

FINAL BILL REPORT

SSB 5461

C 307 L 09

Synopsis as Enacted

Brief Description: Concerning reserve account and study requirements for condominium associations.

Sponsors: Senate Committee on Financial Institutions, Housing & Insurance (originally sponsored by Senator Haugen).

Senate Committee on Financial Institutions, Housing & Insurance
House Committee on Judiciary

Background: Reserve studies are used by condominium associations to plan for major repairs, replacement, and the costs associated with repairs and replacement of the condominium community's common elements, including lobbies, roofs, parking lots, or recreation areas. They are also used to determine the necessary size of a reserve fund account. Reserve fund accounts are maintained to pay for major repairs to and replacements of common elements.

Condominiums created before or on July 1, 1990, are subject to the Horizontal Property Regimes Act, and all others are subject to the Condominium Act. In 2008 the Legislature amended the Condominium Act to require condominium associations created after July 1, 1990, to conduct reserve studies and update them annually. Studies are not required if preparing them would present an unreasonable hardship. A reserve study is automatically an unreasonable hardship if it would cost more than 10 percent of the association's annual budget, though lower percentages may still be an unreasonable hardship. Both the initial study and the study every third year must be conducted by a reserve study professional.

Public offering statements and sellers' disclosures must either include 1) a copy of the current reserve study, or 2) a statement that there is no reserve study available along with disclosure of the risks faced by the buyer because of the lack of a reserve study.

Summary: Condominium associations with ten or fewer condominium owners are exempt from reserve study requirements if two thirds of the owners agree to the exemption. An association must vote by two-thirds every three years in order to maintain this exemption, and any public offering statement for a unit in an association so exempted must disclose that no reserve study is available.

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.

Votes on Final Passage:

Senate	44	0	
House	98	0	(House amended)
Senate	46	0	(Senate concurred)

Effective: July 26, 2009