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
KAKAAKO RESERVED HOUSING RULE AMENDMENTS

§ 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
## KAKAAKO RESERVED HOUSING RULE AMENDMENTS

**§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
§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
KAKAAKO RESERVED HOUSING RULE AMEDMENTS

**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</th>
<th>MIP Pricing Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inflation Factor</td>
<td>1.0%</td>
<td>Studio</td>
<td>$336</td>
<td>AD/RPT/MIP</td>
<td></td>
</tr>
<tr>
<td>Future Median Income</td>
<td>$86,600</td>
<td>0.9</td>
<td>1Bedroom</td>
<td>$658</td>
<td>AD/RPT/MIP</td>
</tr>
<tr>
<td>Annual Mortgage Rate</td>
<td>4.08%</td>
<td>1</td>
<td>2 Bedroom</td>
<td>$700</td>
<td></td>
</tr>
<tr>
<td>Mortgage Term (years)</td>
<td>30</td>
<td>1.08</td>
<td>3Bedroom</td>
<td>$830</td>
<td>AD/RPT/MIP</td>
</tr>
<tr>
<td>Downpayment (% of MAP)</td>
<td>10.0%</td>
<td>1.16</td>
<td>3+Bedroom</td>
<td>$900</td>
<td>AD/RPT/MIP</td>
</tr>
<tr>
<td>Housing Expense (% of Income)</td>
<td>33.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**WORKSHEET ASSUMPTIONS**

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

**Monthly Reserves:**
- AD: Association Dues
- RPT: Real property Taxes
- MIP: Mortgage Insurance Premium

Source (Chapter 218): [http://www.hawaii.gov/mmss/mmss/00.htm](http://www.hawaii.gov/mmss/mmss/00.htm)

### Maximum Affordable Price (MAP)

<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>125%</th>
<th>140%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Studio</td>
<td>$2,45,125</td>
<td>$2,85,991</td>
<td>$3,21,977</td>
<td>$3,41,190</td>
<td>$3,56,403</td>
<td>$3,79,616</td>
<td>$3,98,829</td>
<td>$4,75,681</td>
<td></td>
</tr>
<tr>
<td>1 Bedroom</td>
<td>$2,58,374</td>
<td>$3,08,359</td>
<td>$3,57,544</td>
<td>$3,82,246</td>
<td>$4,06,948</td>
<td>$4,31,651</td>
<td>$4,56,353</td>
<td>$5,55,163</td>
<td></td>
</tr>
<tr>
<td>2 Bedroom</td>
<td>$2,77,801</td>
<td>$3,27,696</td>
<td>$3,67,590</td>
<td>$4,15,037</td>
<td>$4,42,844</td>
<td>$4,69,981</td>
<td>$4,97,137</td>
<td>$5,97,166</td>
<td></td>
</tr>
<tr>
<td>3 Bedroom</td>
<td>$2,62,684</td>
<td>$3,12,970</td>
<td>$3,51,256</td>
<td>$3,91,088</td>
<td>$4,20,541</td>
<td>$4,47,184</td>
<td>$4,99,827</td>
<td>$5,18,598</td>
<td></td>
</tr>
</tbody>
</table>

**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>Adjustment for Unit Type</th>
<th>Unit Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing Expense (% of Applicable AMI)*</td>
<td>30.0%</td>
<td>Studio</td>
<td>0.7</td>
</tr>
<tr>
<td></td>
<td>0.9</td>
<td>1 Bedroom</td>
<td>1.08</td>
</tr>
<tr>
<td></td>
<td>1.16</td>
<td>3 Bedroom</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3+ Bedroom</td>
<td></td>
</tr>
</tbody>
</table>

**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>125%</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>
<td></td>
</tr>
<tr>
<td>1 Bedroom</td>
<td>$1,559</td>
<td>$1,754</td>
<td>$1,949</td>
<td>$2,046</td>
<td>$2,145</td>
<td>$2,241</td>
<td>$2,353</td>
<td>$2,728</td>
<td></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>$3,051</td>
<td></td>
</tr>
<tr>
<td>3 Bedroom</td>
<td>$1,871</td>
<td>$2,104</td>
<td>$2,338</td>
<td>$2,455</td>
<td>$2,572</td>
<td>$2,689</td>
<td>$2,806</td>
<td>$3,273</td>
<td></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>$2,888</td>
<td>$3,014</td>
<td>$3,516</td>
<td></td>
</tr>
</tbody>
</table>

* For Chapter 218

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

### BUYBACK PRICE CALCULATION

<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></td>
<td></td>
<td>$49,078</td>
<td></td>
</tr>
<tr>
<td>2012</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>
<td></td>
</tr>
<tr>
<td>2013</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>
<td></td>
</tr>
<tr>
<td>2014</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>
<td></td>
</tr>
<tr>
<td>2015</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>
<td></td>
</tr>
<tr>
<td>2016</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>
<td></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
§ 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
\[
Resale\ fair\ market\ value \times \frac{Original\ fair\ market\ value - Original\ sale\ price}{Original\ fair\ market\ value}
\]

Example:
\[
\begin{align*}
Resale\ fair\ market\ value &= $700,000 \\
Original\ fair\ market\ value &= $500,000 \\
Original\ sale\ price &= $400,000
\end{align*}
\]

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

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
§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