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**WRITTEN ONLY**  
TESTIMONY BY LUIS P. SALAVERIA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE HOUSE COMMITTEE ON FINANCE  
ON  
HOUSE BILL NO. 807, H.D. 1

**February 21, 2025**  
**12:00 p.m.**  
**Room 308 and Videoconference**

RELATING TO CONDOMINIUMS

The Department of Budget and Finance (B&F) offers comments on this bill.

House Bill (H.B.) No. 807, H.D. 1: 1) establishes the Condominium Loan (CL) Program (CLP) within the Hawai'i Green Infrastructure Authority (HGIA) for the purpose of providing qualified condominium associations with low-cost financing, or refinancing of loans previously obtained, for maintenance or repair projects; 2) establishes the CL Revolving Fund (CLRF) to provide loans for the CLP, provide credit enhancements, and pay the CLP administrative costs; 3) requires the CLRF to be audited at least once annually by a certified public accountant and for HGIA to submit annual reports to the Legislature; and 4) establishes the CL Loss Reserves Program (CLLRP) within HGIA for the purpose of incentivizing community development financial institutions to provide loans to condominium associations to make necessary repairs and maintenance by covering potential losses arising from a loan default. This measure also appropriates an unspecified amount of general funds in FY 26 and FY 27 for deposit into the CLRF; and appropriates an unspecified amount of revolving fund ceiling for the CLRF in FY 26 and FY 27.

First, B&F notes that HGIA may not be the appropriate agency to administer the CLP and the CLLRP. HGIA's purpose is to provide low-cost financing for green infrastructure projects to accelerate the State's transition to clean energy. It is unclear how the repair and maintenance of condominiums relate to this mission.

Second, prior to the establishment of such a major loan program or loan loss reserve program, assessments and/or studies should be carried out to collect the data necessary to determine its feasibility and/or identify other solutions to address financing difficulties for condominium associations. Without knowing crucial information such as the total number of condominiums, facility ages, insurance statuses, previously completed capital improvement projects, etc., it is difficult to determine whether it would be feasible for the State to establish the CLP and the CLLRP, much less how much funding they would need to ameliorate the condominium insurance issue in Hawai'i. Furthermore, given that many projects will likely cost millions or even tens of millions of dollars each, any appropriated amount for the CLP or the CLLRP will likely only benefit a very limited number of condominium associations.

Lastly, as a matter of general policy, B&F does not support the creation of any revolving fund, which does not meet the requirements of Section 37-52.4, HRS. Revolving funds should: 1) serve a need as demonstrated by the purpose, scope of work, and an explanation why the program cannot be implemented successfully under the general fund appropriation process; 2) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries or a clear link between the program and the sources of revenue; 3) provide an appropriate means of financing for the program or activity; and 4) demonstrate the capacity to be financially self-sustaining. Regarding H.B. No. 807, H.D. 1, it is difficult to determine whether the proposed CLRF would be self-sustaining.

Thank you for your consideration of our comments.

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GOVERNOR

SYLVIA LUKE  
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**Hawaii Green Infrastructure Authority**

An Agency of the State of Hawaii

JAMES KUNANE TOKIOKA  
CHAIR

GWEN S YAMAMOTO LAU  
EXECUTIVE DIRECTOR

Testimony of  
**Gwen Yamamoto Lau**  
Executive Director  
**Hawai'i Green Infrastructure Authority**  
before the  
**HOUSE COMMITTEE ON FINANCE**  
Friday, February 21, 2025, 12:00 PM  
State Capitol, Conference Room 308  
in consideration of  
**House Bill No. 807, HD1**  
**RELATING TO CONDOMINIUMS**

Chair Yamashita, Vice Chair Takenouchi, and Members of the Committee:

Thank you for the opportunity to testify on HB 807, HD1 relating to condominiums. The Hawai'i Green Infrastructure Authority (HGIA) **supports** this bill which establishes the Condominium Loan and Condominium Loan Loss Reserves Programs administered by HGIA.

With approximately 55% of all condo units in Hawaii built prior to 1980<sup>1</sup>, there are a significant number of 40+-year old condominium projects requiring replacements, upgrades and retrofits, including re-piping, spalling, window and railing replacements, and fire alarms<sup>2</sup>, etc., all of which are costly and complicated. Additionally, there are a number of condominium projects on the secondary market's "unavailable list" already negatively impacting over 30,000 units, due to inadequate insurance coverage and other issues, elevating the urgency of this situation.

Similar to secondary market lenders financing condo mortgages, commercial lenders<sup>3</sup> typically require full insurance coverage before issuing loans for condo upgrades and retrofits. This bill will enable HGIA to provide much needed financing for condominium associations to fund essential repairs and address deferred maintenance and structural issues to enhance its insurability, which in turn will enable buyers of individual units to access secondary mortgage financing.

<sup>1</sup> "Why Hawaii's Aging Condos Can't Afford to Defer Maintenance," First Insurance Company of Hawaii, January 5, 2004.

<sup>2</sup> "A Condominium Can Last Hundreds of Years, But Not Its Components," Hawaii Business Magazine, August 31, 2020.

<sup>3</sup> Including C-PACE lenders.

Additionally, in collaboration with the banking industry, this bill would enable HGIA to provide credit enhancements to lenders, mitigating their risks and enabling them to provide loans at competitive rates and terms to condominium associations to make necessary repairs.

We support the measure so long as it does not adversely impact priorities identified in Executive Budget Request for FY2026. Thank you for this opportunity to provide comments and testify in support of HB 807, HD1.



DATE: February 21, 2025

TO: Representative Kyle T. Yamashita  
Chair, Committee on Finance

FROM: Mihoko Ito / Tiffany Yajima

RE: **H.B. 807 H.D.1 – Relating to Condominiums**  
**Hearing Date: Friday, February 21, 2025 at 12:00 p.m.**  
**Conference Room: 308**

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Dear Chair Yamashita and Members of the Committee on Finance:

We submit this testimony on behalf of the Hawaii Bankers Association (HBA). HBA represents seven Hawai'i banks and one bank from the continent with branches in Hawai'i.

HBA **supports the intent of H.B. 807 H.D.1.** This bill seeks to: 1) establish within the Hawai'i Green Infrastructure Authority the Condominium Loan Program to provide qualified condominium associations with low-cost financing or refinancing on previously obtained loans for maintenance or repair projects and 2) establish the Condominium Loan Loss Reserves Program to incentivize community development financial institutions into providing loans at competitive rates and terms to condominium associations for the purpose of allowing condominium associations to make necessary maintenance or repairs.

This program proposes to provide loans for repair and maintenance purposes to condominium associations that are unable to secure full replacement value insurance for their properties. The program has two components: 1) a direct state loan program, and 2) a credit enhancement program which involves a public/private partnership with community development financial institutions.

HBA believes that creating these new loan programs will help condominiums address some of the repair and maintenance issues that are related to insurability issues. This is important because the high cost of insurance premiums for condominiums has resulted in condominium boards electing to reduce the amount of insurance coverage of condominiums to less than one hundred percent (100%) replacement coverage. Unfortunately, this has had the unintended consequence of impacting mortgage loans for condominium units, because federal guidelines on Fannie Mae and Freddie Mac prohibit these

entities from purchasing mortgages on condominium units that are insured at less than full replacement coverage.

**HBA met with the Green Infrastructure Authority to amend this overall loan program to be workable - that language is now reflected in the H.D.1 and includes, among other things: 1) loan eligibility criteria for the state loan program and 2) public private partnerships with community development financial institutions.**

HBA respectfully requests that the Committee continue to use the language in H.B. 807, H.D.1. This would provide an avenue for condominiums to address deferred maintenance issues that are contributing to condominium insurability issues.

We look forward to continuing to work with policymakers to develop solutions that serve both condominium owners and the broader financial ecosystem. Thank you for the opportunity to submit this testimony.

**HB-807-HD-1**

Submitted on: 2/19/2025 9:38:48 PM

Testimony for FIN on 2/21/2025 12:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Marcia Kimura	Individual	Support	Written Testimony Only

Comments:

I am in favor of this measure, at a critical time when exorbitant insurance cost increases strain the resources of associations which find it difficult to budget repair and improvement projects.

**HB-807-HD-1**

Submitted on: 2/19/2025 9:48:07 PM

Testimony for FIN on 2/21/2025 12:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
lynne matusow	Individual	Support	Written Testimony Only

Comments:

I am a condo owner and resident. This is an important bill. It provides a source of funds to associations and their hundreds of thousands of members who would otherwise be unable to make necessary repairs or do necessary maintenance. Please move it forward,

**HB-807-HD-1**

Submitted on: 2/20/2025 9:37:33 PM

Testimony for FIN on 2/21/2025 12:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Jacob Wiencek	Individual	Support	Written Testimony Only

Comments:

Aloha Committee Members,

I am glad to see this bill continue to advance in the legislative process. As a Director for my condo association's board (where I currently serve as Treasurer), I see first hand how financially straining renovations can be. Condo associations are straining to fund and obtain financing for critical renovation projects.

I strongly urge this Committee to SUPPORT this bill!