

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT GOVERNOR



Hawaii Green Infrastructure Authority

An Agency of the State of Hawaii

JAMES KUNANE TOKIOKA
CHAIR

GWEN S YAMAMOTO LAU
EXECUTIVE DIRECTOR

Testimony of
Gwen Yamamoto Lau
Executive Director
Hawai'i Green Infrastructure Authority
before the
SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION
Tuesday, February 6, 2024, 9:30 AM
State Capitol, Conference Room 229
in consideration of
Senate Bill No. 2727
RELATING TO CONDOMINIUMS

Chair Keohokalole, Vice Chair Fukunaga and Members of the Committee:

Thank you for the opportunity to testify on SB 2727, 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,

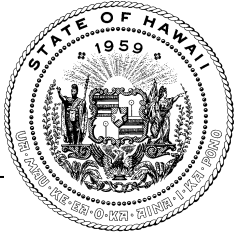
thereby assisting our local banks, credit unions and mortgage bankers, as their mortgages over units in these projects will be or remain eligible for sale in the secondary market.

HGIA respectfully requests the following amendment to Section 196-64.5(c)(9):

SECTION 3. Section 196-64.5(c)(9), Hawaii Revised Statutes, is amended to read as follows:

“(9) Before the execution by the authority of the first commercial property assessed financing assessment contract in a county, the authority shall enter into a contract with the county director of finance or county director of budget and fiscal services to cause the county director to levy and collect any commercial property assessed financing assessment approved and certified by the authority to the director for collection. Except as provided for commercial property assessed financing assessments in chapter 514B, [T]the county director shall levy and collect any commercial property assessed financing assessment approved by the authority..”

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



HAWAII STATE ENERGY OFFICE STATE OF HAWAII

235 South Beretania Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804

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GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

MARK B. GLICK
CHIEF ENERGY OFFICER

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energy.hawaii.gov

Testimony of
MARK B. GLICK, Chief Energy Officer

before the
SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

Tuesday, February 6, 2024
9:30 AM
State Capitol, Conference Room 229 and Videoconference

In Support of
SB 2727

RELATING TO CONDOMINIUMS.

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

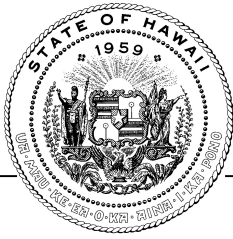
HSEO's testimony is guided by its statutory duties under HRS §196-72, in which the Chief Energy Officer of the Hawaii State Energy Office shall "coordinate the State's energy programs with ... the political subdivisions of the State, departments of the State" and "assist public agencies in the implementation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

HSEO is supportive because 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

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>



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

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

MARY ALICE EVANS
INTERIM DIRECTOR

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Statement of
MARY ALICE EVANS, Interim Director

before the
SENATE COMMITTEE ON COMMERCE & CONSUMER PROTECTION

Tuesday, February 6, 2024

9:30 AM

State Capitol, Conference Room 229

in consideration of
BILL NO SB2727
RELATING TO CONDOMINIUMS.

Chair Keohokalole, Vice Chair Fukunaga, and Members of the Senate Committee on Commerce and Consumer Protection:

The Office of Planning and Sustainable Development (OPSD) **supports** SB2727, 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.



SanHi

GOVERNMENT STRATEGIES

A LIMITED LIABILITY LAW PARTNERSHIP

DATE: 2/5/2024

TO: Senator Jarrett Keohokalole
Chair, Committee on Commerce and Consumer Protection
Submitted Via Capitol Website

FROM: Mihoko Ito / Tiffany Yajima

RE: **S.B. 2727– Relating to Condominiums**
Hearing Date: Tuesday, February 6, 2024 at 9:30 a.m.
Conference Room: 229

Dear Chair Keohokalole and Members of the Committee on Commerce and Consumer Protection:

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

HBA submits **comments** on S.B. 2727 and asks for language to be inserted into the committee report should the Committee be inclined to move this bill.

S.B. 2727 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.

While HBA appreciates the need for condominiums to access C-PACE as a financing mechanism, we are cautious where there is any intention to have this program apply in residential settings because of the potential for it to impact the residential mortgage market. We believe that S.B. 2727 threads the needle its current draft, because while it covers condominium buildings (including their units and common spaces) as the "parcel" for the purpose of C-PACE, and the

program still needs to obtain the prior written consent of existing lenders on any loans or mortgages pursuant to HRS 196-64.5.

However, in an abundance of caution, we would respectfully request that, if the Committee is inclined to pass this measure, the committee report note that the purpose of the measure is to allow condominium property regimes of more than six units to access the existing C-PACE program and follow the requirements under HRS 196-64.5, including the requirement to obtain prior written consent of each holder or loan servicer of any mortgage that encumbers or otherwise secures the commercial property.

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



In Alliance with **Apollo**

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

☎: 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 COMMERCE & CONSUMER PROTECTION
Tuesday, February 6, 2024, 9:30 AM
State Capitol, Conference Room 229
in consideration of
Senate Bill 2727
RELATING TO CONDOMINIUMS

Chair Keohokalole, Vice Chair Fukunaga, and Members of the Committee:

Thank you for the opportunity to testify on SB2727, 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.

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

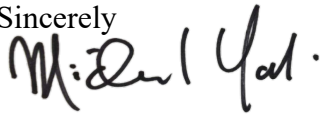
like us to work with condominium associations by creating an assessment “anchor” for the C-PACER financing to the condominium association, which owns the structure/common area.

Finally, it is important to distinguish that because the CPACER assessment will attach to a parcel owned by a condominium 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 condominium or homeowner association for repair or upgrades to common areas -- a debt of the association, not an individual unit owner. Indeed, as required by the current law, the association will have to obtain the consent of any current lender to the association. This will not affect in any way the property tax bills of unit owners and has no impact on the secondary market for home mortgages. This is a commercial CPACER transaction with a corporate entity, pure and simple.

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

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Sincerely

A handwritten signature in black ink, appearing to read "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

SB-2727

Submitted on: 2/3/2024 6:58:30 PM

Testimony for CPN on 2/6/2024 9:30:00 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.



1003 Bishop Street
Honolulu, Hawaii 96813
Telephone (808) 525-5877

Alison H. Ueoka
President

TESTIMONY OF ALISON UEOKA

COMMITTEE ON COMMERCE AND CONSUMER PROTECTION
Senator Jarrett Keohokalole, Chair
Senator Carol Fukunaga, Vice Chair

Tuesday, February 6, 2024
9:30 a.m.

SB 2727

Chair Keohokalole, Vice Chair Fukunaga, and members of the Committee on Commerce and Consumer Protection, 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.

Testimony of **Nicholas Zuba, Deputy Director, C-PACE Alliance, Inc.**
before the
SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION
Tuesday, February 6, 2024; Time: 9:30 AM HT
Conference Room 229 & VIA videoconference
Hawaii State Capitol

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

Chair Keohokalole, Vice Chair Fukunaga, 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.



holomua

COLLABORATIVE

OUR MISSION

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

OUR VISION

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

BOARD MEMBERS

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

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Josh Feldman
Brittany Heyd
Alicia Moy
Ed Schultz

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President & Executive Director

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Page 1 of 1

Committee: Senate Committee on Commerce and Consumer Protection
Bill Number: SB 2727, Relating to Condominiums
Hearing Date and Time: February 6, 2024 at 9:30am (Room 229)
Re: Testimony of Holomua Collaborative in support

Aloha Chair Keohokalole, Vice Chair Fukunaga, and Committee Members:

We write in support of SB 2727, Relating to Condominiums. The purpose of SB 2727 is to allow condominiums to be eligible for commercial property assessed financing, otherwise known as “C-PACER” financing. One of the most immediate impacts of this bill, should it pass, is that 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 significantly increase because they have not yet installed fire sprinklers. This in turn skyrockets 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, meaningfully reducing the amount of the assessment: thus, lowering the price paid by lower-income residents.

This measure will simultaneously improve safety and affordability for local residents, and we are proud to support it.

Sincerely,

Josh Wisch
President & Executive Director

SB-2727

Submitted on: 2/3/2024 9:10:10 AM

Testimony for CPN on 2/6/2024 9:30:00 AM

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

Comments:

Our association supports SB2727. Please pass this bill.

Mike Golojuch, Sr., President

February 6, 2024

TO: Honorable Jarrett Keohokaiole, Chairperson
Committee on Commerce and Consumer Protection
FROM: Carl Takamura, President, Parkland Gardens AOA Board of Directors
RE: SB 2727

As one of the approximately 350 residential units impacted by the tragic Marco Polo fire and the subsequent City's fire safety ordinance, our board has been diligently researching and gathering information regarding the cost and impact on both owners and residents of installing a fire sprinkler system in our building. We understand that it will cost over \$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



Testimony of

CastleGreen Finance, LLC

before the

COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

February 6, 2024, Time: 9:30 A.M.
State Capitol, Conference Room 229

In **SUPPORT** of

Senate Bill No. 2727

RELATING TO CONDOMINIUMS

Chair Keohokalole, Vice Chair Fukunaga, and Members of the Committee:

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

5 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 Commerce & Consumer Protection

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

Thank you Chair Keohokalole, Vice Chair Fukunaga 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



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 COMMERCE AND CONSUMER PROTECTION

Tuesday, February 6, 2024, Time: 9:30 A.M.
State Capitol Conference Room 229 and Videoconference

In support of

Senate Bill No. 2727

RELATING TO CONDOMINIUMS

Chair Keohokalole, Vice Chair Fukunaga, and Members of the Committee:

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

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. This bill will allow condominiums to be eligible for Commercial Property Assessed Financing Program (also known as C-PACER), administered by the Hawaii Green Infrastructure Authority. We assert that C-PACER represents a pivotal opportunity to assist condominium association owners in meeting the mounting challenges and regulatory demands caused by climate change and health, fire, and safety requirements.

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

☎: 833-808-Pats (7287)

✉: president@patsatpunaluu.com

🌐: www.patsatpunaluu.com

a place to dream awhile...



AOAO at Pat's at Punalu'u

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

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

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

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

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

With utmost aloha,

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

J Allen DeLaney-Kolby
President



Hawai'i Energy

LATE

LATE

45 North King Street, Suite 500 • Honolulu, Hawai'i 96817 • HawaiiEnergy.com • P: (808) 839-8880 • F: (808) 441-6068

Before the Senate Committee on Commerce and Consumer Protection
Tuesday, February 6, 2024 at 9:30 a.m.

Testimony in Support of SB2727: Relating to Condominiums

Chair Keohokalole, Vice Chair Fukunaga, and Members of the Committee:

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

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 makes that specification clear.

Senate Bill 2727 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



Hawaii Solar Energy Association
Serving Hawaii Since 1977

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

Tuesday, February 6, 2024

Dear Chair Keohokalole, Vice Chair Fukunaga, and committee members,

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

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

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

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

Respectfully,

/s/ Rocky Mould

Executive Director

SB-2727

Submitted on: 2/3/2024 1:54:30 PM

Testimony for CPN on 2/6/2024 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Eric B Johnson	Testifying for Contessa Condominium	Support	Written Testimony Only

Comments:

COMMITTEE ON COMMERCE AND CONSUMER PROTECTION Senator Jarrett Keohokalole, Chair Senator Carol Fukunaga, Vice Chair

Re. SB 2727

The Contessa Condominium (144 units) is in support of SB 2727. The C-PACER option for financing is desperately needed to help comply with Ordinance 22-2. Many of our owners are elderly and are on fixed incomes and cannot afford the massive assessment to comply with the mandated Ordinance 22-2. Some of our owner are also ALICE, (asset limited, income constrained and employed) and are in the same situation as our elderly. SB 2727 will give a lifeline to them as well as our other owners.

We are in favor of SB 2727

Eric B Johnson, President Contessa AOAO

LATE



Testimony to the Senate Committee on Commerce & Consumer Protection
Tuesday, February 6, 2024, at 9:30AM
Conference Room 229

Comments on SB 2727, Relating to Condominiums

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

My name is Stefanie Sakamoto, and I am testifying on behalf of the Hawaii Credit Union League, the local trade association for 47 Hawaii credit unions, representing over 864,000 credit union members across the state.

HCUL offers the following comments on SB 2727, Relating to Condominiums. This bill allows condominiums to be eligible for commercial property assessed financing (C-PACE).

While we understand that the intent of this measure is to provide a method of financing for certain building improvements, we have been concerned about this particular type of loan being secured by the property itself, which means it is a senior lien. C-PACE, unlike residential PACE, requires written consent by each holder and servicer of existing mortgage loans.

We understand that SB 2727 attempts to use the C-PACE model to apply the loan program to condominium properties. We have concerns since these properties are residential properties, and would urge caution when affecting residential mortgages. We would like to ensure that the prior written consent provision remains intact, as this would protect the mortgagor and the mortgagee.

Further, we would note that many Hawaii financial institutions, including credit unions, already offer specialized, low-cost loans for certain home improvements.

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

SB-2727

Submitted on: 2/3/2024 3:46:24 PM

Testimony for CPN on 2/6/2024 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Philip Nerney	Individual	Support	In Person

Comments:

Support

SB-2727

Submitted on: 2/3/2024 9:46:31 PM

Testimony for CPN on 2/6/2024 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Dale Head	Individual	Support	In Person

Comments:

Aloha: The City of Honolulu Dept of Planning and Permitting already classifies condominium dwellings as 'commercial' buildings.

**The Senate
The Thirty-Second Legislature
Committee on Commerce and Consumer Protection
Tuesday, February 6, 2024
9:30 a.m.**

To: Senator Jarrett Keohokalole, Chair
Re: SB 2727, Relating to Condominiums

Aloha Chair Jarrett Keohokalole, Vice-Chair Carol Fukunaga, and Members of the Committee,

I am Lila Mower, president of Kokua Council, one of Hawaii's oldest advocacy groups with over 800 members and affiliates in Hawaii and I serve on the board of the Hawaii Alliance for Retired Americans, with a local membership of over 20,000 retirees.

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

Mahalo for allowing me to submit testimony in **support of the intent of SB2727** to provide an alternative financing option for qualified capital improvement costs.

Having retired from a career in banking, specifically in real estate financing, I have these concerns about the proposed C-PACER financing option:

LACK OF CONSUMER PROTECTIONS

- (1)** Because C-PACER is structured as a tax assessment instead of a loan, borrowers may not have the same consumer protections of disclosures about financing costs that traditional lenders must provide.
- (2)** Without those disclosures, directors, community association managers, and other advisors, who are not experienced in or may only have superficial knowledge of financing, may not know what to ask, including inquiring if the rates and terms that are offered are competitive (and may not know how to compare), about penalties, restrictions, and other limitations.
- (3)** Unlike traditional financing, most C-PACER programs do not require a third-party assessment of the costs of improvements (i.e., appraisal).
- (4)** Those who are naïve may have a false sense of security about C-PACER, wrongly assuming that it is a federal (or state) loan program and wrongly believing that there are consumer protective terms that may not exist.

- (5) Additionally, there may be individuals who influence the board's decision to borrow who may have undisclosed conflicts of interests, including pecuniary interests which may be hidden in the undisclosed financing costs, or financial interests in the capital improvements that are to be funded by C-PACER. These include contractors who use C-PACER as a sales tactic to lure business and use the financing option to generate more business (greater and additional improvements) than needed. There is also the possibility of "kickbacks."

ADVERSE AFFECT ON THE REAL ESTATE MARKET

- (6) Because C-PACER runs with the land (i.e., property), C-PACER may make it more difficult for owners who desire to sell or purchasers who desire to purchase in an already difficult real estate market. Sellers may have to discount their units compared to comparable units in associations without C-PACER.
- (7) Because C-PACER takes priority over other lienholders except for government tax liens, those lienholders (mostly mortgagors) will have to consent. In the past, Fannie Mae (FNMA) and Freddie Mac (FLMC) indicated that they will not purchase mortgages with C-PACER superior liens. If this is still correct, the marketability of properties with C-PACER will be affected, reversing the purpose of utilizing C-PACER to fund needed improvements for borrowers and their properties to qualify for Fannie Mae or Freddie Mac mortgage financing.

Based on allegations from hundreds of Hawaii condominium unit owners¹ regarding voting integrity and conflicts of interest, any consent to finance capital improvement should be by ballot, whether in person vote or mail-in ballot, and not by proxy-voting. (Florida, which has the second most associations in the nation, prohibits the use of proxies and allows only directed limited proxies in few instances.² And the former Chair of the Condominium Advisory Board in Illinois, which has the fourth most associations in the nation, said, "voting by proxy – in which a unit owner gives up his or her vote to someone else – is 'the single most abused concept' in the Illinois Condominium Property Act...Although admittedly cumbersome, mail-in voting, says Shifrin, which is allowed by law even if not mentioned in an association's bylaws, 'is still the viable alternative for owners to vote who cannot attend the meeting, proper.'"³)

Mahalo for the opportunity to address my concerns regarding SB 2727, a measure whose *intent* I support.

¹ See Exhibit A

² <https://www.flsenate.gov/Laws/Statutes/2023/718.112>

³ <https://www.loopnorth.com/news/proxy1013.htm>

SB-2727

Submitted on: 2/3/2024 3:10:03 PM

Testimony for CPN on 2/6/2024 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Richard Emery	Individual	Support	Written Testimony Only

Comments:

Another source for loans is valuable.

Committee on Commerce & Consumer Protection

Tuesday, February 6, 2024 @ 1:30 AM

SB 2727: CPACE

My name is Jeff Sadino, I am a condo owner in Makiki, and I **SUPPORT** this Bill.

My only comment is for a minor amendment for clarification purposes: Page 9, lines 15 – 17 seems to indicate that to receive a C-PACER loan, 50% of all unit owners need to approve the loan. This seems different than how most budgeting works, I could not find any reference to the “50% approval” anywhere in the document, and I think it will cause confusion for condo owners and Board members.

My understanding is that most of the time, the Board makes most financial decisions without consulting with the rest of the Association.

Can you please clarify if 50% of owners need to approve the loan and possibly also how that approval would be requested and documented?

Thank you for the opportunity to testify,

Jeff Sadino

15 collected in the same manner as common expenses. The written
16 consent of at least fifty per cent of all unit owners and owners
17 to finance qualifying improvements with commercial property

SB-2727

Submitted on: 2/5/2024 12:27:20 AM

Testimony for CPN on 2/6/2024 9:30:00 AM

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

Comments:

Dear Members of the Committee,

Hawaii has recognized that the reduction of energy consumption and attendant air pollutants is a public benefit and authorizes financings to be repaid through a municipal charge placed on the improved property like other public benefits. Commercial Property Assessed Clean Energy (C-PACE) financing fills a large void for clean energy financing for projects such as deep energy improvements in buildings and renewable energy projects. I ask for your support of HB 1692 which would allow condominium property to fund improvements through C-PACE to allow private capital investment that will improve infrastructure and protect lives.

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

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

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

PACE provides a low-cost financing option to support municipal economic development, job creation as well as sustainable and resiliency planning initiatives. HB 1692 will offer property owners a means to fund these capital-intensive projects that have low return on investment in order to assist and incentivize investment in Hawaii's resiliency and to better protect its citizens.

Thank you for your consideration.

Michele Pitale, M.D.

Managing Director

Counterpointe Sustainable Real Estate

777 W. Putnam Ave Greenwich, CT 06830

mlp@counterpointees.com | 855 431-4400

Counterpointe Energy Solutions serves as a PACE Program Administrator in Florida, California and the City of Chicago.