STAND. COM. REP. NO. 2266

Honolulu, Hawaii

FEB 1 4 2022

S.B. No. 2685 RE:

S.D. 1

Honorable Ronald D. Kouchi President of the Senate Thirty-First State Legislature Regular Session of 2022 State of Hawaii

Sir:

Your Committee on Commerce and Consumer Protection, to which was referred S.B. No. 2685 entitled:

"A BILL FOR AN ACT RELATING TO PLANNED COMMUNITY ASSOCIATIONS, "

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Establish requirements for cumulative voting and the removal of directors of planned community associations; and
- (2) Exempt planned community associations from certain requirements regarding cumulative voting for and the removal of directors under the Hawaii Nonprofit Corporations Act.

Your Committee received testimony in support of this measure from the Hawai'i State Association of Parliamentarians, Community Associations Institute Legislative Action Committee, Hawaii Council of Community Associations, Associa, Palehua Townhouse Association, and two individuals. Your Committee received testimony in opposition to this measure from one individual. Your Committee received comments on this measure from one individual.

Your Committee finds that the cumulative voting provisions under the Hawaii Nonprofit Corporations Act may be manipulated by planned community association boards of directors to prevent minority groups from attaining representation by omitting cumulative voting from meeting notices. This measure contains consensus language from stakeholders to clarify the cumulative voting procedures for planned community associations.

Your Committee has amended this measure by:

- (1) Clarifying that members may remove one or more directors regardless of whether they were elected by cumulative voting;
- (2) Clarifying the conditions upon which the director may not be removed if cumulative voting is authorized at the meeting;
- (3) Clarifying the process by which a director elected by members may be removed by the members at any regular or special meeting;
- (4) Clarifying that a secretary of the association or managing agent shall include the proposed removal in the notice of the meeting if the board of directors recommends removal or if a timely petition is delivered to the secretary or managing agent; and
- (5) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

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. 2685, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2685, S.D. 1, and be referred to your Committee on Judiciary.

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

ROSALYN H. BAKER, Chair

## The Senate Thirty-First Legislature State of Hawai'i

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

Bill / Resolution No.:*	Committee	Referral:		Date:	
SB 2685	CPM, SDC		2-2-2022		
The Committee is reconsidering its previous decision on this measure.					
If so, then the previous decision was to:					
The Recommendation is:					
Pass, unamended Pass, with amendments Hold Recommit 2312 2311 2310 2313					
Members		Aye	Aye (W	'R) Nay	Excused
BAKER, Rosalyn H. (C)		/			
CHANG, Stanley (VC)			Ī		
DECOITE, Lynn		/			
NISHIHARA, Clarence K.					
RIVIERE, Gil		/			
SAN BUENAVENTURA, Joy A	١.				
FEVELLA, Kurt					
			<u> </u>		
			1		
TOTAL		7			
Recommendation:  Adopted Not Adopted					
Chair's or Designee's Signature:					
<b>Distribution:</b> Original File with Committee Re			ioldenrod ittee File Copy		

\*Only one measure per Record of Votes