

JAN 26 2011

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# A BILL FOR AN ACT

RELATING TO CONDOMINIUMS.

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

1 SECTION 1. Section 514A-95.1, Hawaii Revised Statutes, is  
2 amended by amending subsection (a) to read as follows:

3 "(a) Each condominium project or association of apartment  
4 owners having more than five apartments shall:

5 (1) Secure a fidelity bond in an amount equal to \$500  
6 multiplied by the number of apartments, to cover all  
7 officers, directors, employees, and managing agents of  
8 the association of apartment owners who handle,  
9 control, or have custody of the funds of the  
10 association of apartment owners; provided that the  
11 amount of the fidelity bond required by this paragraph  
12 shall not be less than \$20,000 nor greater than  
13 \$100,000. The fidelity bond shall protect the  
14 association of apartment owners against fraudulent or  
15 dishonest acts by persons, including any managing  
16 agent, who have access to the funds of the association  
17 of apartment owners. An association of apartment  
18 owners shall act promptly and diligently to recover



1 from the fidelity bond required by this section. An  
2 association of apartment owners that is unable to  
3 obtain a fidelity bond may seek approval for an  
4 exemption or a bond alternative from the commission.  
5 The commission shall adopt rules establishing the  
6 conditions and terms for which it may grant an  
7 exemption or a bond alternative, or permit  
8 deductibles. Failure to obtain or maintain a fidelity  
9 bond in compliance with this chapter and the rules  
10 adopted pursuant thereto, including failure to provide  
11 current evidence of the fidelity bond coverage in a  
12 timely manner to the commission, shall result in non-  
13 registration or the automatic termination of the  
14 registration, unless an approved exemption or a bond  
15 alternative is presently maintained. Current evidence  
16 of a fidelity bond includes a certification statement  
17 from an insurance company registered with the  
18 department of commerce and consumer affairs certifying  
19 that the bond is in effect and meets the requirement  
20 of this section and the rules adopted by the  
21 commission;



1           (2) Register with the commission through approval of a  
2           completed registration application, payment of fees,  
3           and submission of any additional information set forth  
4           by the commission. Beginning June 30, 1997, the  
5           registration shall be for a biennial period with  
6           termination on June 30 of an odd-numbered year. The  
7           commission shall prescribe a deadline date prior to  
8           the termination date for the submission of a completed  
9           reregistration application, payment of fees, and any  
10          additional information set forth by the commission.  
11          Any condominium project or association of apartment  
12          owners that has not met the submission requirements by  
13          the deadline date shall be considered a new applicant  
14          for registration and subject to initial registration  
15          requirements. Any new condominium project or  
16          association of apartment owners shall register within  
17          thirty days of the association of apartment owners'  
18          first meeting. If the association of apartment owners  
19          has not held its first meeting within one year after  
20          the recordation of the purchase of the first apartment  
21          in the condominium project, the developer or  
22          developer's affiliate or the managing agent shall



1 register on behalf of the unorganized association of  
2 apartment owners and shall comply with this section,  
3 except the fidelity bond requirement for association  
4 of apartment owners. The public information required  
5 to be submitted on any completed application form  
6 shall include but not be limited to evidence of and  
7 information on fidelity bond coverage, names and  
8 positions of the officers of the association, the name  
9 of the association of apartment owners' managing  
10 agent, if any, the street and the postal address of  
11 the condominium, and the name and current mailing  
12 address of a designated officer of the association of  
13 apartment owners where the officer can be contacted  
14 directly;

15 (3) Submit data on the number of leasehold units in the  
16 condominium project or association of apartment owners  
17 and the appraised value of each of the leasehold  
18 units;

19 ~~(3)~~ (4) Pay a nonrefundable application fee and, upon  
20 approval, an initial registration fee or a  
21 reregistration fee, and the condominium education  
22 trust fund fee pursuant to section 514B-72 and rules



1           adopted by the director of commerce and consumer  
2           affairs pursuant to chapter 91;

3       ~~[(4)]~~ (5) Register or reregister and pay the required fees  
4           by the due date. Failure to register or reregister or  
5           to pay the required fees by the due date shall result  
6           in the assessment of a penalty equal to the amount of  
7           the registration or reregistration fee; and

8       ~~[(5)]~~ (6) Report immediately in writing to the commission  
9           any changes to the information contained on the  
10          registration or reregistration application, the  
11          evidence of the fidelity bond, or any other documents  
12          set forth by the commission. Failure to do so may  
13          result in termination of registration and subject the  
14          condominium project or the association of apartment  
15          owners to initial registration requirements."

16       SECTION 2. Section 514B-103, Hawaii Revised Statutes, is  
17       amended by amending subsection (a) to read as follows:

18       "(a) Each project or association having more than five  
19       units shall:

20       (1) Secure and maintain a fidelity bond in an amount for  
21       the coverage and terms as required by section  
22       514B-143(a) (3). An association shall act promptly and



1           diligently to recover from the fidelity bond required  
2           by this section. An association that is unable to  
3           obtain a fidelity bond may seek approval for an  
4           exemption, a deductible, or a bond alternative from  
5           the commission. Current evidence of a fidelity bond  
6           includes a certification statement from an insurance  
7           company registered with the department of commerce and  
8           consumer affairs certifying that the bond is in effect  
9           and meets the requirement of this section and the  
10          rules adopted by the commission;

11          (2) Register with the commission through approval of a  
12          completed registration application, payment of fees,  
13          and submission of any other additional information set  
14          forth by the commission. The registration shall be  
15          for a biennial period with termination on June 30 of  
16          each odd-numbered year. The commission shall  
17          prescribe a deadline date prior to the termination  
18          date for the submission of a completed reregistration  
19          application, payment of fees, and any other additional  
20          information set forth by the commission. Any project  
21          or association that has not met the submission  
22          requirements by the deadline date shall be considered



1 a new applicant for registration and be subject to  
2 initial registration requirements. Any new project or  
3 association shall register within thirty days of the  
4 association's first meeting. If the association has  
5 not held its first meeting and it is at least one year  
6 after the recordation of the purchase of the first  
7 unit in the project, the developer or developer's  
8 affiliate or the managing agent shall register on  
9 behalf of the association and shall comply with this  
10 section, except for the fidelity bond requirement for  
11 associations required by section [†]514B-143(a)(3)[†].  
12 The public information required to be submitted on any  
13 completed application form shall include but not be  
14 limited to evidence of and information on fidelity  
15 bond coverage, names and positions of the officers of  
16 the association, the name of the association's  
17 managing agent, if any, the street and the postal  
18 address of the condominium, and the name and current  
19 mailing address of a designated officer of the  
20 association where the officer can be contacted  
21 directly;



- 1        (3) Submit data on the number of leasehold units in each
- 2        project or association and the appraised value of each
- 3        of the leasehold units;
- 4        [~~+3~~] (4) Pay a nonrefundable application fee and, upon
- 5        approval, an initial registration fee, a
- 6        reregistration fee upon reregistration and the
- 7        condominium education trust fund fee, as provided in
- 8        rules adopted by the director of commerce and consumer
- 9        affairs pursuant to chapter 91;
- 10       [~~+4~~] (5) Register or reregister and pay the required fees
- 11       by the due date. Failure to register or reregister or
- 12       pay the required fees by the due date shall result in
- 13       the assessment of a penalty equal to the amount of the
- 14       registration or reregistration fee; and
- 15       [~~+5~~] (6) Report promptly in writing to the commission any
- 16       changes to the information contained on the
- 17       registration or reregistration application or any
- 18       other documents required by the commission. Failure
- 19       to do so may result in termination of registration and
- 20       subject the project or the association to initial
- 21       registration requirements."

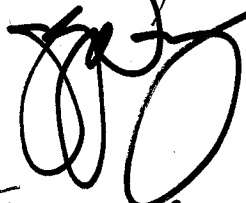





1 SECTION 3. Statutory material to be repealed is bracketed  
2 and stricken. New statutory material is underscored.

3 SECTION 4. This Act shall take effect upon its approval.  
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INTRODUCED BY: Card Fukunaga

  
Suzanne Chun

  
Rosaly H. Sal



**Report Title:**

Condominiums; Leasehold; Reporting Requirements

**Description:**

Requires condominium projects or associations of apartment owners to submit with their biennial registrations with the real estate commission data on the number of leasehold units in a project or association and their appraised value.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

