

Honolulu, Hawaii

FEB 16 2024

RE: S.B. No. 2606
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Second State Legislature
Regular Session of 2024
State of Hawaii

Sir:

Your Committee on Commerce and Consumer Protection, to which was referred S.B. No. 2606 entitled:

"A BILL FOR AN ACT RELATING TO CONSTRUCTION,"

begs leave to report as follows:

The purpose and intent of this measure is to establish additional requirements for notices of claims of construction defects.

Your Committee received testimony in support of this measure from the Pacific Resource Partnership; Case Lombardi, A Law Corporation; D.R. Horton Hawaii LLC; Holomua Collaborative; Hawaii Credit Union League; Building Industry Association of Hawaii; Ali'i Glass & Metal, Inc.; Tru-Door Hawaii; Z Contractors, Inc.; Royal Contracting Co., Ltd.; HPM Building Supply; Jayar Construction, Inc.; Stanford Carr Development, LLC; Foundation Building Materials, LLC; Hawaii Laborers-Employers Cooperation and Education Trust; Paradigm Construction LLC; Gray, Hong, Nojima & Associates, Inc.; Cultured Marble; Hawaiian Landscape Co., Inc.; R.M. Towill Corporation; KY International, Inc.; Vinyl Tech & Masonry, Inc.; M2K Construction LLC; Hawaiiana Management Company, Ltd.; Hawai'i Association of REALTORS; REEF Development of Hawaii, Inc.; Gentry Homes, Ltd.; Jade Painting, Inc.; General Contractors Association of Hawaii; Ashford & Wriston, A Limited Law Partnership LLP; and thirteen individuals.



Your Committee received testimony in opposition to this measure from Lipp Smith LLP, Kasdan Turner Thomson Booth LLLC, and twenty-two individuals.

Your Committee received comments on this measure from the Contractors License Board.

Your Committee finds that the high volume of litigation related to construction defects in the State has contributed, in part, to rising insurance rates, housing costs, and the growing number of condominiums ineligible for government-backed loans because they are currently under litigation. Your Committee further finds that, under the notice of claims process for construction defects under chapter 672E, Hawaii Revised Statutes, claimants, in many cases, have filed ambiguous or unsubstantiated claims against contractors that lack sufficient detail in describing alleged construction defects and damages. Without this necessary information, the claims resolution process can be abused or delayed to the detriment of both homeowners and contractors. Therefore, this measure improves the claims resolution process by requiring a notice of claim to include details with sufficient particularity and specificity and evidence depicting the nature and cause of any alleged construction defect.

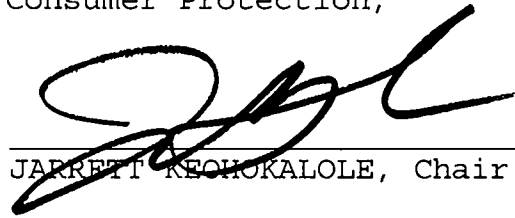
Your Committee has amended this measure by:

- (1) Clarifying that a claimant shall provide the contractor with expert-generated reports, photographs, videos, and the results of any testing performed, with the notice of claim only if they are available to the claimant;
- (2) Inserting an effective date of July 1, 2040, to encourage further discussion; and
- (3) 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. 2606, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2606, 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,



JARRETT KEOKALOOLE, Chair



