



Testimony of
Gwen Yamamoto Lau
Executive Director
Hawai'i Green Infrastructure Authority
before the
SENATE COMMITTEE ON WAYS AND MEANS
Friday, February 23, 2024, 10:30 AM
State Capitol, Conference Room 211
in consideration of
Senate Bill No. 2727, SD1
RELATING TO CONDOMINIUMS

Chair Dela Cruz, Vice Chair Moriwaki and Members of the Committee:

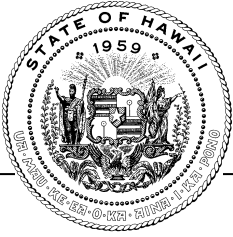
Thank you for the opportunity to testify on SB 2727, SD1, relating to condominiums. The Hawai'i Green Infrastructure Authority (HGIA) **strongly supports** this bill which will allow condominiums to be eligible for the commercial property assessed financing program.

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.

Thank you for this opportunity to testify in support of SB 2727, SD1.



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

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

MARY ALICE EVANS
INTERIM DIRECTOR

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

before the
SENATE COMMITTEE ON WAYS AND MEANS

Friday, February 23, 2024

10:30 AM

State Capitol, Conference Room 211

in consideration of
**BILL NO SB2727, SD1
RELATING TO CONDOMINIUMS.**

Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Senate Committee on Ways and Means:

The Office of Planning and Sustainable Development (OPSD) **supports** SB2727, SD1, which allows high-rise residential condominium properties 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.



HAWAII STATE ENERGY OFFICE STATE OF HAWAII

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Telephone:
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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
SENATE COMMITTEE ON WAYS AND MEANS

Friday, February 23, 2024
10:30 AM
State Capitol, Conference Room 211 and Videoconference

In Support of
SB 2727, SD1

RELATING TO CONDOMINIUMS.

Chair Dela Cruz, Vice Chair Moriwaki, and members of the Committee, the Hawai'i State Energy Office (HSEO) supports SB 2727, SD1, 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 assurance and energy resilience."

The increased financing resources made available by this measure could allow participants to improve their commercial 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

Therefore, HSEO is supportive of this measure.

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>

SB-2727-SD-1

Submitted on: 2/17/2024 3:02:43 PM

Testimony for WAM on 2/23/2024 10:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Mike Onofrietti	Testifying for 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.



Testimony of

CastleGreen Finance, LLC

before the

COMMITTEE ON WAYS AND MEANS

February 23, 2024, Time: 10:30 A.M.

State Capitol, Conference Room 211

In **SUPPORT** of

Senate Bill No. 2727 S.D. 1

RELATING TO CONDOMINIUMS

Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee:

Thank you for the opportunity to testify in support of SB 2727 S.D.1 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 may 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 S.D.1 to allow condominiums to benefit from the use of C-PACER financing.



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.

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Page 1 of 1

Committee: Senate Committee on Ways and Means
Bill Number: SB 2727, SD1, Relating to Condominiums
Hearing Date and Time: February 23, 2024 at 10:30am (Room 211)
Re: Testimony of Holomua Collaborative in support

Aloha Chair Dela Cruz, Vice Chair Moriwaki, and Committee Members:

We write in support of SB 2727, SD1, Relating to Condominiums. The purpose of SB 2727, SD1 is to allow condominiums to be eligible for Commercial Property Assessed Clean Energy and Resiliency (“C-PACER”) financing. One of the meaningful impacts of this bill, should it pass, 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. More than 281 high-rise residential buildings, primarily condominiums developed before 1975, have failed to pass safety evaluations due to the lack of fire sprinklers or other safety requirements.

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

February 23, 2024

The Honorable Donovan M. Dela Cruz, Chair

Senate Committee on Ways and Means
State Capitol, Conference Room 211 & Videoconference

RE: House Bill 2727, SD1, Relating to Condominiums

HEARING: Friday, February 23, 2024, at 10:30 a.m.

Aloha Chair Dela Cruz, Vice Chair Moriwaki, 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 Hawai'i and its over 11,000 members. HAR **supports** Senate Bill 2727, SD1, which allows high-rise residential condominium properties to be eligible for commercial property assessed financing. Takes effect 7/1/2040.

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 Hawai'i 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.

TESTIMONY OF ALISON UEOKA

COMMITTEE ON WAYS AND MEANS
Senator Donovan M. Dela Cruz, Chair
Senator Sharon Y. Moriwaki, Vice Chair

Friday, February 23, 2024
10:30 a.m.

SB 2727, SD1

Chair Dela Cruz, Vice Chair Moriwaki, and members of the Committee on Ways and Means, my name is Alison Ueoka, President for 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.

SB-2727-SD-1

Submitted on: 2/19/2024 6:30:21 PM

Testimony for WAM on 2/23/2024 10:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Bali Kumar	Testifying for PACE Loan Group	Support	Written Testimony Only

Comments:

Thank you for accepting my written testimony. I enthusiastically support SB2727 as a necessary expansion of financing that would make Hawaii's built real estate infrastructure more resilient.

I am grateful for the opportunity to share my experience of CPACE and the sustainable benefits it brings to the table for developers and property owners. CPACE financing is a game-changer in the pursuit of clean energy and achieving ESG (Environmental, Social, and Governance) goals, offering access to much-needed capital that was previously out of reach. As someone deeply committed to sustainable development, I cannot emphasize enough the positive impact CPACE financing has on our industry and the broader community.

1. **Unlocking Capital for Sustainable Projects:** CPACE financing enables developers and property owners to secure the necessary funds for clean energy initiatives and ESG-focused projects. These often require substantial upfront investments, which CPACE covers, ensuring that sustainable projects can get off the ground without the burden of immediate capital requirements.
2. **Reducing Financial Barriers:** Traditional financing options may not align with the long-term nature of clean energy and sustainability projects. CPACE financing eliminates this hurdle by offering terms that are favorable for developers and property owners. This allows them to focus on project execution without being encumbered by high-interest rates or short-term payback schedules.
3. **Enhancing Property Values:** Investing in clean energy and ESG improvements increases the attractiveness and value of properties. CPACE-financed upgrades, such as energy-efficient HVAC systems, solar installations, and water conservation measures, not only reduce operating costs but also make properties more desirable in the market.
4. **Lowering Operating Costs:** One of the most significant advantages of CPACE financing is the potential for substantial cost savings. Energy-efficient upgrades not only reduce utility bills but also decrease maintenance and operational expenses, ensuring long-term financial benefits for property owners and developers.
5. **Meeting ESG Commitments:** As the world becomes increasingly focused on sustainability and corporate responsibility, CPACE financing offers a clear pathway for developers and property owners to align with ESG goals. These initiatives enhance brand reputation, attract socially responsible investors, and foster goodwill within the community.
6. **Strengthening Environmental Stewardship:** CPACE financing empowers developers and property owners to contribute positively to environmental sustainability. By implementing clean energy solutions, reducing carbon footprints, and conserving resources, they actively participate in mitigating climate change and preserving the planet for future generations.
7. **Boosting Local Economies:** CPACE financing not only benefits individual projects but also stimulates economic growth in local communities. Sustainable development generates jobs, attracts businesses, and contributes to a thriving ecosystem where everyone can prosper.

In conclusion, CPACE financing is a catalyst for transformative change in the realms of clean energy and ESG goals. It provides the financial means to pursue environmentally responsible projects, elevating properties, businesses, and communities alike. As we stand on the precipice of a more sustainable future, CPACE financing offers a crucial bridge to turn vision into reality. I wholeheartedly recommend CPACE financing to all developers and property owners who seek to make a positive impact on our planet and society. Embrace CPACE, and together, we can build a greener, more sustainable world for all.



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

SENATE COMMITTEE ON WAYS AND MEANS

Friday, February 23, 2024, Time: 10:30 A.M.
State Capitol Conference Room 211 and Videoconference

In support of

**Senate Bill No. 2727 SD1
RELATING TO CONDOMINIUMS**

Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee:

Mahalo for the opportunity to testify to provide comments on SB 2727 SD1.

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 SD1. 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, Hawai'i 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

February 23, 2024

TO: Honorable Donovan Dela Cruz, Chairperson and Members of the
Committee on Ways and Means
FROM: Carl Takamura, President, Parkland Gardens AOA Board of Directors
RE: SB 2727, SD1

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 \$2 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



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
SENATE COMMITTEE ON WAYS & MEANS
Friday, February 23, 2024, 10:30 AM
State Capitol, Conference Room 211
in consideration of
SB 2727, SD1
RELATING TO CONDOMINIUMS

Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee:

Thank you for the opportunity to testify on SB2727,SD1, 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,SD1.

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 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-

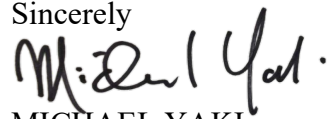
PACER financing to the condominium association, which owns the structure/common area. Since the association is a corporate entity, not residential unit, SB2727,SD1 bypasses this concern.

Finally, 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.

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

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Sincerely



MICHAEL YAKI

Senior Vice President & Sr. Counsel

Policy and Programs

Petros PACE Finance, LLC



Before the Senate Committee on Ways and Means
Friday, February 23, 2024 at 10:30 a.m.

Testimony in Support of SB2727 SD1: Relating to Condominiums

Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee:

Thank you for the opportunity to testify in support and provide comments on Senate Bill 2727 SD1.

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 SD1 makes that specification clear.

Senate Bill 2727 SD1 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



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

before the

SENATE COMMITTEE ON WAYS AND MEANS

Friday, February 23, 2024; Time: 10:30 AM HT

Conference Room 211 & Videoconference

Hawaii State Capitol

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

Chair Dela Cruz, Vice Chair Moriwaki, 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 \$5 billion in financing from private entities for more than 3,000 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.

21 Feb 2024

Nuveen, LLC

19 Old Kings Highway

Suite 210

Darien, CT 06820

nuveen.com/greencapital

Testimony of Gaby Gilbeau submitted to the Senate Committee on Ways and Means

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

Thank you Chair Dela Cruz, Vice Chair Moriwaki and Members of the Committee for this opportunity to testify on SB2727, 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, 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 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, and we thank this Committee for the opportunity to testify in support of this bill.

Thank you,

Gaby Gilbeau
Manager, Policy

p +1 540 - 431 - 9959
gaby.gilbeau@nuveen.com



Email: communications@ulupono.com

SENATE COMMITTEE ON WAYS & MEANS
Friday, February 23, 2024 — 10:30 a.m.

Ulupono Initiative supports SB 2727 SD1, Relating to Condominiums.

Dear Chair Dela Cruz 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 SD1, which allows high-rise residential condominium properties 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



SanHi

GOVERNMENT STRATEGIES

A LIMITED LIABILITY LAW PARTNERSHIP

DATE: February 23, 2024

TO: Senator Donovan M. Dela Cruz
Chair, Committee on Ways and Means
Submitted Via Capitol Website

FROM: Mihoko Ito / Tiffany Yajima

RE: **S.B. 2727, S.D.1 – Relating to Condominiums**
Hearing Date: Friday, February 23, 2024 at 10:30 a.m.
Conference Room: 211

Dear Chair Dela Cruz and Members of the Committee on Ways and Means:

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. 2727, S.D.1, which 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.

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. 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.

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



LiUNA!

LATE

**THE SENATE
KA 'AHA KENEKOA**

COMMITTEE ON WAYS AND MEANS

Senator Donovan M. Dela Cruz, Chair
Senator Sharon Y. Moriwaki, 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

Friday, February 23, 2024, 10:30 am
Conference Room 211

Re: **Testimony in support of SB2727 SD1**
RELATING TO CONDOMINIUMS

Aloha Chair Dela Cruz, Vice-Chair Moriwaki, 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 SD1, 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 SD1.

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



THE SENATE KA 'AHA KENEKOA

LATE

COMMITTEE ON WAYS AND MEANS

Senator Donovan M. Dela Cruz, Chair
Senator Sharon Y. Moriwaki, Vice Chair

Friday, February 23, 2024, 10:30 am
Conference Room 211

Re: **Testimony in support of SB2727 SD1**
RELATING TO CONDOMINIUMS

Aloha Chair Dela Cruz, Vice-Chair Moriwaki, 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 SD1**, 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 SD1.

Mahalo for your time and consideration.

Sincerely,

Valentino Ceria

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



SB-2727-SD-1

Submitted on: 2/19/2024 10:55:02 AM

Testimony for WAM on 2/23/2024 10:30:00 AM

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

Comments:

SUPPORT. This is a much needed financing option for Hawaii's aging condominiums.

Testimony of
THOMAS A. NIDA
Retired Executive Vice President/Market Executive
City First Bank, Washington, DC
before the
SENATE COMMITTEE ON WAYS AND MEANS

Friday, February 23, 2024, Time: 10:30 A.M.
State Capitol Conference Room 211 and Videoconference

In support of
Senate Bill No. 2727, SD1
RELATING TO CONDOMINIUMS

Committee Chair Dela Cruz, Vice Chair Monwaki, and Members of the Committee:

Thank you for the opportunity to testify and provide comments in support of SB 2727, SD1 to include eligible condominium properties in the C-PACER program.

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

- 1) Benefits to the County
 - 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, SD1.

SB-2727-SD-1

Submitted on: 2/21/2024 1:00:48 AM

Testimony for WAM on 2/23/2024 10:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Greg Misakian	Individual	Oppose	Written Testimony Only

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

Kokua Council, 2nd Vice President

Waikiki Neighborhood Board, Sub-District 2 Vice Chair



Testimony in Support of SB 2727, Relating to Condominiums

Aloha Chair Dela Cruz, Vice Chair Moriwaki, and Committee Members:

We write in support SB 2727, 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 Hawaii. Hawaii 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 Kurisu".

Brandon Kurisu
aio Family of Companies





**Testimony to
Senate Committee on Ways and Means
February 23, 2024
10:30am
Conference Room 211 & VIA videoconference
Hawaii State Capitol
SB 2727**

Aloha Chair Dela Cruz, Vice Chair Moriwaki, and members of the Committee,

We write in support of SB 2727, 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, 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, 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. Over 281 high-rise residential buildings, primarily developed before 1975, lack fire sprinklers or other safety features and have failed safety evaluations. 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.



February 23, 2024

Committee: Senate Committee on Ways and Means
Bill Number: SB 2727, Relating to Condominiums
Hearing Date and Time: February 23, 2024, 10:30am
Re: Testimony of HPM Building Supply in Support

Aloha Chair Dela Cruz, Vice Chair Moriwaki, and members of the Committee,

We support SB 2727, 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 Hawaii 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. Over 281 high-rise residential buildings, primarily developed before 1975, lack fire sprinklers or other safety features and have failed safety evaluations. 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



Statement of
Meli James
President
HVCA

SB 2727, Relating to Condominiums

Aloha,

We support SB 2727, 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, Relating to Condominiums

Aloha,

We support SB 2727, 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

February 23, 2024

Aloha Chair Dela Cruz, Vice Chair Moriwaki, and members of the Committee,

I am writing in support of SB 2727, 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

LATE

Written Testimony in SUPPORT of SB2727 – C-PACE Financing

Submitted by: Peter Inoue, condominium owner.

Organization: Condominium Owner

Testifier Position: Support

Testify: Written Testimony Only

Aloha Committee Chair and Members

My name is Peter Inoue, and I am an owner of the Mott-Smith Laniloa Condominium and serve as the Board Secretary. I SUPPORT this bill which will provide a source of funds for AOAOs to both comply with rules requiring fire sprinklers and infrastructure updates such as wastewater piping and concrete spalling. Many condominiums are reaching a ripe old age like the Baby Boomers. Although repairs are funded following reserve studies, the requirement to install fire sprinklers has exacerbated the availability of funding resources.

Normally, AOAOs fund these projects through borrowing or assessments on owners, but these are not in 'normal' times. As the result of building collapses, wildfires, storms, and other natural disasters, insurance companies and their reinsurance carriers have experienced high loss ratios, which translate into higher property insurance premiums and deductibles for AOAOs. The large increase in property insurance premiums and the availability of policy renewals have resulted in AOAOs accepting both high deductibles and reduced coverage. The next domino to fall is the reaction by lenders to provide loans to buyers and owners further upsetting the balance between interest rates, loan availability, and even eligibility for Fannie Mae and Freddie Mac loans, because the property is not 100% insured against losses.

The availability of C-PACE funds will help to mitigate this mess by providing another source of funds from which AOAOs can borrow.

Thank you for this opportunity to hear an owner's voice, those who are directly affected by the mess.