

**Shall the Authority Approve the Request from Coastal Rim Properties,
Inc. for Reserved Housing Credits for Setting Aside an Additional
52 Residential Units as Reserved Housing Units in the 803 Waimanu Street
Development Project, Development Permit No. KAK 13-091?**

Staff Report
January 6, 2016

Background: Coastal Rim Properties, Inc. (“Developer”), Developer of the 803 Waimanu Street Project (“Project”) is requesting approval of a reserved housing credit program for the Project. A copy of the Developer’s request is provided as Exhibit A. The Authority approved a Development Permit (KAK 13-091) for the Project on January 8, 2014 (see Exhibit B). The Authority approved extension of the Development Permit on November 4, 2015.

The Project consists of 153 unit 7-story residential building. The Project includes primarily studio apartments (80% of units), and requires 24 units in satisfaction of the Hawaii Community Development Authority’s (“HCDA”) reserved housing requirement. The Developer has set aside six (6) studio units, seventeen (17) one-bedroom units, and one (1) two-bedroom unit to satisfy the reserved housing requirement.

The Developer has applied for funding from the Hawaii Housing Finance and Development Corporation (“HHFDC”). The Developer was awarded \$9,190,000.00 in Dwelling Unit Revolving Fund (“DURF”) loan on September 10, 2015 (see Exhibit C). Funding from HHFDC would obligate an additional seventy-seven (77) units to meet criteria for an affordable housing program administered by the HHFDC and the 77 units will be affordable to families earning a household income of between 80-100% of the area median income (“AMI”).

The Developer is proposing to make available the remaining fifty-two (52) residential units as qualified HCDA reserved housing and is seeking additional reserved housing credit for those units.

Discussion: The Developer’s proposal for reserved housing credit for the remaining 52 residential units in the Project has the potential to turn the whole Project into a reserved housing/affordable project. The submittal of a reserved housing credit program was anticipated and provided for in the approved Development Permit, which provides that the “Applicant may submit a separate proposal for additional reserved housing credit to the Authority at a later time for its consideration.” The Development Permit application for the Project did anticipate the possibility that the Project might designate additional reserved housing units, and the staff report, which is made part of the Development Permit, outlined

a possible strategy for calculating reserved housing credits (see Exhibit D). Since the residential units in the Project are mostly studio units, staff proposed a credit of 0.63 units for the units.

The Developer is requesting reserved housing credit for residential units that consists of forty (40) studio units and twelve (12) one-bedroom units. The Developer is requesting the flexibility for credits to be used either on a one-to-one basis or as a converted value for any type of unit. Both methods (one-to-one or converted value) achieve comparable and fair results in establishing credit. A one-to-one valuation would enable the beneficiary of the credits (whether the Developer or a third party) to apply one “studio” credit to satisfy one “studio” requirement, and one “one-bedroom” credit to satisfy one “one-bedroom” requirement. Alternatively, a converted valuation would scale and normalize the value of a studio unit to a standard two bedroom, two bath unit. Without knowing a specific development project that may benefit from these credits, staff believes that it is appropriate to utilize a converted value for credits to be applied as appropriate.

To meet the HCDA’s reserved housing requirements, the remaining units will have to be priced at 140% or less the AMI with the average price being no greater than 120% of the AMI. All other requirements of the Kakaako Reserved Housing Rules, such as asset limit, shared equity, etc., would also be applicable. It is staff’s understanding that the credit request from the Developer is for ‘for-sale’ units.

The Kakaako Reserved Housing Rules allow for alternative arrangements where reserved housing units can be provided off-site within the Mauka area or elsewhere within urban Honolulu, in accordance with §15-218-17(d). Consequently, the reserved housing credits could be used to the benefit of another project by the Developer or transferred to benefit a project by another developer. Since the credit is being generated by the Project within Kakaako, the credit should only be applied to benefit projects within Kakaako. Any monetary assignment to these credits would not be determined by the Authority, but instead left to negotiation by the Developer and any third party.

Recommendation: Staff recommends that the Authority approve the request from Coastal Rim Properties, Inc. for reserved housing credits for setting aside an additional 52 residential units as reserved housing units in the 803 Waimanu Street Development Project, Development Permit No. KAK 13-091.

- Attachments: Exhibit A – Letter Requesting Approval of Submitted Reserved Housing Credit Program
 Exhibit B – Development Permit No. KAK 13-091
 Exhibit C – Approval of DURF Loan
 Exhibit D – Final Staff Report