



STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAI'I
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS

NADINE Y. ANDO
DIRECTOR | KA LUNA HO'OKELE

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GOVERNOR | KE KIA'ĀINA
SYLVIA LUKE
LIEUTENANT GOVERNOR | KA HOPE KIA'ĀINA

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Testimony of the Department of Commerce and Consumer Affairs

Before the
House Committee on Finance
Wednesday, April 3, 2024
2:15 p.m.
Via Videoconference & Conference Room 308

On the following measure:
S.B. 2727, S.D. 2, H.D.1, RELATING TO CONDOMINIUMS.

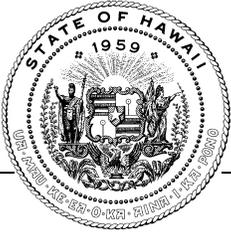
Chair Nakashima and Members of the Committee:

My name is Nadine Ando and I am the Director of the Department of Commerce and Consumer Affairs (Department). The Department supports this bill.

The purpose of this bill is to allow high-rise residential condominium properties to be eligible for commercial property assessed financing.

The Department appreciates and supports the intent of the bill to provide financing for projects for condominium associations with six or more units and encourages continued communication between condominium associations and their owners of financing undertaken for projects.

Thank you for the opportunity to testify on this bill.



**STATE OF HAWAII
OFFICE OF PLANNING
& SUSTAINABLE DEVELOPMENT**

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

MARY ALICE EVANS
DIRECTOR

235 South Beretania Street, 6th Floor, Honolulu, Hawaii'i 96813
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Statement of
MARY ALICE EVANS, Director

before the
HOUSE COMMITTEE ON FINANCE
Wednesday, April 3, 2024
2:15 PM
State Capitol, Conference Room 308

in consideration of
BILL NO SB2727, SD2, HD1
RELATING TO CONDOMINIUMS.

Chair Yamashita, Vice Chair Kitagawa, and Members of the House Committee on Finance:

The Office of Planning and Sustainable Development (OPSD) **supports** SB2727, SD2, HD1. which allows condominiums to be eligible for commercial property assessed financing.

Use of commercial property-assessed financing (C-PACER) to fund qualified capital improvements was authorized by the Legislature in Act 183, Session Laws of Hawaii 2022. C-PACER financing can help property owners finance the installation of critical fire safety, energy efficiency, renewable energy, water conservation, and resiliency measures at more attractive rates and terms than may be available with conventional financing.

However, the current statute does not clearly specify whether residential condominium properties can be considered commercial properties for the purpose of using C-PACER financing to make these types of improvements. This bill clarifies that intent and eligibility, so that condominium properties can use C-PACER financing to make their buildings safer and more sustainable.

Thank you for the opportunity to testify on this measure.



Testimony of
Gwen Yamamoto Lau
Executive Director
Hawai'i Green Infrastructure Authority
before the
HOUSE COMMITTEE ON FINANCE
Wednesday, April 3, 2024, 2:15 PM
State Capitol, Conference Room 308
in consideration of
Senate Bill No. 2727, SD2, HD1
RELATING TO CONDOMINIUMS

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

Thank you for the opportunity to testify on SB 2727, SD2, HD1 relating to condominiums. The Hawai'i Green Infrastructure Authority (HGIA) **supports** this bill which will allow condominiums to be eligible for the commercial property assessed financing program.

Act 183, SLH 2022 authorizing commercial property assessed financing also known as Commercial Property Assessed Clean Energy & Resiliency (C-PACER) in Hawaii was signed into law on June 27, 2022. C-PACER is a commercial financing program and the statute requires lender consent. Because this financing mechanism is a voluntary special assessment similar to a property tax, each County must pass an ordinance approving C-PACER and enter into a Memorandum of Agreement with HGIA.

The City & County of Honolulu passed Bill 56 on December 6, 2023 authorizing C-PACER to finance qualifying improvements on eligible properties. As the bill was being heard by the Committees and City Council, it became evident that this financing program could also benefit Condominiums in need of installing fire safety measures or upgrading resiliency, energy and/or water efficiency measures, by providing longer terms over the useful life of the equipment being installed, thereby making this financing option more affordable to condo owners.

Special assessments will not be placed on the real property tax bills of the individual condo owners and will therefore not interfere with mortgages over said units being sold in the secondary market. C-PACER may in fact help make condos become or remain insurable by providing the financing needed to make necessary upgrades and repairs, thereby assisting our local banks, credit unions and mortgage bankers, as their mortgages over units in these projects will be or remain eligible for sale in the secondary market.

In 2023, C-PACE financing helped bridge the financing gap on a Los Angeles County commercial real estate project, replacing more expensive debt and improving the cash flow of the project: <https://www.bizjournals.com/losangeles/news/2023/05/01/c-pace-financing-program-helps-bridge-la-cre-proje.html>.

In a meeting with the Hawaii Bankers Association, Hawaii Credit Union League, and Mortgage Bankers Association, we agreed on and respectfully request the following changes to the bill:

SECTION 2. Section 196-61, Hawaii Revised Statutes, is amended as follows:

1. By adding a new definition to be appropriately inserted to read:
"Property owner" or "owner" means the owner or owners of record of commercial property, except that in the case of a condominium, "owner" shall mean the condominium association and not the owner or owners of individual residential condominium units."
2. By amending the definition of "commercial property" to read as follows:

"Commercial property" means [any]:

- (1) Any existing or new non-residential real property [not defined as a residential property, and shall include], including any property where there is a leasehold or possessory interest in the property[and any];
- (2) Any multi-family dwelling or townhouse consisting of five or more units[as well as agricultural];
- (3) Any condominium organized under chapter 514B consisting of six or more units; provided that individual residential condominium units shall not be considered commercial property and shall be ineligible to apply for commercial property assessed financing under this part; or
- (4) Agricultural property."

SECTION 3. Section 196-64.5, Hawaii Revised Statutes, is amended by amending subsection (b) and (c) (6) to read as follows:

"(b) The authority, as the administrator of the commercial property assessed financing program, shall coordinate with each county to bill and collect a non-ad valorem special tax assessment on a benefitted commercial property, or in the case of a

condominium, an assessment against the condominium association, as a repayment mechanism on the real property tax bill or stand-alone bill. The non-ad valorem special tax assessment on a benefitted commercial property shall not be a generally applicable tax upon the real property but shall be collected in the same manner as real property taxes as a result of a benefit to the commercial property owners for qualifying improvements.

Subsection (c)

- "(6) Before entering into a commercial property assessed financing assessment contract for any commercial property, the commercial property owner shall~~[-provide]~~:
- (A) (i) Provide the authority and the commercial property assessed financing lender with evidence of the written consent of each holder or loan servicer of any mortgage that encumbers or otherwise secures the commercial property, where the consent is in the sole and absolute discretion of each holder or loan servicer of a mortgage on the commercial property, at the time of the execution of the commercial property assessed financing assessment contract by the parties; provided that the consents shall be in a form prescribed by the authority; and
- (ii) For a commercial property that is a condominium organized under chapter 514B, or preceding state law governing condominium property regimes, as an alternative to clause (i), the condominium association shall provide the authority and the commercial property assessed financing lender with evidence of the written consent of each creditor with a valid Uniform Commercial Code financing statement or mortgage recorded with the bureau of conveyances that encumbers or otherwise

secures the condominium, where the consent is in the sole and absolute discretion of each creditor, at the time of the execution of the commercial property assessed financing assessment contract by the parties; provided that the consents shall be in a form prescribed by the authority."

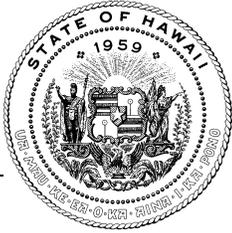
SECTION 4. Section 514B-4, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

"(b) If there is any unit owner other than a developer, each unit shall be separately taxed and assessed, and no separate tax or assessment [~~may~~] shall be rendered against any common elements. The laws relating to home exemptions from state property taxes are applicable to individual units, which shall have the benefit of home exemption in those cases where the owner of a single-family dwelling would qualify. Property taxes assessed by the State or any county shall be assessed and collected on the individual units and not on the property as a whole. Commercial property assessed financing program non-ad valorem special tax assessments, pursuant to section 196-64.5, may be imposed upon the project, as described by the project's master deed, declaration, and map pursuant to part III of this chapter; provided that a commercial property assessed financing contract is entered into by a condominium association with an approved commercial property assessed financing lender and the authority. Without limitation of the foregoing, each unit and its appurtenant common interest shall be deemed to be a "parcel" and shall be subject to separate assessment and taxation for all types of taxes authorized by law, including[~~7~~] but not limited to [~~7~~] other non-commercial property assessed financing program special assessments."

SECTION 7. Section 514B-146(a)(1), Hawaii Revised Statutes, is amended to revert back to its original language as follows:

- (1) Liens for real property taxes and assessments lawfully imposed by governmental authority against the unit; and

Thank you for this opportunity to testify in support of SB 2727, SD2, HD1.



HAWAII STATE ENERGY OFFICE STATE OF HAWAII

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JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

MARK B. GLICK
CHIEF ENERGY OFFICER

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Testimony of
MARK B. GLICK, Chief Energy Officer

before the
HOUSE COMMITTEE ON FINANCE

Wednesday, April 3, 2024
2:15 PM
State Capitol, Conference Room 308 and Videoconference

In Support of
SB 2727, SD2, HD1

RELATING TO CONDOMINIUMS.

Chair Yamashita, Vice Chair Kitagawa, and members of the Committee, the Hawai'i State Energy Office (HSEO) supports SB 2727, SD2, HD1, that allows condominiums to be eligible for commercial property assessed financing (C-PACER).

HSEO's testimony is guided by its statutory duties under HRS §196-72, in which the Chief Energy Officer of the Hawai'i State Energy Office shall "coordinate the State's energy programs with ... the political subdivisions of the State, departments of the State" and "assist public agencies in the implementation of ... energy resilience."

The increased financing resources made available by this measure could allow participants to improve their facilities with loans for safety and energy upgrades, thus achieving several public objectives more quickly and potentially at a reduced cost. Nationwide, over \$4 billion have been invested in over 2,000 C-PACER projects,¹ and prior to 2019 only one C-PACER project defaulted.²

HSEO is supportive of the modification proposed by HGIA.

Thank you for the opportunity to testify.

¹ <https://www.epa.gov/statelocalenergy/commercial-property-assessed-clean-energy>

² <https://eta-publications.lbl.gov/sites/default/files/epace-special-assessmentv3.pdf>

DEPARTMENT OF BUDGET AND FISCAL SERVICES
KA 'OIHANA MĀLAMA MO'OHELU A KĀLĀ
CITY AND COUNTY OF HONOLULU

530 SOUTH KING STREET, ROOM 208 • HONOLULU, HAWAII 96813
PHONE: (808) 768-3900 • FAX: (808) 768-3179 • WEBSITE: honolulu.gov/budget

RICK BLANGIARDI
MAYOR
MEJA



ANDREW T. KAWANO
DIRECTOR
PO'O

CARRIE CASTLE
DEPUTY DIRECTOR
HOPE PO'O

April 2, 2024

The Honorable Kyle T. Yamashita, Chair
The Honorable Lisa Kitagawa, Vice-Chair
and Members of the Committee on Finance
State Capitol
415 South Beretania Street
Honolulu, Hawai'i 96813

Dear Chair Yamashita, Vice-Chair Kitagawa and Committee Members:

SUBJECT: Testimony with Concerns on Senate Bill 2727, SD2, HD1 (2024)
Hearing: April 3, 2024 at 2:15 p.m., Conference Room 308 and
via Videoconference

The Department of Budget and Fiscal Services, City and County of Honolulu ("BFS") appreciates the opportunity to testify and provide comments on Senate Bill 2727, SD2, HD1 (2024) ("SB 2727"), Relating to Condominiums. SB 2727 would allow real property submitted to a condominium property regime ("condominium project") to qualify for commercial property assessed clean energy and resiliency ("C-PACER") financing by amending the definition of "commercial property" in Section 196-61, Hawaii Revised Statutes ("HRS").

BFS understands that the Hawaii Green Infrastructure Authority and the local banking stakeholders proposed enabling amendments to House Bill 2801, HD1, SD1 ("HB 2801 SD1") which would provide appropriate safeguards for both C-PACER lenders and borrowers in Honolulu while expanding the availability of such financing to condominium projects. BFS supported the proposed amendments set forth in House Bill 2801, SD1, and would support an HD2 to SB 2727 which incorporates the same or similar amendments reflected in HB 2801, SD1.

BFS does not oppose the concept of including condominium projects in the list of commercial properties eligible for C-PACER financing, so long as the levying, collecting and foreclosing of C-PACER assessments are conducted by the condominium associations in accordance with HRS Chapter 514B. However, SB 2727's proposed amendment to the definition of "commercial property" does not so comply.

The intent of SB 2727 is to allow condominium projects to be eligible for C-PACER financing, but that intent is contradicted by SB 2727's amendment. SB 2727 amends the

The Honorable Kyle T. Yamashita, Chair
The Honorable Lisa Kitagawa, Vice-Chair
and Members of the Committee on Finance
April 2, 2024
Page 2

“commercial property” definition to mean “any existing or new non-residential real property,” then describes “non-residential real property” as “including” both residential and non-residential types of properties:

“Commercial property” means any existing or new non-residential real property [~~not defined as a residential property, and shall include~~], including any property where there is a leasehold or possessory interest in the property [~~and~~], any multi-family dwelling or townhouse consisting of five or more units, and any condominium regime having units in a building that is not less than _____ feet in height, as well as agricultural property.”

BFS is concerned that the proposed amended definition of “commercial property” is confusing, includes terms that contradict one another, and may cause future disputes among financial institutions, mortgage companies, borrowers, litigants and the public in general. If SB 2727 is not amended to an HD2 which incorporates the same or similar amendments reflected in HB 2801 SD1, then BFS proposes the following amendments to clearly and concisely identify the eligible types of properties under the definition of “commercial property”:

“Commercial property” means:

- (1) any existing or new non-residential real property [~~not defined as a residential property, and shall include~~], including any property where there is a leasehold or possessory interest in the property; [~~and~~]
- (2) any multi-family dwelling or townhouse consisting of five or more units;
- (3) any condominium regime with one or more buildings that are not less than _____ feet in height; and
- (4) [~~as well as~~] agricultural property.”

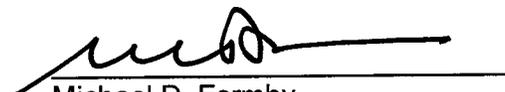
BFS believes that the above-suggested delineation of the types of properties falling within the definition of “commercial property” in HRS § 196-61 is consistent with the intent expressed in SB 2727.

Thank you for the opportunity to provide testimony.

Sincerely,


Andrew T. Kawano
Director

APPROVED:


Michael D. Formby
Managing Director

TESTIMONY OF ALISON UEOKA

COMMITTEE ON FINANCE
Representative Kyle T. Yamashita, Chair
Representative Lisa Kitagawa, Vice Chair

Wednesday, April 3, 2024
2:15 p.m.

SB 2727, SD2, HD1

Chair Yamashita, Vice Chair Kitagawa, and members of the Committee on Finance, my name is Alison Ueoka, President of Hawaii Insurers Council. The Hawaii Insurers Council is a non-profit trade association of property and casualty insurance companies licensed to do business in Hawaii. Member companies underwrite approximately forty percent of all property and casualty insurance premiums in the state.

Hawaii Insurers Council **supports** the intent of the bill which is to allow condominium buildings to access C-PACER loans for the purpose of making their building more resilient. This can include installing fire sprinklers in individual units or re-piping their buildings. We believe that hundreds of condominium buildings are in need of such updates and repairs. Providing AOAOs financing options to improve their buildings will enhance insurability and can reduce insurance costs in the long run.

Thank you for the opportunity to testify.



Hawaii Solar Energy Association
Serving Hawaii Since 1977

**Testimony of the Hawaii Solar Energy Association (HSEA) Regarding SB2727 HD1, Relating to
Condominiums, Before the House Committee on Finance**

Wednesday, April 3, 2024

Dear Chair Yamishita, Vice Chair Kitagawa, and committee members,

The Hawaii Solar Energy Association (HSEA) **supports SB2727 HD1**, which allows high-rise condominium properties to be eligible for commercial property assessed financing.

HSEA members include the majority of locally owned and operated renewable energy companies doing business in the state of Hawaii along with leading global cleantech manufacturers and service providers that invest and sell in our market. We employ thousands of residents in diverse green economy jobs that are innovating, designing, and building Hawaii's pathway to a renewable energy future. We advocate for policies that help Hawaii achieve critical climate and resilience goals by enabling residents and businesses to invest in and benefit from the transition to clean energy.

Investments in renewable energy, energy efficiency, and other resiliency measures can bring system energy costs down, save money on utility bills, provide clean and resilient sources of power, and protect our communities and precious environment. There remain several difficult-to-reach market segments in Hawaii, including commercial, multi-family, and low-to-moderate income (LMI) communities. C-PACER offers an innovative, cost-effective financing solution for these types of measures, and as an island community, we need to increase the pace of investment in these necessary public policy priorities and needs. Ensuring that C-PACER type financing is also available for high-rise condominiums makes good sense.

Thank you for hearing this bill and providing the opportunity to testify in **support of SB2727 HD1**.

Respectfully,

/s/ Rocky Mould

Executive Director



HAWAII LABORERS-EMPLOYERS COOPERATION AND EDUCATION TRUST

650 Iwilei Road, Suite 285 · Honolulu, HI 96817 · Phone: 808-845-3238 · Fax: 808-845-8300

April 3, 2024

To: **State House Committee on Finance (FIN)**

Re: **Testimony on SB2727 HD1, Relating to Condominiums**

For FIN hearing on Wednesday, April 3, 2024 at 9:44 am in Conference Room 308

Aloha Honorable **Chair Yamashita, Vice Chair Kitagawa**, and House Finance Committee Members,

The **Hawaii Laborers & Employers Cooperation and Education Trust Fund** (Hawaii LECET) is a labor + management partnership established in 1992 between the 5,000 statewide members of the Hawaii Laborers Union and over 250 construction contractor members of the *General Contractors Association* and the *Building Industry Association*. The Laborers International is the largest construction trade union in North America, and Hawaii LECET is part of a network of 38 labor-management LECET Funds across the country.

Hawaii LECET supports SB2727 HD1, Relating to a Condominiums (C-PACER), to establish an alternative financing program to fund certain qualifying property improvements for condominiums and commercial properties.

SB2727 HD1 opens up more affordable vehicles for financing a wide range of clean-energy, environmental, resiliency, and green infrastructure projects, including state mandated cesspool conversions, retrofits for fire, flood, wind and other life safety improvements.

Thank you for this opportunity to offer our support for SB2727 HD1

Mahalo,

**Hawai'i Laborers & Employers
Cooperation and Education Trust Fund**

SB-2727-HD-1

Submitted on: 4/1/2024 4:27:15 PM

Testimony for FIN on 4/3/2024 2:15:00 PM

Submitted By	Organization	Testifier Position	Testify
Mike Golojuch, Sr.	Palehua Townhouse	Support	Written Testimony Only

Comments:

Our association supports SB2727. Please pass this bill.

Mike Golojuch, Sr, President



Email: communications@ulupono.com

HOUSE COMMITTEE ON FINANCE
Wednesday, April 3, 2024 — 2:15 p.m.

Ulupono Initiative supports SB 2727 SD2 HD1, Relating to Condominiums.

Dear Chair Yamashita and Members of the Committee:

My name is Micah Munekata, and I am the Director of Government Affairs at Ulupono Initiative. We are a Hawai'i-focused impact investment firm that strives to improve the quality of life throughout the islands by helping our communities become more resilient and self-sufficient through locally produced food, renewable energy and clean transportation choices, and better management of freshwater resources.

Ulupono supports SB 2727 SD2 HD1, which allows condominiums to be eligible for commercial property assessed financing (CPACE).

Ulupono believes that the Hawai'i Green Infrastructure Authority is well positioned to support the state with an expanded CPACE program, which will provide an additional tool for condominiums and commercial entities to finance infrastructure such as renewable energy projects, cesspool conversions, and agricultural water systems. Property owners can use this financing to cover costs of projects using no public dollars or taxpayer funds for said financing. According to the U.S. Department of Energy, more than 37 states plus the District of Columbia have CPACE-enabling legislation and more than \$2 billion in projects have been financed.

Thank you for the opportunity to testify.

Respectfully,

Micah Munekata
Director of Government Affairs

Investing in a Sustainable Hawai'i

SB-2727-HD-1

Submitted on: 4/1/2024 6:55:34 PM

Testimony for FIN on 4/3/2024 2:15:00 PM

Submitted By	Organization	Testifier Position	Testify
Richard Emery	Hawaii First Realty LLC	Support	Written Testimony Only

Comments:

SUPPORT.



Testimony of **Nicholas Zuba, Deputy Director, C-PACE Alliance, Inc.**

before the

HOUSE COMMITTEE ON FINANCE

Tuesday, April 3, 2024; Time: 2:15 PM HT

Conference Room 308 & Videoconference

Hawaii State Capitol

In **SUPPORT** of **Senate Bill No. 2727, SD2, HD1**, RELATING TO CONDOMINIUMS

Chair Yamashita, Vice Chair Kitagawa, and Members of the Committee,

Thank you for the opportunity to testify in support of **Senate Bill No. 2727**, which allows condominiums to be eligible for Commercial Property Assessed Clean Energy & Resiliency (C-PACER) financing.

My name is Nicholas Zuba, and I am the Deputy Director of C-PACE Alliance, Inc., a nonprofit business association that advocates for best practices in C-PACE programs. More than 30 U.S. states and the District of Columbia have adopted a C-PACE statute, facilitating over \$7 billion in financing from private entities for more than 2,300 properties.

Act 183, Session Laws of Hawaii 2022, which authorized C-PACER, was signed into law on June 27, 2022. C-PACER is a voluntary program that helps commercial property owners finance clean energy and resiliency improvements for their commercial properties in Hawaii. The financing provides several benefits to commercial property owners in making these improvements, including long term repayment, lower interest rates, and non-accelerating financing. The financing is secured by a non-ad valorem special tax assessment that is placed on the commercial property owner's tax bill or stand-alone tax bill. Before an assessment can be placed on the commercial property, lender consent by the mortgage holder(s) is required, which is already stipulated in the current statute.

In order for C-PACER financing to be provided to commercial property owners throughout Hawaii, each County must pass an ordinance and sign a Memorandum of Agreement with the program's administrator, the Hawaii Green Infrastructure Authority (HGIA). While working with Honolulu County's Council and its Committees, it became clear that condominiums could also benefit from this program to install allowable improvements, while availing themselves to the benefits of C-PACER financing.

C-PACER is a commercial financing program that can permit non-profit associations, such as homeowner associations, to use C-PACER. In this scenario, the individual unit owners will not be assessed special assessments on their real property bills; rather, it will be assessed upon the association, therefore not interfering with any mortgagees on those individual properties. The associations will be responsible to assess and collect the C-PACER assessment with the unit owners.

Condominiums appear to have a great need and can benefit tremendously from C-PACER. This amendment would allow C-PACER to be utilized to help solve the state's most important safety issue – fire protection – while also providing the association and unit owners with an affordable financing option to enhance the sustainability and resiliency of their properties throughout Hawaii.

Thank you for the opportunity to testify in support of Senate Bill No. 2727. We urge this committee to expedite its passage.



Testimony of

CastleGreen Finance, LLC
before the

**HOUSE OF REPRESENTATIVES
COMMITTEE ON FINANCE**

April 3, 2024, Time: 2:15 P.M.
State Capitol, Conference Room 308

In **SUPPORT** of
Senate Bill No. 2727, SD2, HD1
RELATING TO CONDOMINIUMS

Chair Yamashita, Vice Chair Kitagawa, and members of the Committee:

Thank you for the opportunity to testify in support of SB 2727, SD2, HD1 relating to condominiums. We urge the Committee to pass this bill which will allow condominiums to be eligible for the Hawaii commercial property assessed financing program.

Act 183, SLH 2022 authorizing commercial property assessed financing, also known as Commercial Property Assessed Clean Energy & Resiliency (C-PACER) in Hawaii was signed into law on June 27, 2022. Because this financing mechanism is a voluntary special assessment similar to a property tax, each County must pass an ordinance approving C-PACER. The City & County of Honolulu passed Bill 56 on December 6, 2023 authorizing C-PACER to finance qualifying improvements on eligible properties. Since that time it has become evident that condominiums could also benefit from C-PACER financing, given the existing need of such properties to make fire safety upgrades or other resiliency, energy, or water efficiency measure upgrades. Having a financing option like C-PACER available will provide condominium owners with a financing option that may provide more attractive financing terms than conventional financing.

As a C-PACE origination firm operating nationwide, in all areas with legislated and active C-PACE programs, CastleGreen provides access to private capital for energy efficiency, resiliency and renewable improvements that support the development of cleaner, safer and more efficient building stock. C-PACE financing has provided billions of dollars of private capital to property owners across the U.S.

Thank you for this opportunity to support SB 2727, SD2, HD1 to allow condominiums to benefit from the use of C-PACER financing.

2 April 2024

[REDACTED]

Testimony of Gaby Gilbeau submitted to the House Committee on Finance

[Support for Senate Bill 2727, SD2, HD1 relating to condominiums](#)

Thank you Chair Yamashita, Vice Chair Kitagawa and Members of the Committee for this opportunity to testify on SB2727, SD2, HD1, relating to condominiums.

Nuveen Green Capital is a national leader in sustainable commercial real estate financing solutions and an affiliate of Nuveen, the \$1T+ asset manager and wholly owned subsidiary of TIAA. We would like to share our **support** for Senate Bill 2727, SD2, HD1, which will make condominiums eligible for the commercial property assessed financing program.

C-PACE financing is a powerful tool for encouraging private investment in clean energy, energy efficiency, water conservation, and resiliency in the built environment. While facilitating sustainability efforts, the program reduces property owners' annual costs and provides dramatically better-than market financing for green new construction. As a leading C-PACE capital provider, our investments nationwide have resulted in an estimated \$1.62 billion and 2.6 million MWh in energy savings for program participants, created over 25,000 green-collar jobs, and reduced the carbon-equivalent of protecting 175 sq. miles of forest (roughly one-third the size of Oahu).

Nuveen Green Capital would like to see public benefits from C-PACE, like those mentioned above, realized for Hawaii via the C-PACE Program, as administered by the Hawaii Green Infrastructure Authority (HGIA). Through our efforts to establish the financing program in Honolulu, it became evident that C-PACE financing could be a valuable tool for installing fire safety, resiliency, energy and/or water efficiency measures in Hawaii's 1,600+ condominiums. With increasing costs of construction, inflation, supply chain issues and rising interest rates, C-PACE would expand the access these condominium buildings have to private capital to make critical infrastructure improvements.

Senate Bill 2727, SD2, HD1 would allow these condominium properties to access C-PACE capital for such projects without cost to the state or local governments: HGIA will be wholly responsible for billing and collection of C-PACE special tax assessments while private lenders such as Nuveen Green Capital will fund the investments. No state or local government dollars are placed at risk through this program.

We look forward to bringing C-PACE financing to Hawaii's condominiums upon the passage of Senate Bill 2727, SD2, HD1 and we thank this Committee for the opportunity to testify in support of this bill.

Thank you,

Gaby Gilbeau
Manager, Policy

[REDACTED]



AOAO at Pat's at Punalu'u

53-567 Kamehameha Hwy, #100
Punalu'u, Hawai'i 96717

Testimony of
J. Allen DeLaney-Kolby
President for the AOAO at Pat's at Punalu'u
before the
HOUSE COMMITTEE ON FINANCE

Wednesday, April 3, 2024, Time: 2:15 P.M.
State Capitol Conference Room 308 and Videoconference

In support of
Senate Bill No. 2727, SD2, HD1
RELATING TO CONDOMINIUMS

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

Mahalo for the opportunity to testify to provide comments on SB 2727, SD2, HD1.

The Association of Apartment Owners at Pat's at Punalu'u, affectionately known as Pat's at Punalu'u, extends our heartfelt gratitude for granting us the privilege to provide testimony and offer our enthusiastic support for SB 2727, SD2, HD1. This bill will allow condominiums to be eligible for Commercial Property Assessed Financing Program (also known as C-PACER), administered by the Hawaii Green Infrastructure Authority. We assert that C-PACER represents a pivotal opportunity to assist condominium association owners in meeting the mounting challenges and regulatory demands caused by climate change and health, fire, and safety requirements.

We aspire to restore Pat's at Punalu'u to its former glory and contribute to revitalizing our neighboring communities. However, the path to achieving this vision is fraught with substantial costs associated in complying with evolving standards and regulations. Pat's at Punalu'u is currently grappling with insurance premiums that have soared by over 25%, necessitating costly upgrades to our windows, roof, elevators, and electrical systems to meet stringent hurricane code requirements. We have diligently assessed and secured loans to replace our aging wastewater treatment system with an environmentally friendly state-of-the-art alternative. While we do our utmost to shoulder these financial burdens, the relentless rise in inflation, surging construction costs in Hawaii, supply chain disruptions, and rapidly escalating insurance rates threaten our progress. Furthermore, insurance companies press us to expedite our efforts, threatening to withdraw coverage if we do not meet their timelines. Adding to our concerns are the imperative fire safety regulations and the potential requirement for sprinkler systems.

☎: 833-808-Pats (7287)
✉: president@patsatpunaluu.com
🌐: www.patsatpunaluu.com

a place to dream awhile...



AOAO at Pat's at Punalu'u

53-567 Kamehameha Hwy, #100
Punalu'u, Hawaii 96717

The availability of funding "Equipment Financing" via special assessments similar to property tax payments, over an extended term, as facilitated by C-PACER, would significantly alleviate the financial strain on our owners. Among our community are numerous long-standing, fixed income kupuna whose dreams of living out their retirement at Pat's at Punalu'u hang in the balance. Without additional financing options like C-PACER, their dreams may be shattered.

As an AOAO on Oahu, we recognize that we are not alone in grappling with these formidable challenges. For example, the recent Maui wildfires and financial pressures on insurance companies and HECO will likely lead to substantial rate hikes that will impact the entire state. We express our gratitude for considering this initiative, which offers respite and viable avenues for us to explore.

In addition to the evident environmental advantages, the broad implementation of C-PACER has the potential to generate higher-paying jobs and yield a substantial positive economic impact on our North Shore community. The State's forward-thinking stance in adopting this financially sound method of financing will undoubtedly position the Legislature as conscientious leaders providing relief to condo owners.

We extend our most profound appreciation for this opportunity to wholeheartedly endorse this Bill. Pat's at Punalu'u enthusiastically supports this initiative, which promises a brighter, more sustainable future for our community, neighbors, and our beloved State. We urge the Legislature to do the same.

With utmost aloha,

FOR THE BOARD OF DIRECTORS'
OF AOAO OF PAT'S AT PUNALU'U

J Allen DeLaney-Kolby
President



Before the House Committee on Finance
Wednesday, April 3, 2024 at 2:15 p.m.

Testimony in Support of SB2727 SD2 HD1: Relating to Condominiums

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

Thank you for the opportunity to testify in support and provide comments on Senate Bill 2727 SD2 HD1.

Hawai'i Energy works to empower island families and businesses on behalf of the Hawai'i Public Utilities Commission (PUC) to make smart energy choices to reduce energy consumption, save money, and pursue a 100% clean energy future. Energy efficiency – the energy we do not use – is the cheapest option to help us achieve our 100% clean energy goal by eliminating waste and being more efficient.

This bill would allow condominiums to benefit from Commercial Property Assessed Clean Energy & Resiliency (C-PACER) financing, a voluntary program authorized by Act 183, Session Laws of Hawaii 2022, that helps commercial property owners finance qualified capital improvement projects. C-PACER financing can be utilized to install critical fire safety, renewable energy, water conservation, energy efficiency, and resiliency measures at more attractive rates and terms than might be available through conventional financing. What became clear, however, during the necessary City & County of Honolulu process last year to approve the use of C-PACER financing, is that the current statute does not clearly specify whether residential condominium properties can utilize C-PACER financing. Senate Bill 2727 SD2 HD1 makes that specification clear.

Senate Bill 2727 SD2 HD1 has the potential to simultaneously improve both safety and affordability for our residents, and we are thankful for the opportunity to support it.

Sincerely,
Caroline Carl
Executive Director
Hawai'i Energy



In Alliance with **Apollo**

300 Colorado St., Suite 2000, Austin, Texas 78701

O: 512.599.9037 ♦ **FAX:** 512.532.0792

Testimony of
Michael Yaki
Senior Vice President & Sr. Counsel
Petros PACE Finance LLC
before the
COMMITTEE ON FINANCE
Wednesday, April 3, 2024, 2:15 pm
State Capitol, Conference Room 308
in consideration of
SB 2727, SD2, HD1
RELATING TO CONDOMINIUMS

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

Thank you for the opportunity to testify on SB2727,SD2, HD1 relating to condominiums. I am writing on behalf of Petros PACE Finance, the nation's largest originator of commercial PACE financing in the country, and a leader in developing and innovating commercial PACE policy and programs.

We are writing in strong support of the principles underlying SB2727,SD2, HD1.

The City & County of Honolulu passed Bill 56 on December 6, 2023, authorizing C-PACER to finance qualifying improvements on eligible properties. As the bill was being heard by the Committees and City Council, it became evident that this financing program could also benefit Condominiums in need of installing fire safety measures or upgrading resiliency, energy and/or water efficiency measures, by providing longer terms over the useful life of the equipment being installed, thereby making this financing option more affordable to condo owners.

First, thank you for your support of HB 2088, which established C-PACER financing in Hawaii. I am pleased to report that interest is strong and we hope to report the first uses of C-PACER in the Hawaiian Islands before the end of the year.

Second, we support the comments made by HGIA with regard to changes required in the statute to deal with concerns regarding lender consent.

Third, we participated in meetings organized by the Hawaii Green Infrastructure Authority to meet with condominium association owners to hear their concerns about the need for affordable financing to meet new fire and safety measures for their existing buildings. There is an existing

challenge to helping condominiums because while there are common areas that utilize, for example, fire sprinkler systems, we are limited to only looking at multifamily structures as commercial providers. We believe the language proposed will allow C-PACER capital providers like us to work with condominium associations by creating an assessment “anchor” for the C-PACER financing to the condominium association, which owns the structure/common area. Since the association is a corporate entity, not residential unit, SB2727,SD1, HD1 bypasses this concern.

It is important to distinguish that because the CPACER assessment will attach to a parcel owned by a condo or homeowner association, it is attaching to a parcel owned by a corporate entity. This is not residential PACE. No unit will have a CPACER assessment on its property since that is prohibited by current law and not changed in this legislation. CPACER will be the same as any debt incurred by a condo or homeowner association for repair or upgrades to common areas -- a debt of the association, not an individual unit owner.

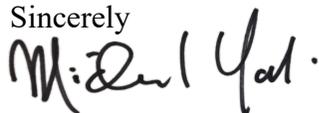
Finally, I wish to address the mistaken and wholly misplaced concerns raised by some who are invoking Los Angeles County’s (“LAC”) repeal of their PACE program as evidence of “issues” with commercial PACE.

First, the LAC program was residential only. There was no LAC commercial program. Secondly, the LAC program was its own independent program where LAC used their own bonding authority under California law. Residential PACE is already prohibited under current Hawaii law.

Commercial PACE, on the other hand, has continuously operated throughout LAC to the current day. Over 78 individual cities inside of LAC have authorized CPACE programs to operate. We have financed multiple projects, including just last year, within the boundaries of Los Angeles County. Any representation to the contrary is simply, unequivocally, false.

Thank you for your attention, and we are available to assist in any way.

Sincerely



MICHAEL YAKI

Senior Vice President & Sr. Counsel

Policy and Programs

Petros PACE Finance, LLC

SB-2727-HD-1

Submitted on: 4/2/2024 10:44:42 AM

Testimony for FIN on 4/3/2024 2:15:00 PM

Submitted By	Organization	Testifier Position	Testify
Mike Onofrietti	Island Insurance Companies	Support	Written Testimony Only

Comments:

Island strongly supports SB2727 which would allow condominium buildings to take advantage of C-PACER financing. Insurance has become increasingly expensive for condominium buildings due to insurability issues, mainly a lack of plumbing system updates and maintenance. Expensive life safety updates are also needed in many of these same buildings. C-PACER financing can be a lower-cost source of capital to perform these needed repairs and renovations.

Thank you for the opportunity to testify.

Wednesday, April 3, 2024, Time: 2:15 P.M.
in House conference room 308 VIA VIDEOCONFERENCE
In support of Senate Bill No. SB2727 SD2 HD1
RELATING TO CONDOMINIUMS

Dear Member of the Committee,

With heavy hearts, we, the Aina Nalu Homeowner Association, extend our support for bill no. SB2727 SD2 HD1 in the aftermath of the devastating West Maui fire tragically consumed our beloved community. As members of the largest housing development comprising 189 units, nestled in was the vibrant town of Lahaina, we are still grappling with the profound loss and uncertainty that this disaster has wrought upon us.

The destruction caused by the fire has left our development in ruins, rendering countless homes uninhabitable and shattering the sense of safety and security that once defined our community. In the wake of this tragedy, we find ourselves confronted with the daunting task of rebuilding our lives from the ashes, a task made all the more challenging by our limited insurance coverage and financial resources.

As we endeavor to chart a path forward, we are acutely aware of the urgent need to not only rebuild our homes but also to enhance their energy efficiency and fire resilience. The fire has underscored the importance of implementing measures that can mitigate the risk of future disasters and reduce our environmental impact.

In this time of crisis, we believe that the proposed funding to include condominiums in the Commercial Property Assessed Financing Program (C-PACER) represents a ray of hope amidst the darkness. By providing much-needed financial assistance to communities like ours, C-PACER has the potential to catalyze the adoption of energy-efficient materials and fire-resilient construction practices that are essential for our collective well-being and longevity.

The inclusion of our development in the C-PACER program would not only help us address the pressing environmental needs arising from the fire but also pave the way for the reconstruction of our community in a manner that prioritizes sustainability and resilience. Moreover, it would signal a powerful commitment to supporting those most affected by the fire and reaffirm our shared values of compassion, solidarity, and stewardship of the land.

As we embark on the long and arduous journey of rebuilding, we implore you to lend your support to the inclusion of our development in the C-PACER program. By doing so, you would not only provide much-needed assistance to our community but also help us build back stronger, safer, and more sustainable than ever before.

Thank you for your consideration and support during this challenging time.

Mahalo Nui Loa,



James R Blaha

President, Aina Nalu Board of Directors

Wednesday, April 3, 2024, Time: 2:15 P.M.
in House conference room 308 VIA VIDEOCONFERENCE
In support of Senate Bill No. SB2727 SD2 HD1
RELATING TO CONDOMINIUMS

Dear Member of the Committee,

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Thank you for your consideration and support during this challenging time.

Mahalo Nui Loa,



James R Blaha

President, Aina Nalu Board of Directors



SanHi

GOVERNMENT STRATEGIES

A LIMITED LIABILITY LAW PARTNERSHIP

DATE: April 3, 2024

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

FROM: Mihoko Ito / Tiffany Yajima

RE: **S.B. 2727, S.D.2, H.D.1 – Relating to Condominiums**
Hearing Date: Wednesday, April 3, 2024 at 2:15 pm
Conference Room: 308

Dear Chair Yamashita, Vice Chair Kitagawa, 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 submits **comments** on S.B. 2727, S.D.2, H.D.1 Relating to Condominiums. S.B. 2727, S.D.2, H.D.1 allows condominiums to be eligible for commercial property assessed financing (C-PACE), which was established by Act 183, Session Laws of Hawaii 2022 to allow commercial property owners to access financing for qualifying improvements on their property. Repayment of the amounts financed occurs through a voluntary assessment, similar to a real property tax. C-PACE is a non-accelerating, senior lien secured by the property, which is secured by being recorded as a senior lien.

We support the intent of this measure which allows condominiums to utilize the C-PACE loan program because it continues to require the prior written consent of existing lenders on any loans or mortgages pursuant to HRS 196-64.5. A key component of Hawaii's C-PACE program is that, prior to entering into a C-PACE financing contract, the parties must obtain written consent by each holder or loan servicer of other existing mortgages or loans.

While HBA appreciates the need for condominiums to access C-PACE as a financing mechanism, we are cautious where there is any intention to have this program apply in residential settings because of the potential for it to impact the residential mortgage market.

HBA worked with a group of stakeholders to address the various concerns raised, and a compromise draft of the bill is reflected in H.B. 2801, H.D.1,

S.D.1. We would respectfully request that the committee adopt the language in this version of the bill.

Thank you for the opportunity to provide testimony on this measure.



LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

LIUNA!

**THOUSE OF REPRESENTATIVES
THE THIRTY-SECOND LEGISLATURE
REGULAR SESSION OF 2024**

COMMITTEE ON FINANCE

Representative Kyle T. Yamashita, Chair
Representative Lisa Kitagawa, Vice Chair

PETER A. GANABAN
*Business Manager/
Secretary-Treasurer*

ALFONSO OLIVER
President

JOBY NORTH II
Vice President

TONI FIGUEROA
Recording Secretary

MARTIN ARANAYDO
Executive Board

ORLANDO PAESTE
Executive Board

JOSEPH YAW
Executive Board

ESTHER AILA
Auditor

RUSSELL NAPIHAA
Auditor

MARK TRAVALINO
Auditor

YUGAN HOTTENDORF
Sergeant-At-Arms

Wednesday, April 3, 2024, 2:15 pm
Conference Room 308

Re: **Testimony in support of SB2727 SD2 HD1**
RELATING TO CONDOMINIUMS

Aloha Chair Yamashita, Vice-Chair Kitagawa, and Members of the Committee:

The Laborer's International Union Local 368 represents 5000+ members working in construction, environmental remediation, maintenance, food service, health care, clerical, and other occupations, as well as in state, local, and municipal government jobs and as mail handlers in the U.S. Postal Service across the State.

The Laborer's International Union Local 368 supports SB2727 SD2 HD1, which allows high-rise residential condominium properties to be eligible for commercial property assessed financing.

Enabling access to C-PACE financing provides property owners with access to affordable capital, increases local workforce development, and promotes the development of sustainable and efficient properties without the risk of using public funds. It is for these reasons that we support SB2727 SD2 HD1.

Mahalo for your time and consideration.

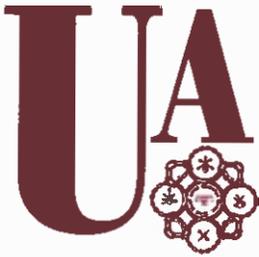
Respectfully,

Peter A. Ganaban

Business Manager/Secretary Treasurer
Laborers International Union of North America - Local 368
1617 Palama Street
Honolulu, HI 96817

LIUNA Local 368
1617 Palama Street
Honolulu, HI 96817
Phone: (808) 841-5877
Fax: (808) 847-7829
www.local368.org

Feel the Power



Founded 1889

PLUMBERS AND FITTERS LOCAL 675 UNITED ASSOCIATION



HOUSE OF REPRESENTATIVES THE THIRTY-SECOND LEGISLATURE REGULAR SESSION OF 2024

COMMITTEE ON FINANCE

Representative Kyle T. Yamashita, Chair
Representative Lisa Kitagawa, Vice Chair

Wednesday, April 3, 2024, 2:15 pm
Conference Room 308

Re: **Testimony in support of SB2727 SD2 HD1**
RELATING TO CONDOMINIUMS

Aloha Chair Yamashita, Vice-Chair Kitagawa, and Members of the Committee:

The Plumbers & Fitters Local 675 was founded in 1919 and received its charter from the United Association of Journeymen and Apprentices of the Plumbing and Pipefitting Industry of the United States. Our members provide quality and reliable work on projects including, but not limited to, power plants, water treatment plants, oil refineries, hospitals, government and commercial buildings, hotels and luxury resorts, high-rise condominiums, and single-family homes in residential neighborhoods across the State.

The Plumbers & Fitters Local 675 **supports SB2727 SD2 HD1**, which allows high-rise residential condominium properties to be eligible for commercial property assessed financing.

Enabling access to C-PACE financing provides property owners with access to affordable capital, increases local workforce development, and promotes the development of sustainable and efficient properties without the risk of using public funds. It is for these reasons that we support SB2727 SD2 HD1.

Mahalo for your time and consideration.

Sincerely,

Valentino Ceria

Business Manager / Financial Secretary - Treasurer
Plumbers and Fitters Local 675





holomua

COLLABORATIVE

OUR MISSION

To support and advance public policies that make Hawai'i affordable for all working families.

OUR VISION

Collaborative, sustainable, and evidence-based public policies that create a diverse and sustainable Hawai'i economy, an abundance of quality job opportunities, and a future where all working families living in Hawai'i can thrive.

BOARD MEMBERS

Jason Fujimoto
Meli James, *Board Chair*
Micah Kāne
Brandon Kurisu
Mike Mohr
Brad Nicolai
Mike Pietsch

ADVISORY COMMITTEE

Josh Feldman
Brittany Heyd
Alicia Moy
Ed Schultz

Josh Wisch
President & Executive Director

827 Fort Street Mall, 2nd Floor
Honolulu, Hawaii 96813

+1 (808) 909-3843
info@holomuacollaborative.org

HolomuaCollaborative.org

Committee: House Committee on Finance
Bill Number: SB 2727, SD2, HD1, Relating to Condominiums
Hearing Date and Time: April 3, 2024 at 2:15pm (Room 308)
Re: Testimony of Holomua Collaborative in support

Aloha Chair Yamashita, Vice Chair Kitagawa, and Committee Members:

We write in support of SB 2727, SD2, HD1, Relating to Condominiums. The purpose of SB 2727, SD2 is to allow high-rise residential condominiums to be eligible for Commercial Property Assessed Clean Energy and Resiliency (“C-PACER”) financing. One of the impacts of this bill is it has the potential to slash the cost of installing fire sprinklers in older condominiums by making sprinkler systems eligible for C-PACER financing. Not only will this make these buildings safer, but it will make it more likely residents of these condominiums will be able to *afford* to stay in their homes.

C-PACER is an alternative financing option that finances 100% of qualified capital improvement costs, with terms matching the useful life of the equipment installed. This makes payments more affordable than a typical equipment loan. And while C-PACER financing was passed by the legislature in 2022, this bill would extend C-PACER eligibility to condominiums.

While this will help condominium residents with the financing of a variety of improvements, the most acute issue this will address is the high cost of retrofitting many older condominiums in Hawai'i with fire sprinklers. In some cases, condominiums have seen their annual insurance premiums jump because they have not yet installed fire sprinklers. This in turn hikes condominium assessments, which are passed on to residents to pay. Since the fire sprinkler retrofitting is primarily affecting older condominiums, a disproportionate number of lower-income residents are being affected by it. By using C-PACER financing, the cost of these retrofits can be extended across the useful life of the installed fire sprinkler system, dropping the assessment amounts. This, in turn, lowers the price paid by lower-income residents.

Finally, we note that this is a *commercial* financing program and special assessments under this program will *not* be placed on the real property tax bill of individual condominium owners. Therefore, C-PACER will not interfere with mortgages over those units being sold in the secondary market. This measure will simultaneously improve safety and affordability for local residents, and we are proud to support it.

Sincerely,

Josh Wisch
President & Executive Director



Testimony in Support of SB 2727, SD2, HD1, Relating to Condominiums

Aloha Chair Yamashita, Vice Chair Kitagawa, and Committee Members:

We write in support SB 2727, SD2, HD1 which allows condominiums to qualify for Commercial Property Assessed Clean Energy and Resiliency (C-PACER) financing. This will reduce the cost of installing fire sprinklers in older condominiums.

aio is a locally owned company with holdings across a broad range of industries. Our companies are purpose-driven and firmly rooted in local values. At aio, Hawai'i is at our core, and through our products and services, we work hard to make Hawai'i a better place for future generations. To do that, we need to make sure that future generations can afford to live in Hawai'i. Hawai'i has the highest housing costs in the country and alternative financing options make payments more affordable.

C-PACER financing covers 100% of improvement costs, with terms matching the equipment's life, making payments more affordable than typical loans. Extending C-PACER financing to condominiums helps finance a variety of improvements, including addressing the high cost of retrofitting older condominiums with fire sprinklers. This benefits lower-income residents, as these retrofits can now be paid over the sprinkler system's life, reducing assessment amounts.

It's important to note that C-PACER is a commercial financing program that can permit non-profit associations, such as homeowner associations, to use C-PACER. When used this way, as envisioned in this bill, individual unit owners will not be assessed special assessments on their real property bills; rather, it will be assessed upon the association to administer with unit owners.

Mahalo for the opportunity to submit testimony in support,

A handwritten signature in black ink that reads "Brandon H. Kurisu".

Brandon Kurisu
aio Family of Companies





**Testimony to
House Committee on Finance
April 3, 2024
2:15pm
Conference Room 308 & VIA videoconference
Hawaii State Capitol
SB 2727, SD2, HD1**

Aloha Chair Yamashita, Vice Chair Kitagawa, and members of the Committee,

We write in support of SB 2727, SD2, HD1 which extends Commercial Property Assessed Clean Energy and Resiliency (“C-PACER”) financing to condominiums. This allows them to cover 100% of improvement costs, with repayment terms aligned to the equipment’s lifespan. One of the most immediate benefits of this would be a significant reduction in the expense of installing fire sprinklers in older condominiums. This cost reduction directly benefits lower-income residents by spreading the retrofit expenses over the sprinkler system’s operational life, ultimately lowering assessment amounts.

Established in 1904, Hawaii Gas serves over 70,000 customers on all islands through its utility pipeline infrastructure and propane business, all of whom depend on the company for sustainable, reliable, and affordable gas for water heating, cooking, drying, and other commercial and industrial applications. The company employs some 350 professionals, over 75% of whom are under collective bargaining. As an organization well-versed in the infrastructure required to keep older buildings throughout our state operating, we understand the importance of fire sprinkler systems. And we understand the expense of retrofitting older condominiums with them.

Notably, some older condominiums have faced rising annual insurance premiums due to the absence of fire sprinklers. Consequently, these increased costs are passed on to residents through condominium assessments. Since retrofitting predominantly impacts older condominiums, a disproportionate number of lower-income residents bear the burden. By leveraging C-PACER financing, the cost of fire sprinkler retrofits can be minimized, thus alleviating the assessment burden for these residents.

An essential point to note is that C-PACER, a commercial financing program, allows non-profit associations (such as homeowner associations) to utilize it. When employed in this manner, as outlined in SB 2727, individual unit owners will not face special assessments on their real property bills. Instead, the assessment will be placed upon the association, ensuring it does not impact any existing mortgages on those individual properties. The associations will assume responsibility for assessing and collecting the C-PACER assessment from the unit owners.

In summary, SB 2727 represents an intelligent and innovative solution, aimed at retaining local residents in Hawai‘i by ensuring their continued affordability.



HAWAI'I COMMUNITY FOUNDATION

Testimony in Support of SB 2727, SD2, HD1 Relating to Condominiums

From: Micah Kāne, Chief Executive Officer & President - Hawai'i Community Foundation

Re: Support for Commercial Property Assessed Financing

The Hawai'i Community Foundation supports SB 2727, SD2, HD1 which extends Commercial Property Assessed Clean Energy and Resiliency ("C-PACER") financing to condominiums, aiming to reduce the cost of installing fire sprinklers in older condos. This measure not only enhances building safety but also increases the likelihood that residents can afford to stay in their homes.

Providing housing for local families is a key area within HCF's CHANGE Framework under the "C" sector of Community and Economy. Among households that accumulate wealth in Hawai'i, 60.3% own their own homes, underscoring how critical home ownership is to local families being able to afford to stay in their home state. Of course, homeownership is just part of the challenge we face. 54.7% of local *renters* are burdened by housing costs as well. And for our local resident living in older condominiums, a particular challenge they face is the high cost of retrofitting those condominiums with fire sprinkler systems.

C-PACER provides an alternative financing option covering 100% of capital improvement costs, with repayment terms aligned to the equipment's lifespan, making payments more manageable than typical loans. It addresses the immediate challenge of the high expense of retrofitting older Hawai'i condominiums with fire sprinklers. Some condominiums face rising annual insurance premiums due to this, leading to increased assessments passed on to residents. C-PACER financing can spread retrofit costs over the sprinkler system's useful life, reducing assessment amounts and benefiting lower-income residents.

Importantly, C-PACER is a commercial financing program that can also be utilized by non-profit associations, such as homeowner associations. This bill ensures that individual unit owners are not directly assessed on their property bills; instead, the assessment is placed on the association, avoiding interference with any mortgages on the individual properties.

SB 2727 is a smart solution that contributes to a more affordable housing market for our community, and HCF is happy to support it.



BUILDBETTER.LIVEBETTER®

April 3, 2024

Committee: House Committee on Finance
Bill Number: SB 2727, SD2, HD1 Relating to Condominiums
Hearing Date and Time: April 3, 2024, 2:15pm
Re: Testimony of HPM Building Supply in Support

Aloha Chair Yamashita, Vice Chair Kitagawa, and members of the Committee,

We support SB 2727, SD2, HD1 which expands Commercial Property Assessed Clean Energy and Resiliency (C-PACER) financing to condominiums. This bill aims to reduce the cost of installing fire sprinklers in older condos by making sprinkler systems eligible for C-PACER financing. Not only will this enhance building safety, but it will also increase the likelihood that residents can afford to remain in their homes.

HPM Building Supply is a 100% employee-owned company serving Hawaii's home improvement market and building industry for over 100 years since 1921. With 18 locations across Hawai'i and Washington State, HPM offers various services and products, including retail stores, building supply and lumber yards, home design centers, drafting and design services, and manufacturing facilities. HPM is dedicated to enhancing homes, improving lives, and transforming communities one home at a time. As an organization dedicated to connecting local families with housing, we know how dire the housing cost situation in Hawai'i has become for local families.

This bill could reduce home costs, especially for residents in older condominiums. C-PACER offers an alternative financing option covering 100% of capital improvement costs, with repayment terms aligned to the equipment's lifespan, making payments more manageable than typical loans. It will provide immediate help with the high expense of retrofitting older Hawai'i condominiums with fire sprinklers. Some condominiums face rising annual insurance premiums due to this, leading to increased assessments passed on to residents. C-PACER financing can spread retrofit costs over the sprinkler system's useful life, reducing assessment amounts and benefiting lower-income residents.

This bill also aligns with HPM's values of Heart, Character, and Growth. By supporting our communities' families, we invest in our future. We show that we care about the future generations and our current workforce shaping it. Our company's value of Heart is caring for one another as a community.

Sincerely,

Dennis Lin
Community Relations Administrator



(808) 966-5466 • FAX (808) 966-7564
16-166 MELEKAHIWA STREET • KEAAU, HAWAII 96749

HPMHAWAII.COM



Statement of
Meli James
President
HVCA

SB 2727, SD2, HD1 Relating to Condominiums

Aloha,

We support SB 2727, SD2, HD1 which extends Commercial Property Assessed Clean Energy and Resiliency (“C-PACER”) financing to condominiums, covering 100% of improvement costs with repayment terms aligned to the equipment’s lifespan. This significantly reduces the cost of installing fire sprinklers in older condominiums, benefiting lower-income residents by spreading the retrofit expenses over the sprinkler system’s operational life and lowering assessment amounts.

The Hawaii Venture Capital Association (HVCA) is a local nonprofit that stands as a nexus for entrepreneurs, capital foundation, and networking opportunities in Hawaii. Our organization helps to foster entrepreneurship through education and exposure to key members in our business community in order to support our islands’ emerging entrepreneurs, all while sustaining a vibrant and successful business community. To keep these types of entrepreneurs in Hawai’i and even expand our entrepreneurial ecosystem, though, these entrepreneurs need a place to live that they can afford. Sometimes that means older condominiums, where they are faced with the costs of retrofitting them.

Specifically, some older condominiums face rising annual insurance premiums due to the absence of fire sprinklers, passing these costs on to residents through condominium assessments. Since retrofitting primarily impacts older condominiums, a disproportionate number of lower-income residents bear the burden. By using C-PACER financing, the cost of fire sprinkler retrofits can be minimized, alleviating the assessment burden for these residents.

Importantly, C-PACER allows non-profit associations, like homeowner associations, to utilize it. When used this way, individual unit owners will not face special assessments on their real property bills. Instead, the assessment will be placed upon the association, ensuring it does not affect existing mortgages on those properties. The associations will be responsible for assessing and collecting the C-PACER assessment from the unit owners.

SB 2727 is a good solution to keep local residents in Hawai’i by making sure they can afford to stay.



President
HVCA



Statement of
Meli James
Cofounder
Mana Up

SB 2727, SD1, HD1, Relating to Condominiums

Aloha,

We support SB 2727, SD2, HD1, which extends Commercial Property Assessed Clean Energy and Resiliency (“C-PACER”) financing to condominiums, covering 100% of improvement costs with repayment terms aligned to the equipment’s lifespan. This significantly reduces the cost of installing fire sprinklers in older condominiums, benefiting lower-income residents by spreading the retrofit expenses over the sprinkler system’s operational life and lowering assessment amounts.

Mana Up is a statewide initiative that helps provide entrepreneurs in Hawai‘i with the resources and tools to grow their business and scale globally. As these entrepreneurs continue to grow, they also help contribute to our expanding our local economy. As part of our mission, we aim to sustain the local economy through economic diversification, local job creation, community giveback, investment, and a regenerative culture of entrepreneurship – providing a better future for generations to come here in Hawai‘i. To keep these types of entrepreneurs in Hawai‘i and even expand our entrepreneurial ecosystem, though, these entrepreneurs need a place to live that they can afford. Sometimes that means older condominiums, where they are faced with the costs of retrofitting them.

Specifically, some older condominiums face rising annual insurance premiums due to the absence of fire sprinklers, passing these costs on to residents through condominium assessments. Since retrofitting primarily impacts older condominiums, a disproportionate number of lower-income residents bear the burden. By using C-PACER financing, the cost of fire sprinkler retrofits can be minimized, alleviating the assessment burden for these residents.

Importantly, C-PACER allows non-profit associations, like homeowner associations, to utilize it. When used this way, individual unit owners will not face special assessments on their real property bills. Instead, the assessment will be placed upon the association, ensuring it does not affect existing mortgages on those properties. The associations will be responsible for assessing and collecting the C-PACER assessment from the unit owners.

Being that at Mana Up, we help local entrepreneurs grow their product companies and scale globally with the mission to expand the economy and create jobs for locals so they can support the high cost of living here, we are happy to support this bill. SB 2727 is a good solution to keep local residents in Hawai‘i by making sure they can afford to stay.

Sincerely,

Meli James | Cofounder, Mana Up

TORI RICHARD

April 3, 2024

Aloha Chair Yamashita, Vice Chair Kitagawa, and members of the Committee,

I am writing in support of SB 2727, SD2, HD1, which extends Commercial Property Assessed Clean Energy and Resiliency (C-PACER) financing to condominiums. This bill is crucial for reducing the cost of installing fire sprinklers in older condominiums, which is vital for ensuring future generations in Hawaii have affordable housing options.

Tori Richard has manufactured in Honolulu for over 60 years, and we continue to proudly do so today. As a long-time medium-sized Hawaii employer, we recognize the challenge high housing costs pose to everyone working to make ends meet in Hawaii, including our employees. This bill is a good way to address those housing costs and keep local working families in Hawaii.

Hawaii's high housing costs are a significant challenge, and the expense of retrofitting older condominiums with fire sprinklers has exacerbated this issue. C-PACER financing, covering 100% of improvement costs with terms aligned to the equipment's lifespan, offers a more affordable payment structure than typical loans. This financing option will not only help address the high cost of fire sprinkler retrofitting but also benefit lower-income residents by spreading the costs over the sprinkler system's life, reducing assessment amounts.

It's worth noting that C-PACER is a commercial financing program that can also be used by non-profit associations, such as homeowner associations. Under this bill, individual unit owners will not be directly assessed special assessments on their real property bills. Instead, the assessment will be placed upon the association, ensuring it does not impact any existing mortgages on those individual properties. The associations will be responsible for assessing and collecting the C-PACER assessment from the unit owners.

We appreciate the opportunity to submit testimony in support of this bill.

Sincerely,



Josh Feldman
President & CEO
Tori Richard, Ltd.

1891 NORTH KING STREET
HONOLULU, HAWAII 96819

April 3, 2024

TO: Honorable Kyle Yamashita and Members of the House Finance
Committee
FROM: Carl Takamura, President, Parkland Gardens AOA Board of Directors
RE: SB 2727

As one of the approximately 350 residential units impacted by the tragic Marco Polo fire and the subsequent City's fire safety ordinance, our board has been diligently researching and gathering information regarding the cost and impact on both owners and residents of installing a fire sprinkler system in our building. We understand that it will cost over \$3 million to install such a system and this unanticipated expense will impose a very heavy burden upon our owners, especially those on fixed incomes.

This bill will enable residential high-rise buildings like Parkland Gardens to participate in C-PACER financing, which will help condominium properties finance the installation of fire safety projects at more attractive rates and terms that may be currently available. It will be of enormous assistance to the many owners, and their tenants, faced with both the cost and urgency of addressing the issue of fire safety in high-rise buildings.

We respectfully urge you to approve this vital proposal.

Mahalo,

Carl Takamura

Carl Takamura
President, Parkland Gardens AOA Board of Directors

Heritage House

6710 Hawaii Kai Drive
Apartment 1814
Honolulu, Hawaii 96825

April 3, 2024

The House Committee on Finance
Representative Kyle T. Yamashita, Chair
Representative Lisa Kitagawa, Vice Chair

RE: SB 2727, SD2

On behalf of the owners and members of the Board of Directors of Heritage House Condominium, located in Hawaii Kai, I am writing in support of Senate Bill 2727, SD2.

The recent ordinance requiring installation of fire sprinkler systems in older condominiums has created substantial worry for many residents of such buildings concerning their ability to pay for the upgrades needed to install sprinklers within their apartments. Many owners are retired senior citizens living on fixed incomes, or some owners may have recently purchased their apartments and are working hard to manage daily living expenses plus make monthly mortgage payments. In short, having to come up with the estimated \$30,000 to \$40,000 for this upgrade to their apartment may require many owners to sell their homes or else assume years long loan payments which they can ill afford.

Act 183, Session Laws of Hawaii 2022, authorized C-PACER financing for commercial property, and has proven effective in making loans more affordable for commercial property owners. Senate Bill 2727, SD2 allows high-rise condominium properties to

participate in C-PACER financing, thus bringing the cost of fire sprinkler installation more affordable.

Representative Kyle T. Yamashita, Chair
Representative Lisa Kitagawa, Vice Chair

In addition to the cost of sprinkler installation, condominium owners are also burdened with astronomical increased in insurance rates and deductibles, partially attributed to the fire sprinkler issue. These costs are passed on to the owners via higher maintenance fees. Hopefully the inclusion of condominiums under the C-PACER program will indirectly facilitate the reduction in insurance premiums in the future.

While requiring the installation of fire sprinklers in older buildings was designed to prevent the tragic loss of life and major fire damage experienced in the infamous Marco Polo fire, it appears little thought was made concerning the economic impact to the owners of such buildings. Senate Bill 2727, SD2 may be a start in that direction, and we support your concern and efforts to pass such legislation.

Sincerely,

Thomas Riddle, President
Heritage House Board of Directors

Heritage House

6710 Hawaii Kai Drive
Apartment 1814
Honolulu, Hawaii 96825

April 3, 2024

The House Committee on Finance
Representative Kyle T. Yamashita, Chair
Representative Lisa Kitagawa, Vice Chair

RE: SB 2727, SD2

On behalf of the owners and members of the Board of Directors of Heritage House Condominium, located in Hawaii Kai, I am writing in support of Senate Bill 2727, SD2.

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Representative Kyle T. Yamashita, Chair
Representative Lisa Kitagawa, Vice Chair

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Sincerely,

Thomas Riddle, President
Heritage House Board of Directors

April 3, 2024

The Honorable Kyle T. Yamashita, Chair

House Committee on Finance

State Capitol, Conference Room 308 & Videoconference

RE: Senate Bill 2727, SD2, HD1, Relating to Condominiums

HEARING: Wednesday, April 3, 2024, at 2:15 p.m.

Aloha Chair Yamashita, Vice Chair Kitagawa, and Members of the Committee:

My name is Lyndsey Garcia, Director of Advocacy, testifying on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawaii and its over 11,000 members. HAR **supports** Senate Bill 2727, SD2, HD1, which allows condominiums to be eligible for commercial property assessed financing. Effective 7/1/3000.

In 2022, Act 183 was passed by the Legislature and signed into law which created a commercial property assessed financing program. This program lets commercial property owners seek financing from a lender to cover the expenses of approved upgrades. They then sign a financing contract with both the lender and the Hawaii Green Infrastructure Authority. The costs for these upgrades are repaid through a special tax assessment collected by each county, separate from property value-based taxes. This financing program helps make qualifying improvements more affordable and assists property owners who wish to undertake such improvements. Some of the improvements that this financing tool can help are updated water and wastewater infrastructure, fortifying buildings and structures to withstand wind threats from hurricanes and windstorms, installing clean energy technologies, and many other improvements.

In 2018, Honolulu enacted an ordinance mandating fire safety evaluations for all existing high-rise residential buildings within three years, with a requirement to pass within seven years. Buildings must pass a rigorous Life Safety Evaluation (LSE) or install fire sprinklers. Older condominiums, not originally equipped with sprinklers, face significant costs for retrofitting or compliance with the LSE. Extending property assessed financing to condominiums offers a solution to this challenge. Additionally, this measure can assist older condominiums with aging infrastructure, such as pipes.

Mahalo for the opportunity to testify on this measure.

SB-2727-HD-1

Submitted on: 4/1/2024 3:41:18 PM

Testimony for FIN on 4/3/2024 2:15:00 PM

Submitted By	Organization	Testifier Position	Testify
Raelene Tenno	Individual	Support	Written Testimony Only

Comments:

This is in Support of SB2727.

Condominiums in Hawaii need CPacer financing.

SB-2727-HD-1

Submitted on: 4/1/2024 9:45:11 PM

Testimony for FIN on 4/3/2024 2:15:00 PM

Submitted By	Organization	Testifier Position	Testify
Cameo Fong	Angel's Site Management Solutions	Support	Written Testimony Only

Comments:

OUR INDUSTRY LEADERS ARE IN SUPPORT of this bill. We (our industry leaders and I) would like to ensure options are available for properties, especially those willing to do energy efficient upgrades. Isn't Hawaii all about being more green and energy efficient? It makes sense that this type of financing, which is available for making energy efficient upgrades and renewable energy improvements in a commercial or residential property would be supported as an option for properties in our state. PACE programs are overseen by the US Dept of Energy and have already financed more than \$3.4 billion in energy efficient programs over 38 states. Thank you. Cameo Fong

SB-2727-HD-1

Submitted on: 4/1/2024 11:29:55 PM

Testimony for FIN on 4/3/2024 2:15:00 PM

Submitted By	Organization	Testifier Position	Testify
Michele Pitale	Individual	Support	Written Testimony Only

Comments:

Dear Members of the Committee,

Hawaii has recognized that the reduction of energy consumption and attendant air pollutants is a public benefit and authorizes financings to be repaid through a municipal charge placed on the improved property like other public benefits. Commercial Property Assessed Clean Energy (C-PACE) financing fills a large void for clean energy financing for projects such as deep energy improvements in buildings and renewable energy projects. I ask for your support of SB2727 which would allow condominium property to fund improvements through C-PACE. This will allow private capital investment that will improve infrastructure and protect lives.

Protecting Hawaii’s citizens is of paramount importance and C-PACE provides a mechanism to provide low cost funds for upgrades that are paid incrementally over the useful life of the resiliency measures funded. As the City of San Francisco’s PACE financing partner for their mandatory seismic retrofits program, I have seen the need and benefit of providing funding to property owners who wish to protect their tenants. One of our first C-PACE financings in Florida was used to install wind-resistant impact windows, doors and roofing for a senior living facility. Florida senior living facilities have used C-PACE to install standby emergency generators for their HVAC {cooling} in order to comply with Florida’s new mandatory generator rules enacted after Hurricane Irma, which aims to protect senior citizens.

Allowing a special assessment to be placed on common areas would condominium owners to repay their incremental cost of upgrades each year and avoid a high one-time assessment upfront. Mortgage lenders would benefit as upgrades would protect their collateral, modernize the property, and protect it from devaluation from natural disasters and deferred maintenance of aging equipment. Energy efficiency projects may improve property values reducing the impact on lender’s leverage by reducing operating costs and by making the property more attractive to occupants. Property tax payments may not be accelerated in foreclosure so only delinquent property taxes are paid before mortgage in foreclosure due to the non-acceleration provisions of C-PACE. C-PACE’s low commercial rates over debt financing available to condominium owners leads to C-PACE being a win-win for mortgage lenders and owners.

The World Bank has suggested billion can be saved by investing in more resilient properties and the National Institute of Building Science estimates \$6 is saved for every dollar invested to reduce risk and disaster losses. The benefit to all stakeholders of investing in resiliency to reduce risk and disaster loss is inescapable.

SB-2727-HD-1

Submitted on: 4/2/2024 12:23:26 AM

Testimony for FIN on 4/3/2024 2:15:00 PM

Submitted By	Organization	Testifier Position	Testify
Joy Schoenecker	Individual	Support	Written Testimony Only

Comments:

I support this Bill

**House of Representatives
The Thirty-Second Legislature
Committee on Finance
Wednesday, April 3, 2024
2:15 p.m.**

To: Representative Kyle T. Yamashita, Chair
Re: SB 2727 SD 2 HD 1, Relating to Condominiums

Aloha Chair Kyle Yamashita, Vice-Chair Lisa Kitagawa, and Members of the Committee,

I am Lila Mower, president of Kokua Council, an advocacy organization formed in 1972 to enhance government transparency and protect our rights, and I serve on the board of the Hawaii Alliance for Retired Americans, with a local membership of over 20,000 retiree-members of HGEA, UPW, ILWU, HSTA, AFL-CIO, and other organizations.

I am also the leader of a coalition of hundreds of property owners, mostly seniors, who own and/or reside in associations throughout Hawaii and served as an officer on three condominium associations' boards.

The legislature's urgent effort to study alternative funding options for capital improvements of condominium associations, especially in response to CCH LSE, rising insurance premiums despite reduced coverage or loss of insurance coverage, is laudable, but the proposed financing in **SB 2727 SD 2 HD 1** presents some concerns:

The Commonwealth of Virginia **excludes** condominiums from C-PACE financing:

"Eligible properties" means all assessable commercial real estate...**other than...a condominium** as defined in § 55.1-2000 used for residential purposes."¹

Similarly, Plante Moran, an international investment provider headquartered in Michigan, reiterates that C-PACE financing may not be suitable for condominium:

"Concerns about C-PACE financing

- Lender Approval/Pushback – Because unpaid C-PACE assessments can create a senior lien on the property, C-PACE financing often requires lender consent for any property with a mortgage. This can add time and cost to the financing process. C-PACE assessments can also limit refinance options due to these senior liens. The Federal Housing Finance Agency (FHFA) has directed Fannie Mae and Freddie Mac not to purchase or refinance mortgages with C-PACE liens.

¹ <https://law.lis.virginia.gov/vacode/title15.2/chapter56/section15.2-958.3/>

- Limits Sale Options – Properties that have C-PACE assessments attached to them can be more difficult to sell, as the new owner has to agree to pay the additional assessments.
- Property-Specific Financing – **C-PACE loans are structured uniquely for individual properties** and require cost/savings analysis specific to that property, making it difficult to utilize for a portfolio strategy.”²

Further, Whitney Satin of Convex, a firm that provides a secure platform for the commercial services industry, reported:

“Earlier this summer, *Last Week Tonight with John Oliver*^[3] featured a story about a relatively new program designed to help property owners finance green renovations: Property Assessed Clean Energy (PACE)...

It naturally raised questions about C-PACE from commercial contractors and property owners. And since more and more states are passing legislation to enable C-PACE, it’s a good time to learn about how to navigate C-PACE financing and avoid its pitfalls...

John Oliver criticized PACE funding for incentivizing predatory behavior from contractors and administrators. He shared the stories of contractors who misleadingly described PACE as “free government money,” targeted homeowners without the means to repay the lien (including the elderly and people with cognitive disabilities), and administrators who approved those projects with virtually no oversight...

A C-PACE lien can be an issue when building owners try to sell their property since buyers are likely to balk at a massive property tax bill for improvements that are no longer state-of-the-art.”⁴

Those comments echo concerns I addressed in testimonies to HB 1692 and SB 2727:

LACK OF CONSUMER PROTECTIONS

- Because C-PACE is structured as a tax assessment instead of a loan, borrowers may not have the same consumer protections of disclosures about financing costs that traditional lenders must provide.
- Without those disclosures, directors, community association managers, and other advisors, who are not experienced in or may only have superficial knowledge of financing, may not know what to ask, including inquiring if the rates and terms that

² <https://www.plantemorán.com/explore-our-thinking/insight/2023/plante-moran-reia/about-c-pace-financing-pros-and-cons-of-energy-efficiency-loan-programs>

³ <https://www.theguardian.com/tv-and-radio/2021/jun/21/john-oliver-last-week-tonight-pace-loans>

⁴ <https://www.convex.com/blog/a-guide-to-c-pace-financing-eligibility-and-controversies/>

are offered are competitive (and may not know how to compare), about penalties, restrictions, and other limitations.

- Those who are naïve may have a false sense of security about C-PACE, wrongly assuming that it is a federal (or state) loan program and, because of that misperception, wrongly believing that there are consumer protective terms that may not exist.
- Additionally, there may be individuals who influence the board's decision to borrow who may have undisclosed conflicts of interests, including pecuniary interests which may be hidden in the undisclosed financing costs, or financial interests in the capital improvements that are to be funded by C-PACE.

These include contractors who use C-PACE as a sales tactic to lure business and use the financing option to generate more business (greater and additional improvements) than needed. There is also the possibility of "kickbacks."

ADVERSE AFFECT ON THE REAL ESTATE MARKET

- Because C-PACE runs with the land (i.e., property), C-PACE may make it more difficult for owners who desire to sell or for purchasers who desire to purchase in an already difficult real estate market.

Sellers may have to discount their units compared to comparable units in associations without C-PACE.

- Because C-PACE takes priority over other lienholders except for government tax liens, those lienholders (mostly mortgagors) will have to consent.

In the past, Fannie Mae (FNMA) and Freddie Mac (FLMC) indicated that they will not purchase mortgages with C-PACE superior liens.

If this is still correct, **the marketability of properties with C-PACE will be affected, reversing the purpose of utilizing C-PACE to fund needed improvements for borrowers and their properties to qualify for Fannie Mae or Freddie Mac mortgage financing.**

Mahalo for the opportunity to address my concerns regarding SB 2727 SD 2 HD 1.

SB-2727-HD-1

Submitted on: 4/2/2024 8:52:18 AM

Testimony for FIN on 4/3/2024 2:15:00 PM

Submitted By	Organization	Testifier Position	Testify
Jessica Herzog	Individual	Support	Written Testimony Only

Comments:

Honorable Legislators,

I advocate for your support of SB2727 HD1, which introduces vital protection and resilience for our condominiums through Commercial Property Assessed Clean Energy and Resiliency (C-PACER) financing. This initiative addresses the financial burdens of implementing necessary safety and efficiency upgrades, amidst rising insurance costs and compliance pressures.

C-PACER offers an innovative financing route, ensuring our communities can meet safety standards without financial strain. Supporting SB2727 HD1 reflects our collective dedication to public safety, environmental care, and economic stability, providing essential resources for sustainable community development.

Your endorsement of this bill will strongly back homeowner rights, setting a precedent for forward-thinking governance amid our changing urban and ecological landscapes. I appreciate your consideration of this measure, which is vital for the well-being and security of condominium residents.

Thank you for your attention to this matter.

Mahalo,

Jessica Herzog

AOAO Makaha Surfside

Testimony of **THOMAS A. NIDA**
Retired Executive Vice President/Market Executive
City First Bank, Washington, DC
before the
COMMITTEE ON FINANCE
Wednesday, April 3, 2024
Time: 2:15 P.M.
State Capitol Conference Room 308 and Videoconference

In SUPPORT of
SB 2727, SD2, HD1
RELATING TO CONDOMINIUMS.

Committee Chair Yamashita, Vice Chair Kitagawa, and Members of the House Committee on Finance:

Thank you for the opportunity to testify and provide comments in support of SB 2727, SD2, HD1, relating to condominiums, which allows condominiums to be eligible for commercial property assessed financing.

A successful C-PACER program can provide the following benefits:

- 1) Benefits to the Counties and State
 - a) Program costs can be covered by program revenues.
 - b) Increased property values.
 - c) Funding is all from private capital sources.
- 2) Benefits to Commercial Property Owners
 - a) Increased property values from improved net operating income.
 - b) C-PACER is an operating expense, not additional debt, with payments that can be more than offset by reduced utility costs.
 - c) Up to 100% financing for eligible energy improvements and mandated safety improvements.
 - d) No personal guarantees from the property owners.
- 3) Benefits to local financial institutions
 - a) An enhanced competitive position against larger money center banks and other financial organizations to provide both commercial mortgage loans and C-PACER loans to meet their customer needs.
 - b) Better control of C-PACER funding to ensure eligible improvements are completed.
 - c) Improved collateral positions on C-PACER projects funded.
- 4) Benefits to the Environment/Sustainability/GHG reduction
 - a) Reduced power and water consumption from long term capital investment to improve energy efficiency of commercial properties.
 - b) Support for municipal goals to reduce GHG.
- 5) Stimulus to energy efficient commercial construction, both for new construction and renovations, adding construction new construction jobs and additional business from local building materials suppliers.

As a senior banker, who last year retired after 56 years in the industry, I have been actively involved with the C-PACE program in Washington, DC, since 2016, and have provided C-

PACE funding for educational facilities, healthcare facilities, multifamily properties, and retail properties, with no delinquencies, defaults, or losses. Our C-PACE lending continues to expand as an active part of our commercial lending. Further, to date with over 3,000 closed C-PACE loans totaling more than three billion dollars across the country, there have been no tax foreclosures on properties with C-PACE loans, a reflection of the success of C-PACE programs where they have been enacted. I am currently working with the Community Development Bankers Association to help establish active C-PACE lending programs for its members across the country.

Thank you for this opportunity to testify in strong support of SB 2727, SD2, HD1.

SB-2727-HD-1

Submitted on: 4/2/2024 12:00:31 PM

Testimony for FIN on 4/3/2024 2:15:00 PM

Submitted By	Organization	Testifier Position	Testify
Alton	Individual	Support	Written Testimony Only

Comments:

If the State will be mandating the AOA to install clean energy devices, I would support this bill to allow the Owners to be able to afford to pay for thee changes. As a Board officer, I need to consider the ramifications to the Owners. I would hope the State allows the AOA to voluntarily make the choice to expend AOA funds to pay for these costly upgrades. But if not, I have to consider the negative effects on the Owners so I would support this bill.

SB-2727-HD-1

Submitted on: 4/2/2024 12:08:01 PM

Testimony for FIN on 4/3/2024 2:15:00 PM

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

Comments:

I oppose SB2727 SD1.

On first read it sounds great, until you research and determine there are some major issues with these loans, and numerous complaints throughout the U.S., including a reversal of the decision to allow these types of loans in a major City and County (headline below).

"Los Angeles County Ends PACE Program Marred by Fraud, Abuse, and Unaffordable Loans"

May 20, 2020 - Press Release - National Consumer Law Center

Up front investigation by our legislators will help to reduce problems later.

Mahalo,

Gregory Misakian

SB-2727-HD-1

Submitted on: 4/2/2024 1:11:29 PM

Testimony for FIN on 4/3/2024 2:15:00 PM

Submitted By	Organization	Testifier Position	Testify
Miri Yi	Individual	Support	Written Testimony Only

Comments:

I stand in strong support of this bill. Mahalo.

SB-2727-HD-1

Submitted on: 4/2/2024 1:22:55 PM

Testimony for FIN on 4/3/2024 2:15:00 PM

Submitted By	Organization	Testifier Position	Testify
mary freeman	Individual	Support	Written Testimony Only

Comments:

I urge that this bill be passed. It will assist Associations in obtaining loans **to make energy efficiency upgrades and renewable energy improvements at a commercial or residential property.**

Sincerely,

Mary Freeman

Ewa Beach

SB-2727-HD-1

Submitted on: 4/2/2024 7:34:00 PM

Testimony for FIN on 4/3/2024 2:15:00 PM

Submitted By	Organization	Testifier Position	Testify
Peter Inoue	Individual	Support	Written Testimony Only

Comments:

I am a condo owner whose building is subject to the City fire sprinkler ordinance. I support this bill because it will provide an independent source of financing for the installation of sprinklers. The catch-22 here is unless and until an installed sprinkler system is certified by HFD, property insurers will continue to charge ever increasing premiums. The unintended consequence is the affordability of these policies may cause AOAOs to accept reduced building insurance coverage below 100% of the value. Bank lenders, mortgage lenders and the U.S. government mortgage buyers, Fannie Mae and Freddie Mac, will refuse to purchase these mortgage loans. The snowball effect will fall back to the AOAOs being refused loans for sprinklers because of their insurance is insufficient by lender requirements. This condition is not short lived. With almost 400 condos seeking to install sprinklers, there are insufficient contractors, suppliers, and pipe manufacturers to complete installations within the next 10 years, all the while insurers continue to charge high premiums because a certified system is not completed. The substance of this bill allows borrowing with favorable terms and repayment periods to help Condos deal with this ultra perfect storm. I urge the committee to take a broad view of the elements and consequence of this crisis.

Mahalo

Peter Inoue, Condo Owner