

Honolulu, Hawaii

FEB 28 2025

RE: S.B. No. 253  
S.D. 2

Honorable Ronald D. Kouchi  
President of the Senate  
Thirty-Third State Legislature  
Regular Session of 2025  
State of Hawaii

Sir:

Your Committee on Judiciary, to which was referred S.B. No. 253, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO CONDOMINIUM RESERVES,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Exclude the good faith defense for associations whose boards adopt a budget that omits a detailed budget summary as required by section 514B-148, Hawaii Revised Statutes; and
- (2) Clarify a unit owner's standing and the association's burden of proving compliance.

Your Committee received testimony in support of this measure from the Community Associations Institute and three individuals.

Your Committee received testimony in opposition to this measure from the Palehua Townhouse Association; Honolulu Tower; Nakamoto Realty, LLC; and seventeen individuals.

Your Committee finds that a reserve study is a budgeting tool utilized by a condominium association for financial planning, including the accumulation of reserve funds for routine repair and maintenance. Recent amendments to existing law to increase



transparency require external periodic review of reserve studies, increase the study period to thirty years, and require a detailed budget summary be prepared to better inform owners of the financial condition of an association. However, associations acting in bad faith may publish a misleading reserve study under existing good faith provisions. Your Committee believes that clarification is needed to effectuate the intent of existing law regarding condominium association finances. This measure will establish greater financial transparency between associations and condominium owners to ensure responsible financial management over reserve funds.

Your Committee has amended this measure by:

- (1) Inserting language requiring a detailed budget summary as required by section 514B-148, Hawaii Revised Statutes, to contain all required information without referring the reader to other portions of the budget or reserve study;
- (2) Clarifying that an association is required to prove that it substantially complied with the requirements of section 514B-148, Hawaii Revised Statutes;
- (3) Amending section 1 to reflect its amended purpose; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Judiciary that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 253, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 253, S.D. 2.

Respectfully submitted on  
behalf of the members of the  
Committee on Judiciary,



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KARL RHOADS, Chair



