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, AOAO 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

### RH Sale Price Calculation Table

<table>
<thead>
<tr>
<th>Unit Type</th>
<th>Median Income (2016)</th>
<th>AMI Factor</th>
<th>Down Payment (%)</th>
<th>Applicable AMI</th>
<th>Mortgage Term (years)</th>
<th>Housing Expense % of Income</th>
<th>Maximum Affordable Price (MAP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0BR/1BA</td>
<td>$228,084</td>
<td>1.04</td>
<td>10.0%</td>
<td>30.0%</td>
<td>30</td>
<td>80%</td>
<td>$1,195</td>
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<tr>
<td>1BR/1BA</td>
<td>$267,927</td>
<td>1.08</td>
<td>10.0%</td>
<td>30.0%</td>
<td>30</td>
<td>80%</td>
<td>$1,424</td>
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<td>80%</td>
<td>$1,617</td>
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<tr>
<td>2BR/1.5BA</td>
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<td>30.0%</td>
<td>30</td>
<td>80%</td>
<td>$1,758</td>
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<tr>
<td>2BR/2BA</td>
<td>$387,453</td>
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<td>30.0%</td>
<td>30</td>
<td>80%</td>
<td>$1,900</td>
</tr>
</tbody>
</table>

### RH Sales Price Calculation Formula

The RH Sale Price Calculation Formula is derived from the maximum affordable price calculated as follows:

1. **Median Income**: The current median income for the area is used.
2. **AMI Factor**: The applicable AMI factor is determined based on the median income and the housing expense percentage of income.
3. **Down Payment**: 10% of the sale price is used as the down payment.
4. **Mortgage Term**: The mortgage term is typically 30 years.
5. **Housing Expense**: This is calculated as a percentage of the median income.
6. **Maximum Affordable Price (MAP)**: The maximum affordable price is calculated by applying the AMI factor, down payment, and housing expense percentage to the median income.

The resulting maximum affordable price is then used to establish the RH sale price.

For detailed calculations and additional factors, please refer to Chapter 218.
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

Current Equity Sharing Formula

**Higher of**  
\[
\text{Higher of} \quad \text{Resale fair market price} - \text{Original RH price} \\
\text{Or} \quad \text{Net appreciation} \times \frac{\text{Resale fair market price} - \text{original RH sale price}}{\text{Resale fair market price}}
\]

**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

Proposed Equity Sharing Formula

\[
\text{Proposed Equity Sharing Formula} \quad \text{Resale fair market value} \times \frac{\text{Original fair market value} - \text{Original RH sales price}}{\text{Original fair market value}}
\]

**Example:**
- Resale fair market value = $700,000
- Original fair market value = $500,000
- Original RH sale price = $400,000

**HCDA’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 in less than 0.5% or if the resale fair market value is less than original RH value
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
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 X $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 X 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