

STAND. COM. REP. NO.

2268

Honolulu, Hawaii

FEB 14 2022

RE: S.B. No. 2685
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



