PRESENTATION OF THE REAL ESTATE COMMISSION

TO THE HOUSE COMMITTEE ON FINANCE

TWENTY-NINTH LEGISLATURE Regular Session of 2017

Tuesday, April 4, 2017 3:00 p.m.

TESTIMONY ON SENATE BILL NO. 292, S.D. 1, H.D. 1, RELATING TO CONDOMINIUMS.

TO THE HONORABLE SYLVIA LUKE, CHAIR, AND MEMBERS OF THE COMMITTEE:

My name is Nikki Senter, Chairperson of the Hawaii Real Estate Commission ("Commission"). The Commission submits the following comments on Senate Bill No. 292, S.D. 1, H.D. 1.

The purpose of this bill is to have only one condominium chapter in the Hawaii Revised Statutes ("HRS") by repealing chapter 514A, HRS, and amending numerous other chapters to remove associated references to the repealed chapter 514A, HRS. This bill would apply chapter 514B, HRS, to all condominiums provided that such application did not invalidate existing provisions of a condominium's governing documents if necessary to preserve a developer's reserved rights.

While the Commission supports the concepts of clarity and uniformity, a wholesale repeal of chapter 514A, HRS, may well have unintended and unforeseen consequences. Chapter 514A, HRS, encompasses more than just governance of condominiums and remains relevant to condominiums and projects created prior to July 1, 2006. In addition to management of condominiums, this chapter governs the creation, alteration, and termination of condominiums, as well as the registration and

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administration of same in addition to provisions to protect purchasers and govern owner-occupants. Chapters 514A and 514B, HRS, have different criteria and reporting requirements. For example, chapter 514A, HRS, allows for a series of reports, including contingent, contingent final, final, and supplementary reports whereas chapter 514B, HRS, has a single report that can be supplemented.

In order to sell, a project has to be issued an effective date by the Commission. Approximately 5,745 projects representing 171,717 units were issued effective dates under chapter 514A, HRS. Other projects that began the public report process can still file a final public report if a notice of intention was filed prior to the enactment of chapter 514B, HRS. Projects still have developer inventory, and thus are subject to the requirement for an active report. Further, not all condominiums created were for the purpose of contemporaneous sale or sale, yet these condominiums nonetheless were created under chapter 514A, HRS, and exist today. The proposed measure may be interpreted to force the sale of these condominiums many of which may be two unit projects with "non-expiring" status to allow later family generations the opportunity to sell.

Chapter 514A, HRS, projects are active and continue to submit various types of public reports to the Commission. For example, between January 1, 2010, and December 31, 2016, the Commission received contingent final reports for ten projects representing 293 units, final reports for 32 projects representing 666 units, and

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supplementary reports for 185 projects representing 6,505 units. These projects range from small family unit projects to large hotels created and registered as condominiums.

Should the Committee decide to pass this measure, the Commission requests that the bill address the legal and practical issues in transitioning the many existing chapter 514A projects and unit owners to chapter 514B, HRS. The transition and reregistration of thousands of just the known chapter 514A projects would be a massive financial and time consuming undertaking for the State and fraught with potential legal and malpractice liability.

In the alternative, the Commission requests that only the governance sections of chapter 514A, HRS (for example, parts V and VII) be repealed. While the recodification clearly states that in most cases, the governance sections of chapter 514B, HRS, apply, the Commission receives many inquiries over the applicability of the governance sections of chapter 514A, HRS.

Thank you for the opportunity to provide comments on Senate Bill No. 292, S.D. 1, H.D. 1.

From:	mailinglist@capitol.hawaii.gov
Sent:	Monday, April 3, 2017 3:39 PM
То:	FINTestimony
Cc:	jsugimura@bendetfidell.com
Subject:	Submitted testimony for SB292 on Apr 4, 2017 15:00PM

Submitted on: 4/3/2017 Testimony for FIN on Apr 4, 2017 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Jane Sugimura	HI Council of Assoc. of Apt. Owners a	Support	No

Comments: We support and incorporate by reference the testimony of Gordon Arakaki in support of this bill

Please note that testimony submitted <u>less than 24 hours prior to the hearing</u>, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

MCCORRISTON MILLER MUKAI MACKINNON LLP

ATTORNEYS AT LAW

Charles E. Pear, Jr. Attorney at Law <u>Direct #s:</u> Phone - (808) 223-1212 Fax - (808) 535-8029 E-mail - pear@m4law.com

April 3, 2017

Rep. Sylvia Luke, Chair Rep. Ty J.K. Cullen, Vice Chair Members of the House Committee on Finance Twenty-Ninth Legislature Regular Session, 2017

Re: S.B. 292, SD1, HD1 Hearing on April 4, 2017, 3:00 p.m. Conference Room 308

Dear Chair, Vice Chair and Members of the Committee:

My name is Charles Pear. I am testifying as legislative counsel for ARDA Hawaii.

ARDA Hawaii would like to propose a technical change to the SB292, SD1, HD1.

I understand that the bill would make it so that Chapter 514B, HRS, would govern all condominium associations, effectively eliminating Chapter 514A, HRS. As a natural consequence, the bill eliminates various cross-references to Chapter 514A.

Under current law, Section 237-24.3, HRS, provides an exemption from general excise tax for amounts received by the manager, submanager or board of directors of a condominium association "established in accordance with chapter 514A or chapter 514B;"

Prior to the recodification of the condominium act in 2006, all condominium associations were "established" pursuant to Chapter 514A, HRS, or earlier versions of the Condominium Act.

Section 10 of proposed SD1 would change the exemption to read:

(2) Amounts received by the manager, submanager, or board of directors of: (A) An association [of owners] of a condominium property regime established in accordance with chapter [514A or] 514B; or

We are concerned that the exemption would no longer apply to condominium associations created prior to 2006 since they were "established" in accordance with Chapter 514A (or earlier laws), and not Chapter 514B.

Chair, Vice Chair and Members, House Committee on Finance April 3, 2017 Page 2

We think this is a technical drafting issue and that the status quo can easily be preserved by changing the language of the exemption to read as follows:

(2) Amounts received by the manager, submanager, or board of directors of: (A) An association [of owners] of a condominium property regime [established in accordance with chapter][514A
or] subject to chapter 514B; or

We believe that this is consistent with the current application of the law to condominiums created under earlier versions of the Condominium Act (former Chapters 170A and 514, HRS).

Please note that a similar change may be appropriate for the definition of "condominium hotel" as provided in Section 12 of the proposed SD1. The proposed SD1 provides:

A "condominium hotel" does not include a hotel that may be part of a condominium [property regime] established under chapter [514A or] 514B[;] or that does not have guest rooms that are separate [apartments, as defined in section 514A-3, or] units, as defined in section 514B-3.

You may wish to change it to read:

A "condominium hotel" does not include a hotel that may be part of a condominium [property regime] [established under] subject to chapter [514A or] $514B[_{7}]$ or that does not have guest rooms that are separate [apartments, as defined in section 514A-3, or] units, as defined in section 514B-3.

Thank you for your kind consideration of these comments.

Very truly yours,

MCCORHISTON MULLER MUKAI MACKINNON LLP

Charles E. Pear, Jr.

CEP:kn

From:	mailinglist@capitol.hawaii.gov
Sent:	Monday, April 3, 2017 8:59 AM
То:	FINTestimony
Cc:	richard.emery@associa.us
Subject:	Submitted testimony for SB292 on Apr 4, 2017 15:00PM

Submitted on: 4/3/2017 Testimony for FIN on Apr 4, 2017 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Richard Emery	Associa	Support	Yes

Comments: I support the repeal of 514A as it creates confusion in the industry as 514B trumps 514A in most cases.

Please note that testimony submitted <u>less than 24 hours prior to the hearing</u>, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.



GORDON M. ARAKAKI Attorney at Law, LLLC 94-1176 Polinahe Place Waipahu, Hawaii 96797 Cell: (808) 542-1542 E-mail: gordonarakaki@hawaiantel.net

April 1, 2017

Hearing Date: Tuesday, April 4, 2017 Time: 3:00 p.m. Place: Conference Room 308

The Honorable Sylvia Luke, Chair The Honorable Ty J.K. Cullen, Vice Chair House Committee on Finance

Re: <u>Testimony in Support of S.B. No. 292, S.D. 1, H.D. 1 – Relating to Condominiums</u>

Aloha, Chair Luke, Vice Chair Cullen, and Members of the House Committee on Finance:

I am Gordon M. Arakaki, testifying as an individual in <u>support</u> of SB 292, SD1, HD1, which would repeal Hawaii Revised Statutes ("HRS") Chapter 514A – Hawaii's old and virtually irrelevant condominium law.

By way of background, from December 2000 through June 2004, I served as the Hawaii Real Estate Commission's Condominium Law Recodification Project Attorney. During my time as the Recodification Project Attorney, I worked with lawmakers, the Commission, a blue ribbon advisory committee, and stakeholders throughout the State to "update, clarify, organize, deregulate, and provide for consistency and ease of use" of Hawaii's then 44+ year old condominium law. I am the author of the Commission's final report to the Legislature on the recodification of Hawaii's condominium property regimes law, which the Legislature stated should be used as an aid in understanding and interpreting the new law (HRS Chapter 514B).¹ For my work with the condominium Property Act," I received the Community Associations Institute—Hawaii Chapter's 2004 "Public Advocate Award." Since that time (with a two-year break spent serving as Chief of Staff/Committee Clerk of the Senate Ways and Means Committee), I have worked as a private attorney specializing in, among a few other things, condominium law.

I. <u>Maintaining two sets of condominium laws causes unnecessary confusion.</u>

¹ Pursuant to Act 164 [Session Laws of Hawaii ("SLH") 2004], the Hawaii Real Estate Commission's 2003 Final Report should be used as an aid in understanding and interpreting the new condominium law (HRS Chapter 514B).

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Simply put, for all of the reasons set forth in Section 1 of SB 292, maintaining HRS Chapter 514A has unnecessarily confused too many people in the condominium community and industry for far too long. Indeed, in an abundance of caution, even the Legislature has often amended both HRS Chapters 514A and 514B when there was no need to amend Chapter 514A.

For example, any law adopted after July 1, 2006 that amended a portion of Part VI (Management of Condominiums) of HRS Chapter 514B did *not* have to amend corresponding provisions of HRS Chapter 514A, which was irrelevant to condominium management matters at that point. Nevertheless, both chapters were often amended between 2007 and now, which only added to the confusion of some people regarding the fact that HRS Chapter 514B applies to all condominium management "events and circumstances occurring on or after July 1, 2006." (*See*, HRS §514B-22.)

As noted in Section 1 of SB 292, SD1, HD1, the applicability provisions of HRS Chapter 514B seek to balance the benefits of having the improved condominium law apply to all condominiums against reasonable contractual expectations of condominiums in existence before July 1, 2006.²

It is important to note that the "reasonable contractual expectations" of condominiums in existence before July 1, 2006 are in regards to the condominium's recorded governing documents (i.e., its master deed, declaration, bylaws, and condominium map).³ When such condominiums "opted-in" to HRS Chapter 514B, they were "opting-in" to the few relevant provisions of Chapter 514B that did not already automatically apply over the existing governing documents of the condominiums, which usually contained language required by Chapter 514A.

In other words, the "opt-in" had nothing to do with "opting-in" to HRS Chapter 514B over Chapter 514A. It had to do with "opting-in" to Chapter 514B over the language of a condominium's governing documents that were drafted under Chapter 514A. Nevertheless, the fact that Chapter 514A was still being maintained caused some to mistakenly believe that because they had not "opted-in" to Chapter 514B, Chapter 514A somehow still applied to their condominiums, even for things that happened after July 1, 2006.

Continuing to unnecessarily cause confusion by continuing to maintain two condominium statutes (HRS Chapters 514A and 514B) makes no sense. It's time to repeal HRS Chapter 514A.

II. <u>Condominiums created (mostly on paper) before July 1, 2006 (under HRS Chapter</u> 514A), but not yet brought to market for sale.

² For your reference, I have attached a copy of my annotated Part II (Applicability) of HRS Chapter 514B, which contains Ramseyered statutory language as well as the official comments of the Real Estate Commission along with my additional explanatory comments.

³ The governing documents of a condominium project are covenants running with the land, and are thus binding on all owners (and all parties who act on behalf of such owners). <u>Taniguchi v. King Manor</u>, 114 Haw. 37, 155 P.3d 1138 (2007).

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Some people have concerns about the effect of repealing HRS Chapter 514A on condominium property regimes that were created (i.e., the condominium's master deed, declaration, bylaws, and condominium map are recorded in the Bureau of Conveyances or Land Court) before July 1, 2006 under Chapter 514A, but not yet brought to market for sale.

Preliminarily, it is useful to understand a few things about the condominium law:

- <u>Purpose of Condominium Law.</u> A condominium property regimes law is a *land ownership* law, a *consumer protection* law, and a *community governance* law. As a consumer protection law, the primary purpose of Hawaii's condominium law is to make sure that buyers can know what they are buying. For example, theoretically, if a sophisticated buyer wants to take a chance on being able to get government approval to build a structure that is not allowed under State or county land use laws at the time of purchase, that should be the buyer's choice. The key is to give the buyer a chance to make an informed decision (i.e., proper disclosure of material facts).
- <u>Purpose of the Real Estate Commission.</u> The Real Estate Commission is a consumer protection body established under HRS Chapter 467 (Real Estate Brokers and Salespersons) to regulate real estate licensees. The purpose of HRS Chapter 467 (and the Commission) is to protect the general public in its real estate transactions. Pursuant to HRS §467-3, the Real Estate Commission consists of nine members, at least four of whom must be licensed real estate brokers.
- <u>Timing.</u> As noted above, under Hawaii's condominium property regimes law, condominiums are created upon proper filing with Bureau of Conveyances or Land Court. The Real Estate Commission's involvement begins when condominium units are offered for sale. In other words, the ownership interest in condominium property may be created without any approval or involvement of the Real Estate Commission.

Because of the timing issue between when a condominium's ownership interest is created and when it is sold to an actual condominium owner, there are still some condominium projects that were created before July 1, 2006, but have never been built and sold to anyone in the general public. It is important to understand that such projects exist only on paper. There are no condominium unit owners, no condominium association, and no managing agents involved, and the Real Estate Commission would not have dealt with the project and will not deal with the project unless and until the developer wants to sell the individual condominium units that were created (on paper) before July 1, 2006.

The only time that actual condominium unit owners might be involved is where someone created a condominium by recording the appropriate documents before July 1, 2006, and gave (rather than sold, unless someone was paying cash—any lender would require the applicable documentation from the Real Estate Commission) the condominium units to, say, family members. In such a scenario, the condominium project would never have registered with the Real Estate Commission because units were never up for sale.

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SB 292, SD1, HD1, Section 45, generously gives the developers of condominium projects created before July 1, 2006, but not yet brought to market for sale, another two years (until January 1, 2019) to register their projects with the Real Estate Commission and bring their projects to market.

After January 1, 2019, it makes sense to require that such projects have all of their documents conform to HRS Chapter 514B, as Chapter 514B has superior consumer protection provisions. This will require the developers of condominium projects created before July 1, 2006, but not brought to market for sale by January 1, 2019, to incur additional costs to bring their documents into conformity with Chapter 514B.

Finally, I note that the Real Estate Commission and attorneys for condominium developers have expressed concern that many condominium projects have active registrations and public reports (i.e., developer's disclosure documents) under HRS Chapter 514A. Perhaps for consideration by the 2018 Legislature, they can devise a safe harbor provision analogous to that crafted in Section 9 of Act 93 (Session Laws of Hawaii, 2005), which enacted part of HRS Chapter 514B, since SB 292, SD1, HD1 does not take effect until 2019. If a good safe harbor provision can be crafted in time to be incorporated in this bill, even better.

Regardless, the Legislature should consider that for all condominium projects sold under HRS Chapter 514A registrations (which have governing documents that are consistent with HRS Chapter 514A), it is the *purchasers* who will have to pay to update and clarify their condominium's declaration and bylaws to be consistent with HRS Chapter 514B. I am not sure that it is good public policy to continue to shift that burden and cost from the condominium developer to the condominium purchaser/condominium association of unit owners, particularly when the developer has had well over a decade to bring the condominium project to market under the old condominium law.

III. <u>Conclusion</u>

For all of the reasons discussed above, I respectfully request that this committee pass SB 292, SD1, HD1.

Sincerely,

Gordon M. Arakaki

From:	mailinglist@capitol.hawaii.gov
Sent:	Monday, April 3, 2017 9:27 AM
То:	FINTestimony
Cc:	psnerney@yahoo.com
Subject:	Submitted testimony for SB292 on Apr 4, 2017 15:00PM

Submitted on: 4/3/2017 Testimony for FIN on Apr 4, 2017 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Philip Nerney	Individual	Support	No

Comments: The repeal of Ch. 514A is at least timely, if not long overdue.

Please note that testimony submitted <u>less than 24 hours prior to the hearing</u>, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

From:	mailinglist@capitol.hawaii.gov
Sent:	Saturday, April 1, 2017 11:12 PM
То:	FINTestimony
Cc:	mkhan@hawaiiantel.net
Subject:	Submitted testimony for SB292 on Apr 4, 2017 15:00PM

Submitted on: 4/1/2017 Testimony for FIN on Apr 4, 2017 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Marilyn Khan	Individual	Support	No

Comments: Support this bill. Our condominium has been trying to get us under HRS 514B in its entirety and put this to a vote of homeowners; those who live on property understand why this should be done and vote; however, it has been difficult to get the necessary number of homeowners to cast their vote.....for the most part, this is because a large number of our homeowners reside outside of Hawaii, are complacent, and do not take the time to understand why this is necessary. Liken this to the low turnout of voters in the State, likewise homeowner voter turnout is low! Pass this bill.

Please note that testimony submitted <u>less than 24 hours prior to the hearing</u>, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

Ekimoto & Morris

A Limited Liability Law Company

Richard S. Ekimoto John A. Morris Gordon M. Arakaki Of Counsel: Arlette S. Harada

Applicability of Recodification to Existing Condominiums

I. Sections Of Recodification That Are Automatically Applicable to Existing Condos

There is a fair amount of confusion about how the Recodification applies to <u>existing</u> condominiums. Hawaii Revised Statutes §514B-22 (attached) states that the following sections <u>automatically</u> apply to existing condominiums unless one of three exceptions comes into play:

- 1. HRS §514B-3: Definitions (to the extent that they are involved in any of the other sections, below)
- 2. HRS §514B-4: Separate Title & Taxation of Condominium Units
- 3. HRS §514B-5: Conformance with county land use laws
- 4. HRS §514B-35: Unit boundary provisions that treat windows, doors and other parts of the project that affect fewer than all of the owners as limited common elements
- 5. HRS §514B-41(c): An exception to rule apportioning limited common expenses to each unit when it would be more expensive to do so
- 6. HRS §514B-46: Merger of increments
- 7. HRS §514B-72: Payments into condominium education trust fund
- 8. HRS Chapter 514B, Part VI: Most of the provisions of the new law that are applicable to the management of condominiums

II. Three Exceptions To The Automatic Applicability Provisions

Each of the statutory sections listed above automatically applies to existing condominiums <u>unless</u> one of the following three exceptions applies:

- 1. You are dealing with an event or circumstance occurring before July 1, 2006
- 2. The section conflicts with an existing provision of one of the condominium documents in a way that invalidates a reserved right of a developer; or
- 3. The section conflicts with an existing provision of one of the condominium documents in a way that would be an *"unreasonable impairment of contract."*

Exception 1 means that if something occurred before the effective date of the Recodification, it would be governed by the old condominium law. For instance, an amendment to the By-Laws required 65% approval under the old condominium law but requires 67% approval under the new law. All the amendments that were passed before July 1, 2006 with more than 65% but less than 67% approval still remain valid.

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The next two exceptions (2 and 3) <u>only</u> apply when the new law <u>conflicts</u> with your Association's governing documents. In contrast, if the governing documents are silent or consistent with the list of statutory sections in §514B-22 (see above), exceptions 2 and 3 do <u>not</u> apply.

Otherwise, exception 2 is intended to protect a developer's reserved rights. For instance, the developer might have reserved the right to merge phases into a single condominium. Hawaii Revised Statutes §514B-22 means that the Recodification will not prevent the developer from merging the phases into a single condominium.

Exception 3 involves the "contract clause" of the U. S. Constitution. The contract clause prohibits the government from passing laws that impair existing contracts. That does not mean that <u>all</u> laws which contradict the provisions of a contract are invalid. The Hawaii Attorney General has issued opinions that the legislature may adopt statutes having retroactive application on procedural issues. Nevertheless, it is possible that a provision of 514B might be substantive and could legitimately be held to impair the existing governing documents of an association.

III. Sections Of Recodification That Are Not Automatically Applicable To Existing Condos

While, as outlined above, most of the condominium governance provisions of the Recodification automatically apply to existing condominiums, there are a few provisions that do not automatically apply to existing condominium associations. Some of the most significant provisions that <u>do not automatically apply</u> to existing condominiums are:

- 1. HRS §514B-9 (this provision establishes an obligation of good faith for associations, directors and owners on obligations and duties imposed by HRS Chapter 514B)
- 2. HRS §514B-10 (this provision requires that the condominium documents and 514B to be liberally construed by the courts and eliminates punitive damages for any claims under 514B)
- 3. HRS §514B-32(11) (this provision reduces the approval requirement for Declaration amendments to 67%)
- 4. HRS §514B-38 (this provision: (a) reduces the approval requirement for leases of the common elements to 67%; (b) permits the Association to allow owners to have minimal exclusive use of the common elements without 100% owner approval; and (c) permits the Association to convert open spaces to other uses without 100% owner approval)
- 5. HRS §514B-47 (this provision includes specific instructions for what happens when a leasehold condominium is condemned)

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IV. Opting-In To the Recodification

As you can see, some of the provisions that do not automatically apply to existing condominiums can have a substantial benefit to those associations. For example, if you would like to eliminate punitive damages for your condominium association or reduce the approval requirement for declaration amendments and leases of the common elements to 67%, you need to opt-in to the Recodification. Hawaii Revised Statutes §514B-23 (often referred to as the "opt-in" provision of the Recodification) will allow you to amend your governing documents to conform to the provisions of Hawaii Revised Statutes Chapter 514B with the approval of only a majority of the owners.

While an amendment will not be needed for those sections that <u>automatically</u> apply to existing condominiums (provided that one of the three exceptions listed above does not come into play), existing condominiums must adopt an amendment for the other provisions of the Recodification to apply. Thus, with the approval of only a majority of the apartment owners, you can adopt amendments to the governing documents that will allow you to take advantage of the Recodification sections that do <u>not</u> automatically apply to existing condominiums.

We recommend, in particular, that any existing condominium association that is considering an amendment to its Declaration should seek a vote to opt-in. Even if you are not amending your Declaration, there are significant provisions that could benefit the Association. Opting-in also has the benefit of eliminating the concern that the automatic provisions will not apply because of a contract clause issue. For that reason, it is likely that most condominium associations will eventually choose to opt-in.

<u>Addendum</u>

§514B-22 Applicability to preexisting condominiums. Sections 514B-4, 514B-5, 514B-35, 514B-41(c), 514B-46, 514B-72, and part VI, and section 514B-3 to the extent definitions are necessary in construing any of those provisions, and all amendments thereto, apply to all condominiums created in this State before July 1, 2006; provided that those sections (i) apply only with respect to events and circumstances occurring on or after July 1, 2006; and (ii) shall not invalidate existing provisions of the declaration, bylaws, condominium map, or other constituent documents of those condominiums if to do so would invalidate the reserved rights of a developer or be an unreasonable impairment of contract. For purposes of interpreting this chapter, the terms "condominium property regime" shall be deemed to correspond to the term "unit"; the term "apartment owner" shall be deemed to correspond to the term "unit"; the term "association of apartment owners" shall be deemed to correspond to the term "association."

finance8 - Joy

LATE

From: Sent: To: Cc: Subject: mailinglist@capitol.hawaii.gov Tuesday, April 4, 2017 9:25 AM FINTestimony condo@dcca.hawaii.gov Submitted testimony for SB292 on Apr 4, 2017 15:00PM

<u>SB292</u>

Submitted on: 4/4/2017 Testimony for FIN on Apr 4, 2017 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Hawaii Real Estate Commission	Hawaii Real Estate Commission	Comments Only	Yes

Comments: For your additional consideration, please find an addendum to previously submitted testimony addressing a safe harbor clause covering existing HRS 514A projects: "Condominium property regimes created prior to July 1, 2006, that were issued an effective dat e pursuant to sections 514A-40 and 514A-41, HRS, may be sold after January 1, 2019, without revising any of the governing documents, provided that the developer's public report was active on January 1, 2019, and is accurate and not misleading. On January 1, 2019, all active, non-expired chapter 514A, HRS, developer's public reports pursuant to sections 514A-40 and 514A-41, HRS, along with their most recent disclosure abstract, if any, will be treated as non-expiring developer's public reports under part IV of chapter 514B, HRS. Should any pertinent or material changes, or both, occur to the condominium project, the developer shall file an amended developer's public report superseding all prior reports pursuant to chapter 514B, HRS, provided such projects and their subsequent reports filed under chapter 514B, HRS, shall be exempt from the conversion requirements under sections 514B-84(a)(1) and (2), HRS. Condominium property regimes created prior to July 1, 2006, that were not issued an effective date pursuant to sections 514A-40 and 514A- 41, HRS, and did not file a notice of intent pursuant to section 514A-1.5(2)(B), HRS, must revise their governing documents and register under chapter 514B, HRS, for a developer to offer for sale or to sell condominiums. Nothing contained in this Act or in the Condominium Property Act shall be deemed to invalidate any condominium property regime that was validly created under chapter 514A, HRS, prior to July 1, 2006."

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.