

STAND. COM. REP. NO. 1417

Honolulu, Hawaii

Apr: 12, 2009

RE: S.B. No. 298  
S.D. 1

Honorable Calvin K.Y. Say  
Speaker, House of Representatives  
Twenty-Fifth State Legislature  
Regular Session of 2009  
State of Hawaii

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred S.B. No. 298, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO CONDOMINIUMS,"

begs leave to report as follows:

The purpose of this bill is to help condominium associations recover delinquent maintenance fees by increasing the cap on special assessments that associations may impose on foreclosure sale purchasers of a delinquent unit with unpaid maintenance fees.

The Hawaii Council of Associations of Apartment Owners, Hawaii Independent Condominium and Cooperative Owners, and a concerned individual testified in support of this bill. The Hawaii Legislative Action Committee of the Community Associations Institute supported the intent of this measure. The Hawaii Financial Services Association and Hawaii Bankers Association provided comments.

Currently, condominium associations may recover up to six months of unpaid maintenance fees from the purchaser of a delinquent unit in a foreclosure sale, capped at \$1,800. Association losses from unpaid maintenance fees are typically made up from the sale of the delinquent unit or by increases in assessments for the other owners. However in a weak housing market, many delinquent units carry debts that exceed the market value of the unit, and increases in owner assessments may lead to further delinquencies.

SB298 SD1 HSCR CPC HMS 2009-3191



This bill enhances the ability of associations to fill these losses through special assessments on those who buy delinquent units at distress prices at foreclosure sales. Increasing the cap on such special assessments will help associations cover expenses for common elements and amenities that benefit all owners in a community.

As affirmed by the record of votes of the members of your Committee on Consumer Protection & Commerce that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 298, S.D. 1, and recommends that it pass Second Reading and be placed on the calendar for Third Reading.

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



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ROBERT N. HERKES, Chair



