

Senate Commerce Committee

Angela Leach 271-3077

HB 502, relative to the availability of condominium financial information to unit owners.

Hearing Date: April 4, 2017

Members of the Committee Present: Senators Innis, French, Lasky and Soucy

Members of the Committee Absent : Senator Sanborn

Bill Analysis: This bill requires condominium associations to make certain financial information available to unit owners.

Sponsors:

Rep. Webb	Rep. Rouillard	Rep. Umberger
Rep. Kotowski	Rep. Pantelakos	Rep. Baroody
Rep. M. MacKay	Rep. Forest	Rep. Abbott
Rep. Patten	Rep. Almy	Sen. Carson
Sen. Reagan	Sen. Avar	

Who supports the bill: Representative Jim Webb, Representative John Hunt, Representative Susan Almy, Representative Ed Comeau, Senator Sharon Carson, Senator Kevin Avar, Bob Quinn- NH Realtors, Erik Newman-American Resort Development Association

Who opposes the bill: No one

Summary of testimony presented:

Representative Jim Webb (PRIME) - This bill is a result of several study committees. I own a couple of condo units on Ossipee Lake and when we had our annual meeting, I requested financial information. I wasn't able to get that information even a year later. I have two mortgages on the place that I didn't know about. I find this out at the annual meeting but they don't tell me how much the mortgage is or how much the payments are or what the interest rate is. Anytime you manage someone's money, then you have a responsibility, the association is 459 units. Taking in \$1.5 million a year. I thought this should be transparent. On line 12 is a section about contracts because I couldn't get a copy of our contract. Line 17, access to the names of direct employees, references only direct employees, or if there is an employee that related to one of the board of directors you have to disclose that at the annual meeting. Section 24, is in reference to copies of all minutes. The association may elect to provide it electronically. If someone else is managing your money then you should know where it is going.

Senator Lasky- This is clearly long overdue. Would you believe?

Representative Webb- I never owned a condo before, basically says that it has to stay consistent year to year. There is a store in our association, the store is losing \$90,000 dollars

per year. The copies of last year's minutes said they lost only \$3,000.

Erik Newman- American Resort Development Association (Support with Amendment) Trade group that represents timeshare developers and owners. Throughout this process the association has been very supportive of transparency. The governance provision was cumulated in a substantial piece of legislation last year. There is a small piece in this legislation that creates a problem for the timeshare interest. A time share could have 52 owners in any given unit which could have unintended negative effects. This is the case with respect to the mandatory disclosure of employee's salary information. Many of the condominiums that have timeshares essentially they function as a resort hotel. When the owners aren't using their unit they may have a rental agreement with the association or through the management company that allows them to rent out their unit for the night to any member of the public. As a result they may have full staff such as housekeeping, front desk staff or restaurant staff. Whereas most condominiums that don't have that timeshare component would just have a couple of direct employees. In many cases, this violates our internal policies of disclosure of employee compensation information. Offered proposed amendment that only applies to condominiums with timesharing interest which is a defined term in statute. If you are condominium with timeshare interests you would be exempt from the disclosure of the salary information unless the board of directors consented to the disclosure of that information. The amendment changes section 3 line 19- "except at time sharing condominiums where direct employees' salaries shall be confidential unless disclosure is consented..."

Senator Lasky- could you just change the "shall" to a "may"?

Erik Newman-If you changed that word then it would be applicable to all condominiums.

Representative Susan Almy (Support)- Since we started the condominium committee, we've faced major opposition from the state branch of the national organization for adding regulations into the condo industry as it relates to governance. They were claiming that there was no problem except for discontent. As we meet we found more and more condos around the state that were having severe conflict between the membership and the board and the property manager. There are a number of things that cause problems, a lot of the boards that have been operating the old way have decided that the new law doesn't apply to them because there isn't a penalty attached. The only way to enforce this by the members is to go to Superior Court which costs at least \$20,000. These aren't just people's money, these are people's homes. Many of the condo owner have downsized or it is their first place and don't have the finances. This is a pretty serious situation.

Future Action: Pending

AJL

Date Hearing Report completed: April 6, 2017