



Testimony of
Gwen Yamamoto Lau
Executive Director
Hawai'i Green Infrastructure Authority
before the
SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION
and
SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TOURISM
Wednesday, February 5, 2025, 9:45 AM
State Capitol, Conference Room 229
in consideration of
Senate Bill No. 744
RELATING TO CONDOMINIUMS

Chairs Keohokalole and DeCoite, Vice Chairs Fukunaga and Wakai, and Members of the Committees:

Thank you for the opportunity to testify on SB 744 relating to condominiums. The Hawai'i Green Infrastructure Authority (HGIA) **supports** this bill which establishes a Condominium Loan Program administered by HGIA.

With approximately 55% of all condo units in Hawaii built prior to 1980¹, there are a significant number of 40+-year old condominium projects requiring replacements, upgrades and retrofits, including re-piping, spalling, window and railing replacements, and fire alarms², etc., all of which are costly and complicated. Additionally, there are a number of condominium projects on the secondary market's "unavailable list" already negatively impacting over 30,000 units, due to inadequate insurance coverage and other issues, elevating the urgency of this situation.

Similar to secondary market lenders financing condo mortgages, commercial lenders³ typically require full insurance coverage before issuing loans for condo upgrades and retrofits. This bill will enable HGIA to provide much needed financing for condominium associations to fund essential repairs and address deferred maintenance and structural

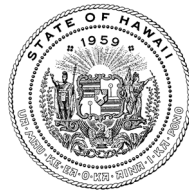
¹ "Why Hawaii's Aging Condos Can't Afford to Defer Maintenance," First Insurance Company of Hawaii, January 5, 2004.

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

³ Including C-PACE lenders.

issues to enhance its insurability, which in turn will enable buyers of individual units to access secondary mortgage financing.

We support the measure so long as it does not adversely impact priorities identified in Executive Budget Request for FY2026. Thank you for this opportunity to provide comments and testify in support of SB 744.



JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LIEUTENANT GOVERNOR

LUIS P. SALAVERIA
DIRECTOR

SABRINA NASIR
DEPUTY DIRECTOR

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

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
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BUDGET, PROGRAM PLANNING AND MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT

WRITTEN ONLY

TESTIMONY BY LUIS P. SALAVERIA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEES ON COMMERCE AND CONSUMER PROTECTION
AND ECONOMIC DEVELOPMENT AND TOURISM
ON
SENATE BILL NO. 744

February 5, 2025
9:45 a.m.
Room 229 and Videoconference

LATE

RELATING TO CONDOMINIUMS

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

Senate Bill (S.B.) No. 744: 1) establishes the Condominium Loan Program (CLP) within the Hawai'i Green Infrastructure Authority (HGIA) for the purpose of issuing loans to condominium associations for essential repairs, deferred maintenance, and improvement projects to enhance their insurability; 2) establishes the CLP Special Fund (CLPSF) for the purpose of carrying out the CLP; 3) sets a sunset date of June 30, 2045, for the CLP and the CLPSF; 4) appropriates \$30,000,000 in general funds in FY 26 and FY 27 for deposit into the CLPSF; and 5) appropriates \$30,000,000 in special fund ceiling for the CLPSF in FY 26 and FY 27.

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

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

Lastly, as a matter of general policy, B&F does not support the creation of any special fund, which does not meet the requirements of Section 37-52.3, HRS. Special funds should: 1) serve a need as demonstrated by the purpose, scope of work, and an explanation why the program cannot be implemented successfully under the general fund appropriation process; 2) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries or a clear link between the program and the sources of revenue; 3) provide an appropriate means of financing for the program or activity; and 4) demonstrate the capacity to be financially self-sustaining. Regarding S.B. No. 744, there seems to be no reason why the CLP cannot be implemented under the general fund appropriation process given that the proposed CLPSF's only revenue source is the deposit of funds appropriated by the Legislature.

Thank you for your consideration of our comments.



SanHi

GOVERNMENT STRATEGIES
A LIMITED LIABILITY LAW PARTNERSHIP

LATE

DATE: 2/4/2025

TO: Senator Jarrett Keohokalole
Chair, Committee on Commerce and Consumer Protection

Senator Lynn DeCoite
Chair, Committee on Economic Development and Tourism

FROM: Mihoko Ito / Tiffany Yajima

RE: **S.B. 744 – Relating to Condominiums**
Hearing Date: Wednesday, February 5, 2025 at 9:45 a.m.
Conference Room: 229

Dear Chairs Keohokalole and DeCoite and Members of the Joint Committees:

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

HBA **supports the intent of S.B. 744**, Relating to Condominiums, which establishes the Condominium Loan Program and the Condominium Loan Program Special Fund, to be administered by the Hawaii Green Infrastructure Authority on behalf of the Department of Business, Economic Development, and Tourism, for the purpose of providing funding for essential repairs and deferred maintenance to condominium associations organized under chapter 514B, HRS.

This bill proposes to establish a state loan program to allow registered condominium associations to obtain loans to 1) improve property conditions and fund essential repairs and maintenance; and 2) enhance the insurability of condominium properties in the State by addressing deferred maintenance and structural issues.

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

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

HBA would note that as written, the loan program is open to all condominiums under HRS 514B and the committee may wish to refine the program to ensure it effectively addresses critical repair and maintenance needs. To achieve this balance, we recommend the following considerations:

Targeted Eligibility – Restrict the program to condominiums facing the most significant repair and maintenance challenges that have demonstrably been unable to secure traditional financing.

Complementary Loan Terms – Structure loan terms in a way that leverages state capital to fill financing gaps. This could include criteria that ensure state-backed loans maintain responsible and more flexible underwriting standards (longer terms, lower interest rates).

By structuring the program in this manner, the state can effectively deploy its resources to support condominium owners.

HBA looks forward to working with policymakers to develop solutions that serve both condominium owners and the broader financial ecosystem. Thank you for the opportunity to submit this testimony.



Testimony to the Senate Committee on Commerce and Consumer Protection
Wednesday, February 5, 2025
Conference Room 229

Comments Regarding SB 744, Relating to Condominiums

To: The Honorable Jarrett Keohokalole, Chair
The Honorable Carol Fukunaga, Vice-Chair
Members of the Committee

LATE

LATE

My name is Stefanie Sakamoto, and I am testifying on behalf of the Hawaii Credit Union League (HCUL), the local trade association for 45 Hawaii credit unions, representing over 877,000 credit union members across the state.

HCUL offers the following comments regarding SB 744, Relating to Condominiums. This bill would establish the Condominium Loan Program and the Condominium Loan Program Special Fund, to be administered by the Hawai'i Green Infrastructure Authority on behalf of the Department of Business, Economic Development, and Tourism, for the purpose of providing funding for essential repairs and deferred maintenance to condominium associations organized under chapter 514B, HRS.

While we understand the intent of SB 744 is to help condominium associations to obtain loans to address repairs and maintenance issues on their properties, we have concerns with the possible impact on mortgage loans.

Thank you for the opportunity to provide comments on this issue.

SB-744

Submitted on: 1/31/2025 7:04:55 PM

Testimony for CPN on 2/5/2025 9:45:00 AM

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

Comments:

Aloha Committee Members,

As both a Hawaii condominium owner and treasurer of my condo association, I strongly favor this proposal. Decades of collectively deferred maintenance, challenging financial markets, and rising insurance and construction costs are bringing more and more hardship to condo owners. This must be addressed.

I strongly urge this Committee to SUPPORT this bill!

SB-744

Submitted on: 2/2/2025 11:02:00 AM

Testimony for CPN on 2/5/2025 9:45:00 AM

Submitted By	Organization	Testifier Position	Testify
lynne matusow	Individual	Support	Written Testimony Only

Comments:

I am a condo owner. I support all bills which will enable condominiums to survive in difficult times. That includes reining in the predatory practices of insurance companies and providing loans to entities for essential repairs and deferred maintenance. Problem with condos were exacerbated with the Surfside condo collapse in Florida, which brought to attention deferred maintenance and the start of major price hikes by insurance companies. This bill is an excellent example of what is needed.

SB-744

Submitted on: 2/4/2025 8:08:10 AM

Testimony for CPN on 2/5/2025 9:45:00 AM

LATE

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

Comments: While the intentions are good, providing loans is just deferring more debt, and that's the last thing condominium associations need. Please address the root cause of the problem, which is not regulating insurance properly in the State.