

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

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Statement of
MIKE MCCARTNEY
Director
Department of Business, Economic Development, and Tourism
before the
SENATE COMMITTEE ON WAYS AND MEANS

Friday, April 1, 2022
10:30 AM
State Capitol, Conference Room 211 & Videoconference

In consideration of
HB2088, HD3, SD1
RELATING TO FINANCING.

Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the Committee.

The Department of Business, Economic Development, and Tourism **supports** House Bill 2088, HD3, SD1, an Administration Bill, that proposes to create the Environmental and Economic Development Revolving Loan Fund under the administration of the Hawaii Green Infrastructure Authority and allow property owners to finance qualifying improvements through a voluntary non-ad valorem special tax assessment.

Collaborating with Hawaii's four Counties and members of the Hawaii Bankers Association, this bill will unlock a new market for commercial banks and other private capital providers to help the State address a number of critical initiatives, including aging cesspools, energy efficiency upgrades, and transitioning to clean energy.

Thank you for this opportunity to testify.



DAVID Y. IGE
GOVERNOR

GWEN S. YAMAMOTO LAU
EXECUTIVE DIRECTOR

HAWAII GREEN INFRASTRUCTURE AUTHORITY

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
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Telephone: (808) 587-3868
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Testimony of
Gwen Yamamoto Lau
Executive Director
before the
SENATE COMMITTEE ON WAYS AND MEANS

Friday, April 1, 2022
Time: 10:30 A.M.
State Capitol, Conference Room No. 211 & Videoconference

In consideration of
HOUSE BILL NO. 2088, HD3, SD1
RELATING TO FINANCING

Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committees on Ways and Means:

Thank you for the opportunity to testify and provide comments on House Bill 2088, HD3, SD1 relating to financing. This bill proposes to allow commercial property owners to finance qualifying improvements through a non-ad valorem property assessment. The Hawaii Green Infrastructure Authority ("HGIA") **strongly supports** this bill.

Thanks to the agreement reached between the banking community and commercial PACE advocates on March 16, 2022 on the current version of the bill, HGIA looks forward to working with members of the Hawaii Banker's Association and other private capital providers interested in participating in this innovative financing program to assist commercial property owners finance cesspool remediation, energy efficiency upgrades, and/or install renewable energy and resiliency measures.

In addition to the obvious environmental benefits, if done in scale, property assessed financing will create higher paying jobs and have a significant multiplier impact on our economy.

Thank you for this opportunity to testify in strong support of HB 2088, HD3, SD1.

TESTIMONY OF
JAMES P. GRIFFIN, Ph.D.
CHAIR, PUBLIC UTILITIES COMMISSION
STATE OF HAWAII

TO THE
SENATE COMMITTEE ON
WAYS AND MEANS

April 1, 2022
10:30 a.m.

Chair Dela Cruz and Members of the Committee:

MEASURE: H.B. No. 2088, HD3, SD1
TITLE: RELATING TO FINANCING.

DESCRIPTION: Creates a commercial property assessed financing program under the administration of the Hawaii Green Infrastructure Authority. Allows commercial property owners to finance qualifying improvements through a non-ad valorem special property tax assessment. Effective 7/1/2100. (SD1)

POSITION:

The Public Utilities Commission (“Commission”) offers the following comments for consideration.

COMMENTS:

The Commission supports the intent of this administration measure to create a commercial property assessed financing program under the administration of the Hawaii Green Infrastructure Authority. The contemplated program would allow property owners to finance qualifying improvements through a non-ad valorem special property tax assessment.

This measure would benefit commercial property owners in Hawaii by increasing access to financing for energy efficiency and clean energy improvements. This measure would also assist property owners in mitigating the negative impacts of aging cesspools, which contribute to pollution in Hawaii’s waters.

Thank you for the opportunity to testify on this measure.

HB-2088-SD-1

Submitted on: 3/30/2022 5:27:21 PM

Testimony for WAM on 4/1/2022 10:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Ted Bohlen	Testifying for Hawai'i Reef and Ocean Coalition	Support	Written Testimony Only

Comments:

To: The Honorable Donovan Dela Cruz, Chair, The Honorable Gilbert Keith-Agaran, Vice Chair, and Members of the Senate Committee on Ways and Means:

From: Hawai'i Reef and Ocean Coalition (by Ted Bohlen)

RE: Hearing HB2088 HD3 SD1 RELATING TO FINANCING,

Friday, April 1, 2022, 10:30 am

Aloha Chair Dela Cruz , Vice Chair Keith-Agaran, and Members of the Senate Committee on Ways and Means:

The Hawai'i Reef and Ocean Coalition is a group focused on protecting corals and other ocean species from cesspool pollution. **The Hawai'i Reef and Ocean Coalition STRONGLY SUPPORTS HB2088 HD3 SD1!**

Hawai'i needs to begin upgrading cesspools now in order to protect its drinking water and surface waters. Cesspools do not treat wastewater, but instead release untreated contaminants and nutrients, which pollute drinking water and nearshore waters, causing public health hazards and environmental damage to coral reefs and other marine species.

The costs of upgrading cesspools are unaffordable for many property owners. One of the primary roadblocks to increasing rates of cesspool conversion is financing. Without this bill, most property owners won't have options for financing the mandated conversions/upgrades. This bill will help property owners finance those upgrades by enabling property-assessed financing. Non-traditional financing mechanisms like property assessed financing can help property owners and others access capital through a loan fund to finance upgrades of cesspools. The bill is modeled after successful bills in other states. Thirty-seven states and D.C. have property-assessed financing legislation. This bill creates an environmental and economic development revolving loan fund to be administered by the Hawai'i Green Infrastructure Authority. **This revolving loan fund model, which has worked in many other states, can unlock new markets and inject needed capital to help resolve the serious statewide water pollution problem caused by cesspools.** This bill provides the Counties with several options:

- the option to participate (it's not a mandate);
- The option to issue bonds (or not); and
- It will provide funds to help upgrade the County's billing systems to accommodate the special tax assessments.

This bill is an innovative way to **provide financing to assist in cesspool upgrades, thereby reducing wastewater pollution!**

Please pass this bill!

Mahalo!

Hawai'i Reef and Ocean Coalition (by Ted Bohlen)

nuveen

GREEN CAPITAL

March 31, 2022

The Honorable Chair Dela Cruz
Senate Committee on Ways and Means
State Capitol, 415 South Beretania Street
Honolulu, HI 96813

RE: HB 2088 HD3 SD1

Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committees:

We are writing on behalf of Nuveen Green Capital in support of the objective of HB2088 HD3 SD1 to enable a statewide Commercial PACE (C-PACE) Program in Hawaii. As a leading provider of C-PACE financing, we have seen firsthand the value that C-PACE programs bring to communities. With C-PACE, businesses save on their monthly utility bills and maintenance costs. C-PACE removes the traditional barriers building owners face to invest in building performance and renewable energy. C-PACE projects create jobs, foster business expansion and retention, upgrade building stock, and encourage resource conservation. C-PACE policy is one of those rare instances where everyone is a winner. **We strongly support this legislation.**

C-PACE funding does not rely on any taxpayer or public dollars. Instead, private financing is facilitated through a voluntary contractual property assessment secured by a senior, nonextinguishable lien on the property. For commercial properties the assessment is consented to by the existing mortgage holder. This structure allows our company, Nuveen Green Capital, to offer 100% upfront capital at competitive market rates with attractive terms to a range of businesses that need financing to overcome the steep upfront costs of sustainable capital improvements. This structure has enabled over \$2.5B in sustainable investment in 30 states.

We have been working alongside industry stakeholders and the bill authors on proposed amendments that will ensure Hawaii has a bankable program that will attract low-cost private capital, achieve sustainability outcomes, and protect existing mortgage holders, property owners and counties from financial risk and administrative burden.

We encourage the effective date of HB 2088 to be immediate to allow HGIA to promptly move forward on design and launch of the program. Nuveen Green Capital and other capital providers stand ready and available to you and other members of the Legislature to help you achieve your goals. We urge your support for advancing HB2088 through the legislative process.

Sincerely,



Genevieve Sherman
Head of C-PACE Programs & Policy
Nuveen Green Capital
genevieve.sherman@nuveen.com

Presentation to The
Committee on Ways and Means
Friday, April 1, 2022, 10:30 AM
State Capitol Conference Room 211 & Videoconference
Testimony on HB 2088, HD 3, SD1 With Amendments

TO: The Honorable Donovan M. Dela Cruz, Chair
The Honorable Gilbert S. C. Keith-Agaran, Vice Chair
Members of the Committee

My name is Neal K. Okabayashi, Executive Director of the Hawaii Bankers Association (HBA). HBA represents seven Hawai'i banks and three banks from the continent with branches in Hawai'i.

HBA supports HB 2088, HD3, SD1, and supports, along with the Hawaii Credit Union League and the Mortgage Bankers of Hawaii, the proposed clarifying amendments offered by the Hawaii Financial Services Association ("HFSA"). The proposed amendments clarify the process of implementing a PACE loan on commercial property and the parties who must sign the commercial property assessed financing assessment contract ("Contract"). Adding the two amendments as a SD2 will lead to clarity as to the process of signing the Contract.

The current process is found in subsection 6 of SD1, page 9, beginning on line 6. Subsection (6) currently reads as follows:

Before entering into a commercial property assessed financing assessment contract for any commercial property, the commercial property owner shall 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;

Subsection (6) requires the commercial property owner to obtain the written consent from the holder or servicer of the existing mortgage on the commercial property before entering into the Contract. That part is clear. However, subsection (6) continues on to require that the written consent, presumably then held by the commercial property owner, to wait until the time of execution (the signing of the Contract) to deliver the written consent to the commercial PACE lender and the authority. Thus, the delivery of the consent to the authority is virtually simultaneously with the execution of the Contract and leaves the authority little time, if any, to vet the consent and thus may lead to inadvertent errors. HBA believes that the timing of the delivery of the consent to the authority was not intended and was the result of drafting errors.

The first amendment of HFSA is as follows:

Page 9 of S.D. 1, beginning on line 15:

(6) Before entering into a commercial property assessed financing assessment contract for any commercial property, the commercial property owner shall 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;

This amendment eliminates the requirement that the consent is delivered “at the time of the execution” and requires the written consent be delivered to the authority before entering into the Contract.

Since subsection (6) does not define who are the parties to the Contract, HFSA offers a second amendment which reads as follows:

Page 18 of S.D. 1, beginning on line 9:

SECTION 4.

“Commercial property assessed financing assessment contract” means the financing contract, under the commercial property assessed financing program, executed by [~~and among~~] all of the following parties: one or more commercial property assessed financing lenders, one or more commercial property owners, and the authority as administrator of the commercial property assessed financing program for the acquisition or installation of qualifying improvements.

The second amendment focuses on the parties who are to execute the Contract since the current subsection 6 only says that the parties shall execute the Contract without defining who are the parties executing the Contract.

Thank you for the opportunity to submit this testimony with support and proposing non-substantive clarifying amendments to HB 2088, HD3, SD1. Please let us know if we can provide further information.

Neal K. Okabayashi
(808) 524-5161



O: 512.599.9038 ♦ FAX: 512.532.0792
300 West 6th St. Suite 1540, Austin, Texas 78701
www.petros-pace.com

March 31, 2022

The Hon. Donovan M. Dela Cruz, Chair
The Hon. Gilbert S.C. Keith-Agaran, Vice Chair
Committee on Ways and Means
State Capitol
415 South Beretania Street
Honolulu, HI 96813

VIA EMAIL

RE: HB2088 SD1

Dear Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the committee:

I am writing on behalf of Petros PACE Finance, one of the nation's largest commercial PACE capital providers in the country, and a leader in developing and innovating commercial PACE policy and programs. We are writing in **strong support** of HB2088 SD1 because it will help Hawaii address reduce its reliance on fossil fuels, make an impact on climate change, prevent damage from hurricanes and flooding – all through improving commercial properties with private dollars and no cost or liability to state or local government.

HB 2088 SD1 reflects the agreement reached by stakeholders, including the C-PACE industry and Hawaii-based financial institutions, in a meeting convened by Chair Wakai of the Energy, Economic Development, and Tourism Committee on March 16th.

The agreement, as it affects commercial PACE, is simple: at the request of the Hawaii Bankers, we strengthened the language on lender consent to make it clear that they have sole and absolute discretion in their consent. The language is as strong or stronger than similar language found in the other 28 states where C-PACE is thriving, and where no bank or mortgage holder has alleged or complained that lender consent was not given prior to approval of any transaction. It is the practice in every program that prior to execution of all C-PACE transaction documents, the program administrator must be in receipt of all requisite lender consents.

In addition, the Bankers and the Financial Services companies are now exempt from the screening process by HGIA to qualify as potential lenders – something that no other states grant

any classification of lenders -- and we supported that request as well Local banks are C-PACE lenders in many states. In Colorado, nearly half of all C-PACE projects are financed by local banks.

HB 2088 SD1 will authorize an innovative industry-leading form of commercial financing accessible to commercial properties, providing new opportunities for the banks of Hawaii to service their commercial customers. Even though companies like ours originated the market, it is a fact that banks are beginning to enter the market in strength. More lenders create more competition, which benefits the public and state because it allows important climate change mitigation such as energy efficiency and renewable energy projects to be financed at lower costs. Local financial institutions benefit because they have more client and customers they can reach with their trusted relationships to bring the benefits of PACE to more properties.

Program administrators such as HGIA are charged with screening potential capital providers; this is a best practice recognized in all C-PACE statutes and programs across the country. HGIA, for example, would evaluate potential capital providers (except for those exempted by the legislation) for their knowledge and experience in underwriting, access to capital, and overall experience with commercial real estate investment, and familiarity with the requirements of commercial PACE programs.

In fact, almost all C-PACE private capital providers are recognized by the Securities and Exchange Commission as Accredited Investors, which requires entities like us to meet certain income, net worth, and other qualifications. We are also recognized by the SEC as Qualified Institutional Buyers (QIBs), a class of investor that by virtue of being a sophisticated investor, does not require the regulatory protection that the Securities Act's registration provisions give to investors. Typically, a QIB is a company that manages a minimum investment of \$100 million in securities on a discretionary basis or is a registered broker-dealer with at least a \$10 million investment in non-affiliated securities. This would address certain issues raised by the Commissioner of Financial Institutions at EET/AEN.¹

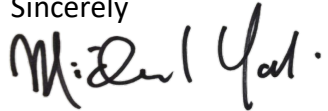
There are projects now on Oahu, on Maui, on Kauai and on the Big Island that would like to receive the benefits of CPACE financing. And all of Hawaii will benefit from cleaner air, clean water, and the prevention of loss from natural disasters.

¹Commercial PACE providers are not regulated by state law anywhere in this country. Contrary to some statements made at EET/AEN, CPACE capital providers who do not finance properties worth \$1m or less **are exempt from licensing** in California. See California Financing Law Section 22018 (b)(2), at https://leginfo.ca.gov/faces/codes_displaySection.xhtml?sectionNum=22018&lawCode=FIN

Since CPACE loans are typically in the \$2-5M range, that means the average property value is around \$10-25m, far above the threshold and thus no CPACE providers require licensing in California. Only RPACE companies are licensed in California. See <https://dfpi.ca.gov/pace-program-administrators/>

HB2088 SD1 is an important step towards establishing a successful commercial PACE program for businesses and property owners in Hawaii. The amendments proposed by HGIA reflect the consensus of stakeholders. We urge your support for advancing HB2088 SD1 through the legislative process.

Sincerely

A handwritten signature in black ink that reads "Michael Yaki". The signature is written in a cursive, slightly stylized font.

MICHAEL YAKI

Senior Vice President & Sr. Counsel
Policy and Programs
Petros PACE Finance, LLC

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: REAL PROPERTY, Property Assessed Financing

BILL NUMBER: HB 2088 SD 1

INTRODUCED BY: Senate Committees on Energy, Economic Development, & Tourism and Agriculture & Environment

EXECUTIVE SUMMARY: Creates a commercial property assessed financing program under the administration of the Hawaii Green Infrastructure Authority (HGIA). Allows commercial property owners to finance qualifying improvements through a non-ad valorem special property tax assessment.

SYNOPSIS: Adds new sections to chapter 196, HRS, one of which allows a commercial property owner to apply to the county in which the property is located for funding to finance a qualifying improvement. The financing agreement is to include an annual assessment over a fixed term that will appear annually on the owner's property tax bill, where such assessment is to constitute a lien of equal dignity to county taxes and assessments from and after the date of recordation of the financing agreement.

Adds definitions to section 196-61, HRS, including defining a "qualifying improvement" as septic systems or aerobic treatment unit systems or connections to sewer systems, clean energy technologies, efficiency technologies, resiliency measures, and other improvements approved by HGIA.

Requires the commercial property owner to provide HGIA 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. The consents shall be in a form prescribed by HGIA.

EFFECTIVE DATE: July 1, 2100

STAFF COMMENTS: This bill is an Administration bill sponsored by DBEDT and designated BED-13 (22).

The proposed program is a variant of a program known nationally as a PACE (property assessed clean energy) program.

This bill essentially turns the counties into lenders that are supposed to finance qualified improvements. However, county governments typically don't lend money as a core government function and aren't expected to know the first thing about lending money. Sure, they can partner with the Hawaii Green Infrastructure Authority, which is a money lending agency of sorts. Without some assurance that the proper competencies will be exercised by county and

state governments in responsible fashion, it may be a steep uphill struggle, to say the least, to get revenue bond underwriters on board.

PACE programs are in other areas around the country and can work with proper preparation and coordination of government resources. The U.S. Department of Energy summarized the advantages and disadvantages of PACE programs thus:

Advantages

- Allows for secure financing of comprehensive projects over a longer term, making more projects cash flow positive.
- Spreads repayment over many years, seldom requires an upfront payment, and removes the requirement that the debt be paid at sale or refinance.
- Can lead to low interest rates because of the high security of loan repayments attached to the property tax bill.
- Helps some property owners deduct payments from their income tax liability.
- Allows municipalities to encourage energy efficiency and renewable energy without putting general funds at risk.
- Taps into large sources of private capital.

Disadvantages

- Available only to property owners.
- Cannot finance portable items (screw-in light bulbs, standard refrigerators, etc.).
- Can require dedicated local government staff time.
- May require high legal and administrative setup obligations.
- Not appropriate for investments below \$2,500.
- Potential resistance by lenders/mortgage-holders whose claims to the property may be subordinated to the unpaid assessment amount should the property go into foreclosure. (This issue appears to be eliminated by the provisions of the bill that require lender consent.)

As of 2019, over 200,000 homeowners have made \$5 billion in energy efficiency and other improvements to their homes through PACE financing. Typical home improvement projects include replacement of broken or failing heating and cooling systems and hot water heaters; air sealing and insulation; ENERGY STAR doors, windows, roofing; ENERGY STAR appliances; solar photovoltaic systems; and water conservation and resiliency measures (e.g., seismic retrofits and wind hazard protection). Residential PACE financing programs are currently available in the following states:

- California (10 active programs)

Re: HB 2088 SD 10

Page 3

- Florida (4 active programs)
- Missouri (3 active programs).

U.S. Department of Energy, Property Assessed Clean Energy Programs,
at <https://www.energy.gov/eere/slsc/property-assessed-clean-energy-programs>.

Digested: 3/30/2022

HAWAII FINANCIAL SERVICES ASSOCIATION

c/o Marvin S.C. Dang, Attorney-at-Law

P.O. Box 4109

Honolulu, Hawaii 96812-4109

Telephone No.: (808) 521-8521

April 1, 2022

Senator Donovan M. Dela Cruz, Chair
Senator Gilbert S.C. Keith-Agaran, Vice Chair
and members of the Senate Ways & Means Committee
Hawaii State Capitol
Honolulu, Hawaii 96813

Re: **H.B. 2088, H.D. 3, S.D. 1 (Financing)**
Decision Making Date/Time: Friday, April 1, 2022, 10:30 a.m.

I am Marvin Dang, the attorney for the **Hawaii Financial Services Association** (“HFSA”). The HFSA is a trade association for Hawaii’s consumer credit industry. Its members include Hawaii financial services loan companies (which make mortgage loans and other loans, and which are regulated by the Hawaii Commissioner of Financial Institutions), mortgage lenders, and financial institutions.

The HFSA **offers comments on this Bill and proposes two amendments.**

This Bill (a) creates a commercial property assessed financing program under the administration of the Hawaii Green Infrastructure Authority; and (b) allows commercial property owners to finance qualifying improvements through a non-ad valorem special property tax assessment.

The HFSA and other stakeholders have agreed to the general concept in the S.D. 1 version of this Bill. **Additionally, the HFSA, the Hawaii Bankers Association, the Hawaii Credit Union League, and the Mortgage Bankers Association of Hawaii support the following two proposed amendments to S.D. 1 to eliminate an internal inconsistency (Amendment #1) and for needed specificity (Amendment #2):**

Proposed Amendment #1 - Page 9, beginning on line 15:

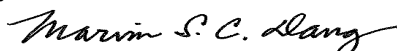
(6) Before entering into a commercial property assessed financing assessment contract for any commercial property, the commercial property owner shall provide the authority and the commercial property assessed financing lender with evidence of the written consent of each holder or loan servicer of any 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;

Proposed Amendment #2 - Page 18, beginning on line 6:

“Commercial property assessed financing assessment contract” means the financing contract, under the commercial property assessed financing program, executed by [and among] all of the following parties; one or more commercial property assessed financing lenders, one or more commercial property owners, and the authority as administrator of the commercial property assessed financing program for the acquisition or installation of qualifying improvements.

We respectfully ask that your Committee “pass” this Bill with these proposed two amendments.

Thank you for considering our testimony.



MARVIN S.C. DANG

Attorney for Hawaii Financial Services Association



Testimony in consideration of House Bill No. 2088 HD3 (Saiki), relating to green infrastructure.

Before the Senate Committee on Ways and Means

Date: Friday, April 1, 2022

Time: 10:30 AM

Location: State Capitol, Conf Room 211 & Videoconference

Testifier: Mary Luévano, Acting Executive Director, PACENation

Greetings Chair Dela Cruz and Committee Members.

PACENation is the national nonprofit organization that works alongside policymakers and PACE stakeholders to strengthen and expand access to PACE financing. Our membership includes local and state governments, nonprofit organizations, PACE program Administrators, PACE finance companies, banks and many more.

PACENation **strongly supports this bill**, because it provides commercial property owners with a low-cost financing option for energy efficiency, renewable energy, resiliency and cesspool conversion projects. To date, across the United States, over 2,700 building owners have used Commercial PACE (C-PACE) to invest more than \$3.4 billion in necessary improvements to their properties, and the program can unlock enormous benefits for Hawaii as well.

The benefits of C-PACE extend beyond providing owners of commercial real estate with long-term financing for critical energy, water and resilience upgrades. C-PACE investments also lead to significant community benefits. PACENation recently issued a report¹ called *A PACE Enabled World*, in which we estimate the C-PACE program's benefits to Hawaii if only 15% of building owners use C-PACE over the next two generations. These new benefits include:

- Over 12,000 years of full-time work for carpenters, plumbers, electricians, administrative staff and other workers;
- Over 2 billion gallons of water saved through water conservation projects; and
- Over 2 million fewer tons of carbon emitted into the air—the equivalent of operating nearly 600 wind turbines for one year.

We look forward to serving as a resource for the Legislature as you evaluate this bill. We are eager to see the enactment of this legislation.

¹ See, PACENation. *A PACE Enabled World*. Retrieved from <https://paceenabledworld.pacenation.org>. The projected impacts are derived by scaling recent research by the University of Southern California's Schwarzenegger Institute for State and Global Policy, titled "Impacts of the Property Assessed Clean Energy (PACE) Program on the Economies of California and Florida."



March 31, 2022

Capital Providers

Bayview PACE Capital
Castle Green Finance
CleanFund Commercial PACE
Dividend Finance
Inland Green Capital
Nuveen Green Capital
PACE Equity
PACE Loan Group
Petros PACE Finance
Stonehill Strategic Capital
Twain Financial Partners
White Oak Capital

Law Firms

Bricker & Eckler
Chapman and Cutler
Haynes Boone
Hirschler
Kramer Levin
Norton Rose Fulbright
Stinson
Winston & Strawn

Accounting Firms

Novogradac & Company

Senator Donovan M. Dela Cruz, Chair, Committee on Ways and Means
Senator Hon. Gilbert S.C. Keith-Agaran, Vice Chair, Committee on Ways and Means
Hawaii State Capitol
Honolulu, HI 96813

RE: In support of HB2088 SD1

Dear Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee:

The C-PACE Alliance is writing to express our strong support for HB2088 SD1 to authorize Commercial Property Assessed Clean Energy (C-PACE) financing in Hawaii. We understand that this version of the bill has been agreed to by the Hawaiian banking industry and other stakeholders, and we urge your support for the legislation in its current form. We support the bill's requirement for written consent to the C-PACE financing from each holder of a mortgage on the commercial property, and we support the definition of a "Commercial property assessed financing lender" as a financial institution defined in section 412:1-109, or a private or public lender approved by the Hawaiian Green Infrastructure Authority.

C-PACE financing is available in 28 states and the District of Columbia as a financing tool for commercial property owners who wish to upgrade their building with energy efficiency or renewable energy improvements. C-PACE financing is supplied entirely by the private sector at no cost or financial risk to the state or local government.

The members of the C-PACE Alliance (CPA) are the private investors and professional advisors that provide the vast majority of capital in C-PACE programs across the country. Our mission is to promote best practices in the industry to achieve the potential benefits of C-PACE in reduced energy consumption, private investment, and job creation. As a business association, C-PACE Alliance authors white papers on industry practices and educates members, state and local policymakers and legislators, and other constituencies about C-PACE financing. More information about CPA is available on our website, www.c-pacealliance.com.

Thank you for your leadership on this legislation.

Sincerely,

A handwritten signature in blue ink that reads "Clifton G. Kellogg". The signature is fluid and cursive, with the first name being the most prominent.

Clifton G. Kellogg
Executive Director



March 31, 2022

In Support of **HB2088 HD3 SD1** Relating to Financing
Senate Committee on Ways And Means (WAM)
Hearing on April 1, 10:30am

Aloha, Chair Dela Cruz, Vice-Chair Keith-Agaran and Members of the Committee:

On behalf of the non-profit WAI: Wastewater Alternatives & Innovations, I am writing in **support of HB2088 HD3 SD1**. This bill would help businesses with the costs of replacing their cesspools and other essential upgrades by creating a revolving loan fund under the administration of the Hawaii Green Infrastructure Authority that will spur environmental and economic development projects. This kind of property-assessed financing can unlock new markets and inject needed capital into upgrading cesspools and installing and installing energy upgrades.

Hawaii has more than 88,000 cesspools across the state, discharging 53 million gallons of raw sewage each day into Hawaii's waters. That's similar to a massive sewage spill every day! The people of Hawaii need this law to make sure their wastewater systems aren't polluting the groundwater or nearby surface waters. As a member of the State's Cesspool Conversion Working Group, I believe this bill provides an important economic tool for the state to fulfill its mandate under Act 125 to convert all cesspools by 2050.

WAI is dedicated to protecting our drinking water, groundwater and near-shore ecosystems by reducing sewage pollution from cesspools and failing septic systems. Our goal is to help find more innovative, affordable, and eco-friendly solutions to wastewater management. Better sanitation systems reduce sewage pollution, while also protecting our groundwater, streams and the health of our coral reefs and coastal areas. WAI is also helping to lead the Cesspool Task Force, a group with about 40 members (including researchers, scientists, environmentalists & NGO leaders) to support this bill and others to help convert cesspools, reduce sewage pollution and assist homeowners.

Hawaii is struggling with serious sewage pollution problems, and the state has a mandate to make sure all cesspools are converted in the next three decades. Most homeowners don't have enough money to convert their individual cesspools, but this law will create a precedent to help homeowners in the future by creating property-assessed financing that will encourage banks and mortgage companies to lend them the needed funds. Thirty-seven other states have similar Property-Assessed Clean Energy (PACE) legislation. This bill will also provide funds to upgrade each county's billing systems to accommodate these special tax assessments.

Based on successful legislation and models in other states, this bill creates a practical and expedient way to convert cesspools with property-assessed financing through the Green Infrastructure Authority. It will also help the counties and the state meet the mandate to convert all cesspools by 2050. Mahalo for your leadership on this issue and support of this bill.

Aloha,

Stuart Coleman

Stuart H. Coleman, Executive Director

WAI: Wastewater Alternatives & Innovations * 2927 Hibiscus Pl. * Honolulu, HI 96815
808-381-6220 * info@waicleanwater.org * www.WaiCleanWater.org

HB-2088-SD-1

Submitted on: 3/31/2022 10:25:56 AM

Testimony for WAM on 4/1/2022 10:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Manuel Mejia	Testifying for CORAL (Coral Reef Alliance)	Support	Written Testimony Only

Comments:

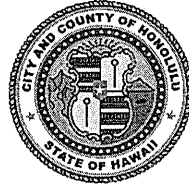
Dear WAM Committee,

The Coral Reef Alliance (CORAL) supports HB 2088 to create a commercial property assessed financing program under the administration of the Hawaii Green Infrastructure Authority, which allows commercial property owners to finance qualifying improvements through a non-ad valorem special property tax assessment. We thank you for your bold and innovative leadership in creatively finding ways to finance solutions for one of Hawaii's biggest problems-wastewater pollution which costs our state in health, environmental damage and lost revenues as a result of decreased benefits from our coral reefs (tourism, fisheries, coastal protection). Measures like this will ensure that we can provide clean water to our reefs, which safeguards Hawaii's beauty and sustainability.

Mahalo,
Manuel Mejia

LATE

RICK BLANGIARDI
MAYOR



ANDREW T. KAWANO
DIRECTOR

CARRIE CASTLE
DEPUTY DIRECTOR

March 31, 2022

The Honorable Chair Donovan M. Dela Cruz
and Members of the Committee on
Ways and Means
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Dela Cruz and Committee Members:

Re: Testimony on House Bill 2088 H.D. 3, S.D. 1
Hearing: Friday, April 1, 2022, 1:30 p.m., via videoconference

The City and County of Honolulu ("City") appreciates the opportunity to testify and offer comments on House Bill 2088 H.D.3, S.D.1 (HB 2088), relating to the Clean Energy/Environmental Improvements, Bonds and County-Implemented Property Assessed Financing Program (C-PACE).

HB 2088 targets upgrading or converting the State's cesspools to sewage systems by January 1, 2050; however the estimated costs are \$1.3 billion statewide. Out of the 88,000 known cesspools statewide, Oahu currently has 11,000 cesspools. We are unsure how many of these cesspools are classified as commercial properties on Oahu.

The City supports preserving Oahu's natural resources for the health and safety of all Oahu residences and businesses. We acknowledge C-PACE as a response to improving our resources and providing a cesspool replacement financing option and therefore provide the following comments.

The revised HB 2088 would allow commercial property owners to apply to a Hawaii Green Infrastructure Authority (HGIA) approved financial institution for funding to finance a qualified improvement. The City may also enact an ordinance for the County to administer and finance a property assessed financing program. The financing agreement would annually assess, over a fixed term, and would appear annually on the owner's real property tax bill or a stand-alone bill as a non-ad valorem special tax assessment. The City anticipates that annual assessment and billing cycles could coincide with the real property tax program with necessary program modifications.

The Honorable Chair, Donovan M. Dela Cruz
March 31, 2022
Page 2

The City's responsibilities are to provide core City services to our residents, businesses and visitors with safe, accessible, well-maintained public facilities, exceptional customer service, fiscal stewardship of tax dollars, and quality and comprehensive programs for all. Real property tax is the largest and primary source of revenue for the City.

The counties are not lenders, are not qualified to approve and manage loans, and these responsibilities are better handled by qualified financial institutions whose primary business is to manage lending and collections on various lines of credit and loans.

Staffing resources and expertise in the City's Real Property Assessment and Treasury Divisions are currently stretched and are unable to manage, implement and service the proposed HB 2088. Current existing staff are focused on supporting the real property tax program and the volume and complexity of the ever-changing real property tax initiatives.

The City's real property tax system was designed, purchased and implemented to support the collection of real property taxes. Significant programming modifications and operational changes would be cost prohibitive to implement, and impact the City's ability to make necessary programmatic changes, improvements and enhancements to support the City Council's directives and better serve our valued taxpayers. Funding to manage program enhancements and operations is currently not available.

Without adequate resources to implement, we may be less likely to opt-in to the program as we would not want to constrain limited County capacity further and diversely affect the City's favorable general obligation bond ratings.

If enacted, sufficient funds appropriated from the State provided to the County is necessary should the County choose to opt-in to the program. Whether the non-ad valorem special assessment is added to the real property tax bill or a stand-alone bill is used, the City will need to make programming modifications and operational changes necessary to implement and collect and no City funding is available. A more reasonable effective date would be beyond July 1, 2024.

Sincerely,



Andrew T. Kawano
Director
Department of Budget and Fiscal Services

LATE



**Written Statement of Elemental Excelerator
before the Senate Committees on Ways and Means**

In consideration of HB 2088, HD3 SD1 RELATING TO FINANCING

April 1, 2022

Aloha Chair Dela Cruz, Vice-Chair Keith-Agaran, and Members of the Committee:

Elemental Excelerator respectfully submits **strong support** for HB 2088, HD3 SD1.

Elemental Excelerator is a Honolulu-based non-profit organization that supports climate positive startup companies that are helping solve Hawai'i's most urgent environmental problems. Each year, we select 15-20 companies annually that best fit our mission and fund each company up to \$1 million. To date, we have awarded over \$48 million to 135 companies resulting in 80 demonstration projects in Hawai'i & the Asia Pacific.

We strongly support HB 2088, HD3 SD1 and the effort to provide more flexibility for financing energy, water, and other sustainable solutions via a Commercial Property Assessed Financing Program to assist the state to meet our climate and sustainability goals. Elemental Excelerator has invested directly in climate and clean tech solutions that can help commercial properties conserve energy, generate renewable energy, and clean and re-use water on site, and we welcome the flexibility to allow these commercial properties to finance the deployment of these kinds of new technologies to help meet their sustainability goals.

Elemental Excelerator has helped support dozens of climate tech solution companies that create good jobs, help transition our economy to 100% clean energy, and advance progress in the areas of local agriculture, water security, circular economies, and clean transportation. HB 2088, HD3 SD1 will help foster continued progress for the State of Hawai'i as well as help increase the number of green jobs in our economy.

Mahalo for the opportunity to provide testimony.

LATE



MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

**HEARING BEFORE THE SENATE COMMITTEE ON
WAYS AND MEANS
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 211
THURSDAY, APRIL 1, 2022 AT 10:30 A.M.**

To The Honorable Senator Donovan M. Dela Cruz, Chair
The Honorable Senator Gilbert S.C. Keith-Agaran, Vice Chair
Members of the committee on Ways and Means

SUPPORTING HB2088 HD3 SD1 RELATING TO FINANCING

The Maui Chamber of Commerce **supports HB2088 HD3 SD1** which creates the environmental and economic development revolving loan fund under the administration of the Hawaii green infrastructure authority and allows property owners to finance qualifying improvements through a non-ad valorem property assessment. Qualifying improvements include much needed cesspool replacements and installation of wind resistive devices.

The Chamber believes that the sooner cesspool owners convert to a less polluting wastewater system, the quicker our water systems (ground water & near shore water) can recover from potential seepage issues. We support assisting homeowners with innovative, non-traditional financing options and repayment mechanisms help bridge financing gaps for the conversion of their cesspools.

We would request that this program be expanded to include residential properties as it was before SD1. At least on Maui, there are a large number of residences, very close to the ocean, that have antiquated cesspools that have been proven to affect the water quality of Maui's near-shore waters.

For this reason, we **support HB2088 HD3 SD1** and request it be passed with the requested amendment.

Sincerely,

Pamela Tumpap
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.