

Honolulu, Hawaii

FEB 14 2024

RE: S.B. No. 2727
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Second State Legislature
Regular Session of 2024
State of Hawaii

Sir:

Your Committee on Commerce and Consumer Protection, to which was referred S.B. No. 2727 entitled:

"A BILL FOR AN ACT RELATING TO CONDOMINIUMS,"

begs leave to report as follows:

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

Your Committee received testimony in support of this measure from the Hawai'i Green Infrastructure Authority; Hawai'i State Energy Office; Office of Planning and Sustainable Development; Petros PACE Finance, LLC; Island Insurance Company, Limited; Hawaii Insurers Council; C-PACE Alliance, Inc.; Holomua Collaborative; Palehua Townhouse Association; Parkland Gardens AOA Board of Directors; CastleGreen Finance, LLC; Nuveen Green Capital; Association of Apartment Owners at Pat's at Punalu'u; Hawaii Solar Energy Association; Contessa Condominium; Kokua Council; Hawai'i Energy; and five individuals.

Your Committee received comments on this measure from the Hawaii Bankers Association and Hawaii Credit Union League.

Your Committee finds that the commercial property assessed financing program, known as C-PACER in Hawaii, enables eligible commercial property owners to access financing for qualifying



improvements on their property and repay the investment through a voluntary assessment, similar to a real property tax. Your Committee finds that allowing residential high-rise condominium properties to participate in C-PACER can help finance the installation of fire safety measures and other measures related to energy efficiency, renewable energy, water conservation, and resiliency at more attractive rates and terms than may be currently available with conventional financing. Therefore, this measure allows high-rise residential condominium properties to participate in C-PACER.

Notwithstanding, your Committee has heard the testimony of the Hawaii Bankers Association, which notes that while they appreciate the need for condominiums to access C-PACER, they are cautious regarding any intention to have this program apply to residential settings because of the potential impacts to the residential mortgage market. Your Committee has heard their concern and acknowledges that the purpose of this measure is to allow condominium property regimes of more than six units to access the existing C-PACER program and to follow the requirements under section 196-64.5, Hawaii Revised Statutes (HRS), which includes the requirement to obtain the prior written consent of each holder or loan servicer of any mortgage that encumbers or otherwise secures the property.

Your Committee has amended this measure by:

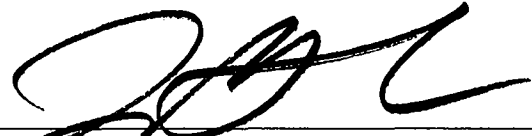
- (1) Clarifying that for high-rise residential condominium properties participating in the C-PACER program, commercial property assessed financing assessments shall be levied and collected in the manner as provided under chapter 514B, HRS, rather than the levy and collection requirements pursuant to section 196-64.5, HRS;
- (2) Inserting an effective date of July 1, 2040, to encourage further discussion; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Commerce and Consumer Protection that is attached to this report, your Committee is in accord with the intent and



purpose of S.B. No. 2727, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2727, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on behalf of the members of the Committee on Commerce and Consumer Protection,



JARRETT KEOHOKALOLE, Chair



