

# SENATE BILL REPORT

## SB 5134

---

---

As of January 24, 2013

**Title:** An act relating to reserve studies for certain homeowners' associations.

**Brief Description:** Concerning reserve studies for certain homeowners' associations.

**Sponsors:** Senators Honeyford, King, Benton, Becker, Holmquist Newbry and Sheldon.

**Brief History:**

**Committee Activity:** Financial Institutions & Insurance: 1/24/13.

---

### SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

**Staff:** Alison Mendiola (786-7483)

**Background:** Homeowners' associations (HOAs) generally levy and collect assessments, manage and maintain common property for the benefit of the residents, and enforce covenants that govern developments. The authority to carry out these functions comes from governing documents, such as the declaration of covenants, conditions, and restrictions. A person who purchases property governed by an HOA becomes a member of the association and is subject to its governing documents.

Reserve Study. HOAs are encouraged to establish a reserve account with a financial institution to fund major maintenance, repair, and replacement of common elements, including limited common elements that require major maintenance, repair, or replacement within 30 years.

Reserve studies are supplemental to the association's operating and maintenance budget. In preparing an annual reserve study, an HOA with significant assets must estimate the anticipated major maintenance, repair, and replacement costs, whose infrequent and significant nature make them impractical to include in an annual budget.

The initial reserve study must be based upon a visual site inspection conducted by a reserve study professional. The HOA may then conduct their own annual reserve study with a reserve study professional preparing the reserve study every three years. There are exceptions to these requirements, such as economic hardship.

---

*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

A reserve study professional is an independent person who is suitably qualified by knowledge, skill, experience, training, or education to prepare a reserve study.

**Summary of Bill:** An HOA with fewer than 50 units or homes may, by a majority vote of its members, elect to have the board update the reserve study annually after the association has had one reserve study conducted by a reserve study professional.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.