

**Kakaako Community Development District
Reserved Housing Rules
Proposed Draft Amendments**

September 7, 2016

Reserved Housing Taskforce Recommendations

- Expand Source of Reserved Housing
 - Require multi-family residential project with 10 or more units to provide RH
 - 20% of the units to be RH
- Preserve Reserved Housing Stock
 - Continuous Buy Back provision for 'for-sale' RH
 - RH sale price indexed to AMI or CPI
 - Shared Equity provision if HCDA waives buy back
 - Rental RH unit regulated for 30 years
- Reach Deeper Affordability
 - Rental RH target 80% or less of AMI
 - 'For-Sale' RH target AMI of 120% or less
 - 'For-Sale' RH Schedule: Establish a schedule for providing RH at various affordability level with a targeted weighted average AMI
 - Provide flexibility with parking
- Create Consistency
 - City & County Affordable Housing Rules
 - HHFDC Rules

- Provide Incentive for Larger Units
 - Establish a scale factor such as used by the City & County, based on the size of the unit, to give incentive to developers to provide larger units
- Shared Equity
 - Calculate as a % of market price
- Cash-in-lieu Provision
 - Land dedication or cash payment calculated as a % of gross revenue
- Create Mobility
 - Provide for a RH owner to purchase another larger RH unit based on changes in family size
- Provide Certain Asset Exemptions
 - Exempt gift for down payment from asset limit
 - Exempt retirement accounts from asset limit

Workforce Housing

- Provide 'for-sale' as well as rental workforce housing
- Sales price indexed to AMI of 120% or less
- Qualifying household income of 120% or less
- Continuous Buy Back provision
- Buy Back price indexed to AMI or CPI
- Floor Area Bonus
- No exemptions from provisions of the Mauka Area Rules

Proposed Draft Amendments

General Provisions/RH Requirements

§15-218-1

- Amended to provide more clarity

§15-218-5: Definitions

- Area Median Income
- Fair Market Value
- Gross Revenue
- Household
- Household Income
- Low Income Household
- Moderate Income Household
- Workforce Housing Project

§15-218-17

- Amends Reserved Housing (RH) Requirements
 - Current Requirement
 - 20% of floor area required to be RH
 - Applicable to residential projects on lot size of greater than 20,000 square feet
 - Proposed Requirement
 - 20% of total numbers of units in a multi-family residential development of 10 or more units
- Added Cash-in-lieu provision
- Other revisions for clarity

§ 15-218-18

- Amends parking requirements
- Provides flexibility for RH parking

Unit Type Factor/Household Size/Qualification

§15-218-19

- Adds new section for RH unit type factor

§15-218-20

- Adds new section on unit type and permissible household

§15-218-21

- Adds new section on RH schedule

§15-218-30

- Adds new qualification: sufficient gross income to qualify for loan
- Provides for purchase of a larger RH unit by a current RH unit owner subject to certain conditions

§15-218-30

- Creates separate provisions for for- sale and rental units
- Qualified priority given to applicants displaced within KCDD as a result of redevelopment

§ 15-218-32

- Amends maximum qualifying household income to 120% of AMI
- Provides for exemption of retirement account and gift for down payment from counting towards asset

RH Sale Price Calculation

§15-218-33

- Deletes existing provisions that are not applicable anymore

§15-218-34

- Establishes factors for RH sale price determination
 - Down payment (10% of sale price)
 - Applicable AMI (Monthly housing payment: mortgage payment, MIP, AOA dues)
 - 30 year mortgage interest rate published by Freddie Mac (6 month average)
 - Not to exceed 33% of gross household income
 - Unit type factor
- ED to establish and publish RH sale price formula every year

Calculation of Reserved Housing Maximum Affordable Price Points - FOR SALE									
Current Median Income (2016)	\$87,900			Adjustment for	Unit Type	Monthly Reserves****	Assn Dues /RPT/MIP	MIP Pricing Assumptions	WORKSHEET ASSUMPTIONS
Inflation Factor	1			0.68	0BR/1BA	\$550	AD/RPT/MIP		
Future Median Income	\$87,900			0.81	1BR/1BA	\$600	AD/RPT/MIP		Input Inflation F
Annual Mortgage Rate	3.67%			0.92	2BR/1BA	\$650	AD/RPT/MIP		
				1	2BR/1.5BA	\$700			
Mortgage Term (years)	30			1.08	2BR/2BA	\$750	AD/RPT/MIP		%/Year
				1.16	3BR/1.5BA	\$800			
Downpayment (% of MAP)	10.0%			1.28	3BR/2BA	\$850	AD/RPT/MIP		# of Years
Housing Expense (% of Income)	33.0%			1.44	4BR/2BA	\$900	AD/RPT/MIP		
**** Monthly Reserves: RPT: Real property Taxes (UPDATE), MIP: Mortgage Insurance Premium (UPDATE)									
***** Source (Chapter 218): http://www.freddiemac.com/omms/omms30.htm									
Percent of Median Income	80%	90%	100%	105%	110%	115%	120%		Input Mortgage I
Maximum Affordable Price (MAP)									07/14-012/14
0BR/1BA	\$228,084	\$267,927	\$307,769	\$327,690	\$347,611	\$367,532	\$387,453		Month 1
1BR/1BA	\$261,872	\$309,331	\$356,790	\$380,520	\$404,249	\$427,979	\$451,708		Month 2
2BR/1BA	\$286,385	\$340,189	\$394,093	\$421,045	\$447,997	\$474,950	\$501,902		Month 3
2BR/1.5BA	\$299,060	\$357,651	\$416,243	\$445,539	\$474,834	\$504,130	\$533,426		Month 4
2BR/2BA	\$309,896	\$373,174	\$436,453	\$468,093	\$499,732	\$531,371	\$565,011		Month 5
3BR/1.5BA	\$318,792	\$386,758	\$454,724	\$488,708	\$522,691	\$556,674	\$590,657		Month 6
3BR/2BA	\$336,258	\$411,255	\$486,252	\$523,751	\$561,249	\$598,748	\$636,246		Average
4BR/2BA	\$360,838	\$445,210	\$529,582	\$571,767	\$613,953	\$656,139	\$698,325		
Calculation of Reserved Housing Maximum Affordable Price Points - FOR RENT									
Current Median Income (2016)	\$87,900			Adjustment for	Unit Type				
Housing Expense (% of Income)*	30.0%			0.68	0BR/1BA				
				0.81	1BR/1BA				
				0.92	2BR/1BA				
				1	2BR/1.5BA				
				1.08	2BR/2BA				
				1.16	3BR/1.5BA				
				1.28	3BR/2BA				
				1.44	4BR/2BA				
* For Chapter 218									
** Gross rent to include all utilities and building operating costs, excluding telephone/cable/internet/parking									
Percent of Median Income	80%								
Maximum Affordable Price (MAP)									
0BR/1BA	\$1,195								
1BR/1BA	\$1,424								
2BR/1BA	\$1,617								
2BR/1.5BA	\$1,758								
2BR/2BA	\$1,899								
3BR/1.5BA	\$2,039								
3BR/2BA	\$2,250								
4BR/2BA	\$2,532								

RH Sales Price Calculation Formula

1st Option to Purchase

§15-218-35

- Establishes 1st option to purchase the RH by the Authority
- Establishes formula for buy back purchase price
- Limits purchase of additional common elements (parking, storage)
- Regulates any subsequent mortgage placed on the RH Unit

§15-218-36

- Deletes section: No longer necessary

§15-218-37

- Deletes section: No longer necessary

§15-218-38

- Corrects section references

§ 15-218-39

- Corrects section references

§ 15-218-40

Corrects section references

Equity Sharing

§15-218-41

- Amends equity sharing requirements
- Amends equity sharing formula
- Makes allowance for cost of Owner's improvements
- Deletes provisions for the developer to buy out equity sharing

Proposed Equity Sharing Formula

$$\text{Resale fair market value} \times \frac{\text{Original fair market value} - \text{Original RH sales price}}{\text{Original fair market value}}$$

Example:

Resale fair market value = \$700,000
Original fair market value = \$500,000
Original RH sale price = \$400,000

HCD's Equity Share

$$= \$700,000 \times \frac{\$500,000 - \$400,000}{\$500,000} = \$140,000$$

- No equity sharing requirement if the Authority's share of equity sharing is less than 0.5% or if the resale fair market value is less than original RH value

Current Equity Sharing Formula

Higher of

Original fair market price – Original RH price

Or

$$\text{Net appreciation} \times \frac{\text{Original fair market price} - \text{original RH sale price}}{\text{Original fair market price}}$$

Example:

Resale fair market price = \$700,000
Original fair market price = \$500,000
Original RH sale price = \$400,000
Net appreciation = \$700,000 – \$500,000 = \$200,000

Equity Sharing, higher of:

$$\$500,000 - \$400,000 = \$100,000$$

Or

$$\$200,000 \times \frac{\$500,000 - \$400,000}{\$500,000} = \$40,000$$

RH for Rent/Deferral of 1st Option to Purchase

§15-218-42

- Adds conditions to deferral of first option to purchase and equity sharing

§15-218-43

- Establishes terms of RH for rent
 - 80% of AMI
 - Regulated for 30 years

§15-218-44

- Establishes factors for RH rents
 - *Rent = 30% of Applicable AMI*
 - Includes all utilities
 - Exempts parking, telephone, television & Internet
- ED to establish and publish formula

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Future Median Income			587,900	0.68	0BR/1BA	\$550		AD/RPT/MIP		Input Inflation Factor
Annual Mortgage Rate			3.67%	0.81	1BR/1BA	\$600		AD/RPT/MIP		
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RH Rent Calculation Formula

Cash in Lieu Payment

§15-218-45

- Section added to address rental of a RH Unit by the owner of a RH Unit

§15-218-46

- Establishes formula for calculating cash in lieu
- Higher of :
 - (1) 7% of Gross revenue, or
 - (2) difference of average fair market value and average RH sales price multiplied by the number of RH

Example:

244 unit project

RH requirement = 49 unit

Gross revenue of the project = \$197,640,000

Cash in lieu = $0.07 \times \$197,640,000 = \$13,834,800$

Average fair market value of unit = \$810,000

Average RH unit sale price = \$500,000

Difference = $\$810,000 - \$500,000 = \$310,000$

Cash in lieu = $\$310,000 \times 49 = \$15,190,000$

Workforce Housing

§15-218-55

- Amends AMI to 120%
- Provides for rental workforce housing
- Deletes unit size limit
- Deletes modification from Mauka Area Rules provision
- Makes workforce housing subject to provisions of Kakaako RH Rules
- Exempts Workforce Housing from equity sharing requirement

§15-218-56

- Establishes factors for workforce housing sale price determination

§15-218-57

- Provides for and regulates buy back of workforce housing units

§15-218-58

- Establishes terms of rental workforce housing units including sale of unit

§ 15-218-59

- Establishes factors for determining rent for workforce housing unit

§ 15-218-60

- Provides for and regulates rental of workforce housing unit by workforce housing owner

§ 15-218-61

- Provides for deferral of first option to purchase workforce housing units under certain circumstances

§ 15-218-62

- Provides for deed restriction of workforce housing units

Next Steps

- Presentation to Small Business Regulatory Board
- Public Hearings on Draft RH Rule Amendment
- Adoption of RH Rules by the Authority
- Approval of RH Rules by the Governor