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# 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 contributions  
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]~~ not 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 contributions are computed~~[;]~~ and  
20          detailing:







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

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

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

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

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

18 (f) The requirements of this section shall override any  
19 requirements in an association's declaration, bylaws, or any  
20 other association documents relating to preparation of budgets,  
21 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 require the association to collect more than fifty per  
6 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 section (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 on July 1, 2050.





**Report Title:**

Condominium; Fire Safety Equipment; Fire Safety Installation;  
Replacement Reserves Contributions 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. 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 contributions are computed. Effective 7/1/2050. (SD1)

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

