

Honolulu, Hawaii

FEB 27 2025

RE: S.B. No. 1046
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. 1046 entitled:

"A BILL FOR AN ACT RELATING TO CONDOMINIUMS,"

begs leave to report as follows:

The purpose and intent of this measure is to require managing
agents of condominium associations to report to condominium unit
owners and the Real Estate Commission when the condominium
association fails to comply with budget and replacement reserves
requirements.

Your Committee received testimony in support of this measure
from the Hawai'i Association of REALTORS and two individuals.

Your Committee received testimony in opposition to this
measure from the Community Associations Institute, Palehua
Townhouse Association, and eight individuals.

Your Committee received comments on this measure from the
Hawai'i Real Estate Commission and one individual.

Your Committee finds that condominium association boards are
required to adopt an annual budget and establish adequate reserve
funds under state law governing condominiums. Proper planning and
disclosure of an annual budget is important to unit owners as it
provides transparency, informed decision-making, and opportunities



for financial planning. Replacement reserves are an essential part of an association's annual operating budget, and insufficient reserves can result in a condominium association board imposing burdensome special assessments, borrowing necessary funds, or even deferring necessary repairs. This measure will encourage condominium associations to diligently comply with budget and replacement reserves requirements to allow owners to stay informed about potential financial issues.

Your Committee has amended this measure by:

- (1) Clarifying that a managing agent whose client is an association shall notify in writing all unit owners of the association and the Real Estate Commission if the association fails to comply with budgetary and replacement reserve responsibilities; provided that the managing agent's contract involves budgetary and replacement reserve responsibilities and provides authority for the managing agent to correspond with the unit owners;
- (2) Amending section 1 to reflect its amendment purpose;
- (3) Inserting an effective date of July 1, 2050, to encourage further discussion; and
- (4) 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. 1046, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1046, S.D. 1, and be placed on the calendar for Third Reading.



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



JARRETT LEOHOKALE, Chair



Record of Votes
Committee on Commerce and Consumer Protection
CPN

***Only one measure per Record of Votes**