



Testimony of
Gwen Yamamoto Lau
Executive Director
Hawai'i Green Infrastructure Authority
before the
HOUSE COMMITTEE ON COMMERCE PROTECTION & COMMERCE
Wednesday, February 5, 2025, 2:00 PM
State Capitol, Conference Room 329
in consideration of
House Bill No. 807
RELATING TO CONDOMINIUMS

Chair Matayoshi, Vice Chair Chun, and Members of the Committee:

Thank you for the opportunity to testify on HB 807 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 1980¹, 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 alarms², 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 lenders³ 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.

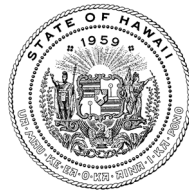
¹ "Why Hawaii's Aging Condos Can't Afford to Defer Maintenance," First Insurance Company of Hawaii, January 5, 2004.

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

³ 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.



JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LIEUTENANT GOVERNOR

LUIS P. SALAVERIA
DIRECTOR

SABRINA NASIR
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
Ka 'Oihana Mālama Mo'ohelu a Kālā
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT

WRITTEN ONLY
TESTIMONY BY LUIS P. SALAVERIA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON PROTECTION AND COMMERCE
ON
HOUSE BILL NO. 807

February 5, 2025
2:00 p.m.
Room 329 and Videoconference

RELATING TO CONDOMINIUMS

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

House Bill (H.B.) No. 807: 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 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.

Third, B&F notes that Part I, Section 4, of the measure's proposed HRS chapter authorizes moneys in the CLRF to be expended for providing loans and credit enhancements in accordance with this part; however, Part I does not include the CLLRP, so there may be an issue with utilizing the CLRF for the CLLRP, as required in Part II, Section 11, of the proposed HRS chapter without corrections.

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, 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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GOVERNMENT STRATEGIES

A LIMITED LIABILITY LAW PARTNERSHIP

DATE: 2/4/2025

TO: Representative Scot Matayoshi
Chair, Committee on Consumer Protection & Commerce

Representative Cory Chun
Vice Chair, Committee on Consumer Protection & Commerce

FROM: Mihoko Ito / Tiffany Yajima

RE: **H.B. 807 – Relating to Condominiums**
Hearing Date: Wednesday, February 5, 2025 at 2:00 p.m.
Conference Room: 329

Dear Chair Matayoshi, Vice Chair Chun, and Members of the Committee on Consumer Protection & Commerce:

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 with amendments. This bill seeks to 1) establish the Condominium Loan Program to provide condominium associations with low-cost financing, or refinance previously obtained loans, for maintenance or repair projects, 2) establish the Condominium Loan Loss Reserves Program to incentivize lenders into providing loans at competitive rates and terms to condominium associations for the purpose of allowing condominium associations to make necessary maintenance or repairs and 3) appropriate funds.

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 banks.

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 supports making this program workable and believes that it would provide an avenue for condominiums to address deferred maintenance issues that are contributing to condominium insurability issues.

In order for the state loan and credit enhancement programs to succeed, HBA believes that some of the details in the program need to be fleshed out further in both programs, including the eligibility criteria, loss coverage provisions and allocation of risk between the state and participating financial institutions, among other things.

HBA is willing to work with the Green Infrastructure Authority to make this a workable program that can help condominiums with repair and maintenance issues. We have reached out to the Green Infrastructure Authority and look forward to further discussions on the language of this bill.

For these reasons, we support H.B. 807 but respectfully ask the Committee to allow us time to work with interested stakeholders on this measure. Thank you for the opportunity to submit this testimony.

LATE

TESTIMONY OF
LARRY S VERAY

TO THE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

IN STRONG SUPPORT OF HB807

RELATED TO CONDOMINIUMS

February 4, 2025

Aloha, Chair Matayoshi; Vice Chair Chun and committee members. I am Larry Veray, Chairman for the Pearl City Neighborhood Board No. 21 and President of Waiiau Gardens Kai-B AOA in Pearl City. I am submitting this testimony as an individual. **I am in STRONG SUPPORT OF HB807.**

Our condominium associations in Pearl City are in great need for a condominium loan program to support associations with low-cost financing or to refinance previously obligated loans for major emergency maintenance and repair projects that were not planned for in the Reserve Studies. Unexpected failures of elevators, swimming pool cracks, roof leaks, water pipe breaks and some needing replacement of parking lot asphalt seal due to unexpected major water damage. This loan program will positively impact numerous low to middle income individuals, families and our senior citizens who are struggling to make ends meet with increasing maintenance fees and potential assessments for these types of emergency conditions. This program will be a great resource to the board of directors of our condominium associations who do not have adequate reserve funds in their bank for these emergency conditions.

Please approve funding for HB807 loan program for our condominium associations.
Mahalo!

Larry S. Veray

HB-807

Submitted on: 2/3/2025 5:40:12 PM

Testimony for CPC on 2/5/2025 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Jacob Wiencek	Individual	Support	Written Testimony Only

Comments:

Aloha Committee Members,

As a condo owner and director on my condo association's board (where I serve as treasurer), I'm on the frontlines of ensuring a well maintained physical building. Keeping up with maintenance, and planning and financing projects is a major challenge. Rising costs, delays, and persistently elevated interest rates continue to impose punishing financial costs on owners, many of whom are unable to bear the costs.

With the hope that this program can provide a financially sustainable path to improved maintenance projects, I urge this Committee to SUPPORT this bill!

HB-807

Submitted on: 2/4/2025 8:29:16 AM

Testimony for CPC on 2/5/2025 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Greg Misakian	Individual	Comments	Remotely Via Zoom

Comments:

Much more needs to be known about this proposal.

HB-807

Submitted on: 2/4/2025 10:49:06 AM

Testimony for CPC on 2/5/2025 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
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.