
A BILL FOR AN ACT

RELATING TO REMEDIES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that Hawaii is in a major
2 housing crisis, which continues to worsen, and has been further
3 exacerbated by the impacts of the August 2023 Maui wildfires.
4 Residents of Hawaii face the highest housing costs in the nation
5 and the median single-family home and condominium prices have
6 more than tripled since the 1990s. A substantial contributing
7 factor to the high cost of housing is the cost of anticipated
8 litigation and insurance requirements necessary to protect
9 against future claims, which disincentivizes the construction of
10 homes. Developers or improvers of real property are required to
11 insure against deficiencies of improvements. The proliferation
12 of construction defect litigation results in increased housing
13 prices directly, through passed-on insurance costs, and
14 indirectly, through lower levels of housing supply. This has
15 been exacerbated in recent years with the practice of filing
16 unrestricted constructed defect complaints, which can be filed
17 with no identified defect, and complaints that do not allow a



1 developer or improver of real property to inspect or remedy
2 potential defects. This results in settlements that often do
3 not benefit the homeowner, higher insurance costs, and lower
4 housing production.

5 The legislature finds that the current language contained
6 in the Contractor Repair Act and the statute of repose have
7 failed in their purpose to assist the parties in the early
8 resolution of claims and provide a clear framework for
9 resolution of construction defect claims. The lack of clarity
10 has also reduced the effectiveness of these laws by making it
11 more difficult for all parties to resolve construction defect
12 disputes fairly, resulting in inconsistent rulings and
13 prolonging the dispute-resolution process.

14 Therefore, the purpose of this Act is to:

- 15 (1) Clarify the statute of repose to make it clear that it
16 applies to contract, tort, and statutory claims,
17 fraudulent concealment is not a defense with respect
18 to the repose period, and require a violation of a
19 building code to be material to be actionable;
- 20 (2) Clarify the required contents of a notice of claim of
21 construction defect served on a contractor;



1 (3) Amend the process and time frame for a claimant to
2 accept a contractor's offer to settle or inspect and
3 authorize the contractor to proceed with repairs;

4 (4) Limit the amount a claimant can recover if the
5 claimant rejects a contractor's reasonable proposal
6 for inspection or a reasonable offer to remedy; and

7 (5) Clarify the consequences of rejecting an offer of
8 settlement.

9 SECTION 2. Section 657-8, Hawaii Revised Statutes, is
10 amended to read as follows:

11 "**§657-8 Limitation of action for damages based on**
12 **construction to improve real property.** (a) No action, whether
13 in contract, tort, statute, or otherwise, to recover damages for
14 any injury to property, real or personal, or for bodily injury
15 or wrongful death, arising out of any deficiency or neglect in
16 the planning, design, construction, supervision and
17 administering of construction, and observation of construction
18 relating to an improvement to real property shall be commenced
19 more than two years after the cause of action has accrued, but
20 in any event [~~not~~] no more than ten years after the date of
21 completion of the improvement.



(b) This section shall not apply to actions for damages against owners or other persons having an interest in the real property or improvement based on their negligent conduct in the repair or maintenance of the improvement or to actions for damages against surveyors for their own errors in boundary surveys. ~~[The term "improvement" as used in this section shall have the same meaning as in section 507-41 and the phrase "date of completion" as used in this section shall mean the time when there has been substantial completion of the improvement or the improvement has been abandoned. The filing of an affidavit of publication and notice of completion with the circuit court where the property is situated in compliance with section 507-43(f) shall be prima facie evidence of the date of completion.]~~
An improvement shall be deemed substantially complete upon the earliest of the following:

- (1) The issuance of a temporary certificate of occupancy;
- (2) The issuance of a certificate of occupancy; or
- (3) The filing of an affidavit of publication and notice of completion within the circuit court where the property is situated in compliance with section 507-43(f) .



1 If the improvement consists of multiple buildings or
2 improvements, each building or improvement shall be considered
3 as a separate improvement for purposes of determining the
4 limitations period set forth in this section.

5 (c) This section shall not be construed to prevent, limit,
6 or extend any shorter period of limitation applicable to
7 sureties provided for in any contract or bond or any other
8 statute, nor to extend or add to the liability of any surety
9 beyond that for which the surety agreed to be liable by contract
10 or bond.

11 ~~[(e)]~~ (d) Nothing in this section shall exclude or limit
12 the liability provisions as set forth in the products liability
13 laws.

14 (e) The doctrine of fraudulent concealment, as used for a
15 defense to statute of limitations, shall not apply to the ten-
16 year limitations period set forth in subsection (a).

17 (f) No action, whether in contract, tort, statute, or
18 otherwise, based on a violation of the applicable building code
19 shall be commenced unless the violation is a material violation
20 of the applicable building code.

21 (g) For purposes of this section:



1 "Date of completion" means the time when there has been
2 substantial completion of the improvement or the improvement has
3 been abandoned.

4 "Improvement" has the same meaning as in section 507-41.

5 "Material violation" means a building code violation that
6 exists within a completed building, structure, or facility that
7 has resulted in physical harm to a person or significant damage
8 to the performance of a building or its systems; provided that,
9 without limiting the foregoing, it shall not be deemed a
10 "material violation" of an applicable building code if:

- 11 (1) The person or party that is alleged to have violated
12 the building code obtained the required building
13 permits;
- 14 (2) The local government or public agency with authority
15 to enforce the building code approved the plans;
- 16 (3) The construction project passes all required
17 inspections under the code; and
- 18 (4) There is no personal injury or damage to property
19 other than the property that is the subject of the
20 permits, plans, and inspections, unless the person or



1 party knew or should have known that the material
2 violation existed during construction."

3 SECTION 3. Section 672E-3, Hawaii Revised Statutes, is
4 amended to read as follows:

5 "~~{}~~**\$672E-3**~~}~~ **Notice of claim of construction defect.**

6 (a) A claimant, no later than ninety days before filing an
7 action against a contractor, shall serve the contractor with a
8 written notice of claim. The notice of claim shall ~~[describe]~~:

9 (1) State that the claimant asserts a claim against the
10 contractor for a construction defect in the design,
11 construction, or remodeling of a dwelling or premises;
12 and

13 (2) Describe the claim, with particularity, specificity,
14 and in detail ~~[and include the results of any testing~~
15 ~~done.]~~ sufficient to determine the circumstances
16 constituting the alleged construction defect and
17 damages resulting from the construction defect. A
18 general statement that a construction defect may exist
19 shall be insufficient.

20 The notice of claim shall not constitute a claim under any
21 applicable insurance policy and shall not give rise to a duty of



1 any insurer to provide a defense under any applicable insurance
2 policy unless and until the process set forth in section 672E-5
3 is completed. Nothing in this chapter shall in any way
4 interfere with or alter the rights and obligations of the
5 parties under any liability policy.

6 (b) If available to the claimant, the claimant shall
7 provide to the contractor, with the notice of claim, actual
8 evidence that depicts the nature and cause of the construction
9 defect and the nature and extent of the repairs necessary to
10 repair the defect, including the following information if
11 obtained by the claimant: expert reports, photographs,
12 videotapes, and any testing performed.

13 (c) Each individual claimant or class member shall comply
14 with this chapter, which includes permitting inspection under
15 section 672E-4 of each dwelling or premises that is the subject
16 of the claim.

17 [~~(b)~~] (d) A contractor served with a written notice of
18 claim shall serve any other appropriate subcontractor with
19 notice of the claim. The contractor's notice shall include the
20 claimant's written notice of claim.



1 [~~(e)~~] (e) After serving the notice of claim, a claimant
2 shall give to the contractor reasonable prior notice and an
3 opportunity to observe if any testing is done."

4 SECTION 4. Section 672E-4, Hawaii Revised Statutes, is
5 amended to read as follows:

6 **"§672E-4 Rejection of claim; opportunity to repair**
7 **construction defect.** (a) The contractor rejects a claimant's
8 claim of construction defects by:

9 (1) Serving the claimant with a written rejection of the
10 claim; or

11 (2) Failing to respond pursuant to subsection (b) (1) or
12 (b) (2) [~~7~~] to the notice of claim within thirty days
13 after service.

14 (b) The contractor, within thirty days after service of
15 the notice of claim, shall serve the claimant and any other
16 contractor that has received the notice of claim with a written
17 response to the alleged construction defect that:

18 (1) Offers to settle without inspecting the construction
19 defect by:

20 (A) Monetary payment;

21 (B) Making repairs; or



1 (C) Both subparagraphs (A) and (B); or
2 (2) Proposes to inspect the premises of the alleged
3 construction defect that is the subject of the claim.

4 (c) Within thirty days following any proposal for
5 inspection under subsection (b) (2), ~~[the claimant shall provide~~
6 ~~access to:]~~ the claimant shall accept a contractor's proposal.
7 After accepting the contractor's proposal for inspection, the
8 claimant and contractor shall agree on a time and date for the
9 inspection, which shall occur within thirty days of the
10 claimant's acceptance of the contractor's proposal for
11 inspection, unless the claimant and contractor agree to a later
12 date. The claimant shall provide reasonable access to the
13 dwelling or premises during normal working hours to:

14 (1) Inspect the premises;
15 (2) Document any alleged construction defects; and
16 (3) Perform any testing required to evaluate the nature,
17 extent, and cause of the asserted construction defect,
18 and the nature and extent of any repair or replacement
19 that may be necessary to remedy the asserted
20 construction defect;



1 provided that if the claimant is an association under chapter
2 514B, the claimant shall have forty-five days to provide [~~such~~]
3 access. If access to an individual condominium unit is
4 necessary, and the association is unable to obtain [~~such~~]
5 access, then the association shall have a reasonable time to
6 provide access. If destructive testing is required, the
7 contractor shall give advance notice of tests and return the
8 premises to its pre-testing condition. If inspection or testing
9 reveals a condition that requires additional testing to fully
10 and completely evaluate the nature, cause, and extent of the
11 construction defect, the contractor shall provide notice to the
12 claimant of the need for additional testing. The claimant shall
13 provide additional access to the dwelling or premises. If a
14 claim is asserted on behalf of owners of multiple dwellings, or
15 multiple owners of units within a multi-family complex, the
16 contractor shall be entitled to inspect each of the dwellings or
17 units.

18 (d) Within fourteen days following the inspection and
19 testing, the contractor shall serve on the claimant a written:

- 20 (1) Offer to fully or partially remedy the construction
21 defect at no cost to the claimant. [~~Such~~] The offer



1 shall include a description of construction necessary
2 to remedy the construction defect and a timetable for
3 the completion of the additional construction;
4 (2) Offer to settle the claim by monetary payment;
5 (3) Offer for a combination of repairs and monetary
6 payment; or
7 (4) Statement that the contractor will not proceed further
8 to remedy the construction defect.

9 (e) Any offer of settlement under this section shall
10 reference this section, and shall state that a claimant's
11 failure to respond with a written notice of acceptance or
12 rejection within thirty or forty-five days, whichever applies
13 pursuant to section 672E-5(a), shall mean that the offer is
14 rejected. Failure to serve a written offer or statement under
15 this section shall be deemed a statement that the contractor
16 will not proceed further."

17 SECTION 5. Section 672E-6, Hawaii Revised Statutes, is
18 amended to read as follows:

19 "[~~§~~672E-6~~§~~] **Offer of settlement.** (a) Any time after
20 the service of the notice of claim, any party may serve an offer
21 of settlement.



1 (b) If the offer is accepted, the parties shall be deemed
2 to have resolved the claim in whole or in part pursuant to the
3 offer.

4 (c) An offer not accepted within the time period required
5 under section 672E-5, or ten days after service for any
6 subsequent offers, shall be deemed withdrawn and evidence
7 thereof is not admissible except to determine entitlement to
8 recovery of 'attorneys' fees and costs[-] and reasonableness of
9 the contractor's offer of settlement in subsection (d).

10 (d) If a claimant rejects a contractor's reasonable offer
11 of settlement, the claimant's cost of repair recovery shall be
12 limited to the reasonable value of the repair determined as of
13 the date of the offer and the amount of the offered monetary
14 payment.

15 (e) If the judgment or award obtained in a subsequent
16 proceeding is not more favorable than the offer[-] of
17 settlement, the offeree shall pay the costs incurred by the
18 offeror after the making of the offer[-] and the offeree shall
19 not be entitled to recover attorneys' fees and costs incurred
20 after the offer was made. The fact that an offer is made and
21 not accepted does not preclude a subsequent offer."



1 SECTION 6. Statutory material to be repealed is bracketed
2 and stricken. New statutory material is underscored.

3 SECTION 7. This Act shall take effect on July 1, 3000.



Report Title:

Contractor Repair Act; Notice of Claim; Inspection; Repair;
Rejection of Claims; Limitations on Recovery; Statute of Repose

Description:

Clarifies the applicability of the statute of repose for actions arising from construction defects. Clarifies the required contents of a notice of claim of construction defect served on a contractor. Amends the process and time frame for a claimant to accept a contractor's offer to settle or inspect and authorize the contractor to proceed with repairs. Limits the amount a claimant can recover if the claimant rejects a contractor's reasonable proposal for inspection or a reasonable offer to remedy. Clarifies the consequences of rejecting an offer of settlement. Effective 7/1/3000. (HD1)

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