
A BILL FOR AN ACT

RELATING TO CONDOMINIUMS.

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

1 SECTION 1. The legislature finds that Hawaii's condominium
2 and homeowners' association reserve requirements are intended to
3 promote financial transparency, long-term planning, and the
4 protection of unit owners from unexpected special assessments.

5 The legislature further finds that while third-party
6 reserve study reviews can be an effective tool for larger and
7 more complex associations, the cost of obtaining such reviews
8 may impose a disproportionate financial burden on very small
9 associations with simple infrastructure, limited shared
10 components, and active owner oversight. For these associations,
11 the expense of a mandatory third-party reserve study review may
12 exceed other essential annual operating costs and reduce funds
13 available for actual maintenance and repair of common elements.

14 The legislature notes that existing law already recognizes
15 the distinction between large and small associations by
16 permitting associations comprised of fewer than twenty units to
17 waive certain audit and financial verification requirements by a



1 vote of unit owners. The legislature finds that a similar,
2 narrowly tailored approach is appropriate with respect to the
3 triennial third-party reserve study review requirement.

4 The purpose of this Act is to provide limited flexibility
5 for small associations, while preserving transparency and owner
6 protections, by allowing associations with fewer than twenty
7 units and a building or buildings of no more than two stories,
8 to waive the requirement for a third-party reserve study review
9 upon a majority vote of unit owners; provided that certain
10 requirements are met, but prohibiting associations from waiving
11 this requirement for consecutive periods.

12 SECTION 2. Section 514B-148, Hawaii Revised Statutes, is
13 amended by amending subsection (a) to read as follows:

14 "(a) The budget required under section 514B-144(a) shall
15 include a summary with at least the following details:

- 16 (1) The estimated revenues and operating expenses of the
17 association;
- 18 (2) Disclosure as to whether the budget has been prepared
19 on a cash or accrual basis;
- 20 (3) The estimated costs of fire safety equipment or
21 installations that meet the requirements of a building



1 fire and life safety evaluation required by the
2 applicable county for any building located in a county
3 with a population greater than five hundred thousand;
4 provided that the reserve study may forecast a loan or
5 special assessment to fund building fire and life
6 safety components or installation;

7 (4) The balance of the total replacement reserves fund of
8 the association as of the date of the budget;

9 (5) The estimated replacement reserves assessments that
10 the association will require to maintain the property
11 based on a reserve study performed by or on behalf of
12 the association; provided that ~~the~~:

13 (A) The reserve study, if not prepared by an
14 independent reserve study preparer, shall be
15 reviewed by an independent reserve study preparer
16 no less than every three years; provided further
17 that [a] an association comprising fewer than
18 twenty units and a building or buildings of no
19 more than two stories may, by the affirmative
20 vote of a majority of the unit owners present or
21 represented at a duly noticed association



1 meeting, elect to waive the requirement for a
2 review by an independent reserve study preparer;
3 provided that:

4 (i) The association continues to prepare and
5 disclose annual reserve information to unit
6 owners in accordance with this chapter;

7 (ii) The vote to waive the review by an
8 independent reserve study preparer is
9 recorded in the association's records and
10 made available to unit owners upon request;

11 (iii) The vote to waive the reserve study review
12 applies to a single three-year period; and

13 (iv) The association shall not waive the reserve
14 study review requirement for two consecutive
15 three-year periods.

16 Nothing in this subparagraph shall be construed
17 to prohibit an association from obtaining a
18 review by an independent reserve study preparer
19 at any time; and

20 (B) A managing agent with industry reserve study
21 designations shall not be considered as having a



1 conflict of interest for purposes of this
2 paragraph;

3 (6) A general explanation of how the estimated replacement
4 reserves assessments are computed and detailing:

5 (A) The identity, qualifications, and potential
6 conflicts of interest of the person or entity
7 performing the reserve study, update, or any
8 review thereof;

9 (B) Disclosure of any component of association
10 property omitted from the reserve study and the
11 basis for the omission;

12 (C) Planned increases in the estimated replacement
13 reserve assessments over the thirty-year plan;
14 and

15 (D) Whether the actual estimated replacement reserves
16 assessments for the prior year as defined in the
17 study were less than the assessments provided for
18 in the reserve study, and, if so, by how much,
19 and explaining the impact of the lesser
20 assessments on future estimated replacement
21 reserves assessments;



- 1 (7) The amount the association must collect for the fiscal
2 year to fund the estimated replacement reserves
3 assessments; and
- 4 (8) Information as to whether the amount the association
5 must collect for the fiscal year to fund the estimated
6 replacement reserves assessments was calculated using
7 a per cent funded or cash flow plan. The method or
8 plan shall not circumvent the estimated replacement
9 reserves assessments amount determined by the reserve
10 study pursuant to paragraph (5).
- 11 The budget summary shall contain all required information
12 without referring the reader to other portions of the budget."
- 13 SECTION 3. Statutory material to be repealed is bracketed
14 and stricken. New statutory material is underscored.
- 15 SECTION 4. This Act shall take effect upon its approval.



Report Title:

Condominium Associations; Reserve Study; Waiver; Small Associations

Description:

Allows small condominium associations with a building or buildings of no more than two stories to waive the requirement for the reserve study to be reviewed by an independent reserve study preparer if a majority of unit owners at a meeting approve the waiver and certain other requirements are met, but prohibits associations from waiving this requirement for consecutive three-year periods. (CD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

