KAKAAKO RESERVED HOUSING RULE AMENDMENTS

- Title of the Chapter amended to “Kakaakao Reserved Housing & Workforce Housing Rules”
- Section titles amended or new section titles added

Subchapter 1: General Provisions

§15-218-1: Purpose and Intent
- Amended to provide more clarity
- Requirement to provide reserved housing
- Workforce housing program-voluntary

§15-218-3,4: Amended to provide clarity

§15-218-5: Definitions: Adds definitions of new terms or modifies existing definitions
- Area Median Income
- Fair Market Value
- Gross Revenue
- Household
- Household Income
- Low Income Household
- Moderate Income Household
- Workforce Housing Project
- HUD
§15-218-17 Requirement for Reserved Housing

• Amends Reserved Housing Requirements
  • 20% of total numbers of residential units in a multi-family residential development instead of 20% of floor area.
  
• Reserved Housing to begin construction prior to initial certificate of occupancy for the market project. Secured by the developer with a financial guaranty bond. Developer to provide HCDA an executed construction contract for construction of reserved housing.
  
• Allows Cash-in-lieu payment instead of providing Reserved Housing
  
• Other revisions for clarity
§ 15-218-18

- Reserved Housing Unit Floor Area not included in FAR count
  - results in FAR bonus
- No Public Facilities Dedication requirements on Reserved Housing
- Flexibility in
  - off-street parking requirement
  - building height
  - building setback
  - off-street loading requirement
§15-218-19: Unit type and corresponding factor

- Incentives for providing larger units

<table>
<thead>
<tr>
<th>Unit Type</th>
<th>Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 Bedroom</td>
<td>0.70</td>
</tr>
<tr>
<td>1 Bedroom</td>
<td>0.90</td>
</tr>
<tr>
<td>2 Bedroom</td>
<td>1.00</td>
</tr>
<tr>
<td>3 Bedroom</td>
<td>1.08</td>
</tr>
<tr>
<td>3+ Bedroom</td>
<td>1.16</td>
</tr>
</tbody>
</table>
KAKAAKO RESERVED HOUSING RULE AMENDMENTS

§15-218-20 Occupancy Guidelines for Sale or Rental of Reserved Housing Units

• Helps to ensure larger units are provided to larger families
• Guideline can be modified by the Authority, if necessary
• Based on the City and County of Honolulu Housing Code

<table>
<thead>
<tr>
<th>Reserved Housing Unit Type</th>
<th>Preferred Household Size</th>
<th>Minimum Household Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Studio</td>
<td>1 person</td>
<td>1 person</td>
</tr>
<tr>
<td>1 Bedroom</td>
<td>2 person</td>
<td>1 person</td>
</tr>
<tr>
<td>2 Bedroom</td>
<td>3 person</td>
<td>2 person</td>
</tr>
<tr>
<td>3 Bedroom</td>
<td>4 person</td>
<td>2 person</td>
</tr>
<tr>
<td>4 Bedroom</td>
<td>5 person</td>
<td>3 person</td>
</tr>
</tbody>
</table>
§15-218-21 Workforce Housing Project(s)

- Voluntary program
- 75% of the units must be priced based on an AMI of 140% or below
- Eliminates unit size specifications
- 100% floor area bonus
- Exemption from providing public facilities dedication fee
- Authority may consider modifying off street parking & loading requirements
§15-218-29: Purpose
• Governs the sale, rental, or transfer of reserved & workforce housing units

§15-218-30: General Qualifications for Purchase of Reserved Housing or Workforce Housing Units
• Sufficient gross income to qualify for loan
• Provides for purchase of a larger Reserved Housing unit by a current Reserved Housing unit owner subject to certain conditions

§15-218-31: Sale and Rental of Reserved Housing & Workforce Housing Units
• Standardizes Workforce and Reserved Housing sales program
• Authority may manage the sales program itself or allow the Developer to manage it
• Sales notice requirement- Information to be included in notice
• Priority given to applicant displaced from housing in Kakaako Community Development District

§ 15-218-32: Income
• Exemption of retirement account and gift for down payment from counting towards asset
KAKAAKO RESERVED HOUSING RULE AMENDMENTS

§15-218-33: Occupancy Requirements

Applicable to both reserved & workforce housing units

• Owner occupancy requirement
• Owner occupancy verification requirement
• Authority may exercise buyback option if owner occupancy requirement is violated
• Authority may require cancellation of rental lease if owner occupant requirement is violated
• Owner occupancy requirement included in the deed
• Occupancy verification by the Authority
• Verification required 30 calendar days from Authority notification
• Deletes existing provisions that are not applicable anymore
§15-218-34 Factors to be Used for Reserved Housing and Workforce Housing unit Sale Price Determination

- Establishes factors for Reserved Housing sale price determination
- Down payment (10% of sale price)
- Applicable AMI
- Monthly housing payment: (Not to exceed 33% of gross household income)
  - mortgage payment,
  - MIP,
  - AOAO dues
- 30 year mortgage interest rate published by Freddie Mac (6 month average)
  - Unit type factor
- Maximum Allowable sales price based on 140% AMI
- Weighted Average sales price based on 120% AMI
- ED to establish and publish Reserved Housing sale price formula every year
## Calculation of Reserved and Workforce Housing Maximum Affordable Price Points - FOR SALE

<table>
<thead>
<tr>
<th>Current Median Income (2017)</th>
<th>$86,600</th>
<th>Adjustment for Unit Type</th>
<th>Monthly Reserves****</th>
<th>Assn Dues AD/RPT/MIP</th>
<th>MIP Pricing Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>0.7 Studio</td>
<td>$386</td>
<td>AD/RPT/MIP</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.9 1 Bedroom</td>
<td>$658</td>
<td>AD/RPT/MIP</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1 2 Bedroom</td>
<td>$700</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Future Median Income</strong></td>
<td>$86,600</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Inflation Factor</strong></td>
<td>4.08%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Annual Mortgage Rate</strong></td>
<td>30</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Mortgage Term (years)</strong></td>
<td>10.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Downpayment (% of MAP)</strong></td>
<td>33.3%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Monthly Reserves**: AD: Association Dues (UPDATE), RPT: Real property Taxes (UPDATE), MIP: Mortgage Insurance Premium (UPDATE)

### WORKSHEET ASSUMPTIONS

- Input Inflation Factors:
  - %/Year: 2.00%
  - % of Years: 0

- Input Mortgage Rates****:
  - 07/14-02/14
    - Month 1: 4.15%
    - Month 2: 4.17%
    - Month 3: 4.20%
    - Month 4: 4.05%
    - Month 5: 4.01%
    - Month 6: 3.90%
    - Average: 4.08%

### Calculation of Reserved and Workforce Housing Maximum Affordable Price Points - FOR RENT

<table>
<thead>
<tr>
<th>Current Median Income (2016)</th>
<th>$86,600</th>
<th>Housing Expense (% of Applicable AMI)*</th>
<th>Adjustment for Unit Type</th>
<th>Unit Type</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>30.0% Studio</td>
<td>0.7 Studio</td>
<td>Studio</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.9 1 Bedroom</td>
<td>1 2 Bedroom</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1.08 3 Bedroom</td>
<td>1.16 3+ Bedroom</td>
<td></td>
</tr>
</tbody>
</table>

**For Chapter 218**

**Gross rent to include all utilities and building operating costs, excluding telephone/cable/Internet/parking**

### Maximum Allowable Rent (MAR)

<table>
<thead>
<tr>
<th>Percent of Median Income</th>
<th>80%</th>
<th>90%</th>
<th>100%</th>
<th>109%</th>
<th>110%</th>
<th>115%</th>
<th>120%</th>
<th>140%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Studio</td>
<td>$1,212</td>
<td>$1,364</td>
<td>$1,516</td>
<td>$1,591</td>
<td>$1,667</td>
<td>$1,743</td>
<td>$1,819</td>
<td>$2,122</td>
</tr>
<tr>
<td>1 Bedroom</td>
<td>$1,559</td>
<td>$1,754</td>
<td>$1,949</td>
<td>$2,046</td>
<td>$2,143</td>
<td>$2,241</td>
<td>$2,338</td>
<td>$2,728</td>
</tr>
<tr>
<td>2 Bedroom</td>
<td>$1,732</td>
<td>$1,949</td>
<td>$2,165</td>
<td>$2,273</td>
<td>$2,382</td>
<td>$2,490</td>
<td>$2,598</td>
<td>$3,031</td>
</tr>
<tr>
<td>3 Bedroom</td>
<td>$1,871</td>
<td>$2,104</td>
<td>$2,336</td>
<td>$2,455</td>
<td>$2,572</td>
<td>$2,699</td>
<td>$2,806</td>
<td>$3,273</td>
</tr>
<tr>
<td>3+ Bedroom</td>
<td>$2,009</td>
<td>$2,260</td>
<td>$2,511</td>
<td>$2,657</td>
<td>$2,763</td>
<td>$2,886</td>
<td>$3,014</td>
<td>$3,516</td>
</tr>
</tbody>
</table>
§15-218-35 Terms of Reserved Housing & Workforce Housing for Sale

- Establishes 1st option to purchase the Reserved Housing/Workforce Housing Unit by the Authority
- Establishes formula for buy back purchase price
  - Buyback Price = Original Fair Market Value appreciated annually by HBR annual median sales price percentage change for condominium minus HCDA equity
  - Consideration given for home owner made improvements
- Regulates any subsequent mortgage placed on the Reserved Housing/Workforce Housing Unit
  - Subsequent mortgage require ED approval
  - Not exceed buyback price established by the formula

<table>
<thead>
<tr>
<th>Year</th>
<th>Original Sale Price</th>
<th>Original Fair Market Value</th>
<th>HCDA Equity Sharing %</th>
<th>HBR Annual Median Sales Price Change</th>
<th>Change in Sales Price</th>
<th>HCDA Equity</th>
<th>Buyback Price</th>
<th>Owner’s Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$408,122</td>
<td>$457,200</td>
<td>10.7%</td>
<td></td>
<td>$49,078</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td></td>
<td></td>
<td>5.8%</td>
<td>$483,718</td>
<td>$51,925</td>
<td>$431,793</td>
<td>$23,671</td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td></td>
<td></td>
<td>4.6%</td>
<td>$511,773</td>
<td>$54,936</td>
<td>$456,837</td>
<td>$48,715</td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
<td>5.4%</td>
<td>$535,315</td>
<td>$57,463</td>
<td>$477,852</td>
<td>$69,730</td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
<td>2.9%</td>
<td>$564,222</td>
<td>$60,566</td>
<td>$503,656</td>
<td>$95,534</td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
<td>8.3%</td>
<td>$580,584</td>
<td>$62,323</td>
<td>$518,262</td>
<td>$110,140</td>
</tr>
</tbody>
</table>
KAKAAKO RESERVED HOUSING RULE AMENDMENTS

Deletions

§15-218-36 First Option to Purchase
• Deletes section
  No longer necessary

§15-218-37 Sale or Transfer of
Reserved Housing
• Deletes section
  No longer necessary
KAKAAKO RESERVED HOUSING RULE AMENDMENTS

§15-218-38: Foreclosure
• Requirement to Notify the Authority
• Authority party to any foreclosure action
• Authority in 2nd position after the Lender and entitled to any remaining proceeds up to a maximum of its share of equity in the unit
• Owner entitled to any remaining proceeds after payment of Authority's share of equity

§15-218-39: Foreclosure Sale
• Provisions of §15-218-35 (Terms of Reserved and Workforce Housing For Sale) and §15-218-41 (Equity Sharing) automatically extinguished and shall not attach to subsequent transfers of title pursuant to a mortgage foreclosure, foreclosure under power of sale, or a conveyance in lieu of foreclosure after a foreclosure action in commenced
§ 15-218-40: Incorporation in Deed
• Provisions of §15-218-35 and §15-218-41 incorporated in the deed

§15-218-41 Equity Sharing Requirements
• Amends equity sharing requirements
• Amends equity sharing formula
• Deletes provisions for the developer to buy out equity sharing
• HCDA’s equity sharing subordinated to any mortgage created for the purchase of reserved or workforce housing unit

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

Example:
\[
Resale \ fair \ market \ value = 700,000 \\
Original \ fair \ market \ value = 500,000 \\
Original \ sales \ price = 400,000
\]

\[
HCDA's \ Equity \ Share = 700,000 \times \frac{500,000 - 400,000}{500,000} = 140,000
\]

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 sale price
KAKAAKO RESERVED HOUSING RULE AMENDMENTS

§15-218-42: Deferral of 1st Option to Purchase and Equity Sharing

• Provides for deferral of 1st option to purchase
• Adds conditions to deferral of first option to purchase and equity sharing
§15-218-43 Terms of Reserved Housing and Workforce Housing for Rent
- Maximum allowable rent based on 140% of AMI
- Weighted average rent based on 120% of AMI
- Regulated for 30 years

§15-218-44 Factors to be Used for Determining Monthly Rent for Reserved and Workforce Housing Unit for Rent
- Rent = 30% of Applicable AMI
- Includes all utilities
- Exempts parking, telephone, television & Internet
- ED to establish and publish formula

§15-218-45 Rental of Reserved or Workforce Housing Unit by Owner
- Section added to address rental of a Reserved Housing or Workforce Housing Unit by the owner
§15-218-46 Cash-in-Lieu

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

Example:
- 244 unit project
- Reserved Housing 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 Reserved Housing unit sale price = $500,000
- Difference = $810,000 - $500,000 = $310,000
- Cash in lieu = $310,000 X 49 = $15,190,000
§15-218-47 Effects of Subsequent Rule Amendments
  • Option to remain under the rules in effect at the time of purchase or be governed by the new rules
  • Notification requirement by the Authority

§15-218-48: Fees
  • Provision for establishing fees for administering reserved & workforce housing program