

STAND. COM. REP. NO.

960

Honolulu, Hawaii

MAR 24 2015

RE: H.B. No. 271
H.D. 2

Honorable Donna Mercado Kim
President of the Senate
Twenty-Eighth State Legislature
Regular Session of 2015
State of Hawaii

Madam:

Your Committee on Tourism and International Affairs, to which was referred H.B. No. 271, H.D. 2, entitled:

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

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Provide cancellation rights to persons who contract to buy a short-term product in Hawaii; and
- (2) Allow disbursement of purchasers' funds to a developer; provided that the developer first posts a bond or letter of credit.

Your Committee received testimony in support of this measure from the American Resort Development Association Hawaii, Marriott Vacations Worldwide Corporation, Wyndham Vacation Ownership, and Starwood Vacation Ownership. Your Committee received comments on this measure from the Professional and Vocational Licensing Division and Regulated Industries Complaints Office of the Department of Commerce and Consumer Affairs.

Your Committee finds that short-term products are intended to allow a potential time share buyer the opportunity to stay in a time share resort on a trial basis. If the buyer decides to proceed with a purchase, some or all of the amount paid by the buyer for the short-term product is typically credited toward the purchase price of the time share interest. Under existing law,

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there is a seven-day rescission right for the sale of a time share interest, but this rescission right does not apply to sales of short-term products. This measure proposes cancellation rights for persons who contract to buy a short-term product in Hawaii.

Your Committee further finds that under existing law, when a buyer purchases a time share that is in the development stage, the purchaser's funds may be placed in escrow and disbursed to the developer to cover construction costs. However, if the developer defaults, due to the use of subordination clauses in the purchase contract, the buyer's rights are subordinated to the rights of the construction lender. To overcome this disadvantage, other states have adopted laws permitting a time share developer to use buyer deposits upon posting a bond, letter of credit, or other financial assurance. Similarly, this measure allows disbursement of purchasers' funds to a developer if the developer first posts a surety bond or letter of credit.

As affirmed by the record of votes of the members of your Committee on Tourism and International Affairs that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 271, H.D. 2, and recommends that it pass Second Reading and be referred to the Committee on Commerce and Consumer Protection.

Respectfully submitted on
behalf of the members of the
Committee on Tourism and
International Affairs,



GILBERT KAHELE, Chair



The Senate
 Twenty-Eighth Legislature
 State of Hawai'i

Record of Votes
Committee on Tourism and International Affairs
TSI

Bill / Resolution No.:* <i>HB 271 HD 2</i>	Committee Referral: <i>TSI, CPN</i>	Date: <i>03-18-15 LH</i> <i>03-18-15</i>
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The Committee is reconsidering its previous decision on this measure.
 If so, then the previous decision was to: _____

The Recommendation is:

Pass, unamended 2312 Pass, with amendments 2311 Hold 2310 Recommit 2313

Members	Aye	Aye (WR)	Nay	Excused
KAHELE, Gilbert (C)				✓
ENGLISH, J. Kalani (VC)	✓			
TANIGUCHI, Brian T.	✓			
TOKUDA, Jill N.	✓			
SLOM, Sam				✓
TOTAL	<i>3</i>	<i>0</i>	<i>0</i>	<i>2</i>

Recommendation: Adopted Not Adopted

Chair's or Designee's Signature: 

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*Only one measure per Record of Votes