

**Shall the Authority Authorize the Executive Director to Execute an Agreement Subordinating its Shared Equity Encumbrance on the Keola La'i Condominium Unit No. 703 and Consenting to the Owner's Request to Refinance the Original Mortgage?**

***Staff Report***

May 6, 2015

**Background:** The Keola La'i condominium project was completed by A&B Kakaako LLC ("A&B") in 2008. Pursuant to its development permit requirements, A&B sold twenty percent (20%) of the apartment units as reserved housing units subject to the two (2) year buy-back and shared equity encumbrances. On January 11, 2008, Mr. Ryan Seiichi Kekoa Kanda and Mr. Jason Takeshi Keli'i Kanda, jointly purchased Unit No. 703 as a reserved housing unit for \$352,043.00 and with the fair market value at the time being \$490,922.00, the Authority's Shared Equity encumbrance is at least \$138,879. In 2010, the two (2) year buy-back encumbrance expired.

In a letter to the HCDA dated February 5, 2015 from Mr. Jason T.K. Kanda, he requested that he is allowed to transfer his share of the Keola La'i Reserved Housing Unit #703 to Mr. Ryan S.K. Kanda and Mr. Ryan S.K. Kanda's spouse Taryn L.Y. Kanda. Letter also dated February 8, 2015, Mr. Ryan S.K. Kanda requesting that he is allowed the Authority's subordination of its shared-equity encumbrance and consent to Mr. Ryan S.K. Kanda's refinancing request of now Mr. Ryan S.K. Kanda and Ms. Taryn L.Y. Kanda mortgage from Mr. Ryan S.K. Kanda and Mr. Jason T.K. Kanda. Mr. and Mrs. Ryan S.K. Kanda are not taking out any equity from their Unit and the amount of the new mortgage will not exceed the original loan amount. A copy of these letters are attached hereto as Exhibit A and B respectively. Mr. and Mrs. Ryan S.K. Kanda contend this refinance to lower their interest rate and change the title of the deed. Currently the Unit is appraised at \$590,900.00.

There are ultimately two (2) requests being made:

1. Transfer of the property from Jason Kanda to Ryan Kanda and his spouse Taryn Kanda. Taryn Kanda is currently not on title and would be added.
2. Subordination of HCDA's shared equity in the unit to affect the mortgage re-financing.

The HCDA's shared equity portion is established through the Mauka Area Rules as codified as a part of the Hawaii Administrative Rules (HAR). These rules are referenced in the Development Permit between the HCDA and in the reserved housing materials and applications for each tenant. Keola La'i is unusual as for this project, these requirements were not explicitly stated in the Deed or Mortgage as cited in our Mauka Area Rules. Regardless, included as a component of Hawaii Administrative Rules and made a part of the

Development Permit which acknowledged these specific rules, the Mauka Area Rules prevail.

The Development Permit is dated July 6, 2005 and is permitted under the “Old” Mauka Area Rules which were superseded in 2011. However these rules allow the owner to make an election relative to the sale and transfer under the unit under these rules, codified as Title 15 Chapter 22, our rules currently in affect, Title 15, Chapter 218.

1. Transfer

Transfer requirements under HAR §15-22-186(d), lift transfer restrictions on the property after the end of the regulated term. The regulated term was 2-years, so the applicant is outside of the regulated term. Similar language also exist under the current rules HAR§15-218-35(d) so no Authority action is necessary.

As a part to the mortgage and deed as required under both the “Old” and “Current” Mauka Area Rules, the HCDA would be required to agree to the transfer.

2. Subordination of HCDA’s Shared Equity Position

Shared equity is one of the provisions under the Mauka Area Rules related to Reserved Housing that make the HCDA a party to the deed, mortgage and other conveyance documents and is intended to protect the HCDA’s stake in the shared equity.

As a party to the deed and mortgage, owners (usually through lending institutions) require HCDA approval prior to taking action having a second lien position. HCDA has treated these actions as a deferral or waiver under §15-22-188(b)(3) as a condition that will allow permanent financing by other mortgage lenders and requires action by the Authority.

To protect the HCDA’s portion, the HCDA has only allowed owners to refinance their property only to the original loan amount as not to put at risk this balance that in this case approximates \$140,000. This shared equity balance is the “break” provided by this program to the owner.

**Recommendation:** Staff recommends that the Authority authorize the Executive Director to execute an agreement subordinating its shared equity encumbrance in Keola La’i Unit No. 703 to a new first mortgage, maintaining its second position, and consenting to Mr. and Mrs. Ryan S.K. Kanda’s refinancing of its original mortgage for their Unit.

Attachment: Exhibit A - Mr. Jason T.K. Kanda letter dated February 8, 2015  
Exhibit B - Mr. Ryan S.K. Kanda letter dated February 8, 2015

**Hawaii Community Development Authority (HCDA)  
461 Cooke Street  
Honolulu, HI 96813  
Attn: Anthony J.H. Ching, Executive Director, HCDA**

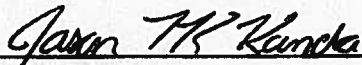
**Re: Request for Transfer of Ownership, 600 Queen Street, Apt 703, Honolulu, HI 96813**

**February 8, 2015**

**Mr. Ching and the HCDA Board,**

**I am the joint owner of property located at 600 Queen Street, Apt 703, Honolulu, HI 96813, at the condominium, Keola La'i. My brother, Ryan S.K. Kanda, and I acquired this property under the Reserved Housing "Gap Group" Rules in 2008. This letter is to request the transfer of ownership to Ryan S.K. Kanda, and his spouse, Taryn L.Y. Kanda.**

**Please reference the letter from my brother and joint owner of the subject property, Ryan S.K. Kanda, requesting transfer of ownership and asserting continued full compliance with HCDA Kakaako Reserved Housing Rules.**



**Jason T.K. Kanda  
C: (808) 721-0342  
E: jkanda77@gmail.com**

**Hawaii Community Development Authority (HCDA)  
461 Cooke Street  
Honolulu, HI 96813  
Attn: Anthony J.H. Ching, Executive Director, HCDA**

**Re: Request for Transfer of Ownership, 600 Queen Street, Apt 703, Honolulu, HI 96813,  
and Deferral of Payment under HCDA Equity Sharing Requirements**

**February 8, 2015**

**Mr. Ching and the HCDA Board,**

**I am the joint owner of property located at 600 Queen Street, Apt 703, Honolulu, HI 96813, at the condominium, Keola La'i. My brother, Jason T.K. Kanda, and I acquired this property under the Reserved Housing "Gap Group" Rules in 2008. This letter is to request the transfer of ownership to myself and my spouse, Taryn L.Y. Kanda, and further requests HCDA's deferral of payment under Equity Sharing Requirements at this time.**

**The 2-bedroom, 1-bath (20A, 876 sq. ft.) property was acquired for \$352,043.00; with the original estimated market value of \$490,922.00, the HCDA equity share is 138,879.00.**

**Any transfer of ownership will continue to fully comply with existing HCDA rules, including the Kakaako Reserved Housing Rules, and any and all Condominium Riders and Exhibits attached to the property. A new mortgage will be executed with Ryan S.K. Kanda and Taryn L.Y. Kanda as Mortgagors.**

**At the completion of any sale of this property to an outside third party, the Equity Sharing Requirements shall be paid to the HCDA or its designee in accordance with the Kakaako Reserved Housing Rules, and any and all Condominium Riders and Exhibits attached to the property.**

**Please reference the letter from my brother and joint owner of the subject property, Jason T.K. Kanda, requesting transfer of ownership.**

**We are fully available to answer any questions or concerns of the Board, or to provide any relevant documentation in this matter.**

  
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**Ryan S.K. Kanda  
C: (808) 227-4678  
E: ryan.kanda@gmail.com**