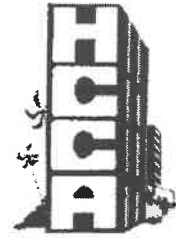




**Hawaii Council of Associations
of Apartment Owners**
DBA: Hawaii Council of Community Associations
1050 Bishop Street, #366, Honolulu, Hawaii 96813



March 13, 2023

Rep. Mark Nakashima, Chair
Rep. Jackson Sayama, Vice-Chair
House Committee on Consumer Protection and Commerce

Re: Testimony in Support of
SB 855, SD1 RE Condominium Reserve Requirements (w/amendments)
Hearing: Thursday, March 16, 2023, 2 p.m., Conf. Rm. #329

Chair Nakashima, Vice-Chair Sayama 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. HCCA agrees with the suggested revisions to this bill as proposed by Richard Emery, i.e., that the reserve study can include a future loan to fund the life safety requirements necessary to comply with the City & County of Honolulu fire safety ordinance #18-4, and asks that your committee adopt that revision in an HD1 for this bill.

Thank you for the opportunity to testify on this matter.


Jane Sugimura, President

SB-855-SD-1

Submitted on: 3/12/2023 7:26:41 AM

Testimony for CPC on 3/16/2023 2:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Mike Golojuch, Sr.	Palehua Townhouse Association	Support	Written Testimony Only

Comments:

Palehua Townhouse Association supports SB855. Please pass this bill.

Mike Golojuch, Sr., President

SB-855-SD-1

Submitted on: 3/13/2023 9:06:25 PM

Testimony for CPC on 3/16/2023 2:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Mark R. Hagadone, Ph.D., FACFE	Community Association Institute, Hawaii Chapter	Support	Written Testimony Only

Comments:

We strongly support SB855 SD1 as a great improvement with strong annual disclosures to owners regarding an Association's annual budget.

Hui 'Oia'i'o

**House of Representatives
Committee on Consumer Protection and Commerce
Thursday, March 16, 2023
2:30 p.m.**

To: Chair Mark N. Nakashima
Re: SB 855 SD 1, Relating to Condominium Reserve Requirements

Aloha Chair Nakashima, Vice-Chair Sayama, and Members of the Committee,

I am Lila Mower, the leader of Hui 'Oia'i'o, a coalition of over three hundred property owners--mostly seniors--from over 150 common-interest associations throughout Hawaii, and served as an officer on three condominium associations' boards.

The Hui recommends two deletions of the word, "contributions," that were added by amendment SD 1 so that section (b) of HRS 514B-148 will now read:

(b) The association shall assess the unit owners to either fund a minimum of fifty per cent of the estimated replacement reserves or fund one hundred per cent of the estimated replacement reserves when using a cash flow plan; provided that a new association need not collect estimated replacement reserves contributions until the fiscal year which begins after the association's first annual meeting. For each fiscal year, the association shall collect the amount assessed to fund the estimated replacement reserves contributions for that fiscal year reserves, as determined by the association's plan.

Further, regarding reserves, we suggest that Legislators encourage DCCA to provide better instructions for the completion of the AOOU Biennial Registration Application in compliance with their 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," or review these applications for incongruencies like this documented below.

8. Is the AOOU 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. The excerpt was copied from the biennial registration of an associationⁱ that was completed by an instructor for vendor-provided Condo Education Trust Fund-subsidized classes on "reserve studies."

Mahalo for the opportunity to testify.

ⁱ https://hawaii.gov/dcca_condo/reports/1968R.pdf

Testimony SB855
Support with Amendments

March 10, 2023

Chair Jarrett Keohokalole
Vice Chair Carol Fukunaga
Committee on Commerce and Consumer Protection

If the committee would consider to include a “upfront” disclosure provided to the Condo Association and each Board Member, that will inform them the Reserve Study will require a review by an independent Reserve Study preparer

that the reserve study, if not prepared by an independent reserve study preparer shall be reviewed by an independent reserve study preparer[; provided further that the reserve study shall be reviewed or updated at least] not less than every three years. An independent reserve study preparer is defined as any organization, company, or individual with a reserve study certification from an industry

This will inform the board of the added cost for the Reserve Study that needs to be included in their Budgets.

This statement should also be included in the opening pages of the Reserve Study as well. It will serve as a reminder and learning tool since Board members can change each year.

I support the intent of the bill, however, I am in opposition to one particular section of the PROPOSED AMENDMENTS by Richard Emery:

(5) The estimated replacement reserves contributions that the association will require to maintain the property based on a reserve study performed by or on behalf of the association; provided that the reserve study, if not prepared by an independent reserve study preparer shall be reviewed by an independent reserve study preparer[; provided further that the reserve study shall be reviewed or updated at least] not less than every three years. An independent reserve study preparer is defined as any organization, company, or individual with a reserve study certification from an industry organization. A Managing Agent with industry reserve study designations shall not be considered as having a conflict of interest;

Currently, our Reserves studies have been done by the Managing Agent for at least the past 10+ years. Our building was built in 1960. Upon being voted onto the board 2 years ago, I noticed missing items such as Fire Alarm replacement, Water Pipe Replacement and made it known that the Board and the Managing Agent needed to take note of the missing items.

Each year I bring up these 2 items and further discussion with the board and I made mention that my unit had been empty for a few months and when I turned on the water it was orange for a few minutes. The reply back from a Board member was crazy. My single family house was built in 1960 and I gave them our example of what happened when our pipe finally puka'd thru.

TESTIMONY
SB855 SD1
In Support with Comments

March 11, 2023

Chair Mark M. Nakashima
Vice Chair Jackson D. Sayama
Committee on Commerce Protection and Commerce
415 South Beretania Street
Honolulu, Hawaii 96813

I support SB855 SD1 provided that current language that provides that the reserve study can include a future loan to fund these life safety requirements. If that specific current proposed loan language was deleted, it would create significant problems for associations by immediately forcing major maintenance fee increases to fund life safety equipment.

In this case and without the loan option language, associations would use instead the current opt out authority currently provided for in the county ordinance. The results would have the exact opposite effect of encouraging life safety obligations to instead forcing associations to opt out.

I work with Reserve Studies every day and strongly believe that an association's annual budget must have full disclosure to its owners. SB855 SD1 as written is a great improvement with strong annual disclosures to owners.

s/s Richard Emery, RS-8

SB-855-SD-1

Submitted on: 3/11/2023 6:51:30 PM

Testimony for CPC on 3/16/2023 2:30:00 PM

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

Comments:

Aloha,

I incorporate by reference the testimony submitted by Richard Emery giving conditional support for SB 855, SD1--as my own.

Thank you for the opportunity to testify.

SB-855-SD-1

Submitted on: 3/12/2023 9:29:24 PM

Testimony for CPC on 3/16/2023 2:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Marcia Kimura	Individual	Support	Written Testimony Only

Comments:

I support this measure.

SB-855-SD-1

Submitted on: 3/13/2023 9:38:32 AM

Testimony for CPC on 3/16/2023 2:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Michael Ayson	Individual	Support	Written Testimony Only

Comments:

I support this bill.