

SENATE BILL REPORT

SB 6147

As of February 7, 2014

Title: An act relating to reserve studies for certain unit owners' associations.

Brief Description: Concerning reserve studies for certain unit owners' associations.

Sponsors: Senators Honeyford and King.

Brief History:

Committee Activity: Commerce & Labor: 2/07/14.

SENATE COMMITTEE ON COMMERCE & LABOR

Staff: Jessica Stevenson (786-7465)

Background: A condominium association is encouraged to establish a reserve account to fund major maintenance, repair, and replacement of common elements. Common elements are defined as all portions of a condominium other than the units. The board of directors is responsible for administering the reserve account. Unless it would impose an unreasonable burden, an association with significant assets must prepare and update a reserve study in accordance with the governing documents and the declaration filed for the creation of the condominium.

The initial reserve study must be based on a visual site inspection conducted by a reserve study professional. A reserve study professional is an independent person who is suitably qualified by knowledge, skill, experience, training, or education to prepare a reserve study. The association must update the reserve study annually unless it would impose an unreasonable hardship. An updated reserve study must be prepared and based on a visual site inspection every three years. An association's governing documents may contain stricter requirements. These requirements apply to condominiums that are used in whole or in part for residential use, but they do not apply to condominiums consisting solely of units that are restricted to nonresidential use.

Summary of Bill: After one reserve study has been conducted by a reserve study professional for an association, the association is exempt from the reserve study requirements if:

- the association has fewer than 50 units;
- the units are limited to residents at least 55 years of age; and

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.

- all of the units in the association are owner-occupied.

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.

Staff Summary of Public Testimony: PRO: This bill is requested by some condo association owners. The bill would exempt smaller associations that have fewer than 50 units, residents 55 years or older, and are lived in by the owners. The changes would not affect larger associations. The concern is that a disgruntled association owner will take the other members of the association to court over the definition of unreasonable burden, which is not defined.

CON: Unreasonable hardship is defined in RCW 64.34.386. The reserve studies are not about the number of owners, but rather the number of common elements. Reserve studies are disclosure to current owners, prospective owners, and lenders. The current statute provides flexibility. Associations do not have to do a reserve study unless 20 percent of the owners request in writing to have one done. The association can assert unreasonable hardship.

Persons Testifying: PRO: Senator Honeyford, prime sponsor.

CON: Kathryn Hedrick, WA Chapter of Community Assns. Institute.