Measure Title:	RELATING TO CONDOMINIUM PROPERTY REGIMES.
Report Title:	Condominium Property Regimes; Board of Directors; Ethics Course
Description:	Requires the board of directors of residential condominiums of twenty or more residential dwelling units to take and satisfactorily complete an online ethics course offered through the Real Estate Commission.
Companion:	<u>HB406</u>
Package:	None
Current Referral:	СРН
Introducer(s):	BAKER

PRESENTATION OF THE REAL ESTATE COMMISSION

TO THE SENATE COMMITTEE ON COMMERCE, CONSUMER PROTECTION AND HEALTH

TWENTY-NINTH LEGISLATURE Regular Session of 2017

Thursday, February 23, 2017 9:30 a.m.

TESTIMONY ON SENATE BILL NO. 378, RELATING TO CONDOMINIUM PROPERTY REGIMES.

TO THE HONORABLE ROSALYN H. BAKER, CHAIR, AND MEMBERS OF THE COMMITTEE:

My name is Nikki Senter and I am the Chairperson of the Hawaii Real Estate Commission ("Commission"), and I thank you for the opportunity to present testimony on Senate Bill No. 378, Relating to Condominium Property Regimes. The Commission does not support this bill due to its mandatory education component.

Senate Bill No. 378 proposes to require the Commission to establish,

design, supervise, and administer a mandatory online ethics training course and examination for members of the board of directors of associations of twenty or more units.

The Commission strongly believes that overall education of unit owners and directors is the main ingredient for a healthy association of unit owners and creating an ethics course for directors is a step in the right direction. However, the Commission does not support this bill for the following reasons: Testimony on Senate Bill No. 378 Thursday, February 23, 2017 Page 2

- Pursuant to §26H-6, HRS, "New regulatory measures being considered for enactment that, if enacted, would subject unregulated professions and vocations to licensing or other regulatory controls shall be referred to the auditor for analysis.
 Referral shall be by concurrent resolution that identifies a specific legislative bill to be analyzed. . . ." As Senate Bill No. 378 proposes new regulatory controls over members of the board of directors of an association of unit owners, a sunrise analysis must be completed before consideration can be given to this measure;
- The Commission has consistently heard that finding volunteer members to serve on an association's board is difficult in itself.
 Requiring mandatory education for these volunteers may further make it problematic filling vacant seats; and
- Senate Bill No. 378 does not address the accommodations necessary for additional staffing to implement the proposed new regulatory measure.

Based on these reasons, the Commission does not support Senate Bill No. 378 and requests that it be held. However, should the Committee decide to pass this measure out, the Commission requests that the language of the bill be amended by deleting SECTIONS 2 - 4, and amending SECTION 1, as follows:

Testimony on Senate Bill No. 378 Thursday, February 23, 2017 Page 3

"§ 514B - ____ Condominium education. The commission shall have

the authority to set content and other requirements for condominium education

courses, providers, and instructors."

Thank you for the opportunity to provide testimony on this measure.



HAWAI'I STATE ASSOCIATION OF PARLIAMENTARIANS LEGISLATIVE COMMITTEE P. O. Box 29213 HONOLULU, HAWAI'I 96820-1613 E-MAIL: <u>HSAP.LC@GMAIL.COM</u>

February 20, 2017

Hon. Senator Rosalyn H. Baker, Chair
Hon. Senator Clarence K. Nishihara, Vice-Chair
Senate Committee on Commerce, Consumer Protection, and Health (CPH)
Hawaii State Capitol, Room 230
415 South Beretania Street
Honolulu, HI 96813

RE: Testimony with COMMENTS regarding SB378; Hearing Date: February 23, 2017 at 9:30 a.m. in Senate conference room 229; sent via Internet

Aloha Chair Baker, Vice-Chair Nishihara, and Committee members,

Thank you for the opportunity to provide testimony on this bill.

The Hawaii State Association of Parliamentarians ("HSAP") has been providing professional parliamentary expertise to Hawaii since 1964.

I am the chair of the HSAP Legislative Committee. I'm also an experienced Professional Registered Parliamentarian who has worked with condominium and community associations every year since I began my practice in 1983 (over 1,500 meetings in 33 years). I was also a member of the Blue Ribbon Recodification Advisory Committee that presented the recodification of Chapter 514B to the legislature in 2004.

This testimony is provided as part of HSAP's effort to assist the community based upon our collective experiences with the bylaws and meetings of numerous condominiums, cooperatives, and Planned Community Associations.

This testimony is presented with COMMENTS regarding SB378.

The bill has an admirable intent. It proposes to mandate ethics training for certain boards of directors of a condominium project.

There are several considerations that have not been addressed in the bill:

(a) Page 1, lines 13-15 provide for explanations and discussions of applicable ethics laws. There are no "ethics laws" in Chapter 514A or 514B. The closest is in section 514B-106(a) which provides in relevant part, "In the performance of their duties, officers and members of the board shall owe the association a fiduciary duty and exercise the degree of care and loyalty required of an officer or director of a corporation organized under chapter 414D."

This should be clarified or reference a specific set of "applicable ethics laws."

(b) Page 2, lines 11-15 provide for a third-party procurer for this particular training. Based upon 1,700 condominium associations and an average of 5 board members, there are probably about 8,500 board members who will need this training.

Presumably 8,500 board members would need the training following the December 31, 2017 effective date. If a thirty-party vender charges a nominal charge of \$50 per webinar attendee, the condominium education trust fund would have to fund \$425,000.

- (c) There is no deadline for the training.
- (d) There is no penalty for failure to pass the tests provided for in the training. Presumably the board member could be sued or forced to mediate if he or she failed to take the training by some unspecified date.
- (e) There is no recurrency requirement. Once a board member has satisfactorily completed the training, they never need any refresher, regardless of the changes in the "applicable ethics laws."
- (f) The bill is silent on whether a board member who serves on multiple boards needs to take the training multiple times. This should be clarified in the bill.
- (g) Pages 8-9 of the bill mandate that a condominium association's bylaws require training. This could be used to advance the argument that training is not required until the bylaws are amended. If the legislature wants mandated training, it should be a specific section of the law notwithstanding what is in the association's bylaws.

There are a few general considerations that we would share with the Committee.

It has been difficult to obtain volunteers to serve on association boards. In some cases, board positions have been left vacant due to the lack of volunteers. Mandated training, while laudable, will probably increase the difficulty that some associations have in obtaining volunteer board members.

Perhaps an optional training would be more appropriate with a reduction in the condominium education trust fund fees for the applicable association if all current board members successfully complete the training by the biennial deadline for condominium registration.

We respectfully ask that the Committee review our comments and provide necessary amendments if they're inclined to pass this bill.

SEN. ROSALYN H. BAKER, CHAIRMAN; SEN. CLARENCE K. NISHIHARA, VICE-CHAIR SENATE COMMITTEE ON COMMERCE, CONSUMER PROTECTION, AND HEALTH (CPH) – SB378 HEARING DATE: FEBRUARY 23, 2017; HEARING TIME: 9:30 A.M. PAGE 3 OF 3 PAGES

If you require any additional information, your call is most welcome. I may be contacted via phone: 423-6766 or by e-mail: <u>hsap.lc@gmail.com.</u> Thank you for the opportunity to present this testimony.

Sincerely,

Steve Glanstein, Professional Registered Parliamentarian Chair, HSAP Legislative Committee SG:tbs/Attachment



Hawaii Council of Associations of Apartment Owners DBA: <u>Hawaii Council of Community Associations</u> 1050 Bishop Street, #366, Honolulu, Hawaii 96813



February 22, 2017

Senator Rosalyn Baker, Chair Senator Clarence Nishihara, Vice-Chair Senate Committee on Commerce. Consumer Protection & Health

Re: Testimony Expressing Concern on SB378 RELATING TO CONDOMIMUM PROPERTY REGIMES Hearing: Thurs., February 23, 2017, 9:30 a.m. Conf. Rm. #229

Chair Baker, Vice-Chair Nishihara and Members of the Committee:

I am Jane Sugimura, President of the Hawaii Council of Associations of Apartment Owners (HCAAO dba HCCA). This organization represents the interests of condominium and community association members.

While HCAAO supports providing information to condo owners and has in its 40years existence as a non-profit advocacy group for condo associations shown its support for educating condo owners and Boards, we have concerns about this bill.

Ethics Training. Requiring all condo board members to take an ethics course as a condition to serving on the board is a monumental and almost impossible task and it may have the effect of discouraging people from volunteering to serve because now they will have to take this course. Also, just because you require someone to take the course and pass a test does not mean that that person will comply with everything that is covered by the course.

HCCA has produced 44 28-minute You Tube weekly videos on issues to educate condo owners, residents and board members – the program is called "Condo Insider" and it is a weekly live-streaming show on Think Tech Hawaii. We did this because we were told by legislators that condo owners were complaining that they could not go to seminars because they were too expensive or they had to work. The shows are on You Tube so they available 24-7 and they are **FREE!** Attached is a listing of the shows that we have completed. There are already 4 programs on fiduciary duty and the business judgment rule so no one has an excuse for not being able to get educated on board ethics. Also, anyone can contact Think Tech Hawaii and let them know what issues they want to hear about on Condo Insider or who they want us to interview and we will do that show. We are also working on an educational classroom-type video with online testing and certification and we will share that

SB378 Relating to Condominium Property Regimes Senate Committee on Commerce, Consumer Protection and Health February 22, 2017 Page 2 of 2

program with the Real Estate Commission when we complete work on our curriculum, and maybe before the end of this year we may be in a position to initiate the online program that this bill is contemplating.

For the reasons set forth, HCCA respectfully requests that you defer this bill. If you have any questions, please feel free to contact me. Thank you for the opportunity to testify on this matter.

1 Supmuch Jane Sugimura

]]	CCZA Condo Insider	Think Tech	Hawa
		Title	Presented by	Time
		Condo Insider Playlist Main Page		
1	200	Keys to Community Association	Jane Sugimura and Richard Port	47
1	3/24/2016	https://youtu.be/PAPHA33WH5s		
2		Dispute Resolution	Chris Porter	46
2	3/31/2016	https://youtu.be/_XQ7CU96LG4		
3		Condominium Insurance Done Right	Surita Savio	44
3	4/7/2016	https://youtu.be/CSixPi55y9l		
4		Robert's Rules of Order and Running a Good Meeting	Steve Glanstein	47
4	4/14/2016	https://youtu.be/XZ3Kp4uTNpo		
5		Service, Assistanace and Emotional Support Animals	Scott Sherley	45
5	4/21/2016	https://youtu.be/wml0LJZUimc		

6		Assisted Negotiation and Mediation in an Association Setting	Gerald Clay	46
6	4/28/2016	https://youtu.be/7UuK1uHlh9g		
7		Why Boards Get Sued - Association Living in Hawaii - Kim Becker and Pauli Wong	Kim Becker and Pauli Wong	46
7	5/5/2016	https://youtu.be/GZZyDJsMMzI		
8		Fundamentals of Accounting	Richard Emery	46
8	5/12/2016	https://youtu.be/GZZyDJsMMzI		
9		Budgeting and Reserve Study Issues	Jonathan Billings	45
9	5/19/2016	https://youtu.be/NOMCyMQDgcY		
10	attentist keel	<u>Condos in the 2016 Legislature</u>	Richard Emery	45
10	5/16/2016	https://youtu.be/owP3pJLB8ei		
11		Employment Law & Associations	John Knoreck, Esq	28
11	6/2/2016	https://youtu.be/0aOmWfZi7kc		
12		Making Repairs to the Condo Project	Dana Bergeman and Jane Sugimura	30
12	6/9/2016	https://youtu.be/qxfVA2DAT9E		
13		Major Building Issues	Jim Reinhart	30

13	6/16/2016	https://youtu.be/6SC9T5eN-51		
14		Hawaii's Foreclosure Law	Na Lan	29
14	6/26/2016	https://youtu.be/OYWHSCI1epI		
15	fr.	<u>Cannabis Insider: Smoking and Marijuana in</u> <u>Condos</u>	Philip Nerney	28
15	6/30/2016	https://youtu.be/hSXVzc73bPk		
16		Act 188 - Document Production to Owners	Na Lan	29
16	7/7/2016	https://youtu.be/olz0wKoOLXE		
17		The Perks of Parliamentarians	Steve Glanstein	29
17	7/14/2016	https://youtu.be/AEqj0jcm3ds		
18		Why Boards get Sued	Richard Emery Terrance Revere	29
18	7/21/2016	https://youtu.be/gWLqs4umvo0		
19		Do's & Don'ts of Insurance Claims	Surita Savio	29
19	7/28/2016	https://youtu.be/BHjj8t8d3hQ		
20		Fun Productive Board Meetings	Steve Glanstein	29
20	8/4/2016	https://youtu.be/c0SmKFIYdSI		

and states in the second

21	Making Sense of Solar for Condos	Karim Allana	29
21	8/11/2016 https://www.youtube.com/watch?v=W5thi-9CjBM		
22	Should Condo Managers be Licensed? Ja	ane Sugimura	29
22	8/18/2016 https://youtu.be/gWLgs4umvo0	77	
23		ura Merrifield	29
23	8/25/2016 https://youtu.be/rZh_clYKSvw		
24	Biggest Board Member Mistakes - Seven Biggest Board Member Mistakes - Seven Rice Deadly Sins by a Board of Directors Rice	chard Ekimoto	29
24	9/10/2016 https://youtu.be/PiFqJeOyLq8		
25	Construction Litigation in Hawaii	harles "Dee" Iopper, Esq	29
25	9/8/2016 https://youtu.be/p-LWTwa-FPM		
26		ine Sugimura	28
26	9/15/2016 https://youtu.be/oQtV5khgsXE		
27	How the Legislature Works - Lobbyist Rules and Roles	licia Maluafiti	28
27	9/22/2016 https://youtu.be/6MabV9QYxvk		
28		ne Sugimura Richard Port	28

п.,		STING VITEV 2.8.17 / VIDEO LIS	ung 1.4.
28	9/29/2016 https://youtu.be/w0D0NKIBuBc		
29	Aging in Place - The Highs and Lows of Association Living	Jane Sugimura Cameron DeCosta	28
29	10/16/2016 https://youtu.be/txlBTwKMqjs		
30	Class Action Foreclosure Laws and Flaws	Richard Emery Kapono Kiakona	29
30	10/13/2016 https://youtu.be/xOwIAjaAAmc		
31	Outsourcing Association Challendges	NK Management	29
31	10/20/2016 https://youtu.be/hjugEbwUDI4		
32	Tim Apicella: A Citizen Condo Advocate	Jane Sugimura & Tim Apicella	28
32	10/27/2016 https://youtu.be/Ekn4Vj6B4Gw		
33	The 2017 Legislature - What to Expect with the CAI LAC	Richard Emery Christian Porter, Esq.	29
33	11/3/2016 https://youtu.be/y9X_lkbi8xw		
34	Update on Employment Law and Associations	Richard Emery Mike Kozak	
34	11/10/2016 https://youtu.be/PtMcoC16L7M		28
35	Board of Directors Duties - Balancing Your Fiduciary Duty and Conflicts of Interest	Richard Emery Na Lan	
35	https://youtu.be/Vi8uEZOfUoE		28





From:	mailinglist@capitol.hawaii.gov
Sent:	Tuesday, February 21, 2017 7:51 PM
То:	CPH Testimony
Cc:	lila.mower@gmail.com
Subject:	*Submitted testimony for SB378 on Feb 23, 2017 09:30AM*

Submitted on: 2/21/2017 Testimony for CPH on Feb 23, 2017 09:30AM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
Lila Mower	Hui `Oia`i`o	Support	No

Comments:

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Richard J. Port 1600 Ala Moana Blvd. #3100 Honolulu, Hawaii 96815 Tel 808-941-9624 e-mail: portr001@hawaii.rr.com

Measure: SB 378 Relating to Condominium Property Regimes **Date and Time of Hearing**: 9:30 a.m. Thursday, February 23, 2017 **Committee**: The Committee on Commerce, Consumer Protection & Health

Aloha Senator Baker and Members of your Committee,

Thank you for this opportunity to present my testimony regarding SB 378.

While I am very supportive of the need for improvements in the education of members of Condominium Boards of Directors, I believe the need of Board Members is not so much ethics training as it is for the improved knowledge of the provisions in Chapter 514B of the Condominium Property Regime.

Moreover, it is equally important, and perhaps of greater importance, that the individual Property Managers who work for the Property Management Companies to receive training in Chapter 514B and be examined, perhaps even licensed, in their knowledge of Chapter 514B.

In testimony that I presented earlier this session, I explained that some bills that come before you are "cries for help" by Owners living in condominiums as a result of the lack of knowledge and willingness to follow Chapter 514B by Board Members and Property Managers.

Having served on Hawaii's Civil Rights Commission and having more than thirty-five years of experience involving HRS Chapters 514 A and B, I am willing to help the Real Estate Commission in the development and administration of a course for Board members and Property managers in HRS Chapter 514B.

I believe that Senate Bill 378 can be amended and I stand ready to help. I hope that your committee will move forward with a version of SB 378.

Mahalo,

Richard Port

From:	mailinglist@capitol.hawaii.gov
Sent:	Monday, February 20, 2017 4:48 PM
То:	CPH Testimony
Cc:	lynnehi@aol.com
Subject:	Submitted testimony for SB378 on Feb 23, 2017 09:30AM

Submitted on: 2/20/2017 Testimony for CPH on Feb 23, 2017 09:30AM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
lynne matusow	Individual	Oppose	No

Comments: I am a condo owner and board member. I object to being required to take online ethics courses. I object to my email address being given to a state agency. If someone wants to contact me, regular mail suffices. Email is hackable, spammable, and getting to be a burden. We have enough problems getting people to run for the board. My condo has 396 units, and most owners will not serve as board members. There is a proposal that board members will have to file financial disclosure forms. Now a proposal that their email address must be given out and that they have to take an ethics course. Owners will not run because of work constraints, too much time, health issues, etc. These are VOLUNTEER positions. In addition, most associations have professional paid staff to guide them as well as property management companies that can make sure the boards are operating ethically. Condo boards are not state agencies, like the Board of Regents, which make decisions which affect the entire state. Also, there are condo board members in the state who do not use computers. How will they take the course? How will they take the exam? The more obligations you put on board members who are busy with their full time jobs, other volunteer work, vetting proposals, reading contracts, and understanding their properties, the fewer people will be willing to serve. Lynne Matusow 60 N. Beretania, #1804 Honolulu, HI 96817 531-4260

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From:	mailinglist@capitol.hawaii.gov
Sent:	Friday, February 17, 2017 3:08 PM
То:	CPH Testimony
Cc:	launahele@yahoo.com
Subject:	Submitted testimony for SB378 on Feb 23, 2017 09:30AM

Submitted on: 2/17/2017 Testimony for CPH on Feb 23, 2017 09:30AM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
Benton	Individual	Support	No

Comments: As an AOAO board member, I strongly support this bill. Benton

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From:	mailinglist@capitol.hawaii.gov
Sent:	Monday, February 20, 2017 9:10 AM
То:	CPH Testimony
Cc:	richard.emery@associa.us
Subject:	Submitted testimony for SB378 on Feb 23, 2017 09:30AM

Submitted on: 2/20/2017 Testimony for CPH on Feb 23, 2017 09:30AM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
Richard Emery	Individual	Oppose	Yes

Comments: A review of the condominium mediation cases and prior condo court cases reflects there has never been a case on an ethics violation. Some use "ethics" in the context "I would have made a different decision for the association so you are unethical". This Bill adds unnecessary administration. The industry provides numerous voluntary options for education. I support education on a voluntary basis. It is hard enough no to get director volunteers.

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My name is John Morris and I work as an attorney representing condominium associations. I am testifying against SB 378.

This bill requires every condominium board member in Hawaii to undergo ethics training. As often seems to be the case, there are no findings of as to why this bill is even necessary. The bill makes no mention of specific or <u>proven</u> circumstances in which board members have suffered ethical breaches that justify forcing <u>every board</u> <u>member in the state</u> into mandatory ethics training sessions. Even if that were the case, it seems unlikely that they have suffered ethical breaches on a percentage basis any more than other citizens who are not required to undergo any such training.

This bill also seems to seriously underestimate the complications of the logistics of carrying out the intent of the bill. The Real Estate Commission indicates there are over 1600 condominium projects registered with the commission. If each of those projects has an average of five board members, at least 8000 board members will have to be encouraged to or threatened into taking the online ethics course. If each project has an average of seven board members, over 11,000 board members will have to undergo the training.

Of course, the first step will be to determine who those 8000 to 11,000 board members are. Moreover, that will be a moving target. Assuming 15% to 20% of the board members leave the board during a particular year, training would have to be provided for 1500 to 2000 new board members <u>each year</u>.

The bill also seems to forget that all board members in Hawaii are volunteers who receive no compensation whatsoever from taking the time to try to make the sometimes difficult decisions necessary to manage and operate their projects on behalf of their fellow owners. In addition to being being vilified by owners at legislative hearings on an annual basis, board members sometimes undergo threats and various indignities at the hands of the owners they represent.

As a result, many owners who agreed to serve on the board may find this bill to be the last straw and simply resign. Therefore, the bill should probably include a provision allowing for emergency oversight of condominium associations in Hawaii if the boards do start resigning because they feel that the legislature is failing to properly investigate – or even investigate at all – claims of owners before passing legislation to correct problems that supposedly exist.

The fact that someone makes a complaint does not necessarily mean that it is true or that it should not be investigated to determine whether there is another side to the story before a bill is passed. The state agency that provides the emergency oversight could certainly provide the legislature with specific information about many of the problems that supposedly exist in condominium associations.

Thank you for this opportunity to testify

John Morris

From:	mailinglist@capitol.hawaii.gov
Sent:	Tuesday, February 21, 2017 12:08 PM
То:	CPH Testimony
Cc:	cporter@hawaiilegal.com
Subject:	Submitted testimony for SB378 on Feb 23, 2017 09:30AM

Submitted on: 2/21/2017 Testimony for CPH on Feb 23, 2017 09:30AM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
Christian Porter	Individual	Support	No

Comments: As an attorney that practices in this area, I think it would be good for Board members to take such a class. Thank you for your consideration.

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From:	mailinglist@capitol.hawaii.gov
Sent:	Tuesday, February 21, 2017 11:05 PM
То:	CPH Testimony
Cc:	sunnymakaha@yahoo.com
Subject:	Submitted testimony for SB378 on Feb 23, 2017 09:30AM

Submitted on: 2/21/2017 Testimony for CPH on Feb 23, 2017 09:30AM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
Dale A. Head	Individual	Support	No

Comments: I support this bill. When Board members misbehave, and they do, then at least they can be rebuked for not having comported themselves with the online training.

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Richard J. Port 1600 Ala Moana Blvd. #3100 Honolulu, Hawaii 96815 Tel 808-941-9624 e-mail: portr001@hawaii.rr.com

Measure: SB 378 Relating to Condominium Property Regimes **Date and Time of Hearing**: 9:30 a.m. Thursday, February 23, 2017 **Committee**: The Committee on Commerce, Consumer Protection & Health

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Moreover, it is equally important, and perhaps of greater importance, that the individual Property Managers who work for the Property Management Companies to receive training in Chapter 514B and be examined, perhaps even licensed, in their knowledge of Chapter 514B.

In testimony that I presented earlier this session, I explained that some bills that come before you are "cries for help" by Owners living in condominiums as a result of the lack of knowledge and willingness to follow Chapter 514B by Board Members and Property Managers.

Having served on Hawaii's Civil Rights Commission and having more than thirty-five years of experience involving HRS Chapters 514 A and B, I am willing to help the Real Estate Commission in the development and administration of a course for Board members and Property managers in HRS Chapter 514B.

I believe that Senate Bill 378 can be amended and I stand ready to help. I hope that your committee will move forward with a version of SB 378.

Richard Port