

Hui 'Oia'i'o

**House of Representatives
Committee on Finance
Monday, April 3, 2023
2:30 p.m.**

To: Chair Kyle T. Yamashita
Re: SB 855 SD 1 HD 1, Relating to Condominium Reserve Requirements

Aloha Chair Yamashita, Vice-Chair Kitagawa, and Members of the Committee,

I am Lila Mower, the leader of Hui 'Oia'i'o, a coalition of property owners--mostly seniors--from common-interest associations throughout Hawaii, and in my over forty years of condominium association living, I have served as an officer on three condominium associations' boards. I also serve as President of Kokua Council and am on the board of the Hawaii Alliance of Retired Americans.

All buildings deteriorate with time and condominium associations must have adequate levels of reserves to mitigate and remediate any physical issues that occur. These expenses are inevitable, largely predictable, and rarely random.

A reserve study is the foundation upon which an association builds its financial and physical future. The significance of these studies made the news when the collapsed Florida condominium association of Champlain Towers South was revealed to be inadequately funded, which evidently led to deferred maintenance which may have contributed to its tragic collapse.

Locally, recent media reports of condominium associations One Archer Lane,¹ and two HCDA-involved developments, Ke Kilohana² and Honuakaha,³ all within blocks of the Capitol, reiterated the importance of these studies and the devastating impact that poorly planned reserve funding has on these associations' owners and residents.

A proper reserve study generates a funding plan—monies saved over a long period of time--to anticipate and prepare for an association's major components' repairs and/or replacements and intertwines a physical analysis of those components with the financial analysis of the association's reserve funds. It also provides important disclosures to association owners, residents, and the public.

When that study is poorly done, outdated, overdue, or ignored by the association's board, then difficult, unappealing, often burdensome, but necessary financial choices such as increasing fees (beyond the customary cost-of-living or inflation indices) or special assessments are required to keep an association physically and fiscally sound.

¹ https://www.kitv.com/news/hundreds-of-condo-owners-at-one-archer-lane-hit-with-up-to-21-000-repair/article_20b4fb00-b19d-11ed-b4fa-5f97730dfa25.html

² <https://www.staradvertiser.com/2020/03/03/breaking-news/ke-kilohana-condo-owners-sue-kakaako-towers-developer/>

³ <https://www.civilbeat.org/2023/03/600-a-month-in-kakaako-gets-seniors-mold-shocks-and-the-smell-of-death/>

Hui 'Oia'i'o

While the public (including owners) may not have ready access to an association's reserve study, they can and do rely on the DCCA's online AOUO Biennial Registration information which includes disclosure of an association's reserve funding. The DCCA requires the completion of these AOUO Biennial Registration Applications with instructions that

“it is important that the information on your Condominium Association Biennial Registration Application is correct. Many individuals and groups...rely on the association information for current information.”

However, the DCCA should review these applications for incongruencies like this excerpt from an association's actual biennial registration reveals:

8. Is the AOUO funding a minimum of fifty percent of the estimated replacement reserves OR funding one hundred percent of the estimated replacement reserves when using a cash flow plan?

Yes

If yes, what is the percent funded?

20.0%

Besides being confusing, the differences are significant--whether the association's reserves are 50%, 100%, or 20% funded. At 20%, the association is, by reserve study standards, underfunded or financially weak. Further, what was not disclosed was that the reserve funding was dependent upon the projected receipt of a multi-million-dollar loan.

Perhaps equally important is that the excerpt was completed by an instructor on “reserve studies” for a DCCA-hosted Condo Education Trust Fund-subsidized class.⁴

Thus, the definition in the proposed SB 855 SD 1 HD 1 amendment,

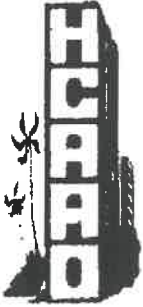
“Independent reserve study preparer” means any organization, company, or individual with a reserve study certification from an industry organization,

is inadequate. An “industry organization” is not defined and therefore, a reserve preparer may essentially self-certify while being ill-prepared to generate dependable reserve studies.

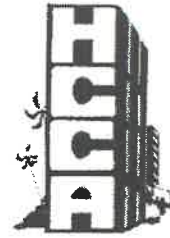
Stricter certification criteria, e.g., that certification was obtained from a nationally recognized organization with relevant education and relevant experience standards, should be determined and defined. (I.e., someone with a four-year degree in accounting, while educated, or a bookkeeper in a management company, while having related work experience, may not have the necessary educational or experiential background to produce a reliable reserve study.)

Mahalo for the opportunity to testify.

⁴ https://www.caihawaii.org/ResourceCenter/Download/249/annualpassdiscountflyer_2023final?doc_id=3103669&print=1&view=1



**Hawaii Council of Associations
of Apartment Owners**
DBA: Hawaii Council of Community Associations
1050 Bishop Street, #366, Honolulu, Hawaii 96813



April 1, 2023

Rep. Kyle Yamashita, Chair
Rep. Lisa Kitagawa, Vice-Chair
House Committee on Finance

Re: Testimony in Support of
SB 855, SD1, HD1 RE Condominium Reserve Requirements
Hearing: Monday, April 3, 2023, 2:30 p.m., Conf. Rm. #308

Chair Yamashita, Vice-Chair Kitagawa and Members of the Committee:

I am Jane Sugimura, President of the Hawaii Council of Associations of Apartment Owners (HCAAO dba HCCA).

HCCA strongly supports the intent and purpose of SB 855 and believes that reserve requirements need to be clarified and expanded in order to ensure that high-rise condominium and co-op buildings will continue to remain structurally sound.

Thank you for the opportunity to testify on this matter.


Jane Sugimura, President



April 3, 2023

Rep. Kyle T Yamashita, Chair
Rep. Lisa Kitagawa, Vice Chair
Committee Members
Committee on Finance

RE: SB855, SD1, HD1 - Support

Hearing Date: April 3, 2023 at 2:30 a.m., Conference Room 308

Aloha Chair Yamashita, Vice Chair Kitagawa and Committee Members:

I am a member of the Community Associations Institute (CAI) Legislative Action Committee (LAC) Hawaii Chapter. CAI LAC supports SB855, SD1, HD1.

Thank you for your time and consideration.

Very truly yours,

Jonathan Billings
CAI Hawaii LAC Member

SB-855-HD-1

Submitted on: 4/1/2023 8:57:06 AM

Testimony for FIN on 4/3/2023 2:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Kate Paine	Individual	Comments	Written Testimony Only

Comments:

Effective 7/1/2050". Who does this benefit? Siding not with lobby.

SB-855-HD-1

Submitted on: 4/1/2023 11:57:17 AM

Testimony for FIN on 4/3/2023 2:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Lourdes Scheibert	Individual	Support	Written Testimony Only

Comments:

I support this measure with hopes of more transparent communications within the Associations community with the board directos and the owners.

Thank-you,

Lourdes Scheibert

Royal Court Condominium Owner

SB-855-HD-1

Submitted on: 4/1/2023 12:08:02 PM

Testimony for FIN on 4/3/2023 2:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Richard Emery	Individual	Support	Written Testimony Only

Comments:

Life safety financial preparation is important. Also, we all have read of the horror stories of special assessments or loans because Boards have not adequately funded their reserves. The proposed disclosures will clearly identify for owners and other interested parties the true status of the association's reserve fund. Support.

SB-855-HD-1

Submitted on: 4/1/2023 8:13:34 PM

Testimony for FIN on 4/3/2023 2:30:00 PM

Submitted By	Organization	Testifier Position	Testify
R Laree McGuire	Individual	Support	Written Testimony Only

Comments:

Aloha,

I submit this testimony in strong support of SB 855, SD 1, HD1 as the proposed changes, if passed, will be a significant help to associations in the long run. Please pass this Bill.

Mahalo for the opportunity to testify.

SB-855-HD-1

Submitted on: 4/2/2023 8:10:48 AM

Testimony for FIN on 4/3/2023 2:30:00 PM

Submitted By	Organization	Testifier Position	Testify
john bouchie	Individual	Support	Written Testimony Only

Comments:

My Name is John Bouchie and I am Executive Vice President with Hawaiiiana Management Company. We fully support SB855 as presently written and urge this Bill be passed.

SB-855-HD-1

Submitted on: 4/2/2023 10:43:42 AM

Testimony for FIN on 4/3/2023 2:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Jeff Sadino	Individual	Support	Written Testimony Only

Comments:

I support this Bill.

SB-855-HD-1

Submitted on: 4/2/2023 1:30:25 PM

Testimony for FIN on 4/3/2023 2:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Greg Misakian	Individual	Comments	Written Testimony Only

Comments:

SB855 SD1 HD1 Comments Only

Reserve Studies need to be done outside of the Management Companies that oversee Associations, and by fully qualified and properly licensed Reserve Study Specialists. There is too much at stake to not have this as a requirement.

Reserve studies that were done at my Association in the last few years were done by the Community Manager, who also held some accreditation for reserve studies, but there were numerous issues with all of the reserve studies completed. There is also a conflict-of-interest when the Community Manager doing the reserve study is in a position to also recommend contractors for projects (some of which were not needed yet at my Association, and too many all at once, which required a large loan).

Let's get this right for the residents and condominium owners of Hawaii, who's Associations are continually subjected to lack of oversight and many opportunities for improper and unethical behavior.

Greg Misakian

SB-855-HD-1

Submitted on: 4/2/2023 9:24:15 PM

Testimony for FIN on 4/3/2023 2:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Philip Nerney	Individual	Support	Written Testimony Only

Comments:

Support.