
A BILL FOR AN ACT

RELATING TO CONDOMINIUMS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Section 514B-3, Hawaii Revised Statutes, is
2 amended by amending the definition of "'majority" or "majority
3 of unit owners"' to read as follows:

4 "'Majority" or "majority of the unit owners" means the
5 owners of units to which are appurtenant more than fifty per
6 cent of the common interests. Any specified percentage of the
7 unit owners means the owners of units to which are appurtenant
8 such percentage of the common interest."

9 SECTION 2. Section 514B-23, Hawaii Revised Statutes, is
10 amended by amending subsection (b) to read as follows:

11 "(b) An amendment to the declaration, bylaws, condominium
12 map or other constituent documents authorized by this section
13 may be adopted by the vote or written consent of a majority of
14 the unit owners; provided that any amendment adopted pursuant to
15 this section shall not invalidate the reserved rights of a
16 developer. If an amendment grants to any person any rights,
17 powers, or privileges permitted by this chapter, all correlative



1 obligations, liabilities, and restrictions in this chapter also
2 apply to that person."

3 SECTION 3. Section 514B-106, Hawaii Revised Statutes, is
4 amended by amending subsection (e) to read as follows:

5 "(e) Not later than the termination of any period of
6 developer control, the unit owners shall elect a board of at
7 least three members; provided that projects created after
8 May 18, 1984, with one hundred or more individual units, shall
9 have an elected board of at least nine members unless the
10 membership has amended the bylaws to reduce the number of
11 directors; and provided further that projects with more than one
12 hundred individual units where at least seventy per cent of the
13 unit owners do not reside at the project may amend the bylaws to
14 reduce the board to as few as five members by the written
15 consent of a majority of the unit owners or the vote of a
16 majority of a quorum at any annual meeting or special meeting
17 called for that purpose. The association may rely on its
18 membership records in determining whether a unit is owner-
19 occupied. A decrease in the number of directors shall not
20 deprive an incumbent director of any remaining term of office."

21 SECTION 4. Section 514B-107, Hawaii Revised Statutes, is
22 amended by amending subsection (d) to read as follows:



1 "(d) Directors shall not expend association funds for
2 their travel, directors' fees, and per diem, unless owners are
3 informed and a majority approve of these expenses; provided
4 that, with the approval of the board, directors may be
5 reimbursed for actual expenditures incurred on behalf of the
6 association. The board meeting minutes shall reflect in detail
7 the items and amounts of the reimbursements."

8 SECTION 5. Section 514B-143, Hawaii Revised Statutes, is
9 amended by amending subsection (g) to read as follows:

10 "(g) The board, with the vote or written consent of a
11 majority of the unit owners, may require unit owners to obtain
12 reasonable types and levels of insurance. The liability of a
13 unit owner shall include but not be limited to the deductible of
14 the owner whose unit was damaged, any damage not covered by
15 insurance required by this subsection, as well as the
16 decorating, painting, wall and floor coverings, trim,
17 appliances, equipment, and other furnishings.

18 If the unit owner does not purchase or produce evidence of
19 insurance requested by the board, the directors may, in good
20 faith, purchase the insurance coverage and charge the reasonable
21 premium cost back to the unit owner. In no event is the
22 association or board liable to any person either with regard to



1 the failure of a unit owner to purchase insurance or a decision
2 by the board not to purchase the insurance for the owner, or
3 with regard to the timing of its purchase of the insurance or
4 the amounts or types of coverages obtained."

5 SECTION 6. Section 514B-145, Hawaii Revised Statutes, is
6 amended by amending subsection (g) to read as follows:

7 "(g) Before the board may take the actions permitted under
8 subsection (a), the board shall adopt a written policy providing
9 for the actions and have the policy approved by [~~a majority~~] the
10 vote [~~of the unit owners at an annual or special meeting of the~~
11 ~~association~~] or [~~by the~~] written consent of a majority of the
12 unit owners."

13 SECTION 7. Section 514B-146, Hawaii Revised Statutes, is
14 amended by amending subsection (f) to read as follows:

15 "(f) Before the board or managing agent may take the
16 actions permitted under subsection (e), the board shall adopt a
17 written policy providing for [~~sueh~~] the actions and have the
18 policy approved by [~~a majority~~] the vote [~~of the unit owners at~~
19 ~~an annual or special meeting of the association~~] or [~~by the~~]
20 written consent of a majority of the unit owners."

21 SECTION 8. Section 514B-149, Hawaii Revised Statutes, is
22 amended by amending subsections (b) and (c) to read as follows:



1 "(b) For purposes of subsection (a), lease rent
2 collections and rental operations shall not include the rental
3 or leasing of common elements that is conducted on behalf of the
4 association or the collection of ground lease rents from
5 individual unit owners of a project and the payment of such
6 ground lease rents to the ground lessor if:

7 (1) The collection is allowed by the provisions of the
8 declaration, bylaws, master deed, master lease, or
9 individual unit leases of the project;

10 (2) A management contract requires the managing agent to
11 collect ground lease rents from the individual unit
12 owners and pay the ground lease rents to the ground
13 lessor;

14 (3) The system of lease rent collection has been approved
15 at a meeting of the association by a [~~majority~~] vote
16 of [~~all~~] a majority of the unit owners [~~at a meeting~~
17 ~~of the association~~]; and

18 (4) The managing agent or association does not pay ground
19 lease rent to the ground lessor in excess of actual
20 ground lease rent collected from individual unit
21 owners.



- 1 (c) (1) All funds collected by an association, or by a
- 2 managing agent for any association, shall be:
- 3 (A) Deposited in a financial institution, including a
- 4 federal or community credit union, located in the
- 5 State, pursuant to a resolution adopted by the
- 6 board, and whose deposits are insured by an
- 7 agency of the United States government;
- 8 (B) Held by a corporation authorized to do business
- 9 under article 8 of chapter 412;
- 10 (C) Held by the United States Treasury;
- 11 (D) Purchased in the name of and held for the benefit
- 12 of the association through a securities broker
- 13 that is registered with the Securities and
- 14 Exchange Commission, that has an office in the
- 15 State, and the accounts of which are held by
- 16 member firms of the New York Stock Exchange or
- 17 National Association of Securities Dealers and
- 18 insured by the Securities Insurance Protection
- 19 Corporation; or
- 20 (E) Placed through a federally insured financial
- 21 institution located in the State for investment
- 22 in certificates of deposit issued through the



1 Certificate of Deposit Account Registry Service
2 in federally insured financial institutions
3 located in the United States.

4 (2) All funds collected by an association, or by a
5 managing agent for any association, shall be invested
6 only in:

7 (A) Deposits, investment certificates, savings
8 accounts, and certificates of deposit;

9 (B) Obligations of the United States government, the
10 State of Hawaii, or their respective agencies;
11 provided that those obligations shall have stated
12 maturity dates no more than ten years after the
13 purchase date unless approved otherwise by [a
14 majority] the vote [~~of the unit owners at an~~
15 ~~annual or special meeting of the association~~] or
16 [by] written consent of a majority of the unit
17 owners;

18 (C) Mutual funds comprised solely of investments in
19 the obligations of the United States government,
20 the State of Hawaii, or their respective
21 agencies; provided that those obligations shall
22 have stated maturity dates no more than ten years



1 after the purchase date unless approved otherwise
2 by [~~a majority~~] the vote [~~of the unit owners at~~
3 ~~an annual or special meeting of the association~~]
4 or [~~by~~] written consent of a majority of the unit
5 owners; or

6 (D) Certificates of deposit issued through the
7 Certificate of Deposit Account Registry Service
8 in an amount at least equal in their market
9 value, but not to exceed their par value, to the
10 amount of the deposit with the depository;
11 provided that before any investment longer than one year is made
12 by an association, the board must approve the action; and
13 provided further that the board must clearly disclose to owners
14 all investments longer than one year at each year's association
15 annual meeting.

16 Records of the deposits and disbursements shall be
17 disclosed to the commission upon request. All funds collected
18 by an association shall only be disbursed by employees of the
19 association under the supervision of the association's board.
20 All funds collected by a managing agent from an association
21 shall be held in a client trust fund account and shall be



1 disbursed only by the managing agent or the managing agent's
2 employees under the supervision of the association's board."

3 SECTION 9. Section 514B-150, Hawaii Revised Statutes, is
4 amended by amending subsection (a) to read as follows:

5 "(a) The association shall require an annual audit of the
6 association financial accounts and no less than one annual
7 unannounced verification of the association's cash balance by a
8 public accountant; provided that if the association is comprised
9 of less than twenty units, the annual audit and the annual
10 unannounced cash balance verification may be waived at an
11 association meeting by a [~~majority~~] vote of [~~all~~] a majority of
12 the unit owners [~~taken at an association meeting~~]."

13 SECTION 10. Statutory material to be repealed is bracketed
14 and stricken. New statutory material is underscored.

15 SECTION 11. This Act shall take effect upon its approval.

16

INTRODUCED BY:  B/R

JAN 22 2014

H.B. NO. 2482

Report Title:

Condominiums; Clarifying Amendments

Description:

Makes technical, nonsubstantive amendments to the condominium law.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

