



THE SENATE
THE TWENTY-EIGHTH LEGISLATURE
REGULAR SESSION OF 2015

COMMITTEE ON COMMERCE & CONSUMER PROTECTION
Senator Rosalyn Baker, Chair

2/11/2015
SB 541
Relating to Condominium Conversion

Chair Baker and Members of this Committee, my name is Max Sword, here on behalf of Outrigger Enterprises Group in opposition to SB 541.

While we understand the concern about hotels being converted to timeshares or condos, the fact of the matter is that conversions are driven by the high cost of owning, operating and improving Hawaii hotels. This reality leaves some hotel owners and operators with little choice but to convert. Compared to the difficulties associated with financing a new hotel project, financing a new timeshare project or converting an existing building to a condominium or timeshare simply pencils out.

SB 541 will not change that reality further and does not actually do anything to directly address condominium conversions. Instead SB 541 proposed the following ill-advised disclosure and reporting requirements:

- a) HRS Section 514B-84 would be amended to require that a developer report taxes (which has not been defined or specified) related to prior hotel operations of any structures or units to be converted to a condominium. Unfortunately such taxes have no bearing on how each condominium unit will be used since a unit buyer can chose to self-rent their unit for transient accommodations or use the unit for purposes other than for transient accommodations altogether.
- b) HRS Section 467-30 would be amended to require condominium hotel operators to report on how each unit is used on a month by month basis and on the number of employees working for such condominium hotel operator. Requiring this type of disclosure is especially concerning because an operator has no control over individual unit owners who chose to self-rent their units.

Requiring the disclosure of otherwise confidential pre-conversion tax information of the prior hotel operator as well as confidential information about the number and type of units managed as well as numbers of employees of operators who manage a rental program at a condominium project is especially concerning because such confidential information can be used by competitors. Equally important, none of these information disclosure or reporting requirements would apply to any unit owners that choose to self-rent their units.

Outrigger does not support this bill and urge the deferment of this bill. Mahalo for allowing us to testify.