

STAND. COM. REP. NO.

823

Honolulu, Hawaii

MAR 03 2023

RE: S.B. No. 855
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Second State Legislature
Regular Session of 2023
State of Hawaii

Sir:

Your Committee on Commerce and Consumer Protection, to which was referred S.B. No. 855 entitled:

"A BILL FOR AN ACT RELATING TO CONDOMINIUM RESERVE REQUIREMENTS,"

begs leave to report as follows:

The purpose and intent of this measure is to require condominiums to include the estimated cost of fire safety equipment or installations as part of their annual update of their reserves study.

Your Committee received testimony in support of this measure from the Hawaii Council of Associations of Apartment owners dba Hawaii Council of Community Associations, Community Associations Institute Hawaii Legislative Action Committee, Palehua Townhouse Association, and six individuals.

Your Committee finds that under existing law, a condominium's board of directors is required to create an annual operating budget and at a minimum update the association's reserve study annually. These two documents determine the amount of maintenance fees homeowners must pay to maintain the association property. Due to a City and County of Honolulu ordinance, certain condominiums are required to make fire safety upgrades unless the condominium can meet certain exceptions. These upgrades can cost a condominium association millions of dollars and, as a result,



force it to drastically increase its maintenance fees. This measure would ensure that condominium association's provide complete and accurate information on required expenditures to allow association members to plan accordingly.

Your Committee heard from several testifiers who voiced concerns that this measure, as currently written, could create the unintended consequence of impacting the long-term planning of major condominium maintenance projects with the addition of fire safety upgrades required by the City and County of Honolulu's ordinance. Therefore, amendments to this measure are necessary to address these concerns.

- (1) Inserting language clarifying a condominium association's budget shall include a summary of certain details, including:
 - (A) A disclosure as to whether the budget has been prepared on a cash or accrual basis;
 - (B) The estimated costs of fire safety equipment or installations that meet the requirements of a life safety evaluation required by the applicable county for any building located in a county with a population greater than five hundred thousand; provided that the reserve study may forecast a loan or special assessment to fund life safety components or installation;
 - (C) The estimated 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 not less than every three years; provided further that a managing agent with industry reserve study designations shall not be considered as having a conflict of interest for purposes of this requirement; and



- (D) A general explanation of how the estimated replacement reserves contributions are computed and detailing other specific information;
- (2) Inserting a definition for "independent reserve study preparer";
- (3) Inserting an effective date of July 1, 2050, to encourage further discussion; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Commerce and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 855, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 855, S.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on
behalf of the members of the
Committee on Commerce and
Consumer Protection,



JARRETT KEOHOKALOLE, Chair



The Senate
 Thirty-Second Legislature
 State of Hawai'i

Record of Votes
Committee on Commerce and Consumer Protection
CPN

Bill / Resolution No.:* SB 855	Committee Referral: CPN	Date: 2/23/23		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
KEOHOKALOLE, Jarrett (C)	✓			
FUKUNAGA, Carol (VC)	✓			
MCKELVEY, Angus L.K.				✓
RICHARDS, III, Herbert M. "Tim"	✓			
AWA, Brenton	✓			
TOTAL	4	0	0	1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <div style="text-align:center; font-family: cursive; font-size: 1.2em;">Carol Fukunaga</div>				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes