

Honolulu, Hawaii

February 18, 2015

RE: H.B. No. 271
H.D. 1

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Eighth State Legislature
Regular Session of 2015
State of Hawaii

Sir:

Your Committee on Economic Development & Business, to which was referred H.B. No. 271 entitled:

"A BILL FOR AN ACT RELATING TO TIME SHARING,"

begs leave to report as follows:

The purpose of this measure is to assist time share purchasers and time share developers by:

- (1) Providing cancellation rights to persons who contract to buy short-term products that grant a time-limited right to time share accommodations in Hawaii under Hawaii's time share law; and
- (2) Allowing for the disbursement prior to closing of purchasers' funds to a developer provided that the developer first posts a bond, letter of credit, or other financial assurance.

The American Resort Development Association and Wyndham Vacation Ownership testified in support of this measure. The Department of Commerce and Consumer Affairs and the Regulated Industries Complaints Office of the Department of Commerce and Consumer Affairs provided comments.

In Hawaii, and across the nation, many time share developers offer short-term products that allow prospective time share buyers to explore the time share experience on a trial basis. Some other



states have adopted laws providing a seven-day right of cancellation to short-term product buyers. Your Committee finds that this right of cancellation provides the consumer with an opportunity to explore the time share experience while providing them protections should the buyer determine to cancel the purchase within a reasonable amount of time.

Your Committee finds that under current law, a developer who constructs a time share project must hold a time share buyer's funds in escrow after the seven-day cancellation period has passed until the project is completed and closing has occurred. While the developer may remove the funds from escrow, this option is only available under very limited circumstances. This requirement places significant amounts of money, potentially tens of millions of dollars, in escrow for months at a time. This measure addresses this issue by allowing a developer to use time share buyers' funds to develop a project; provided that the developer first posts a bond, letter of credit, or other financial assurance. Your Committee finds that protection of a time share buyer's funds with third party assurance gives the consumer ample protection if a project is not completed, while granting the developer access to funds to cover construction costs.

While your Committee does understand the concerns raised by the Department of Commerce and Consumer Affairs, your Committee finds that this measure is a work in progress that deserves further consideration and that these concerns can be discussed further as this measure continues through the legislative process.

Your Committee has amended this measure by changing its effective date to February 19, 2025, to encourage further discussion.

As affirmed by the record of votes of the members of your Committee on Economic Development & Business that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 271, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 271, H.D. 1, and be referred to the Committee on Consumer Protection & Commerce.



Respectfully submitted on
behalf of the members of the
Committee on Economic
Development & Business,



DEREK S.K. KAWAKAMI, Chair



State of Hawaii
House of Representatives
The Twenty-eighth Legislature

HSCR 290

Record of Votes of the Committee on Economic Development & Business

Bill/Resolution No.: HB 271	Committee Referral: EDB.CPC	Date: 10 Feb 15		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
EDB Members	Ayes	Ayes (WR)	Nays	Excused
1. KAWAKAMI, Derek S.K. (C)	✓			
2. KONG, Sam Satoru (VC)	✓			
3. BROWER, Tom	✓			
4. CACHOLA, Romy M.		✓		
5. CHOY, Isaac W.	✓			
6. ITO, Ken	#(4)			✓
7. OHNO, Takashi	✓			
8. ONISHI, Richard H.K.		✓		
9. TOKIOKA, James Kunane	✓			
10. TSUJI, Clift	✓			
11. WOODSON, Justin H.	✓			
12. MATSUMOTO, Lauren Kealohilani	✓			
13. WARD, Gene	✓			
TOTAL (13)	10	2		1
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <div style="text-align: center; font-size: 10pt;">committee acronym(s)</div>				
Vice Chair's or designee's signature: <u><i>Samuel S. King</i></u>				
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