

HB-807-HD-2

Submitted on: 3/8/2025 8:46:50 AM

Testimony for CPN on 3/14/2025 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Frank Schultz	Individual	Support	Written Testimony Only

Comments:

I support this initiative. Too many times, condo associations try to pass on to the owners' fees they should be covering under the condo\association agreements.

HB-807-HD-2

Submitted on: 3/8/2025 2:24:09 PM

Testimony for CPN on 3/14/2025 9:30:00 AM

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

Comments:

I am a condo owner and resident. This is an important bill. It provides a source of funds to associations and their hundreds of thousands of members who would otherwise be unable to make necessary repairs or do necessary maintenance. Please move it forward.

HB-807-HD-2

Submitted on: 3/8/2025 8:55:16 PM

Testimony for CPN on 3/14/2025 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Kate Paine	Individual	Support	Written Testimony Only

Comments:

Viability of many AOAOs need financing support in order to accomplish maintenance and repairs that have not been recognized by volunteer boards. That support needs to be provided NOW, not 5 years hence

HB-807-HD-2

Submitted on: 3/10/2025 10:57:46 AM

Testimony for CPN on 3/14/2025 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Mike Golojuch, Sr.	Individual	Support	Written Testimony Only

Comments:

I support HB807. As a condo owner and President of our Association, this bill is important. Please pass this bill.

HB-807-HD-2

Submitted on: 3/10/2025 2:29:01 PM

Testimony for CPN on 3/14/2025 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Jane Sugimura	Testifying for Hawaii Council of Community Associations	Support	Written Testimony Only

Comments:

Hawaii Council of Community Associations (HCCA) SUPPORTS HB 807.

Hawaii Council of Community Associations is in it's 50th year of educating Condominium Board of Directors.

Condominiums are in need of every avenue to secure lending funds to do the necessary and require repairs to their aging buildings.

Thank you for allowing the submission of testimony.

Jane Sugimura, President of Hawaii Council of Community Associations.



Testimony of
Gwen Yamamoto Lau
Executive Director
Hawai'i Green Infrastructure Authority
before the
SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION
Friday, March 14, 2025, 9:30 AM
State Capitol, Conference Room 229
in consideration of
House Bill No. 807, HD2
RELATING TO CONDOMINIUMS

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

Thank you for the opportunity to testify on HB 807, HD2 relating to condominiums. The Hawai'i Green Infrastructure Authority (HGIA) **supports** this bill which establishes the Condominium Loan and Condominium Loan Loss Reserves Programs administered by HGIA.

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

Similar to secondary market lenders financing condo mortgages, commercial lenders³ typically require full insurance coverage before issuing loans for condo upgrades and retrofits. This bill will enable HGIA to provide much needed financing for condominium associations to fund essential repairs and address deferred maintenance and structural issues to enhance its insurability, which in turn will enable buyers of individual units to access secondary mortgage financing.

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

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

³ Including C-PACE lenders.

Additionally, in collaboration with the banking industry, this bill would enable HGIA to provide credit enhancements to community development financial institutions, mitigating their risks and enabling them to provide loans at competitive rates and terms to condominium associations to make necessary repairs.

In order to offset administrative costs to administer the condominium loan loss reserves program, we respectfully request the following revision to Section ____-12 (c) Participating community development financial institutions; reserve account:

(c) When a participating community development financial institution makes a loan enrolled in the condominium loan loss reserves program, the participating community development financial institution shall pay to the authority a fee equal to fifty basis points of the amount deposited into the reserve account to support the loan, which the authority shall deposit into the condominium loan revolving fund~~[reserve account]~~, and annually thereafter. The participating community development financing institution may recover from the borrower all or part of the amount the participating community development financial institution is required to pay under this subsection in any manner agreed to by the financial institution and borrower.

To correct a typographical error, we request the following revision to Section ____-13 (a) Loans.

(a) Except as otherwise provided by this chapter, the authority shall ~~[not]~~ determine the recipient, amount, or interest rate of a loan under this part or the fees or other requirements related to the loan.

Regarding Section ____-14 Limitations on state contribution to reserve account, the Authority recommends the following:

§ ____-14 Limitations on state contribution to reserve account. The maximum aggregate amount the authority may retain on deposit in a reserve account shall not exceed five per cent of the aggregate outstanding principal balance of enrolled loans. On a regular basis, no less than annually, the authority shall withdraw from a reserve account the amounts in excess of the limit and

deposit that amount into the condominium loan revolving fund. A withdrawal of money authorized under this section shall not reduce an active reserve account to an amount that is less than the aggregate amount allowed under this section.

We support the measure so long as it does not adversely impact priorities identified in Executive Budget Request for FY2026. Thank you for this opportunity to provide comments and testify in support of HB 807, HD2.



JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LIEUTENANT GOVERNOR

LUIS P. SALAVERIA
DIRECTOR

SABRINA NASIR
DEPUTY DIRECTOR

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

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
Ka 'Oihana Mālama Mo'ohelu a Kālā
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT

WRITTEN ONLY

TESTIMONY BY LUIS P. SALAVERIA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION
ON
HOUSE BILL NO. 807, H.D. 2

March 14, 2025
9:30 a.m.
Room 229 and Videoconference

RELATING TO CONDOMINIUMS

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

House Bill (H.B.) No. 807, H.D. 2: 1) establishes the Condominium Loan (CL) Program (CLP) within the Hawai'i Green Infrastructure Authority (HGIA) for the purpose of providing qualified condominium associations with low-cost financing, or refinancing of loans previously obtained, for maintenance or repair projects; 2) establishes the CL Revolving Fund (CLRF) to provide loans for the CLP, provide credit enhancements, and pay the CLP administrative costs; 3) requires the CLRF to be audited at least once annually by a certified public accountant and for HGIA to submit annual reports to the Legislature; and 4) establishes the CL Loss Reserves Program (CLLRP) within HGIA for the purpose of incentivizing community development financial institutions to provide loans to condominium associations to make necessary repairs and maintenance by covering potential losses arising from a loan default. This measure also appropriates an unspecified amount of general funds in FY 26 and FY 27 for deposit into the CLRF; and appropriates an unspecified amount of revolving fund ceiling for the CLRF in FY 26 and FY 27.

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

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

Lastly, as a matter of general policy, B&F does not support the creation of any revolving fund, which does not meet the requirements of Section 37-52.4, HRS. Revolving funds should: 1) serve a need as demonstrated by the purpose, scope of work, and an explanation why the program cannot be implemented successfully under the general fund appropriation process; 2) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries or a clear link between the program and the sources of revenue; 3) provide an appropriate means of financing for the program or activity; and 4) demonstrate the capacity to be financially self-sustaining. Regarding H.B. No. 807, H.D. 2, it is difficult to determine whether the proposed CLRF would be self-sustaining.

Thank you for your consideration of our comments.

HB-807-HD-2

Submitted on: 3/10/2025 2:18:52 PM

Testimony for CPN on 3/14/2025 9:30:00 AM

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

Comments:

support HB 807 HD2

Hawaii Condominiums need all the support we can get!

Thank you

Raelene Tenno, Condo Owner since 1990

HB-807-HD-2

Submitted on: 3/10/2025 9:44:43 PM

Testimony for CPN on 3/14/2025 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Jessica Herzog	Individual	Oppose	Written Testimony Only

Comments:

Testimony in Opposition to HB807 HD2 - Condominium Association Loans

Aloha Honorable Members of the Committee,

My name is Jessica Herzog, a condominium owner and board member at Makaha Surfside. I am here to express my opposition to HB807 HD2 and to propose significant amendments to protect condominium owners from potential financial harm.

Concerns for Owners:

1. **Increased Liabilities:** This bill potentially increases owners' liabilities by allowing associations to undertake substantial borrowing, which could inflate owners' financial obligations without their direct consent. Owners might find themselves responsible for a portion of the association's debts that escalate beyond their control.
2. **Lack of Direct Control:** HB807 HD2 empowers boards to make critical financial decisions regarding large-scale borrowing without mandatory direct involvement or approval from the condominium owners at large. This exclusion from pivotal financial decisions undermines owner governance and could lead to decisions that do not reflect the broader interests of all owners.
3. **Predatory Lending Risks:** The bill lacks safeguards against entering unfavorable loan agreements. Without stringent transparency and checks, associations might be susceptible to terms that disproportionately favor lenders, thereby jeopardizing the financial stability of the entire condominium community.

Suggested Amendments to Protect Owners:

1. **Enhanced Disclosure Requirements:** I propose an amendment for mandatory disclosure of all loan terms in a clear and understandable format, accessible to all condo owners and not limited to the board members. This will ensure that every owner is fully informed about potential debts they are incurring.
2. **Owner Consent for Major Decisions:** It should be mandatory to obtain supermajority consent from all owners for any borrowing decisions that could result in increased maintenance fees or necessitate special assessments. This inclusion fosters a democratic approach to major financial commitments.

3. **Cap on Borrowing:** To prevent excessive financial leverage, the association's borrowing limit should be capped at a prudent percentage of the total property value. This will safeguard the property from being over-leveraged, thereby protecting the owners' investments.
4. **Specific Use of Funds:** Clearly define and restrict the usage of borrowed funds to essential maintenance and repairs only. This prevents potential misuse of funds and ensures that loans are utilized in ways that benefit all owners.
5. **Robust Oversight:** Introduce mechanisms for state or independent oversight to monitor how loans are negotiated and managed. Such oversight would provide an additional layer of security and accountability, ensuring that loan agreements are fair and equitable.

In conclusion, while the intent of HB807 HD2 to facilitate necessary funding for condominium associations is understandable, it is imperative that we amend the bill to provide greater protections for condominium owners. As currently drafted, the bill poses significant risks that could undermine the financial well-being and autonomy of owners. Your consideration of these amendments will be a step toward ensuring that condominium communities can thrive without undue financial risk.

Thank you for your attention to these critical issues.

Respectfully,

Jessica Herzog
Condo Owner, Notary Public
Member of the National Association of Parliamentarians
mssc403@gmail.com | 707.340.5786
www.leewardrepair.com/condo

**The Senate
The Thirty-Third Legislature
Committee on Commerce and Consumer Protection
Friday, March 14, 2025
9:30 a.m.**

To: Senator Jarrett Keohokalole, Chair
Re: HB 807 HD 2, Relating to Condominiums

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

Mahalo for the opportunity to provide these comments about the proposed measure.

While I appreciate the Legislature's efforts to provide condominium associations and their owners with financial relief, greater focus should be on the causes of the need for relief. These causes include uninformed and unaccountable management and boards, feeble or no enforcement of rules and laws intended to protect consumers, and uninformed owners who lack access to essential condominium documents including financials and meeting minutes necessary to understand the status of their association and its physical plant.

It is unfair for current residents and owners of those associations to bear the financial burden of upkeep, repair, and maintenance that were ignored or deferred by previous association boards and management, but it is also unfair for taxpayers throughout the state to participate with their hard earned tax dollars in bearing the risk of funding condominium associations that failed to demonstrate wise fiscal and physical plant management.

There must be greater assurance that associations that neglected proper planning, including budgeting and assessing, and disregarded maintenance of their properties, will correct their management and governance practices so that they do not repeat their errors.

Regarding HB 807 HD 2, a concern is that "low cost" and "competitive" rates while appealing and assuring terms, are not defined (e.g., "50 basis points above market").

Terms like "low cost" and "competitive" may persuade Legislators to adopt this measure and may guide lenders from charging exorbitant costs, however, it is reminiscent of sub-prime mortgage lenders who claimed to charge "low cost" rates but whose base of comparison was credit card rates rather than more apt market-rate mortgages. Many or most sub-prime lenders offset their "low" rates with punitive prepayment penalties (e.g., 2 to 4% of the original principal) and excessive fees at closing and upon satisfaction (pay off). It was these sub-prime loans, many replete with fraud and financial abuse, which fomented the "Housing Bubble" which burst and led to the Great Recession.

The State should stay out of the lending industry and allow traditional lenders to determine risk assessment and appropriate lending costs without involving Hawaii's taxpayers.



SanHi

GOVERNMENT STRATEGIES

A LIMITED LIABILITY LAW PARTNERSHIP

DATE: March 12, 2025

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

Senator Carol Fukunaga
Vice Chair, Committee on Commerce and Consumer Protection

FROM: Mihoko Ito

RE: **H.B. 807 H.D.2 – Relating to Condominiums**

Hearing Date: Friday, March 14, 2025 at 9:30 a.m.
Conference Room: 229

Dear Chair Keohokalole, Vice Chair Fukunaga, 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 **supports the intent of H.B. 807 H.D.2.** which establishes the Condominium Loan Program to provide condominium associations with low-cost financing, or refinancing for previously obtained loans, for maintenance or repair projects 2) establishes the Condominium Loan Loss Reserves Program to incentivize lenders to provide loans at competitive rates and terms to condominium associations for the purpose of allowing condominium associations to make necessary maintenance or repairs and 3) appropriates funds.

This program proposes to provide loans for repair and maintenance purposes to condominium associations that are unable to secure full replacement value insurance for their properties. The program has two components: 1) a direct state loan program, and 2) a credit enhancement program which involves a public/private partnership with community development financial institutions.

HBA believes that creating these new loan programs will help condominiums address some of the repair and maintenance issues that are related to insurability issues. This is important because the high cost of insurance premiums for condominiums has resulted in condominium boards electing to reduce the amount of insurance coverage of condominiums to less than one hundred percent (100%) replacement coverage. Unfortunately, this has had the

unintended consequence of impacting mortgage loans for condominium units, because federal guidelines on Fannie Mae and Freddie Mac prohibit these entities from purchasing mortgages on condominium units that are insured at less than full replacement coverage.

HBA supports the overall framework outlined in the H.D.2, but would request additional amendments to put parameters around the refinancing provision in the bill. HBA has continued to work with the Green Infrastructure Authority on this language – and would be happy to work with the Committee and stakeholders as the bill continues to move.

We look forward to continuing to work with policymakers to develop solutions that serve both condominium owners and the broader financial ecosystem. Thank you for the opportunity to submit this testimony.

TESTIMONY IN OPPOSITION TO HB807 HD2

For: The Committee on Commerce and Consumer Protection

DATE: Friday, March 14, 2025
TIME: 9:30 AM
PLACE: Conference Room 229 &
Videoconference
State Capitol
415 South Beretania Street

LATE

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

My name is Gregory Misakian and I have been advocating for the rights of condominium owners in Hawaii since 2021, when I realized how much misconduct and corruption there is within many condominium associations throughout Hawaii, in addition to misconduct and corruption within numerous large management companies that manage and oversee condominium associations.

I currently serve as 1st Vice President of the Kokua Council, an elder advocacy organization in Hawaii since 1972, a Director at the Hawaii Alliance for Retired Americans, and a member of the Waikiki Neighborhood Board, where we have advocated for better consumer protections for condominium owners in a resolution adopted in 2023 (also adopted by other Neighborhood Boards).

This bill and the intent of the bill is out of scope for the mission of the Hawaii Green Infrastructure Authority (HGIA), who has not been forthcoming to answer questions and concerns I and others have raised numerous times (some listed below, which I hope you will ask at the committee hearing).

- 1) How will a C-PACER loan be paid back? Loan originators I have spoken with clearly stated it will be via the condominium owner's property tax assessments and bills.

- 2) Please provide data to show that C-PACER loans have lower interest rates than traditional loans.
- 3) Please provide full disclosure regarding C-PACER loan origination and administrative costs.
- 4) Please provide actual and factual assessments and data to show that a C-PACER loan is more cost effective than a traditional loan. Please focus on the length of the loan, as C-PACER loans are for longer periods of time and with simple math will most likely cost more.
- 5) Please explain how this will impact sales of condominiums and mortgage financing and refinancing for condominiums, as there will be higher costs assessed to the property taxes and a master priority lien that mortgage companies and Fannie Mae, Freddie Mac, HUD, and the VA, may all question and which may be detrimental to those seeking loans.

The bill as written is very concerning and there are many sections to point to that should raise red flags. To save time and add emphasis, I will provide a portion of testimony presented for Bill SD1044 SD2 on 3/12/25 at the Committee on Consumer Protection & Commerce, from Luis P. Salaveria, Director, Hawaii State Department of Budget and Finance, which provides a good assessment.

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

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

Lastly, as a matter of general policy, B&F does not support the creation of any special fund, which does not meet the requirements of Section 37-52.3, HRS. Special funds should: 1) serve a need as demonstrated by the purpose, scope of work, and an explanation why the program cannot be implemented successfully under the general fund appropriation process; 2) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries or a clear link between the program and the sources of revenue; 3) provide an appropriate means of financing for the program or activity; and 4) demonstrate the capacity to be financially self-sustaining. Regarding S.B. No. 1044, S.D. 2, it is difficult to determine whether the proposed CLPSF would be self-sustaining.

This is what is stated at the HGIA website regarding C-PACER loans:

How it Works:

- Qualifying Improvements are financed through a voluntary assessment, senior to mortgages, but junior to real property taxes.*
- Mitigating QCP risk opens new markets for long-term, fixed rate financing over the blended useful life of the retrofit(s) financed.*

Maybe the Committee on Commerce and Consumer Protection can ask HGIA to elaborate on this two-sentence explanation of “How it Works.”

In addition, there appears to be a moratorium for new applications since November 30, 2024. Below is what stated at the HGIA website regarding this.

NOTICE: Application Moratorium

*Effective **November 30, 2024 at 5:00 p.m.**, HGIA will have a moratorium on accepting new applications. The existing application portal will be disabled at 5:00 p.m. on November 30, 2024.*

When the moratorium is lifted, we will provide an update on our website and begin accepting applications in a new application portal. The link to the new application portal will be provided at that time.

Please feel free to [contact us](#) with any questions.

Maybe the committee can also inquire regarding this.

I urge the committee to please defer this bill and please ensure that the Hawaii Green Infrastructure Authority is held accountable for providing all requested data and answers to questions. I currently have no faith in the Executive Director based on numerous discussions and questions that have gone unanswered, or where misinformation was provided.

I am also available to assist with any task force or committee to help provide oversight, to ensure the proper questions are asked and the proper data is collected, and to offer substantive solutions that are based on facts and not misinformation or misguided marketing.

Mahalo,

Gregory Misakian

HB-807-HD-2

Submitted on: 3/12/2025 5:30:01 PM

Testimony for CPN on 3/14/2025 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Margaret Murchie	Individual	Support	Written Testimony Only

Comments:

Support. Older condominiums are in big trouble and volunteer hoas are not being advised by property management companies, who should be well versed.with options

LATE

HB-807-HD-2

Submitted on: 3/12/2025 8:44:52 PM

Testimony for CPN on 3/14/2025 9:30:00 AM

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

Comments:

Aloha Committee Members,

Condo associations, particularly older ones, are facing rapidly increasing costs for maintenance projects large and small. As a director and treasurer for my condo board, we are on the frontlines of trying to properly maintain our building while contending with high interest rates, existing debt burdens, and rapidly rising insurance costs. These costs are ultimately borne by our owners who pay ever increasing maintenance fees to cover common expenses.

I believe this bill will offer a crucial lifeline to condos trying to properly maintain their buildings. I urge this Committee to SUPPORT this bill!