
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



1 reserve study may forecast a loan or special
2 assessment to fund life safety components or
3 installation;
4 ~~[-3-]~~ (4) The balance of the total replacement reserves
5 fund of the association as of the date of the budget;
6 ~~[-4-]~~ (5) The estimated replacement reserves assessments
7 that the association will require to maintain the
8 property based on a reserve study performed by or on
9 behalf of the association; provided that the reserve
10 study, if not prepared by an independent reserve study
11 preparer, shall be reviewed by an independent reserve
12 study preparer~~[-; provided further that the reserve~~
13 ~~study shall be reviewed or updated at least]~~ no less
14 than every three years; provided further that a
15 managing agent with industry reserve study
16 designations shall not be considered as having a
17 conflict of interest for purposes of this paragraph;
18 ~~[-5-]~~ (6) A general explanation of how the estimated
19 replacement reserves assessments are computed~~[-]~~ and
20 detailing:



- 1 (A) The identity, qualifications, and potential
- 2 conflicts of interest of the person or entity
- 3 performing the reserve study, update, or any
- 4 review thereof;
- 5 (B) Disclosure of any component of association
- 6 property omitted from the reserve study and the
- 7 basis for the omission;
- 8 (C) Planned increases in the estimated replacement
- 9 reserve assessments over the thirty-year plan;
- 10 and
- 11 (D) Whether the actual estimated replacement reserves
- 12 assessments for the prior year as defined in the
- 13 study was less than the assessments provided for
- 14 in the reserve study, and, if so, by how much,
- 15 and explaining the impact of the lesser
- 16 assessments on future estimated replacement
- 17 reserves assessments;
- 18 [+6+] (7) The amount the association must collect for the
- 19 fiscal year to fund the estimated replacement
- 20 reserves[+] assessments; and

1 major maintenance required for each part of the property. The
2 estimated replacement reserves assessments shall include:

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

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

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

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

19 "(f) The requirements of this section shall override any
20 requirements in an association's declaration, bylaws, or any
21 other association documents relating to preparation of budgets,



1 calculation of replacement reserve requirements, assessment and
2 funding of replacement reserves, and expenditures from
3 replacement reserves with the exception of:

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

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

12 "(h) As used in this section:

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

17 "Cash flow plan" means a minimum thirty-year projection of
18 an association's future income and expense requirements to fund
19 fully its replacement reserves requirements each year during
20 that thirty-year period, except in an emergency; provided that



1 it does not include a projection of special assessments or loans
2 during that thirty-year period, except in an emergency.

3 "Emergency situation" means any extraordinary expenses:

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

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

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

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

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



1 "Independent reserve study preparer" means any
2 organization, company, or individual with a reserve study
3 certification from an industry organization.

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

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

11 SECTION 2. Statutory material to be repealed is bracketed
12 and stricken. New statutory material is underscored.

13 SECTION 3. This Act shall take effect on June 30, 3000.



Report Title:

Condominiums; Budgets; Fire Safety Equipment; Fire Safety Installation; Replacement Reserves Assessments Study

Description:

Authorizes a condominium association to provide a summary of the required information in its budget. Authorizes a condominium association's reserve study to forecast a loan or special assessment to fund life safety equipment or installations for any building located in a county with a population greater than five hundred thousand. Authorizes a condominium association to use a third party to conduct a reserves study on behalf of the condominium. Clarifies the information to be included in the description of how the estimated replacement reserves assessments are computed. Effective 6/30/3000. (HD2)

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