
SENATE BILL 6616

State of Washington

64th Legislature

2016 Regular Session

By Senator Benton

Read first time 01/29/16. Referred to Committee on Financial Institutions & Insurance.

1 AN ACT Relating to reserve studies and special assessments for
2 homeowners' associations; and amending RCW 64.38.025 and 64.38.065.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 **Sec. 1.** RCW 64.38.025 and 2011 c 189 s 8 are each amended to
5 read as follows:

6 (1) Except as provided in the association's governing documents
7 or this chapter, the board of directors shall act in all instances on
8 behalf of the association. In the performance of their duties, the
9 officers and members of the board of directors shall exercise the
10 degree of care and loyalty required of an officer or director of a
11 corporation organized under chapter 24.03 RCW.

12 (2) The board of directors shall not act on behalf of the
13 association to amend the articles of incorporation, to take any
14 action that requires the vote or approval of the owners, to terminate
15 the association, to elect members of the board of directors, or to
16 determine the qualifications, powers, and duties, or terms of office
17 of members of the board of directors; but the board of directors may
18 fill vacancies in its membership of the unexpired portion of any
19 term.

20 (3) Within thirty days after adoption by the board of directors
21 of any proposed regular or special budget of the association, the

1 board shall set a date for a meeting of the owners to consider
2 ratification of the budget not less than fourteen nor more than sixty
3 days after mailing of the summary. Unless at that meeting the owners
4 of a majority of the votes in the association are allocated or any
5 larger percentage specified in the governing documents reject the
6 budget, in person or by proxy, the budget is ratified, whether or not
7 a quorum is present. In the event the proposed budget is rejected or
8 the required notice is not given, the periodic budget last ratified
9 by the owners shall be continued until such time as the owners ratify
10 a subsequent budget proposed by the board of directors.

11 (4) As part of the summary of the budget provided to all owners,
12 the board of directors shall disclose to the owners:

13 (a) The current amount of regular assessments budgeted for
14 contribution to the reserve account, the recommended contribution
15 rate from the reserve study, and the funding plan upon which the
16 recommended contribution rate is based;

17 (b) If additional regular or special assessments are scheduled to
18 be imposed, the date the assessments are due, the amount of the
19 assessments per each owner per month or year, and the purpose of the
20 assessments. A special assessment may not be used for any other
21 purpose other than the purpose disclosed at the time of imposition
22 or, for items noted in a reserve study, before imposition of the
23 special assessment;

24 (c) Based upon the most recent reserve study and other
25 information, whether currently projected reserve account balances
26 will be sufficient at the end of each year to meet the association's
27 obligation for major maintenance, repair, or replacement of reserve
28 components during the next thirty years;

29 (d) If reserve account balances are not projected to be
30 sufficient, what additional assessments may be necessary to ensure
31 that sufficient reserve account funds will be available each year
32 during the next thirty years, the approximate dates assessments may
33 be due, and the amount of the assessments per owner per month or
34 year;

35 (e) The estimated amount recommended in the reserve account at
36 the end of the current fiscal year based on the most recent reserve
37 study, the projected reserve account cash balance at the end of the
38 current fiscal year, and the percent funded at the date of the latest
39 reserve study;

1 (f) The estimated amount recommended in the reserve account based
2 upon the most recent reserve study at the end of each of the next
3 five budget years, the projected reserve account cash balance in each
4 of those years, and the projected percent funded for each of those
5 years; and

6 (g) If the funding plan approved by the association is
7 implemented, the projected reserve account cash balance in each of
8 the next five budget years and the percent funded for each of those
9 years.

10 (5) The owners by a majority vote of the voting power in the
11 association present, in person or by proxy, and entitled to vote at
12 any meeting of the owners at which a quorum is present, may remove
13 any member of the board of directors with or without cause.

14 **Sec. 2.** RCW 64.38.065 and 2011 c 189 s 9 are each amended to
15 read as follows:

16 (1) An association is encouraged to establish a reserve account
17 with a financial institution to fund major maintenance, repair, and
18 replacement of common elements, including limited common elements
19 that will require major maintenance, repair, or replacement within
20 thirty years. If the association establishes a reserve account, the
21 account must be in the name of the association. The board of
22 directors is responsible for administering the reserve account.

23 (2) Unless doing so would impose an unreasonable hardship, an
24 association with significant assets shall prepare and update a
25 reserve study, in accordance with the association's governing
26 documents and this chapter. The initial reserve study must be based
27 upon a visual site inspection conducted by a reserve study
28 professional.

29 (3) Unless doing so would impose an unreasonable hardship, the
30 association shall update the reserve study annually. At least every
31 three years, an updated reserve study must be prepared and based upon
32 a visual site inspection conducted by a reserve study professional.

33 (4)(a) The decisions relating to the preparation and updating of
34 a reserve study must be made by the board of directors in the
35 exercise of the reasonable discretion of the board. The decisions
36 must include whether a reserve study will be prepared or updated, and
37 whether the assistance of a reserve study professional will be
38 utilized.

1 (b) Before hiring a reserve study professional, the board of
2 directors must obtain three competing bids.

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