

STAND. COM. REP. NO.

1254

Honolulu, Hawaii

MAR 21 2025

RE: H.B. No. 70
H.D. 1
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 H.B. No. 70, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO CONDOMINIUM,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Specify that a condominium association's budget summary shall have all required information without referring the reader to other portions of the budget;
- (2) Explicitly state that the defense of good faith compliance is not available to a condominium association whose board adopts a budget that omits the required budget summary; and
- (3) Clarify the ability to enforce compliance with the budget summary and replacement reserves requirements and provide that an association has the burden of proving compliance.

Your Committee received testimony in support of this measure from Hawaii First Realty, Hawai'i Association of REALTORS, Community Associations Institute, and seven individuals.



Your Committee received testimony in opposition to this measure from Honolulu Tower; Hawaii Council of Community Associations; Law Offices of Mark K. McKellar, LLC; and fifteen individuals.

Your Committee finds that the financial transparency of a condominium association is essential for condominium unit owners to keep informed of an association's financial health. Recent amendments to existing law require, among other things, that condominium associations prepare a detailed budget summary to better inform unit owners of their financial condition. Your Committee further finds that additional clarification is needed to further effectuate the goal to increase financial transparency between associations and condominium unit owners. This measure also aims to prevent associations from misleading consumers by omitting important financial information from their budget summaries under the good-faith defense provisions.

Your Committee notes the concerns raised in testimony, however, that given the comprehensive list of requirements for the budget summary required by this measure, an association could easily inadvertently omit information from the summary, or the information provided in the summary may later turn out to be inaccurate or incomplete. If a specific component is inadvertently omitted from the summary and the omission is not disclosed, an association could be accused of breaching its duty by failing to meet all the budget summary requirements, even if the association acted in good faith. Therefore, to prevent unnecessary litigation or disputes, amendments are necessary to address this issue.

Accordingly, your Committee has amended this measure by:

- (1) Removing language that would have barred the defense of good faith for any condominium association whose board adopts a budget that omits the budget summary required by section 514B-148(a), Hawaii Revised Statutes; and
- (2) Amending section 1 to reflect its amended purpose.

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 H.B. No. 70, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 70, H.D. 1, 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



