

SENATE BILL 863

By Reeves

AN ACT to amend Tennessee Code Annotated, Title 66,
Chapter 27, relative to reserve studies.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 66-27-203, is amended by adding the following as a new subdivision:

() "Reserve study" means an analysis by one (1) or more independent engineering, architectural, or construction contractors or another qualified person, performed or updated within the last five (5) years, of the remaining useful life and the estimated cost to replace each separate system and component of common elements, the purpose of which is to inform association members and the board of the amount that should be maintained from year to year in a fully funded repair and replacement reserve to minimize the need for a special assessment;

SECTION 2. Tennessee Code Annotated, Section 66-27-403, is amended by adding the following as a new subsection:

(g)

(1) If the board of directors has had a reserve study conducted on or after January 1, 2023, the board shall have an updated reserve study conducted within five (5) years after the date the reserve study was conducted, and at least every five (5) years thereafter, for purposes of assessing the condition of and planning for repair and maintenance of the common elements critical to structural integrity and safety.

(2) If the board of directors has not had a reserve study conducted on or after January 1, 2023, the board shall have a reserve study conducted on or before January 1, 2024, and the study must be updated every five (5) years for purposes of assessing the condition of and planning for repair and maintenance of the common elements critical to structural integrity and safety.

(3) As used in this subsection (g), "common elements critical to the structural integrity and safety" include:

- (A) A roof;
- (B) Load-bearing walls or other primary structural members;
- (C) The floor;
- (D) The foundation;
- (E) Fireproofing and fire protection systems;
- (F) Plumbing;
- (G) Electrical systems;
- (H) Waterproofing and exterior painting;
- (I) A balcony;
- (J) An elevator; or
- (K) Another item with a deferred maintenance expense or replacement cost that exceeds ten thousand dollars (\$10,000), and for which the failure to replace or maintain the item negatively affects an item listed in this subdivision (g)(3), as determined by an independent engineering, architectural, or construction contractor, or another qualified person, performing the visual inspection portion of a reserve study.

SECTION 3. This act takes effect January 1, 2024, the public welfare requiring it.

Amendment No. 1 to SB0863

Bailey
Signature of Sponsor

AMEND Senate Bill No. 863

House Bill No. 750*

by deleting all language after the enacting clause and substituting:

SECTION 1. Tennessee Code Annotated, Section 66-27-203, is amended by adding the following as a new subdivision:

() "Reserve study" means an analysis, prepared in conformity with the latest edition of the Reserve Study Standards published by the Community Associations Institute, or similar standards by another nationally recognized organization, by a reserve specialist who is credentialed through the Community Associations Institute or a similarly recognized organization, or a licensed engineer or architect, performed or updated within the last five (5) years, of the remaining useful life and the estimated cost to replace each separate system and component of the common elements, the purpose of which is to inform association members and the association's board of the amount that should be maintained from year to year in a fully funded repair and replacement reserve to minimize the need for special assessments;

SECTION 2. Tennessee Code Annotated, Section 66-27-403, is amended by adding the following as a new subsection:

(g)

(1) If the board of directors oversees common elements with an aggregate replacement cost exceeding ten thousand dollars (\$10,000) and has had a reserve study conducted on or after January 1, 2020, then the board shall have an updated reserve study conducted within five (5) years after the date the reserve study was conducted, and at least every five (5) years thereafter, for

purposes of assessing the condition of and planning for repair and maintenance of the common elements.

(2) If the board of directors oversees common elements with an aggregate replacement cost exceeding ten thousand dollars (\$10,000) and has not had a reserve study conducted on or after January 1, 2020, then the board shall require that a reserve study be conducted on or before January 1, 2025, and shall update the study every five (5) years for purposes of assessing the condition of and planning for repair and maintenance of the common elements.

(3) The board shall make a copy of the reserve study available to all common interest owners through electronic mail or by posting it on the community website.

(4) This subsection (g) does not apply to a:

(A) Board of directors controlled by a declarant;

(B) Condominium titled to a single owner; or

(C) Husband and wife who own such condominium as a tenancy by the entirety.

(5) The board shall review the reserve funding annually for adequacy.

SECTION 3. This act takes effect January 1, 2024, the public welfare requiring it.