

HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

The Honorable Scot Z. Matayoshi, Chair
The Honorable Cory M. Chun, Vice Chair

**H.C.R. NO. 24, REQUESTING THE AUDITOR TO CONDUCT A FOLLOW-UP
SUNRISE REVIEW TO SUNRISE ANALYSIS: CONDOMINIUM ASSOCIATION
MANAGERS, REPORT NO. 05-10, WHICH ANALYZED THE REGULATION OF
CONDOMINIUM ASSOCIATION MANAGERS**

Hearing: Thursday, March 20, 2025, 2:00 p.m.

The Office of the Auditor offers the following comments on H.C.R. No. 24, which requests that the office to conduct “a follow-up sunset review” regarding a report issued in 2005, Report No. 05-10, *Sunrise Analysis: Condominium Association Managers*. That report assessed the regulation of condominium association managers proposed in a bill introduced during the 2003 session.

The sunrise review required under Section 26H-6, Hawai'i Revised Statutes (HRS), requires us to assess whether “[n]ew regulatory measures being considered for enactment” is consistent with the state’s policy for professional regulation under Section 26H-2, HRS. In this case, there is no current bill proposing to regulate condominium association managers. We have significant concerns about assessing a bill introduced more than 20 years ago, which proposed to establish regulation of condominium managers under Chapter 514A, HRS. Chapter 514A, HRS, however, was repealed in 2017.

Moreover, the bill that we assessed in 2005 did not include a scope of practice, i.e., the activities for which an individual must be certified to perform. Stated differently, we do not know what specific activities constitute the practice of being a condominium manager. Without that specific information, we cannot assess the profession or vocation.

We strongly suggest that the Legislature introduce a bill that defines the practice of condominium manager and provides sufficient information for us to assess whether the proposed regulation of the profession is consistent with state policy.



March 20, 2025

The Honorable Scot Z. Matayoshi, Chair

House Committee on Consumer Protection & Commerce
State Capitol, Conference Room 329 & Videoconference

RE: House Concurrent Resolution 24

HEARING: Thursday, March 20, 2025, at 2:00 p.m.

Aloha Chair Matayoshi, Vice Chair Chun, and Members of the Committee:

My name is Lyndsey Garcia, Director of Advocacy, testifying on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawaii and its over 10,000 members. HAR **supports** House Concurrent Resolution 24 requesting the Auditor to conduct a follow-up sunrise review to sunrise analysis: condominium association managers, Report No. 05-10, which analyzed the regulation of condominium association managers.

HAR recognizes the vital role that association managers play in overseeing repairs and projects, managing finances and accounting, and ensuring resident safety in condominiums. These associations are typically led by volunteer boards who may lack specialized expertise in property management. Since the last sunrise analysis was conducted in 2005, condominium-related issues have evolved significantly. As such, a follow-up sunrise review of the licensure requirements for association managers can help ensure they have the necessary qualifications to effectively support and protect these communities.

Mahalo for the opportunity to testify on this measure.

Testimony of the Hawai'i Real Estate Commission

**Before the
House Committee on Consumer Protection & Commerce
Thursday, March 20, 2025
2:00 p.m.
Conference Room 329 and Videoconference**

**On the following measure:
H.R. 23, REQUESTING THE AUDITOR TO CONDUCT A FOLLOW-UP SUNRISE
REVIEW TO SUNRISE ANALYSIS: CONDOMINIUM ASSOCIATION MANAGERS,
REPORT NO. 05-10, WHICH ANALYZED THE REGULATION OF CONDOMINIUM
ASSOCIATION MANAGERS**

Chair Matayoshi and Members of the Committee:

My name is Derrick Yamane, and I am the Chairperson of the Hawai'i Real Estate Commission (Commission). The Commission supports this resolution.

The purpose of this resolution is to request the Auditor to conduct a follow-up sunrise review to Sunrise Analysis: Condominium Association Managers, Report No. 05-10, which analyzed the regulation of condominium association managers.

While the Auditor's 2005 sunrise review concluded that the regulation of condominium association managers was unwarranted, the concerns raised over the past twenty years suggest the need for a follow-up sunrise review. The Commission believes that a follow-up review would be an appropriate and necessary step in identifying potential solutions to ongoing issues.

Thank you for the opportunity to testify on this concurrent resolution.

HCR-24

Submitted on: 3/17/2025 4:41:00 PM

Testimony for CPC on 3/20/2025 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Elliot Miles	Individual	Support	Written Testimony Only

Comments:

Good idea. I look forward to reading the results of this study as I feel there is some shady things going on.

HCR-24

Submitted on: 3/18/2025 9:40:54 PM

Testimony for CPC on 3/20/2025 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Jessica Herzog	Individual	Support	Remotely Via Zoom

Comments:

HCR 24 & HR 23 - Support with Amendments

While HCR 24 & HR 23 correctly acknowledge the ongoing concerns regarding condominium association managers, the scope is too limited. A simple review of past legislation is not enough—we need real legislative action.

I strongly recommend the following amendments to strengthen HCR 24/HR 23 and ensure meaningful reforms:

- 1. Mandatory Licensing and Certification for ALL Condominium Association Managers**
 - Every individual condominium association manager must be licensed as a real estate professional and subject to continuing education requirements.
 - Without this, we are allowing unqualified individuals to control millions of dollars in homeowner assets with little to no oversight.
- 2. Fidelity Bonding Requirements for All Managing Agents**
 - Currently, only management firms are required to hold fidelity bonds, leaving individual managers without financial accountability.
 - Every person handling condominium funds should be bonded to ensure that homeowners have financial protection against theft and fraud.
- 3. Independent Oversight: Creation of a State HOA Office Under the Attorney General's Consumer Protection Division**
 - Managing agents and board members must be held accountable for breaches of fiduciary duty, financial misconduct, and unethical behavior.
 - A State HOA Office should have the authority to fine, sanction, or remove managing agents or board members who engage in fraud or negligence.
 - This would serve as a direct point of contact for homeowners who are suffering from mismanagement and lack of enforcement at the state level.
- 4. Separation of Financial Control from Management Companies**
 - No single management company should have both banking and management authority over association funds.
 - All accounting and financial management functions must be handled by independent, licensed professionals to prevent conflicts of interest and financial abuse.

Why This Matters

The condominium industry has long operated in a way that **favors powerful management companies over individual homeowners**. This has led to:

- **Embezzlement and fraud with little to no accountability**
- **Neglect of property maintenance, leading to financial loss for owners**
- **Retaliation against board members who demand transparency**
- **Homeowners feeling powerless against an industry that protects itself first**

If the Legislature truly wants to protect homeowners, it must not only approve HCR 24/HR 23 but amend it to include real safeguards such as licensing, bonding, and oversight.

Final Thoughts

Homeowners deserve a safe, stable, and financially secure living environment. I urge lawmakers to take decisive action by strengthening HCR 24/HR 23 and introducing real regulatory protections that will hold managing agents and boards accountable.

Thank you for your time and commitment to homeowner protections.

Mahalo nui loa,

Jessica Herzog

Condo Owner, Notary Public

Member of the National Association of Parliamentarians

mssc403@gmail.com | 707.340.5786

For more on our grassroots movement to reform condo laws please visit:

<https://www.leewardrepair.com/2025/01/26/regulatory-bills/>

HCR-24

Submitted on: 3/19/2025 10:12:48 AM

Testimony for CPC on 3/20/2025 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Jeff Sadino	Individual	Support	Written Testimony Only

Comments:

Please pass these Resolutions.

**House of Representatives
The Thirty-Third Legislature
Committee on Consumer Protection & Commerce
Thursday, March 20, 2025
2:00 p.m.**

To: Representative Scot Z. Matayoshi, Chair
Re: HCR 24 / HR 23

Aloha Chair Scot Z. Matayoshi, Vice-Chair Cory M. Chun, and Members of the Committee,

Mahalo for the opportunity to testify in support of Resolutions HCR 24 and HR 23.

A condominium association is usually governed by a board of directors who typically are volunteers with limited time and without the expertise necessary to properly run the association's business. Consequently, most associations retain the services of managers who, for compensation, implement the association's governing documents which govern the operations of the association; oversee the common elements of the association; administer the financial aspects of the association including contracts with third party providers of goods and services utilized by the association such as insurance coverage; and advise, supervise, and direct association activities.

In Hawaii, these managers go by many different monikers but those *individuals* who represent managing agents (e.g., Associa Hawaii fka Certified Management, Hawaiian Properties fka National Mortgage Real Estate Company/International Trust) are often mistakenly called "property managers," reflecting the managing agents' history as managers of rental (residential) or leased (commercial) properties.

Report No. 05-10, *2005 Sunrise Analysis: Condominium Association Managers*,¹ referred to LY 2003 SB 1454 to clarify the definition of condominium association managers as:

"any *person* employed or retained by a managing agent for the purposes of managing the operation of the property."

However, it is unclear if LY 2003 SB 1454 utilized the definition of "*person*" as found in HRS 514A²:

"Person" means an individual, firm, corporation, partnership, association, trust, or other legal entity, or any combination thereof.

The later recodification that produced HRS 514B³ uses this definition:

¹ <https://files.hawaii.gov/auditor/Reports/2005/05-10.pdf>

² <https://cca.hawaii.gov/pvl/files/2013/08/514A-CPR-081919.pdf>

³ <https://cca.hawaii.gov/reb/files/2025/01/514B-CONDOMINIUMS-Final-250116.pdf>

"Person" means an individual, firm, corporation, partnership, association, trust, or other legal entity, or any combination thereof.

The definition of "person" is significant because some previous Chairs of legislative committees erroneously thought that all the individuals who managed these associations were licensed when only "managing agents" were required to be licensed.

The term, "community association manager" is used for those who manage condominium and other common-interest homeowners associations by the Community Associations Institute (CAI)⁴ that more specifically defines the manager as an *individual*:

"A community association manager will have the knowledge, ethics, professionalism, and skills with verifiable experience in financial, administrative, and facilities management in at least one community association, either commercial or residential. The community association manager must be compensated for providing professional guidance and assistance to the board of directors of any association managed by that community association manager, whether the *individual* is acting as an full-time independent contractor, as an employee of a management firm, or as a general manager or executive director of a common interest development."

It has been twenty years since Report No. 05-10, *Sunrise Analysis: Condominium Association Managers* concluded that the regulation of condominium association managers was unnecessary because there was "little evidence of harm."

However, these past twenty years have demonstrated that the regulation of condominium association managers is necessary because the absence of regulation has caused substantial injury to the entire state of Hawaii, a harm that the State Auditor did not foresee in 2005.

For example, the origins of the current condominium insurance crisis can be traced to poor association management and governance, enabled by unregulated condominium association managers.

Condominium association managers escape accountability for their actions because they typically claim that they take instructions from the associations' boards despite the directors' reliance on these managers for their supposed expertise. This lack of accountability has cascading consequences such as:

- Insufficient reserves
- which caused building maintenance to be deferred or ignored,

⁴ <https://www.caionline.org/professional-credentials/professional-community-association-manager/#:~:text=A%20community%20association%20manager%20will,of%20a%20common%20interest%20development.>

- which then leads to and exacerbates insurance problems, harms property value, and potentially endangers the safety and health of residents;
- High insurance premiums or reduced insurance coverage
- that have led to the inability to finance condo units for purchase or refinance to utilize equity,
- which, in turn, have led to liens or threats of liens against some owners; and
- Condominium resale values have declined year over year.⁵

The current multidimensional insurance crisis is just one of the many symptoms of the harm faced by the public and demonstrates the need for regulation of condominium association managers.

Less globally, the Toni Floerke theft incident,⁶ the Marco Polo fire,⁷ and the more recent Makaha Surfside theft⁸ had less consequences beyond the associations that were directly afflicted. However, these incidents also illustrate the need for regulation of condominium association managers.

In Hawaii, condominium association managers are not required to fulfill any educational or skill requirements and are not required to be licensed although the magnitude of their responsibilities demand accountability. Compare this to Alaska, California, Connecticut, Florida, Georgia, Illinois, Nevada, and Virginia which require some form of licensing of community association managers. Recently, Maryland and New York were also studying enacting licensure requirements.

In Hawaii, only one person from every managing agent (i.e., a management company) is required to be licensed and that licensure is as a *real estate* broker whose education requirements are inadequate for the needs of a professional association manager.

“While licensure of real estate brokers, agents or property managers protects consumers in sales transactions, it does not protect consumers during the ongoing management and operation of community associations.”⁹

The four largest residential managing agents in Hawaii are Hawaiiana Management, Associa Hawaii (fka Certified Management), Hawaiian Properties, and Touchstone Properties.

As of the date of this testimony, Hawaiiana Management’s website¹⁰ states, “Hawaiiana is the largest association management company in Hawaii, with over 750 properties under contract, representing over 120,000 units state-wide.” Despite their magnitude of their responsibilities,

⁵ <https://www.locationshawaii.com/learn/market-reports/oahu-real-estate-report/>

⁶ <https://www.staradvertiser.com/2015/10/28/breaking-news/woman-sentenced-to-year-in-jail-for-stealing-from-homeowner-groups-2/>

⁷ <https://www.staradvertiser.com/2018/07/12/breaking-news/families-of-marco-polo-fire-victims-to-sue-property-managers-condo-board/>

⁸ <https://www.civilbeat.org/2023/10/this-waianae-condo-development-has-lost-hundreds-of-thousands-of-dollars-to-embezzlement/>

⁹ <https://www.caionline.org/advocacy/public-policies/manager-licensing-and-model-legislation/>

¹⁰ <https://hmcmtg.com/about/>

Hawaiiana Management has only two employees licensed as Real Estate Salespersons or Real Estate Brokers,¹¹ of which one is specifically designated as a Principal Broker.

Associa Hawaii continues to be licensed as “Certified Management Inc” (RB-16152) and only two of its employees are licensed as Real Estate Brokers, of which one is designated as its Principal Broker.¹²

Hawaiian Properties has fourteen (14) employees are licensed as Real Estate Salespersons or Real Estate Brokers, including one designated as its Principal Broker.¹³

Touchstone Properties has three employees licensed as Real Estate Salespersons or Real Estate Brokers of which one is designated as the Principal Broker.¹⁴

Currently, there are only 112 “CAI credentialed professionals”¹⁵ that oversee Hawaii’s vast population of common interest communities. Less than half of the credentialed individuals are directly affiliated with a “managing agent” and of those, sixteen (16) are individuals at Hawaiiana Management, sixteen (16) at Associa, ten (10) at Hawaiian Properties, and five (5) at Touchstone Properties, the four largest “managing agents” in Hawaii.

The rest of these “credentialed professionals” are companies, resident or general managers, hotel and timeshare companies’ employees, association attorneys, reserve specialists, and insurance specialists.

Hawaii’s population of real estate licensed association managers and “credentialed professionals” is dwarfed by the enormity of their responsibilities and is proportionately minuscule compared to the population of common interest communities.

Additionally, some of the observations by the Auditor’s Office in 2005 were less than accurate:

At that time, there was a dispute resolution program called “Condo Court” about which the Auditor reported that there was “no request for hearings.” However, this lack was caused by the DCCA’s failure to adequately notify the condominium community of the availability of this program. The DCCA’s reliance on disinterested managing agents to disseminate information about the program culminated in “no request.” With no knowledge of this ADR option, condominium owners could not consider or request Condo Court.

Regarding the compensation of condominium association managers, the Auditor reported, “The average pay of a Hawaii manager who services several condominium properties is reported to be about \$50,000.”

¹¹ <https://mypvl.dcca.hawaii.gov/public-license-details/?licenseId=RB-13476-0>

¹² <https://mypvl.dcca.hawaii.gov/public-license-details/?licenseId=RB-16152-0>

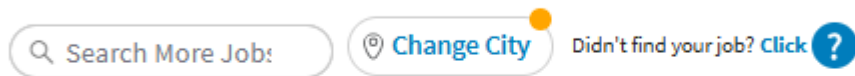
¹³ <https://mypvl.dcca.hawaii.gov/public-license-details/?licenseId=RB-8372-0>

¹⁴ <https://mypvl.dcca.hawaii.gov/public-license-details/?licenseId=RB-15260-0>

¹⁵ <https://www.caionline.org/directory-of-credentialed-professionals/?searchText=&state=HI&credential=&sortDirection=asc&sortBy=lastname&page=12>

Compensation should not be a factor in ascertaining whether regulation of a profession should be required. However, if legislators consider compensation as a factor, then it should be noted that since 2005, things have changed, and the following report from a third-party source reflects community association managers' compensation in Hawaii in 2025:¹⁶

Community Association Manager Salary in Honolulu, Hawaii



How much does a Community Association Manager make in Honolulu, HI? The average Community Association Manager salary in Honolulu, HI is **\$139,577** as of March 01, 2025, but the salary range typically falls between **\$118,785** and **\$159,262**. Salary ranges can vary widely depending on many important factors, including **education**, certifications, additional skills, **the number of years** you have spent in your profession. With more online, real-time compensation data than any other website, Salary.com helps you determine your exact pay target.

Mahalo for the opportunity to testify in support of HCR 24 and HR 23 to request an updated sunrise review regarding the regulation of condominium association managers. The regulation of condominium association managers will alleviate one of the root causes of the current insurance crisis and help to ameliorate other problems that harm the residents and owners of Hawaii's many condominium associations.

¹⁶ <https://www.salary.com/research/salary/listing/community-association-manager-salary/honolulu-hi>

HCR-24

Submitted on: 3/20/2025 10:28:38 AM

Testimony for CPC on 3/20/2025 2:00:00 PM

LATE

Submitted By	Organization	Testifier Position	Testify
Gregory Misakian	Individual	Support	Remotely Via Zoom

Comments:

I support HCR24 and HR23, but much more needs to be done.

This year, like others, many of our legislators have again ignored the seriousness of issues negatively impacting condominium owners throughout Hawaii.

I ask this Committee and our legislators to please stop disregarding and disrespecting condominium owners, and please ensure bills meant to help them are not only introduced, but are "scheduled" for hearings.

An Ombudsman's Office for condominium associations is urgently needed.

Gregory Misakian