIR AND REPLACE;

(2) STATES 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) (1) THIS SECTION APPLIES ONLY TO A HOMEOWNERS ASSOCIATION IN PRINCE GEORGE'S COUNTY THAT:

~~**(i) HAS MORE THAN 50 DWELLING UNITS IN THE DEVELOPMENT; AND**~~

~~**(ii) HAS**~~ **HAS** RESPONSIBILITY UNDER ITS DECLARATION FOR MAINTAINING AND REPAIRING COMMON AREAS.

(2) THIS SECTION DOES NOT APPLY TO A HOMEOWNERS ASSOCIATION THAT ISSUES BONDS FOR THE PURPOSE OF MEETING CAPITAL EXPENDITURES.

(C) (1) THIS SUBSECTION APPLIES TO A HOMEOWNERS ASSOCIATION ESTABLISHED ON OR AFTER OCTOBER 1, 2020.

1 **(2) THE GOVERNING BODY OF THE HOMEOWNERS ASSOCIATION**
2 **SHALL HAVE AN INDEPENDENT RESERVE STUDY COMPLETED NOT MORE THAN 90**
3 **CALENDAR DAYS AND NOT LESS THAN 30 CALENDAR DAYS BEFORE THE MEETING OF**
4 **THE HOMEOWNERS ASSOCIATION REQUIRED UNDER § 11B-106.1(A) OF THIS TITLE.**

5 **(3) THE GOVERNING BODY SHALL HAVE A RESERVE STUDY**
6 **COMPLETED WITHIN 5 YEARS AFTER THE DATE OF THE INITIAL RESERVE STUDY**
7 **CONDUCTED UNDER PARAGRAPH (2) OF THIS SUBSECTION AND AT LEAST EVERY 5**
8 **YEARS THEREAFTER.**

9 **(D) (1) THIS SUBSECTION APPLIES TO A HOMEOWNERS ASSOCIATION**
10 **ESTABLISHED BEFORE OCTOBER 1, 2020.**

11 **(2) IF THE GOVERNING BODY OF A HOMEOWNERS ASSOCIATION HAS**
12 **HAD A RESERVE STUDY CONDUCTED ON OR AFTER OCTOBER 1, 2016, THE**
13 **GOVERNING BODY SHALL HAVE A RESERVE STUDY CONDUCTED WITHIN 5 YEARS**
14 **AFTER THE DATE OF THAT RESERVE STUDY AND AT LEAST EVERY 5 YEARS**
15 **THEREAFTER.**

16 **(3) IF THE GOVERNING BODY OF A HOMEOWNERS ASSOCIATION HAS**
17 **NOT HAD A RESERVE STUDY CONDUCTED ON OR AFTER OCTOBER 1, 2016, THE**
18 **GOVERNING BODY SHALL HAVE A RESERVE STUDY CONDUCTED ON OR BEFORE**
19 **OCTOBER 1, 2021, AND AT LEAST EVERY 5 YEARS THEREAFTER.**

20 **(E) EACH RESERVE STUDY REQUIRED UNDER THIS SECTION SHALL:**

21 **(1) BE PREPARED BY A PERSON WHO:**

22 **(i) HAS PREPARED AT LEAST 30 RESERVE STUDIES WITHIN THE**
23 **PRIOR 3 CALENDAR YEARS;**

24 **(ii) HOLDS A BACHELOR'S DEGREE IN CONSTRUCTION**
25 **MANAGEMENT, ARCHITECTURE, OR ENGINEERING OR EQUIVALENT EXPERIENCE**
26 **AND EDUCATION; ~~OR~~**

27 **(iii) HOLDS A CURRENT LICENSE FROM THE STATE BOARD OF**
28 **ARCHITECTS OR THE STATE BOARD FOR PROFESSIONAL ENGINEERS; OR**

29 **(iv) IS CURRENTLY DESIGNATED AS A RESERVE SPECIALIST BY**
30 **THE COMMUNITY ASSOCIATION INSTITUTE OR AS A PROFESSIONAL RESERVE**
31 **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.

11B-117.

(a) (1) As provided in the declaration, a lot owner shall be liable for all homeowners association assessments and charges that come due during the time that the lot owner owns the lot.

(2) THE GOVERNING BODY OF A HOMEOWNERS ASSOCIATION IN PRINCE GEORGE'S COUNTY HAS THE AUTHORITY TO INCREASE AN ASSESSMENT LEVIED TO COVER THE RESERVE FUNDING AMOUNT REQUIRED UNDER § 11B-112.3 OF THIS TITLE, NOTWITHSTANDING ANY PROVISION OF THE DECLARATION, ARTICLES OF INCORPORATION, OR BYLAWS RESTRICTING ASSESSMENT INCREASES OR CAPPING THE ASSESSMENT THAT MAY BE LEVIED IN A FISCAL YEAR.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect October 1, 2020.

Approved:

Governor.

Speaker of the House of Delegates.

President of the Senate.