

Shall the Authority Authorize the Executive Director to Execute an Agreement Subordinating its Shared Equity Encumbrance on Pacifica Honolulu Unit No. 605 and Consenting to the Owner's Request to Refinance its Current Home Equity Line of Credit into a New Home Equity Line of Credit?

Staff Report

July 22, 2015

Background: In the fourth quarter of 2011, Oliver McMillan Pacifica, LLC ("OMP") completed development of the Pacifica Honolulu condominium project in the Kakaako Community Development District. Pursuant to the Hawaii Community Development Authority ("HCDA") Mauka Area Rules in effect at the time of the development, OMP was required to provide at least one hundred twenty-four (124) two (2) bedroom reserved housing units within the project. Mr. and Mrs. Travis Watanabe qualified to purchase a reserved housing unit and subsequently acquired Unit No. 605 on November 2, 2011.

In 2011, Mr. and Mrs. Watanabe purchased Unit No. 605 as a reserved housing unit for FOUR HUNDRED TEN THOUSAND DOLLARS (\$410,000) and with the fair market value at the time being FOUR HUNDRED FIFTEEN THOUSAND DOLLARS (\$415,000), the Authority's Shared Equity encumbrance is at least \$5,000. The Regulated term for the Watanabe's is a five (5) year term and will expire on November 2, 2016.

According to Mr. and Mrs. Watanabe's June 9, 2015 letter requesting the Authority's subordination of its shared-equity encumbrance and consent to Mr. and Mrs. Watanabe's refinancing of their 2012 Home Equity Line of Credit (HELOC) of FORTY-ONE THOUSAND (\$41,000). The amount of the new HELOC is ONE HUNDRED SEVENTY THOUSAND DOLLARS (\$170,000). Unfortunately the 2012 HELOC was completed without the approval of the Authority, although the Watanabe's were advised via email dated October 25, 2012 by the former HCDA Asset Manager that authority approval must be obtained for subordination purposes. A copy of Mr. and Mrs. Watanabe's request is attached hereto as Exhibit A.

Mr. and Mrs. Watanabe intend to lower their interest rate on their HELOC and access the unit's equity. Currently the Unit is appraised at SIX HUNDRED FIVE THOUSAND DOLLARS (\$605,000).

Pursuant to Hawaii Administrative Rules §15-22-188(b)(3) the Authority may defer its shared equity encumbrance on a case-by-case basis if it deems that the waiver will allow permanent financing by other mortgage lenders. Should the Authority agree to subordinate its interest, the Authority would assume third lien position behind Mr. and Mrs. Watanabe's refinanced Home Equity Line of Credit lender. Should the Authority decline to subordinate

its shared equity interest, the Authority would take second lien position behind the first mortgage, forcing the Watanabe's to pay off the HELOC.

Staff also notes that Mr. and Mrs. Watanabe are within their regulated term.

Recommendation: Staff recommends that the Authority deny the request from Mr. and Mrs. Watanabe, not authorizing the Executive Director to execute an agreement subordinating its shared equity encumbrance on Pacifica Honolulu Unit No. 605 and consenting to the Owner's request to refinance its current Home Equity Line of Credit into a New Home Equity Line of Credit and remaining in the second lien position.

Attachment: Exhibit A - June 9, 2015 Letter from Mr. and Mrs. Watanabe
 Exhibit B - Hawaii Information Systems Current Market Value

TRAVIS WATANABE AND ROBYN WATANABE

1009 Kapiolani Blvd. #605, Honolulu, HI 96814

Phone: 808-772-0382 or 808-620-0608

Email: robynkaneshiro@gmail.com

June 9, 2015

HCDA Office

Attn: Executive Director, Anthony Ching

547 Queen Street

Honolulu, HI 96813

Dear Mr. Anthony Ching,

We hope this letter finds you well.

With the request of your approval and consent, we would like to refinance and subordinate the shared appreciation amount. The Home Equity Line of Credit loan amount is \$170,000.

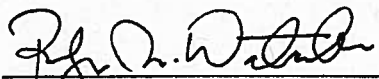
If you have any questions please feel free to contact us at 808-772-0382 or 808-620-0608.

Thank you for taking the time to review our letter.

Best regards,



Travis K. Watanabe



Robyn M. Watanabe

Exhibit A

PUBLIC RECORD DATA

TMK # 1-2-3-3-105-5**1009 KAPIOLANI BLVD, Apt 605****Owner:** WATANABE, TRAVIS K & ROBYN M**Tax Payer:** WATANABE, TRAVIS K**Tax Bill:** 1009 KAPIOLANI BLVD APT 605, HONOLULU, HI 96814 USA**Tenure:** Fee Simple**Annual Tax (2014):** \$1,688.05**Assessed Value (2015) Exemption**

Land: \$38,200 \$0

Total Buildings: \$567,600 \$80,000

Total: \$605,800 \$80,000

Size

899 sq ft

Buildings: 1**Dwellings: 1****Subdivision:****Project:** PACIFICA HONOLULU**Bedrooms/Baths:** 2/2**Zoning:****PITT Code:** 1-RESIDENTIAL(All Island)**Land Use:****Census Tract:****Lot#:****Condo Name:** PACIFICA HONOLULU**Condo Type:** Interior**Condo style:** Highrise**Floor:** 6**View:** No View**Condo interest:** 0.20%**Parking spaces:** 1**Common property:**

SALES

11/2/2011 DEED \$410,000 DOC 11-180685 LCD 4108151 TCT 1033702 [BOC](#)
 WATANABE, TRAVIS KATSUTOSHI, Single Person or Individual(Joint Tenancy)
 KANESHIRO, ROBYN MIYUKI, Single Person or Individual(Joint Tenancy)

DEVELOPER'S PUBLIC REPORT/ASSOCIATION BIENNIAL REGISTRATION

Project No: 5964	Project Name: WDRWN F/CPR (MOANA VISTA)	Address: 1015 KAPIOLANI BLVD	Developer: KC RAINBOW II LLC
Project No: 6708	Project Name: WDRWN F/CPR (MOANA VISTA)	Address: 1015 KAPIOLANI BLVD	Developer: KC RAINBOW II LLC
Project No: 6921	Project Name: PACIFICA HONOLULU	Address: 1009 KAPIOLANI BLVD	Developer: OLIVERMCMILLAN PACIFICA LLC

RESIDENTIAL BUILDING DETAILS

TMK # 1-2-3-3-105-5

Bldg 1 of 1

Card 1 of 1

Year Built: 2009
Effective year built:
Physical condition: Average
Cost & Design Factor: 1.00%
Economic Factor:
Percent complete: 100%
Building value: \$567,600
Attic: None
Pool: None

Style: Condo
Shape: Rectangle
Roof Structure: Concrete
Roof Material: Other
Roof Design: Flat
Foundation: Concrete
Central AC/Heat: Central Air
Basement: None

Bldg Quality: (5) Good
Occupancy: HPR
Framing: Steel
Exterior Wall: Other
Interior Wall Structure: Double wall
Interior Wall Material: Plaster Board
Flooring: Other
Floor Construction: Concrete slab
Ceiling: Plaster-board

FLOOR AREAS

LLLA	0
1st Story	899
2nd Story	0
Addl Story	0
Half Story	0
Attic	0
Total SFLA 1	899
Basement	0

ROOMS

Family Rms	0
Bedrooms	2
Rec Rooms	No
Total Rms	5
Rec Room area	0

BATHS

Full Baths	2
Half Baths	0
Add'l Fixt.	0
Total Fixt.	6

1-2-3-3-105-5 Card 1

RESIDENTIAL BUILDING ADDITIONS

#	Lower Level	1st Story	2nd Story	3rd Story	Area
Main					899.00

This information has been supplied by third parties and has not been independently verified by Hawaii Information Service and is, therefore, not guaranteed.

Exhibit B