

STAND. COM. REP. NO. 2088

Honolulu, Hawaii

FEB 06 2014

RE: S.B. No. 2483

Honorable Donna Mercado Kim  
President of the Senate  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii

Madam:

Your Committee on Commerce and Consumer Protection, to which was referred S.B. No. 2483 entitled:

"A BILL FOR AN ACT RELATING TO CONDOMINIUM ASSOCIATIONS,"

begs leave to report as follows:

The purpose and intent of this measure is to clarify that:

- (1) A condominium association's lien is subordinate to real property taxes, rather than all taxes; and
- (2) A condominium association may assess unpaid common fees against a purchaser, in addition to a mortgagee, who purchases a delinquent unit in a judicial or nonjudicial power of sale foreclosure.

Your Committee received testimony in support of this measure from the Department of Commerce and Consumer Affairs Office of Consumer Protection; Collection Law Section of the Hawaii State Bar Association; Hawaii Council of Associations of Apartment Owners; Community Associations Institute, Hawaii Chapter; Hawaii First, Inc.; and one individual. Your Committee received comments on this measure from the Department of Taxation.

Your Committee finds that this measure clarifies two aspects of the State's condominium law relating to liens. First, this measure clarifies that only real property tax liens, not all tax liens, take priority to a condominium association's lien. The priority of an association's lien exists because the association pays for maintenance and many of the services that add value to

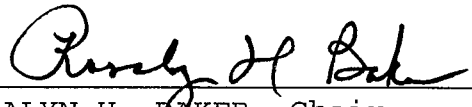


the unit against which the association claims its lien. This is similar to the principle that gives priority to real property taxes, namely that real property taxes provide many of the services that add value to the property for which the real property taxes are paid.

Secondly, your Committee finds that Act 196, Session Laws of Hawaii 2013, amended section 514B-146, Hawaii Revised Statutes, to specify that an association's six-month special assessment would be paid upon closing of a foreclosure sale. Although mortgagees were added as eligible purchasers for these special assessments, the phrase "or other purchaser" was inadvertently left out of the amended statute. This measure corrects this error and clarifies the Legislature's original intent with the enactment of Act 196.

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. 2483 and recommends that it pass Second Reading and be referred to the Committee on Ways and Means.

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




ROSALYN H. BAKER, Chair



The Senate  
 Twenty-Seventh Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Commerce and Consumer Protection**  
**CPN**

Bill / Resolution No.:* <b>SB 2483</b>	Committee Referral: <b>CPN, WAM</b>	Date: <b>2/4/14</b>		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input checked="" type="checkbox"/> Pass, unamended 2312 <input type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
BAKER, Rosalyn H. (C)	✓			
TANIGUCHI, Brian T. (VC)				✓
NISHIHARA, Clarence K.	✓			
WAKAI, Glenn	✓			
SLOM, Sam	✓			
<b>TOTAL</b>	<b>4</b>			<b>1</b>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution:             Original     Yellow     Pink     Goldenrod File with Committee Report     Clerk's Office     Drafting Agency     Committee File Copy				

\*Only one measure per Record of Votes