



Learn more about the Real Estate Branch (REB) of the Department of Commerce and Consumer Affairs

Check out the REB website www.hawaii.gov/hirec for more information and some frequently asked questions.

- What services does the REB provide to the condominium community?
- Where can I get help with association disputes?
- What laws apply to my condominium association?
- How do I get a copy of my association documents?

Real Estate Branch

About Us

The Real Estate Branch, as part of the Professional and Vocational Licensing Division, assists the Real Estate Commission in carrying out its responsibility for the education, licensure and discipline of real estate licensees; registration of condominium projects, condominium associations, condominium managing agents, and condominium hotel operators; and intervening in court cases involving the real estate recovery fund.

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Contact Us

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CONDOMINIUM: BUDGETING AND RESERVE FUNDING

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*Real Estate Branch
Department of Commerce and
Consumer Affairs*

Rev. March 2019





Budgeting and Reserve Funding

Condominium association boards are required to adopt an annual budget and establish adequate reserve funds under Hawaii's condominium law. Replacement reserves are an essential part of an association's annual operating budget.

Collection of reserves

Reserves are generally collected with the regular assessments and set aside for future use in separate accounts to cover the cost of repair and replacement of those parts of the property (common elements), such as roofs, walls, decks, paving, elevators, and equipment, that are capital expenditures or major maintenance will exceed \$10,000 for each part, with a single aggregated reserve for those parts for which capital expenditures

or major maintenance will not exceed \$10,000.

Excerpt from Condominium Property Regimes: Owner Rights and Responsibilities. The full document may be found at the REB website www.hawaii.gov/hirec

Insufficient reserves

Insufficient reserves can result in the board levying burdensome special assessments, borrowing the needed funds, or even deferring necessary repairs. The law requires that a board adopt a budget including the following reserve information:

- 1) the total replacement reserves of the association as of the date of the budget;
- 2) the estimated replacement reserves the association will require to maintain the property, based on a reserve study performed by the association;
- 3) a general explanation of how the estimated replacement reserves are computed;
- 4) the amount the association must collect for the fiscal year to fund the estimated replacement reserves; and



5) information as to whether the amount the association must collect for the fiscal year to fund the estimated replacement reserves was calculated using a percent funded or cash flow plan.

Liability

The law exempts from liability any association and its owners, directors, officers, managing agent, or employees whose good faith estimate of an association's reserve requirements subsequently proves to be incorrect.

These provisions and others budget and reserve provisions may be found in Hawaii Revised Statutes §§514B-144 and 148.