

STAND. COM. REP. NO. 3030

Honolulu, Hawaii

MAR 06 2026

RE: S.B. No. 2765
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Third State Legislature
Regular Session of 2026
State of Hawaii

Sir:

Your Committee on Judiciary, to which was referred S.B. No. 2765, S.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 clarify that condominium associations that have obtained title to a unit through foreclosure may retain rental income received before the appointment of a commissioner in a subsequent foreclosure; provided that the association may be required by a court to remit rental income received after the appointment of a commissioner to be held until an order of distribution is entered by the court.

Your Committee received testimony in support of this measure from the Community Associations Institute, Associa Hawaii, Association of Apartment Owners of Honolulu Tower, and six individuals.

Your Committee received testimony in opposition to this measure from the Law Offices of Mark K. McKellar, LLC, and one individual.

Your Committee received comments on this measure from two individuals.



Your Committee finds that under existing law, the State's circuit courts have determined that condominium associations should be treated differently from other parties that acquire title through foreclosure. Unlike other entities, associations that have acquired title to a unit through judicial or nonjudicial foreclosure face additional administrative and financial burdens of accounting for rental income. Furthermore, many associations do not obtain "excess rental income" as defined in section 514B-146(n), Hawaii Revised Statutes, and, in cases where another lienholder is foreclosing on a unit acquired by an association, associations with excess rental income are also burdened by the requirement to disgorge excess rental income received before the appointment of a commissioner in a subsequent foreclosure. This measure will clarify existing law to ensure that condominium associations are treated fairly and not subject to unique and burdensome requirements.

As affirmed by the record of votes of the members of your Committee on Judiciary that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2765, S.D. 1, and recommends that it pass Third Reading.

Respectfully submitted on
behalf of the members of the
Committee on Judiciary,



KARL RHOADS, Chair



