



GOV. MSG. NO. 1702

EXECUTIVE CHAMBERS  
KE KE'ENA O KE KIA'ĀINA

JOSH GREEN, M.D.  
GOVERNOR  
KE KIA'ĀINA

July 3, 2023

The Honorable Ronald D. Kouchi  
President of the Senate,  
and Members of the Senate  
Thirty-Second State Legislature  
State Capitol, Room 409  
Honolulu, Hawai'i 96813

The Honorable Scott K. Saiki  
Speaker, and Members of the  
House of Representatives  
Thirty-Second State Legislature  
State Capitol, Room 431  
Honolulu, Hawai'i 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

This is to inform you that on July 3, 2023, the following bill was signed into law:

SB855 SD1 HD2 CD1

RELATING TO CONDOMINIUM RESERVE  
REQUIREMENTS.  
**ACT 199**

Sincerely,

Josh Green, M.D.  
Governor, State of Hawai'i

on JUL 3 2023

THE SENATE  
THIRTY-SECOND LEGISLATURE, 2023  
STATE OF HAWAII

S.B. NO. 855  
S.D. 1  
H.D. 2  
C.D. 1

A BILL FOR AN ACT

RELATING TO CONDOMINIUM RESERVE REQUIREMENTS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Section 514B-148, Hawaii Revised Statutes, is  
2 amended as follows:

3 1. By amending its title and subsections (a) through (d)  
4 to read:

5 "§514B-148 Association fiscal matters; budgets and  
6 replacement reserves. (a) The budget required under section  
7 514B-144(a) shall include a summary with at least the  
8 following[+] details:

9 (1) The estimated revenues and operating expenses of the  
10 association;

11 (2) [~~Information~~] Disclosure as to whether the budget has  
12 been prepared on a cash or accrual basis;

13 (3) The estimated costs of fire safety equipment or  
14 installations that meet the requirements of a life  
15 safety evaluation required by the applicable county  
16 for any building located in a county with a population  
17 greater than five hundred thousand; provided that the  
18 reserve study may forecast a loan or special



1           assessment to fund life safety components or  
2           installation;

3       ~~[-3-]~~ (4)   The balance of the total replacement reserves  
4           fund of the association as of the date of the budget;

5       ~~[-4-]~~ (5)   The estimated replacement reserves assessments  
6           that the association will require to maintain the  
7           property based on a reserve study performed by or on  
8           behalf of the association; provided that the reserve  
9           study, if not prepared by an independent reserve study  
10          preparer, shall be reviewed by an independent reserve  
11          study preparer ~~[; provided further that the reserve~~  
12          ~~study shall be reviewed or updated at least]~~ not less  
13          than every three years; provided further that a  
14          managing agent with industry reserve study  
15          designations shall not be considered as having a  
16          conflict of interest for purposes of this paragraph;

17       ~~[-5-]~~ (6)   A general explanation of how the estimated  
18          replacement reserves assessments are computed ~~[;]~~ and  
19          detailing:

20           (A) The identity, qualifications, and potential  
21           conflicts of interest of the person or entity



1 performing the reserve study, update, or any  
2 review thereof;

3 (B) Disclosure of any component of association  
4 property omitted from the reserve study and the  
5 basis for the omission;

6 (C) Planned increases in the estimated replacement  
7 reserve assessments over the thirty-year plan;  
8 and

9 (D) Whether the actual estimated replacement reserves  
10 assessments for the prior year as defined in the  
11 study was less than the assessments provided for  
12 in the reserve study, and, if so, by how much,  
13 and explaining the impact of the lesser  
14 assessments on future estimated replacement  
15 reserves assessments;

16 [~~6~~] (7) The amount the association must collect for the  
17 fiscal year to fund the estimated replacement  
18 reserves [~~7~~] assessments; and

19 [~~7~~] (8) Information as to whether the amount the  
20 association must collect for the fiscal year to fund  
21 the estimated replacement reserves assessments was

1           calculated using a per cent funded or cash flow plan.  
2           The method or plan shall not circumvent the estimated  
3           replacement reserves assessments amount determined by  
4           the reserve study pursuant to paragraph [~~(4)~~] (5).

5           (b) The association shall assess the unit owners to either  
6           fund a minimum of fifty per cent of the estimated replacement  
7           reserves assessments or fund one hundred per cent of the  
8           estimated replacement reserves assessments when using a cash  
9           flow plan; provided that a new association need not collect  
10          estimated replacement reserves assessments until the fiscal year  
11          [~~which~~] that begins after the association's first annual  
12          meeting. For each fiscal year, the association shall collect  
13          the amount assessed to fund the estimated replacement reserves  
14          assessments for that fiscal year [~~reserves~~], as determined by  
15          the association's plan.

16          (c) The association shall compute the estimated  
17          replacement reserves assessments by a formula that is based on  
18          the estimated life and the estimated capital expenditure or  
19          major maintenance required for each part of the property. The  
20          estimated replacement reserves assessments shall include:



1 (1) Adjustments for revenues [~~which~~] that will be received  
2 and expenditures [~~which~~] that will be made before the  
3 beginning of the fiscal year to which the budget  
4 relates; and

5 (2) Separate, designated reserves for each part of the  
6 property for which capital expenditures or major  
7 maintenance will exceed \$10,000. Parts of the  
8 property for which capital expenditures or major  
9 maintenance will not exceed \$10,000 may be aggregated  
10 in a single designated reserve.

11 (d) No association or unit owner, director, officer,  
12 managing agent, or employee of an association who makes a good  
13 faith effort to calculate the estimated replacement reserves  
14 assessments for an association shall be liable if the estimate  
15 subsequently proves incorrect."

16 2. By amending subsection (f) to read:

17 "(f) The requirements of this section shall override any  
18 requirements in an association's declaration, bylaws, or any  
19 other association documents relating to preparation of budgets,  
20 calculation of replacement reserve requirements, assessment and



1 funding of replacement reserves, and expenditures from  
2 replacement reserves with the exception of:

- 3 (1) Any requirements in an association's declaration,  
4 bylaws, or any other association documents [~~which~~]  
5 that require the association to collect more than  
6 fifty per cent of replacement reserve requirements; or  
7 (2) Any provisions relating to upgrading the common  
8 elements, such as additions, improvements, and  
9 alterations to the common elements."

10 3. By amending subsection (h) to read:

11 "(h) As used in this section:

12 "Capital expenditure" means an expense that results from  
13 the purchase or replacement of an asset whose life is greater  
14 than one year, or the addition of an asset that extends the life  
15 of an existing asset for a period greater than one year.

16 "Cash flow plan" means a minimum thirty-year projection of  
17 an association's future income and expense requirements to fund  
18 fully its replacement reserves requirements each year during  
19 that thirty-year period, except in an emergency; provided that  
20 it does not include a projection of special assessments or loans  
21 during that thirty-year period, except in an emergency.



1 "Emergency situation" means any extraordinary expenses:

2 (1) Required by an order of a court;

3 (2) Necessary to repair or maintain any part of the  
4 property for which the association is responsible  
5 where a threat to personal safety on the property is  
6 discovered;

7 (3) Necessary to repair any part of the property for which  
8 the association is responsible that could not have  
9 been reasonably foreseen by the board in preparing and  
10 distributing the annual operating budget;

11 (4) Necessary to respond to any legal or administrative  
12 proceeding brought against the association that could  
13 not have been reasonably foreseen by the board in  
14 preparing and distributing the annual operating  
15 budget; or

16 (5) Necessary for the association to obtain adequate  
17 insurance for the property that the association must  
18 insure.

19 "Independent reserve study preparer" means any  
20 organization, company, or individual with a reserve study  
21 certification from an industry organization.



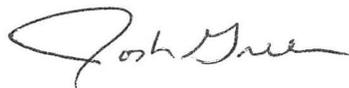
1 "Major maintenance" means an expenditure for maintenance or  
2 repair that will result in extending the life of an asset for a  
3 period greater than one year.

4 "Replacement reserves" means funds for the upkeep, repair,  
5 or replacement of those parts of the property, including but not  
6 limited to roofs, walls, decks, paving, and equipment, that the  
7 association is obligated to maintain."

8 SECTION 2. Statutory material to be repealed is bracketed  
9 and stricken. New statutory material is underscored.

10 SECTION 3. This Act shall take effect upon its approval.

APPROVED this 3rd day of July, 2023



GOVERNOR OF THE STATE OF HAWAII



**THE SENATE OF THE STATE OF HAWAI'I**

Date: May 2, 2023  
Honolulu, Hawai'i 96813

We hereby certify that the foregoing Bill this day passed Final Reading in the Senate of the Thirty-Second Legislature of the State of Hawai'i, Regular Session of 2023.

  
President of the Senate

  
Clerk of the Senate

SB No. 855, SD 1, HD 2, CD 1

THE HOUSE OF REPRESENTATIVES OF THE STATE OF HAWAII

Date: May 2, 2023  
Honolulu, Hawaii

We hereby certify that the above-referenced Bill on this day passed Final Reading in the House of Representatives of the Thirty-Second Legislature of the State of Hawaii, Regular Session of 2023.



Scott K. Saiki  
Speaker  
House of Representatives



Brian L. Takeshita  
Chief Clerk  
House of Representatives