

SB146 SD1- Condominiums; Alternative Dispute Resolution; Mediation

Aloha Honorable Chairs and Members of the Committee on Consumer Protection and Commerce,

My name is Jessica Herzog, and I am here to share my personal experience with condominium mismanagement, embezzlement, retaliation, slander, and harassment—an experience that, unfortunately, is far from unique. Across Hawai'i, hundreds of thousands of condo owners and residents are trapped in a system that enables corruption and financial abuse. This is not just a story of individual misconduct; it is a systemic failure that demands immediate legislative action.

After uncovering embezzlement within my own association, I began reaching out to legislators just last year. In doing so, I encountered countless other owners who have been fighting for the same reforms for over two decades. Despite their tireless efforts, nothing has changed. This is not merely a failure of individual condo boards or management companies, it is a legislative failure, perpetuated by inaction and a lack of accountability. **It is time for this committee to acknowledge this failure and take meaningful steps to correct it.**

For decades, condo owners have called for the establishment of a proper State Condo Commission with the authority to investigate fraud, remove corrupt board members, and enforce financial transparency. Instead, we are presented with yet another weak bill that prioritizes the interests of the industry over the consumers who fund it. SB146 SD1, as written, lacks the enforcement power necessary to protect homeowners. It is yet another gift to the very industry that preys on us.

The question before this committee is simple: Will you stand up to the industry and make a difference, or will you continue the legacy of legislative failure?? If you are serious about addressing this issue, you must either create a proper regulatory commission or go back to the drawing board and give this bill the enforcement power it so desperately needs.

Critical Amendments Needed

1. Establish a State HOA Office with Enforcement Authority

This office should be housed under the Consumer Protection Division of the Attorney General's Office and equipped with the power to investigate misconduct, impose fines, and remove corrupt board members or management companies. Homeowners need an enforcement body—not another mediation process that wastes time and money while abuse continues unchecked.

2. Provide Direct Legal Interventions for Homeowners Facing Retaliation and Mismanagement

Condo owners who report fraud or mismanagement should not be forced to pay for arbitration or mediation just to have their voices heard. The State HOA Office must have the authority to intervene on behalf of owners who face retaliation for demanding financial accountability.

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3. Mandate the Separation of Financial and Property Management Roles

Association funds must be managed by licensed accountants, not property managers who benefit from conflicts of interest. No single entity should control both finances and property management—this is a direct invitation for fraud and abuse.

Why SB146 SD1 Falls Short

While this bill provides structured mediation and arbitration, it **fails to create accountability for condo boards and management firms that abuse their power**. Condo owners must be protected *before* mismanagement leads to financial devastation, not merely given an alternative dispute resolution process *after* the damage has already been done.

Final Thoughts

Hawai'i's condo owners deserve real protections, not empty bureaucracy. This committee has a duty to stand up to the industry and finally put homeowners first. Strengthen this bill with the enforcement powers it needs or please have the courage to reject it outright and demand stronger legislation. If you truly care about the people of this state, then give us an enforcement body with real power—not another delay tactic that benefits only the condo management industry.

Furthermore, **I strongly urge the legislature to form a citizen Task Force or Advisory Committee to reevaluate the entire system.** Hawai'i does not need another committee stacked with insiders who have a vested interest in maintaining the status quo. *We need a Task Force composed of those who have suffered under this broken system—because only those who have lived through it truly understand how to fix it.* There is an **inherent conflict of interest** when those who benefit from this broken system are the ones tasked with reforming it.

This failed experiment by developers to create a separate government for homeowners needs to be completely reevaluated. If you truly wish to serve the masses rather than the handful in the industry, then you must ensure that any new commission is driven by those who have experienced the real consequences of mismanagement—not those who profit from it. As a well qualified condo owner with prior public service experience, I offer to volunteer and participate should you see fit to take such bold action in support of your constituents.

Mahalo for your time and consideration. I am eager to discuss this further and provide additional testimony to any interested representative on this bipartisan issue.

Respectfully,

Jessica Herzog

Condo Owner, Notary Public

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