STAND. COM. REP. NO. 3076

Honolulu, Hawaii

MAR 2 2 2018

RE: H.B. No. 1874

> H.D. 1 S.D. 1

Honorable Ronald D. Kouchi President of the Senate Twenty-Ninth State Legislature Regular Session of 2018 State of Hawaii

Sir:

Your Committee on Commerce, Consumer Protection, and Health, to which was referred H.B. No. 1874, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO CONDOMINIUMS,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- Expand the scope of the Condominium Education Trust Fund to cover voluntary binding arbitration between interested parties;
- Amend the conditions that mandate mediation and (2) exceptions to mandatory mediation; and
- (3) Make conforming amendments.

Your Committee received testimony in support of this measure from the Palehua Townhouse Association and two individuals. Your Committee received testimony in opposition to this measure from two individuals. Your Committee received comments on this measure from the Real Estate Commission.

Your Committee finds that alternative dispute resolution is a viable, affordable option for handling condominium-related disputes. However, under existing law, mediation is only

nominally mandatory and there are few incentives to encourage parties to engage in alternative dispute resolution. Accordingly, this measure expands the scope of the Condominium Education Trust Fund to cover voluntary binding arbitration between interested parties and amends the conditions that mandate mediation and exceptions to mandatory mediation.

Your Committee further finds that by subsidizing the expense of arbitrations, this measure incentivizes parties to voluntarily choose binding arbitration of condominium-related disputes. Your Committee also finds that pairing evaluative mediation with voluntary binding arbitration is an efficient way of encouraging greater use of alternative dispute resolution when addressing condominium-related disputes, which is consistent with the self-governance theory of the State's condominium law.

Your Committee has amended this measure by:

- (1) Changing its effective date to July 1, 2018;
- (2) Inserting a sunset date of June 30, 2023; and
- (3) 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, Consumer Protection, and Health that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1874, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1874, H.D. 1, S.D. 1, and be referred to your Committee on Ways and Means.

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

ROSALYN . BAKER, Chair

The Senate Twenty-Ninth Legislature State of Hawai'i

Record of Votes Committee on Commerce, Consumer Protection, and Health CPH

Bill / Resolution No.:* Co	Committee Referral:		1	Date:	
HB 1874 HOI	CPA, WAM			3/13/18	
The Committee is reconsidering its previous decision on this measure.					
If so, then the previous decision was to:					
The Recommendation is:					
Pass, unamended Pass, with amendments Hold Recommit 2312 2311 2310 2313					
Members		Aye	Aye (WR)	Nay	Excused
BAKER, Rosalyn H. (C)					
TOKUDA, Jill N. (VC)					
CHANG, Stanley					
ESPERO, Will		/			
IHARA, Jr., Les					
NISHIHARA, Clarence K.		/	÷ .		
RUDERMAN, Russell E.		/			
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TOTAL		_ م			
Recommendation: Adopted Not Adopted					
Chair's or Designee's Signature:					
Clarence to Dishihara					
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy					

*Only one measure per Record of Votes