

Shall the Authority Authorize the Executive Director to Execute an Agreement Subordinating its Shared Equity Encumbrance on the Pacifica Honolulu Condominium Unit No. 810 and Consenting to the Owner's Request to Refinance the Mortgage?

Staff Report
January 6, 2016

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. John Morris IV qualified to purchase a reserved housing unit and subsequently acquired Unit #810 on December 14, 2011.

In a letter to the HCDA dated December 18, 2015, Mr. John Morris IV requested that the Authority consent to Mr. Morris' refinancing his 2011 mortgage and assumption of his new mortgage in the first lien position. Mr. Morris' new first mortgage will be approximately THREE HUNDRED SEVENTY-FIVE THOUSAND DOLLARS (\$375,000) with a 4% interest rate and will not exceed the original 2011 loan amount of THREE HUNDRED NINETY-TWO THOUSAND EIGHT HUNDRED NINETY DOLLARS (\$392,890.00) with a 4.25% interest rate. A copy of his letter is attached hereto as Exhibit A. Mr. Morris' refinanced loan will lower his mortgage rate and monthly payments by approximately \$416 monthly. Currently the Unit's 2015 assessed value is FIVE HUNDRED EIGHTY-FOUR THOUSAND EIGHT HUNDRED DOLLARS (\$584,800.00).

Pursuant to Hawaii Administrative Rules §15-22-188(b) (3) the Authority may defer its shared equity lien position 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 take a second lien position behind Mr. Morris' refinance mortgage lender, it is our belief that there is no erosion of our current lien position.

Recommendation: Staff recommends that the Authority authorize the Executive Director to execute an agreement allowing Mr. John Morris IV to take out a new first mortgage in Pacifica Honolulu Condominium Unit No. 810 agreeing that the Authority maintain its second lien position, and consent to Mr. Morris' refinancing of the current mortgage encumbering his Unit.

Attachment: Exhibit A - Mr. John Morris IV letter dated December 18, 2015
Exhibit B - Preliminary Report
Exhibit C - 2015 Assessed Value Report