

Honolulu, Hawaii

FEB 14 2025

RE: S.B. No. 253
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Third State Legislature
Regular Session of 2025
State of Hawaii

Sir:

Your Committee on Commerce and Consumer Protection, to which was referred S.B. No. 253 entitled:

"A BILL FOR AN ACT RELATING TO CONDOMINIUM RESERVES,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Exclude the good faith defense for associations whose boards adopt a budget that omits a detailed budget summary required by section 514B-148, Hawaii Revised Statutes; and
- (2) Clarify a unit owner's standing and the association's burden of proving compliance.

Your Committee received testimony in support of this measure from the Community Associations Institute; Law Offices of Philip S. Nerney, LLC; and six individuals.

Your Committee received testimony in opposition to this measure from one individual.

Your Committee received comments on this measure from the Law Offices of Mark K. McKellar, LLC and five individuals.



Your Committee finds that under existing law, a condominium's board of directors is required to create an annual operating budget and to update the association's reserve study at a minimum of once per year. These two documents determine the amount of maintenance fees homeowners must pay to maintain the association property. Condominiums are occasionally required to make certain upgrades, which can cost a condominium association millions of dollars. As a result, condominium associations can be forced to drastically increase maintenance fees. The requirement that condominium associations provide complete and accurate information on required expenditures allows association members to plan accordingly.

Your Committee finds that while these existing requirements are intended to protect homeowners through a policy of transparency, they require fortification by further deterring condominium associations from failing to execute full compliance. This measure provides increased deterrence by making the defense of good faith compliance unavailable to any association whose board adopts a budget that omits the mandated budget summary and by clarifying that unit owners shall have the right to sue the board to enforce compliance.

Your Committee has amended this measure by:

- (1) Inserting a defective date of July 1, 2050, to encourage further discussion; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Commerce and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 253, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 253, S.D. 1, and be referred to your Committee on Judiciary.



Respectfully submitted on
behalf of the members of the
Committee on Commerce and
Consumer Protection,



JARRETT KEOHOKALOLE, Chair



The Senate
Thirty-Third Legislature
State of Hawai'i

Record of Votes
Committee on Commerce and Consumer Protection
CPN

| | | |
|---|--|------------------------|
| Bill / Resolution No.:* SB253 | Committee Referral: CPN, JDC | Date: 2/7/25 |
|---|--|------------------------|

The Committee is reconsidering its previous decision on this measure.
If so, then the previous decision was to: _____

The Recommendation is:

Pass, unamended 2312
 Pass, with amendments 2311
 Hold 2310
 Recommit 2313

| Members | Aye | Aye (WR) | Nay | Excused |
|---------------------------------|----------|----------|----------|----------|
| KEOHOKALOLE, Jarrett (C) | ✓ | | | |
| FUKUNAGA, Carol (VC) | ✓ | | | |
| MCKELVEY, Angus L.K. | ✓ | | | |
| RICHARDS, III, Herbert M. "Tim" | ✓ | | | |
| AWA, Brenton | ✓ | | | |
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| TOTAL | 5 | 0 | 0 | 0 |

Recommendation: Adopted Not Adopted

Chair's or Designee's Signature:
Carol Fukunaga

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*Only one measure per Record of Votes