

FINAL BILL REPORT

SB 6215

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Synopsis as Enacted

Brief Description: Concerning reserve accounts and studies for condominium associations.

Sponsors: Senators Tom, Honeyford and McCaslin.

Senate Committee on Consumer Protection & Housing
House Committee on Judiciary

Background: Reserve funds are maintained by condominium associations to pay for major repairs or replacement of the condominium community's common elements. Common elements may include parts of the community such as lobbies, roofs, parking lots, or recreational areas. Reserve studies are used to determine when common elements will need to be replaced or repaired and the associated costs. An adequate amount of reserve funds may be determined through a reserve study.

Depending on a condominium community's inception date, the community is either governed by the Condominium Act or the Horizontal Properties Regimes Act. Neither statute requires that condominium associations maintain levels of reserve funding or conduct reserve studies. However, condominium associations have the authority to adopt and amend budgets and collect assessments from unit owners. Some condominiums also may have declarations that require the association to maintain adequate reserve funding and/or conduct reserve studies.

Condominium associations must prepare an annual financial statement under general accepted accounting standards. Those statements may require cost projections for future major repair and replacement of common elements. Also, condominium resale certificates are required to contain a statement of the amount of any reserves for repair and replacement and the portion of those reserves currently designated for any specific project.

Summary: Condominium associations (association) are encouraged to establish a reserve fund account to pay for major repairs or replacement of common elements. The purpose of a reserve account is to fund components that are in need of repair or replacement within 30 years. An association may withdraw funds from the reserve account for unforeseen expenses, as long as notice is given to unit owners and a repayment schedule is set up.

Associations must conduct and update reserve studies annually. The initial study and the study done each third-year thereafter must be conducted by a reserve study professional. Reserve studies must include detailed information on projected expenditures and current reserve account information.

If an association has not conducted a reserve study prepared by a professional in the past three years, one may be demanded if 20 percent or more of the unit owners agree. An association may refuse the demand if conducting the study would impose an unreasonable economic

hardship on the association. An unreasonable hardship exists if preparing the study would cost more than 10 percent of the association's annual budget.

Public offering statements and seller's disclosures must include either: (1) a copy of the association's current reserve study; or (2) a disclosure informing the buyer that there is no current reserve study and the possible risks that the buyer faces because of the lack of a current study.

Votes on Final Passage:

Senate	45	2	
House	92	2	(House amended)
Senate	43	3	(Senate concurred)

Effective: June 12, 2008