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CAI Hawaii Has A Successful Showcase

Recap of the 2025 Legislative Session

By Phil Nerney, Esq.

The legislature took a number of actions this year that are directly or indirectly relevant to community associations. The Governor has yet to act on a number of them at the time this is written, so it is possible that some bills addressed herein may not become law.

Notably, two-insurance related bills passed. One bill amends the notice period for cancellation or non-renewal. The more substantive bill expands the powers of the Hawaii Property Insurance Association and reactivates the Hawaii Hurricane Relief Fund. A Condominium Loan Program and a Condominium Loan Revolving Fund are established as is a Condominium Loan Loss Reserves Program. The Insurance Commissioner is also directed to study and report on long term solutions to stabilize the insurance market.

Four bills related to the Maui wildfires were passed as well. One establishes a trust fund for claim payments. Another authorizes and requires county planning departments and others to take actions to facilitate rebuilding and recovery. A third bill exempts reconstruction of certain structures from Special Management Area (SMA) permit requirements in some circumstances. A fourth allows electric cooperatives to recover wildfire mitigation, repair and restoration costs through an automatic rate adjustment or other mechanisms. That bill also limits liability, authorizes charges and creates financing mechanisms.

The condominium statute was amended by a bill requiring the annual budget summary to provide complete information without reference to other documents. A bill requiring the electronic delivery of governing documents to owners and agents at no cost, upon request, also passed. A bill relating to fines and alternative dispute resolution passed the Senate and then passed the House in a different form. The two chambers did not agree on a final form so the bill did not pass.

It is important to keep in mind that the Condominium Property Regime Task Force awaits the outcome of a study by the Legislative Reference Bureau (“LRB”), which is due twenty days before the next legislative session. Task Force recommendations are due to the legislature by June 30, 2026. The LRB study subjects are:

- (1) A condominium ombudsman or similar position to specifically oversee condominiums;
- (2) Required licenses for individuals involved in the management of condominiums;



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This publication is designed to provide accurate and authoritative information regarding the subject matter covered. It is issued with the understanding that the publisher is not engaged in rendering legal, accounting or other professional services.

CAI Hawaii Community Associations Institute newsletter provides an opportunity for information and/or comment.

Articles do not necessarily reflect the viewpoint of the Chapter. The reader should not act on information contained herein without seeking more specific professional advice.



President's Message



Aloha CAI Hawaii Members,

I hope this message finds you well and that your year is going smoothly so far. It's hard to believe we're already halfway through 2025. Time seems to be flying, and I know many of you have been busy navigating the everyday challenges and responsibilities that come with serving your communities.

This summer's newsletter is full of timely articles that reflect some of the current issues facing our community associations. I encourage you to take a few moments to read through the thoughtful pieces contributed by professionals who understand the unique landscape we're all working in. Topics include:

- **Foreclosure Alternatives** – exploring options before legal action becomes necessary.
- **Future-Proofing Reserves** – tips for planning in today's unpredictable economy.
- **2025 Legislative Recap** – a summary of recent changes and how they may impact your association.
- **Spotlight on Alu Like, Inc.** – highlighting the incredible work being done to support and empower Native Hawaiians.
- **Board Responsibilities with Construction Defects** – what board members should know if defects are discovered.
- **When House Rules May Violate the Law** – why it's important to ensure your rules are legally sound, even if they seem practical on the surface.

As always, thank you for the time and dedication you give to your associations and to CAI Hawaii. Your commitment helps build stronger, more resilient communities, and we're honored to support that effort.

Warm regards,
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President, CAI Hawaii Chapter



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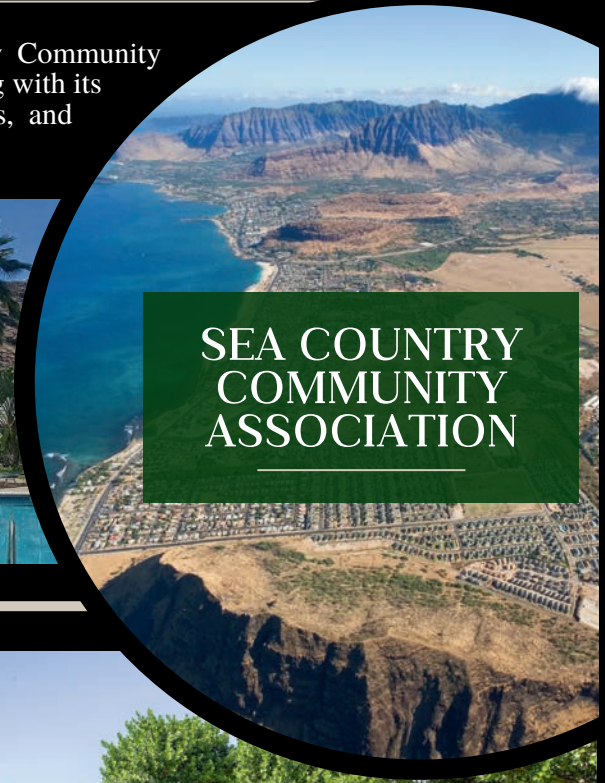
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Recap

continued from page 1

- (3) The availability of dedicated alternative dispute resolution or similar programs that are specifically for the prevention or resolution of condominium-related disputes and are separate from alternative dispute resolution programs available for other disputes;
- (4) Governmental regulation and enforcement of condominium operations and governance that are separate from an ombudsman referenced in paragraph (1);
- (5) Requirements for owner education at the point of sale of a unit; and
- (6) Requirements for owner access to condominium documents.

It is reasonable to expect some change in condominium law over time. The CAI Legislative Action Committee ("LAC") seeks to constructively engage with policymakers on potential law changes.

Numerous other important bills, relating to the Contractor Repair Act, discrimination, fireworks, transient accommodation tax, eviction mediation, environment and much more was addressed at the July 17, 2025 webinar.



About the Author:

Philip Nerney is an attorney who has represented associations since 1990. He currently serves as Chair of the Legislative Action Committee for CAI (Hawaii Chapter). He also serves as Chair of the Condominium Property Regime Task Force created by the legislature in 2023.



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Common Sense Rules That May Violate The Law

By Shannon S. Sheldon, Esq., Partner of Horovitz & Tilley LLC

Condominium and community associations often have bylaw provisions and rules that make perfect sense to protect the safety of its residents, such as “No infants are permitted in the jacuzzi” or “No children may play in the parking lot.” Despite the good intent of these rules to protect residents from harm, courts and administrative agencies have invalidated such rules and issued harsh monetary penalties. This article identifies considerations and best practices for developing rules.

Fair Housing Act (FHA) Overview

The FHA, enacted as part of the Civil Rights Act of 1968, makes it unlawful to “discriminate against any person in the terms, conditions, or privileges of sale or rental of a dwelling, or in the provision of services or facilities in connection with such dwelling, because of a handicap of that person; or a person residing in or intending to reside in that dwelling after it is so sold, rented, or made available; or any person associated with that person.” 42 U.S.C. § 3604(f)(2). The FHA applies to landlords, real estate agents, lenders, and condominium and homeowners’ associations. The FHA’s protection covers not only owners with disabilities but also buyers and renters without disabilities who live or are associated with individuals with disabilities. See H.R. Rep. 100-711 – 24.

Discrimination includes “a refusal to make reasonable accommodations in rules, policies, practices, or services, when such accommodations may be necessary to afford such person equal opportunity to use and enjoy a dwelling.” 42 U.S.C. § 3604(f)(3)(B). Race, color, religion, sex, national origin, and familial status are protected by the FHA. “Familial Status” is defined as one or more individuals (who have not attained the age of 18 years) being domiciled with a parent or another person having legal custody of such individuals. 24 CFR § 100.20. This includes pregnant women and persons in the process of adopting or securing custody of a child/children, and foster children and grandchildren.

Approach to FHA Compliance

To avoid litigation and to comply with the FHA, boards and management of an association should: (1) review their Bylaws and House Rules to remove all discriminatory language from the Rules and consult with their attorney for any questions; (2) adopt a Non-Discrimination Policy;

and (3) attend anti-discrimination classes which may be offered by CAI, the U.S. Department of Housing and Urban Development, or other organizations.

In establishing rules, it is important to:

- Avoid discriminatory language and use neutral and concise language that does not single out any group.
- Involve the community -- Form a committee of owners to help draft and review house rules. Prior to adoption, provide a draft copy of the rules to owners and allow comments via email or at the board meeting at which the rules are adopted.
- The rules should be readily accessible to residents and guests. Copies of newly enacted rules should be mailed, and can be emailed, to owners and tenants and posted in the common elements.
- Regularly review rules to ensure they remain fair and inclusive and reflect changes in the community.
- Consistently enforce the rules for all residents regardless of their status in the community.
- Create a fair process for owners and tenants to appeal fines made regarding rule enforcement.

Rejected Rules

The following rules, which seem sensical and for the protection of residents, have been invalidated by courts and administrative agencies in the United States and been found to be discriminatory, so should be avoided:

- Children cannot use the pool during certain hours restricted for adult use. (The court found that keeping decorum and tranquility to allow adults to swim was not a valid reason.)
- Children under the age of 5 from using the pool and restricted children ages 5 to 16 to using the pool from 11 a.m. to 2 p.m. (The court found that the purpose to promote sanitary and healthy swimming facilities was not valid.)
- Parental supervision is required for children in the pool and spa.

- Children at the pool require adult supervision. (The court found that safety is not a valid reason for requiring supervision of minors using pools since children may be better swimmers than adults.)
 - All babies and children not fully potty trained cannot use the pool.
 - No children under 5 are permitted in the spa.
 - No children may play in the hallways, which are to be used for ingress and egress.
 - Children shall have adult supervision in the recreation center and gym.
 - No baby strollers, walkers and playpens in the pool area.
 - No animals are allowed at the property. (Discriminates against assistance animals.)
 - No more than four persons are permitted in a studio apartment. (The fire code restricting occupancy for safety was not a valid reason for restricting occupancy which could discriminate against families.)
 - No object can be attached to doorways or door frames. (Found to violate the ability to display certain religious items on doorways, such as a mezuzah or cross.)
 - No lifeguard on duty. Swim at your own risk.
 - No one shall be allowed in the pool unless they are a competent swimmer or accompanied by a competent swimmer.
 - Any person who is incontinent or not fully potty trained must wear appropriate waterproof clothing when entering or being carried into the pool.
 - According to the manufacturer's specifications, children under 5 are not permitted in the hot tub without adult supervision. (The association should review the manufacturer specifications and rely on them).
 - According to the manufacturer's specifications, no person under the age of 14 shall use the gym equipment without adult supervision.
 - No person shall climb trees, buildings or railings at the property.
 - No pets are permitted at the property; provided, however, assistance and service animals are permitted in accordance with the assistance animal rules which are available from management at the front office.
- It is urged that associations review their Bylaws and rules and carefully consider enacting non-discriminatory rules to promote safety and inclusivity.

Potentially Acceptable Rules

It is tricky for an association to promote and maintain safety, sanitation and harmony in a community and comply with the FHA. The following rules are examples of rules that may be acceptable, as these rules do not discriminate against families or those with disabilities:



About the Author:

Shannon Sheldon is a partner with Horovitz Tilley LLC and acts as general counsel to condominium and homeowner associations across the State of Hawaii.



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Board of Directors Should Inspect for Construction Defects Early and Regularly

By Chris Hikida, Partner and Ritchie Lipson, Executive Director of Client Relations – Kasdan Turner Thomson Booth LLLC

In carrying out its duties, the board of directors of an Association of Unit Owners of a condominium project should, in addition to routine maintenance of the project, see that certain other critical property condition survey programs are implemented. First, all special procedures for equipment operation and periodic maintenance set forth in the product manufacturer's published literature should be carefully followed, to preserve warranty claims. Next, the association should attempt to follow reasonable written guidelines set forth by the project's contractor and/or developer. Next, the association should see that Building Code regulation inspections are conducted by qualified, certified, and licensed personnel. Fire sprinklers, fire pumps, emergency generators, and other life safety systems must be routinely operated and inspected. But is all of this enough? The clear, simple, and direct answer is NO.

A careful board will commission a comprehensive Property Condition Assessment by a forensic expert knowledgeable in your particular type of building or property. A regular program of evaluating should be established early in the life of the project for multiple reasons.

First, understanding and identifying potential defects early can allow the association to develop targeted maintenance or repair programs to address those defects before extensive damage occurs. Second, early detection of defects can help the association to address issues that might create potential life safety concerns. Third, prompt identification of construction defects can allow the association and its counsel to come up with a legal plan and preserve the association's legal rights against responsible parties.

Identifying Defects to Ensure Proper Maintenance or Repairs

Many construction defects involve the use of building components not sufficiently resistant to corrosion. The unique environmental conditions in Hawaii, such as high humidity, salt air, and tropical weather, means that certain materials are inappropriate for use in construction

here. By identifying where inadequate corrosion resistant materials were used, the association can determine a maintenance plan to either mitigate the corrosion or perform replacement of those damaged materials as necessary.

Regular assessments for construction defects are important because many defects won't be apparent until years after the construction. For example, many condominium projects experience issues with various plumbing systems, including leaks or backups, due to improper design or construction of the project. Often, these issues will not appear until well after the project is completed. By establishing a periodic full evaluation program, the association can ensure that it is able to identify defects that are not evident early in the project.

In essence, an early and regular program of evaluating the project for construction defects will allow the board to have a better understanding of how the project was constructed and how to best maintain and repair the project.

This proactive approach not only preserves the property's value but also allows the board to plan financially for the association's maintenance costs and reserves. Addressing construction defects promptly can also save the condominium association significant amounts of money. Deferred maintenance and unnoticed defects can lead to extensive damage, necessitating expensive emergency repairs and potentially leading to special assessments.

Identifying Defects to Address Potential Health and Safety Issues

Of significant concern are construction defect issues which involve those that potentially threaten the health and safety of individuals such as those that affect systems designed for the safety of occupants. The association should assess early and often whether there are potential health or life-safety issues in the construction of the building.

There are multiple federal and state codes and regulations

that govern how systems—such as fall prevention systems and fire safety systems—should be designed and constructed. It is important for the association to retain someone qualified to evaluate whether these life and safety systems were developed in accordance with applicable codes and regulations.

Identifying Defects to Plan for Legal Action and Preserve Legal Rights

In Hawaii, the Statutes of Limitations and Statutes of Repose establish strict deadlines on bringing construction defect claims. While it is commonly understood that Hawaii has a ten-year time limit from the developer's substantial completion, it is not quite that simple. Under Hawaii law, in certain scenarios it could be asserted that associations may be required to bring construction defect claims in as little as two years from discovery or risk losing its legal right to bring those claims. Other limitations periods apply to contract claims, which are six years; and concealment claims which may be longer. When the time period starts can also be subject to disagreement.

Often, issues at the project that might appear to be minor maintenance issues can actually be indicative of a bigger construction defect. In order to protect itself against

potential statute of limitations problems, associations should retain qualified forensic experts to evaluate issues at the project to determine whether construction defects exist.

It is important to consult with an attorney experienced in construction defect to determine your legal rights to recover for construction defects in your building. If the statutes are allowed to expire, the owners may be left exposed to assessments to fix the building.

What is a Property Condition Assessment?

A Property Condition Assessment is a detailed evaluation of the physical condition of a property. A starting point is doing a survey in accordance with guidelines set forth in ASTM E2018-15. Note, this is not a code standard. This standard provides guidelines for the systematic process of inspecting a property and reporting on its condition. A Property Condition Assessment includes:

1. **Document Review and Interviews:** Examining available documents such as construction plans, maintenance records, and previous inspection reports. Interviews with property managers and maintenance personnel provide additional insights into the property's history and current condition.

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2. **Walk-Through Survey:** Conducting a visual inspection of the property's systems and components, including structural elements, mechanical systems, electrical systems, plumbing, roofing, and exterior and interior finishes. The goal is to identify any visible defects or signs of potential issues.
3. **Opinion of Probable Costs:** Estimating the costs to remedy identified deficiencies and predicting future maintenance and repair expenses over a specified period, typically ten years. This helps in financial planning and budgeting for the condominium association.
4. **Property Condition Report:** Compiling the findings into a comprehensive report that includes detailed descriptions of observed conditions, photographs, and recommendations for immediate repairs and ongoing maintenance. The Property Condition Report serves as a vital tool for the board in managing the property effectively.

The Property Condition Assessment provides the board with important information regarding the property and will help inform the board whether construction defects exist at the project.

About the Authors:



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Foreclosure Alternatives for Associations: Practical Solutions and Legal Considerations for Collections

By Taylor W. Gray, Esq., Partner at Porter Kiakona Kopper, LLP.

Delinquencies in maintenance fee payments are a persistent challenge for condominium and homeowner associations in Hawai‘i. While foreclosure is a powerful legal remedy, it should generally be considered a last resort. Courts have grown increasingly reluctant to authorize foreclosure for relatively modest debts, and the costs of litigation, deterioration of abandoned units, and delays in recovery can significantly impact the association’s bottom line. Fortunately, there are a range of alternative strategies associations can—and should—consider before moving forward with foreclosure.

Rent Intercept Policy Under HRS §514B-145: Legally Sound, Practically Limited

Under Hawaii Revised Statutes (“HRS”) § 514B-145, a condominium association may adopt a rent intercept policy, allowing it to collect rent directly from tenants when the unit owner is delinquent. This helps ensure that revenue from a rented unit is directed toward past-due maintenance fees rather than lining the pockets of a nonpaying owner.

However, in practice, rent intercepts often fall short. Tenants may feel confused or fearful about changing where they send their rent, particularly if they worry the landlord may evict them. As a result, many tenants ignore the association’s demand, requiring the association to pursue alternative enforcement actions to recover the debt.

Utility Shutoffs: Legally Possible, But Counterproductive

Some associations consider amending their governing documents to allow utility shutoffs—cutting electricity or water—when an owner fails to pay maintenance fees. While this may be legally permissible if properly adopted, it is not advisable in most cases.

In practice, shutting off utilities rarely motivates payment and often leads to the unit falling into disrepair. Units without running water or electricity can develop mold, smells, attract pests, and become nightmares for neighboring units—thereby decreasing the value of the unit and diminishing the association’s potential recovery

in a foreclosure or resale. If an owner does not have the money to pay maintenance fees, shutting off utilities rarely fixes the problem, only exacerbates it.

Offering Payment Plans: A Compassionate, Cost-Effective Alternative

Before pursuing litigation, associations should consider offering reasonable payment plans to delinquent owners. This is often the most compassionate and practical solution, especially in cases where the delinquency is temporary or tied to financial hardship.

Payment plans can help owners get back on track while avoiding the high legal costs and delays of foreclosure. From a financial standpoint, accepting payments over time—rather than incurring attorney’s fees, court costs, and potential write-offs—can save the association a significant amount of money. Boards should ensure that payment plans are documented in writing and include clear terms regarding payment amounts, deadlines, and default consequences.

District Court Complaints and Garnishment: A Reasonable Middle Ground—With Limits

Another useful alternative to foreclosure is filing a district court complaint to obtain a personal judgment against the delinquent owner. This allows the association to pursue wage garnishment and levy bank accounts without immediately resorting to foreclosure. In the event the delinquent owner does not have funds available, the association can always proceed with foreclosure of its judgment.

However, this strategy hinges on the association’s ability to serve the owner. If the owner cannot be located and personal service fails, the association may be forced to serve by publication in a newspaper, which can cost \$3,000 or more. When the total delinquency is relatively small, this expense can exceed the amount owed. In such situations, proceeding in district court may not make the most financial sense.

When Service Fails: Notice of Default and Intent to Foreclose and Rental Under HRS §667-92(f)

When an owner cannot be served, particularly if the owner is deceased or the unit is abandoned, proceeding with foreclosure, first by sending a Notice of Default and Intent to Foreclose (“NDIF”) via personal service may be the most practical remedy. For condominiums governed by HRS Chapter 514B, HRS §667-92(f) authorizes associations to take possession of abandoned units and rent them out to recover delinquent maintenance fees if personal service fails.

This statute provides a critical alternative to prolonged and costly litigation, especially when dealing with unoccupied properties where the estate is unsettled or heirs are unknown. The rental income can help the association recover past dues, pay for upkeep, and prevent the unit from falling into disrepair. This remedy, however, is not available to associations governed by HRS Chapter 421J, which applies to most planned communities.

The Role of Foreclosure: A Last Resort—But Sometimes the Only One

Despite public perception and judicial scrutiny, foreclosure remains a necessary and valid tool—particularly when

all other options have failed. In some cases, owners only become motivated to act when their property is being prepared for auction. Many will sell the unit to avoid foreclosure, choosing to pay off their debts rather than lose equity in a public sale.

Although courts are cautious when the balance due is relatively low, especially in homeowner associations where the monthly maintenance fees may be only a couple hundred of dollars every month, foreclosure can still be the only means of compelling payment. In these cases, the threat—or reality—of foreclosure often results in full payoff of the delinquency, especially when owners want to avoid losing the property or damaging their credit. This urgency can work in the association’s favor and often results in full recovery.

Consistent Collections: A Key Deterrent

Perhaps the most critical long-term strategy for associations is to maintain a clear, firm, and consistent collections policy. When members see that the board acts quickly and decisively in collecting dues, they are much more likely to pay on time. In contrast, when owners perceive the association as slow to act, delinquencies

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tend to increase, with more members delaying payments or ignoring notices altogether.

An assertive collections approach not only preserves the association's financial health but also reinforces fairness—ensuring that those who fulfill their obligations aren't subsidizing those who do not.

Conclusion

While foreclosure is sometimes necessary, it should not be the first tool used in response to delinquency. Offering payment plans, pursuing district court judgments where service is possible, and utilizing rent intercept policies or proceeding with NDIF's with rental authority under HRS §667-92(f) offer associations multiple, often more effective paths toward recovery. By combining compassion with firm enforcement and maintaining a consistent collections posture, associations can safeguard their financial stability while minimizing the strain on individual owners and the broader community.



About the Author:

Taylor W. Gray is a Partner at PKK, focusing on community association and condominium law. Licensed in all Hawaii courts and the U.S. District Court of Hawaii, Taylor is an experienced litigator skilled in construction defect cases and alternative dispute

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Founded on a mission to assist Native Hawaiians committed to achieving their potential, ALU LIKE has become a vital resource for individuals, families, and communities across the state. Their name, meaning “working together” in Hawaiian, reflects the very heart of their approach: *collective effort toward shared success*.

We chose to spotlight ALU LIKE not only because of the incredible work they continue to do, but also because of the values they uphold—values that deeply resonate with the work we do as community association professionals and volunteer board members. Core Hawaiian values such as:

Pono – doing what is right

Kuleana – taking responsibility

Mālama – being caring and nurturing

Laulima – cooperating and working together

Ho'omau – practicing patience and perseverance

Ho'okina – taking initiative and leading with purpose



In this edition of our newsletter, we are proud to feature a local nonprofit organization that has spent decades serving our community with intention, compassion, and cultural integrity—ALU LIKE, Inc. This year, ALU LIKE celebrates

These principles guide board members in their fiduciary roles and decision-making processes, especially when navigating the not-so-popular decisions required to sustain healthy communities.

ALU LIKE offers a broad range of services, all centered around supporting 'ohana and community well-being. From keiki to kūpuna, they provide programs that meet people where they are and help move them toward stability and growth. A few notable programs include:



Ho'āla Hou High-Risk Reduction – A youth-focused initiative offering substance abuse prevention activities in schools statewide, in collaboration with local partners.

Employment and Training Programs – Under their

Ho'omānea 'Ōiwi Department, ALU LIKE offers career counseling, skills training, educational assistance, internships, and more, helping individuals build brighter futures.

Scholarship Opportunities – Through their *Ka Ipu Kā'eo* Department, they provide vital financial support to Native Hawaiians pursuing vocational, technical, or career-focused education, especially in fields such as technology, health, natural resources, and culinary arts.



Kūlia Like – A resource designed to strengthen economic self-sufficiency for individuals and families by enhancing financial literacy and decision-making skills.

These are just a few examples of the extensive and transformative work ALU LIKE has done in Hawai'i for 50 years.



As members of CAI and the broader community association industry, we recognize that building resilient communities starts with empowering people—and that is exactly what ALU LIKE does every

day. We honor their mission and encourage you to learn more or find ways to support their cause.

To learn more, visit www.alulike.org.



About the Author:

Kanani Kaopua is the Senior Vice President at Hawaiian Properties, Ltd. and a respected leader in the community association management industry. She is a former President of the Community Associations Institute (CAI) Hawaii Chapter. She welcomes

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2026 PROGRAM DATES

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SAVE THE DATES!

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THURSDAY, MARCH 5, 2026

THURSDAY, MAY 14, 2026

SATURDAY, JUNE 13 & 20, 2026

THURSDAY, JULY 16, 2026

THURSDAY, AUGUST 13, 2026

THURSDAY, SEPTEMBER 17, 2026

THURSDAY, OCTOBER 22, 2026



Future-Proofing Your HOA Reserves: Planning for Uncertainty in an Unpredictable Economy

By Damian Esparza

I get asked all the time: *“How can we possibly create an accurate reserve study when we don’t even know what’s going to happen next week—let alone in five years?”*

It’s a fair question, especially in today’s climate. Between tariffs, inflation, and supply chain swings, the cost of maintaining or replacing major building components has become a moving target.

In unpredictable times, the most successful associations aren’t the ones with the most precise long-range guesses. They’re the ones who build flexibility into their reserve strategies, update them often, and prioritize the right assets first.

If your projections are too low, you may find your reserve fund coming up short just when you need it most. That kind of gap can trigger special assessments, emergency loans, or project delays that lead to further deterioration and higher costs down the road. On the flip side, overestimating can unnecessarily strain homeowners with higher contributions than needed, damaging trust and community morale. In high-rise and large-scale communities especially, where component costs can run into the millions, even small percentage errors quickly compound.

Accurate, timely, and flexible reserve planning isn’t just a best practice—it’s a financial safeguard for the entire community.

Why Traditional Reserve Planning Falls Short

Most reserve studies are built around current-day replacement costs with modest inflation assumptions. That works well when the economy is stable—but in today’s world, costs can shift drastically in a matter of months. A 25% increase in the cost of roofing materials due to steel tariffs can throw off your long-term funding model. And when your study hasn’t been updated in years, you may not realize you’re off course until it’s too late.

The bigger issue? Traditional reserve studies are **static reports**—a snapshot in time. They don’t allow associations to adjust for new information as it comes in.

And that’s the key to successful planning today: the ability to adapt to reality.

What associations really need now is a **Living Reserve Study**—a reserve plan that can be updated dynamically and used as a working tool, not a document that sits on a shelf or acts like a paperweight. When you can adjust your plan as market conditions change, you can make smarter decisions in real time and avoid financial surprises. That’s right, imagine a reserve study that never goes out of date. That’s the Living Reserve Study.

Tariffs: The Hidden Risk in Your Reserve Study

Tariffs don’t show up as line items in a reserve study, but they hit your budget all the same. Steel, aluminum, copper, glass, wood, and drywall—many of these materials are affected by global trade policies and transportation costs that change quickly and often without warning.

Right now, it’s almost impossible to predict what some of these costs will look like five—or even two—years from now. That’s why **adaptability** is the new name of the game in reserve planning.

Three Practical Strategies to Future-Proof Your Reserve Plan

1. Start with High-Risk, High-Value Assets

Focus your attention—and your most up-to-date cost data—on the big-ticket items first. Roofing, elevators, HVAC systems, waterproofing, and structural components are the assets that carry the greatest financial risk if underestimated. Once you’ve built a reliable plan around those, work your way down to lower-cost, lower-risk items.

2. Build in Economic Contingencies

Add contingency buffers—typically 5–15%—on top of your projected replacement costs to account for volatility in materials, labor, and logistics. Consider using dynamic inflation models rather than static rates. Your reserve plan should prepare for a range of scenarios, not just a single projection.

3. Update Your Reserve Study More Frequently

If you only update your reserve study every three years (as required by Hawaii state law, HRS 514B-148), you're likely working with outdated assumptions. Annual financial reviews or mini-updates—especially for your most critical components—can keep your plan aligned with current realities and help avoid nasty surprises.

4. Diversify Your Vendor Relationships

Work with contractors who offer alternative sourcing options or who can adapt to market shifts more nimbly. If your contractor is dependent on imported materials impacted by new tariffs, that risk can show up in your invoices—and should be reflected in your reserve thinking.

Communicate with Clarity

Adjusting contributions or reserve goals to match current risks can be a tough sell. But transparency is your greatest ally. Homeowners are more receptive to increased funding when they understand what's changed and why. Show them how today's economic realities are impacting costs—and what underfunding could mean in the long run.

Bring in the Right Expertise

Reserve planning is more complex than ever. Partnering

with a reserve study specialist or financial advisor who tracks cost trends in real time can make all the difference. The right professional will help you build in flexibility, prioritize correctly, and adjust early—before things get too far off track.

The truth is, no one can predict the future with perfect accuracy. But that doesn't mean your reserve plan has to be guesswork. By focusing on your high-impact components, updating regularly, and budgeting for the unexpected, you can build a resilient financial foundation—no matter what the market throws at you.

In a world where economic shocks are the norm, planning for uncertainty is not just wise—it's essential.



About the Author:

Damian J. Esparza is the founder and CEO of SmartProperty, the only living reserve study and asset management platform built for HOAs, high-rises, and community associations. With over 20 years of experience, he created a dynamic solution that transforms static reserve studies into real-time financial planning tools. Damian

is a recognized expert dedicated to helping communities protect reserves, tackle aging infrastructure, and plan confidently for the future.

Connect with Damian and learn more at SmartProperty or on LinkedIn: Damian J. Esparza.



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“Mahalo to speakers Richard Emery, Sue Savio, Chris Goodwin, James Giangarra, Jeremy Newman, Erik Fairfax, board members, general managers, vendors and Associa team members for making our event a success!”

*Pauli Wong PCAM®, RS®
President, Associa Hawaii*



Waikale Board Members Brian Kunihiro, Naomi Rodriguez, Mary Higa, Associa's Michele Alueta and Waikale President John Kinder



Yvette Soares and Lorrie Simsen, Event Co-Chairs



Associa VP Richard Emery stresses the importance of reserve studies and warns about litigation trends as a result of inadequate reserve funding.

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CAI Hawaii Has A Successful Showcase

by Roy Dela Cruz



Left to right: Joshua German, Roy Dela Cruz, and Wes Brum.

The 2025 Hawaii Building, Facilities & Property Management Expo held on March 5-6 at the NBC Exhibition Hall was a resounding success for CAI Hawaii this year. With a steady stream of visitors and meaningful conversations, our booth served as a vibrant hub for industry professionals.

Some of the highlights from the CAI Expo booth:

- **Touch Screen Display:** Our new touch screen, courtesy of CAI Hawaii President Mike Ayson, gave the booth a modern, tech-forward feel. It allowed us to demonstrate how to access CAI's resources, events, membership forms and instantly look up course information for interested attendees.
- **Membership Interest:** Many of the visitors were curious about CAI and the many offerings that could benefit them in connecting with others in the community association industry. Some included: Education for Community Leaders (Board Members), Community Managers (Certification and Professional Credentials), and Business Partners (Connecting and Resourcing with Community Leaders and other industry professionals).

- **Seminar Sign-ups:** Thanks to the booth volunteers, many of those visiting the booth showed interest in the upcoming 2025 Seminar series to include: Where's the Money – Association Funding, Board Development Workshops; Owner Rights, Board Rights, and Association Rights; and EV, Fires, and Sprinklers.
- **Annual Pass Giveaway:** We collected 47 entries for our popular drawing. Congratulations to **Jessica Stenz**, office manager at **Waiea**, who won the annual pass!

The conversations, meeting new people, re-establishing relationships from the past and creating a positive energy for all visitors made the booth feel very special. This is why the Expo was a remarkable success for CAI Hawaii. A heartfelt special thanks to Wes Brum of Insurance Associates, who set up, took control of the Booth for both days and provided snacks and drinks for all volunteers. Wes' spirit of excellence and hospitality really shined! Can't wait for next year's Expo! It is going to be even better! Aloha!



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2025 Calendar of Events

February 12*

“Meetings, Meetings, and More Meetings, Oh My”

- Electronic Annual Meetings
- Electronic Voting (Step-by-Step)
- Board Meetings (Quorum, Minutes, Conflicts of Interest)

March 6*

“Major Project Management”

- Project Manager (is it necessary)
- Contractors (licensed)
- Bidding (how many & what to look for)
- Contracts (how to read & what to look for)
- Responsibility for Unit vs. Common Element

May 29*

“Where’s the Money – Association Funding”

- Loans (C-PACER)
- Special Assessments
- Borrowing from Reserves
- Maintenance fee increases
- Collections

June 21, 28*

Board Leadership Development Workshop

July 17
LAC

August 21

“Mixed Plate”

- Governing documents (review & common amendments)
- House Rules (what may and may not be included)
- Restatement

September 25

“Owner Rights, Board Rights, and Association Rights”

- Owners’ bundle of sticks (rights and methods to address positive change)
- Rogue and Bullying Board members
- Owner and Board member harassment
- Tenant violations and remedies

October 23

“EV, Fires, and Sprinklers”

- Electric Vehicle Charging Stations
- Solar Panels
- Solar Bill
- Association rebate(s)
- E-Bike Fires/Sprinklers (HFD)

November 1

Annual Membership Meeting

*This seminar or educational presentation is entirely or partly funded by funds from the Condominium Education Trust Fund (CETF), for condominium unit owners whose associations are registered with the Real Estate Commission. The CETF is administered by the Real Estate Commission which is attached to the Department of Commerce and Consumer Affairs, State of Hawaii, through the Professional and Vocational Licensing Division.