

# KAKAAKO RESERVED HOUSING RULE AMEDMENTS

- 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

# KAKAAKO RESERVED HOUSING RULE AMEDMENTS

## §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 AMEDMENTS

## § 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 AMEDMENTS

## §15-218-19:Unit type and corresponding factor

- Incentives for providing larger units

Unit Type	Factor
0 Bedroom	0.70
1 Bedroom	0.90
2 Bedroom	1.00
3 Bedroom	1.08
3+ Bedroom	1.16



# KAKAAKO RESERVED HOUSING RULE AMEDMENTS

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

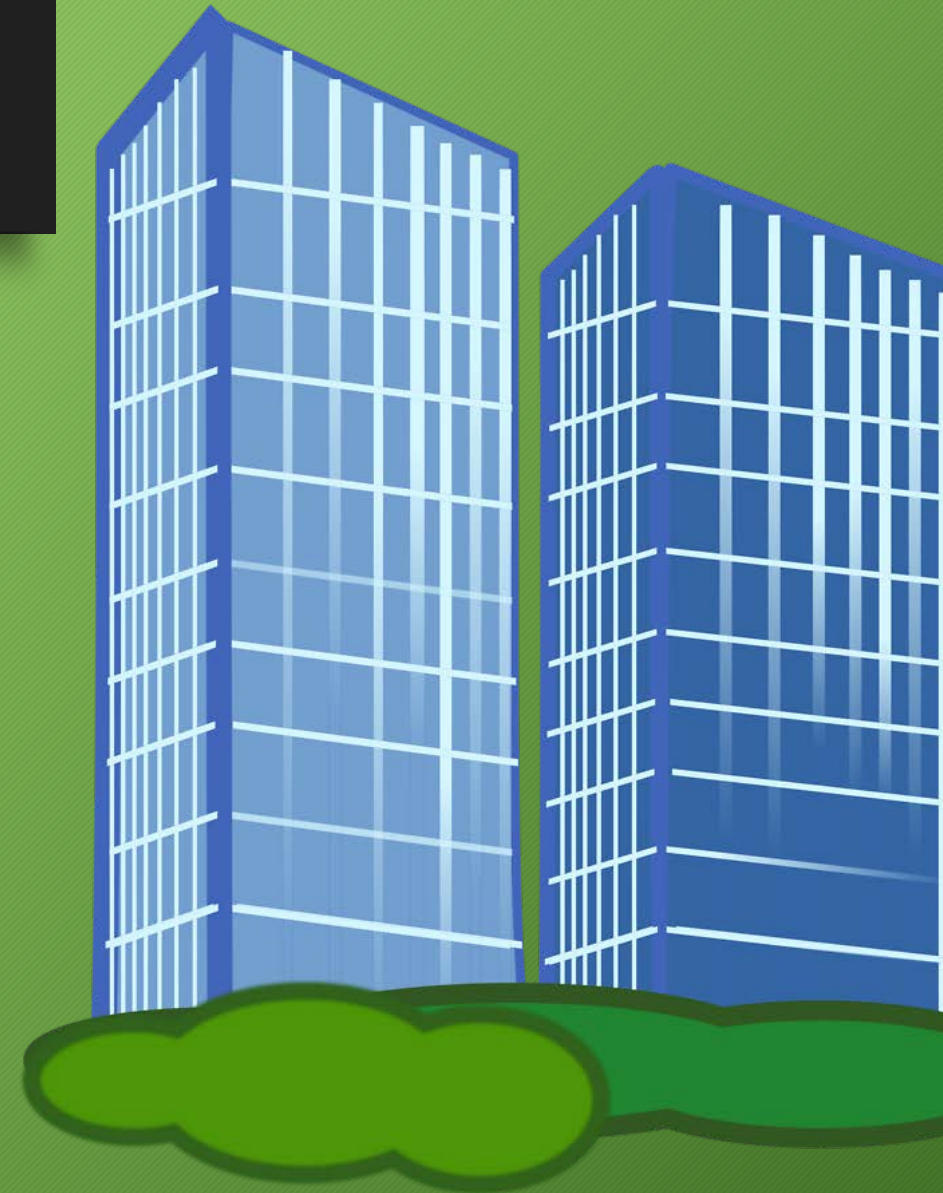
- Helps to ensure larger units are provided to larger families
- Guideline can be modified by the Authority, if necessary
- Based on the City and County of Honolulu Housing Code

Reserved Housing Unit Type	Preferred Household Size	Minimum Household Size
Studio	1 person	1 person
1 Bedroom	2 person	1 person
2 Bedroom	3 person	2 person
3 Bedroom	4 person	2 person
4 Bedroom	5 person	3 person

# KAKAAKO RESERVED HOUSING RULE AMEDMENTS

## §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





# KAKAAKO RESERVED HOUSING RULE AMEDMENTS

## §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 AMEDMENTS

## §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



# KAKAAKO RESERVED HOUSING RULE AMEDMENTS

## §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,
  - AOA 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

Current Median Income (2017)	\$86,600	Adjustment for Unit Type	Monthly Reserves****		Assn Dues AD/RPT/MIP	MIP Pricing Assumptions	<b>WORKSHEET ASSUMPTIONS</b>			
Inflation Factor	1		Unit Type	Total						
Future Median Income	\$86,600	0.7	Studio	\$386	AD/RPT/MIP		Input Inflation Factors:			
Annual Mortgage Rate	4.08%	0.9	1Bedroom	\$658	AD/RPT/MIP					
		1	2 Bedroom	\$700						
Mortgage Term (years)	30						%/Year	2.00%		
Downpayment (% of MAP)	10.0%	1.08	3Bedroom	\$850	AD/RPT/MIP		# of Years	0		
Housing Expense (% of Income)	33.0%	1.16	3+Bedroom	\$900	AD/RPT/MIP					
							Input Mortgage Rates*****, 07/14-012/14			
**** Monthly Reserves: AD: Association Dues (UPDATE), RPT: Real property Taxes (UPDATE), MIP: Mortgage Insurance Premium (UPDATE)										
***** Source (Chapter 218): <a href="http://www.freddiemac.com/pmms/pmms30.htm">http://www.freddiemac.com/pmms/pmms30.htm</a>										
Percent of Median Income	80%	90%	100%	105%	110%	115%	120%	140%	Month 1	4.15%
									Month 2	4.17%
									Month 3	4.20%
									Month 4	4.05%
Maximum Affordable Price (MAP)									Month 5	4.01%
Studio	\$245,125	\$283,551	\$321,977	\$341,190	\$360,403	\$379,616	\$398,829	\$475,681	Month 6	3.90%
1 Bedroom	\$258,734	\$308,139	\$357,544	\$382,246	\$406,948	\$431,651	\$456,353	\$555,163	Average	4.08%
2 Bedroom	\$277,801	\$332,696	\$387,590	\$415,037	\$442,484	\$469,931	\$497,378	\$607,166		
3 Bedroom	\$262,684	\$321,970	\$381,256	\$410,898	\$440,541	\$470,184	\$499,827	\$618,398		
3 + Bedroom	\$268,773	\$332,450	\$396,128	\$427,966	\$459,805	\$491,643	\$523,482	\$650,836		

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

Current Median Income (2016)	\$86,600	Adjustment for Unit Type	Unit Type
Housing Expense (% of Applicable AMI)*	30.0%		
		0.7	Studio
		0.9	1 Bedroom
		1	2 Bedroom
		1.08	3 Bedroom
		1.16	3 + Bedroom

\* For Chapter 218

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

Percent of Median Income	80%	90%	100%	105%	110%	115%	120%	140%
Maximum Allowable Rent (MAR)								
Studio	\$1,212	\$1,364	\$1,516	\$1,591	\$1,667	\$1,743	\$1,819	\$2,122
1 Bedroom	\$1,559	\$1,754	\$1,949	\$2,046	\$2,143	\$2,241	\$2,338	\$2,728
2 Bedroom	\$1,732	\$1,949	\$2,165	\$2,273	\$2,382	\$2,490	\$2,598	\$3,031
3 Bedroom	\$1,871	\$2,104	\$2,338	\$2,455	\$2,572	\$2,689	\$2,806	\$3,273
3 + Bedroom	\$2,009	\$2,260	\$2,511	\$2,637	\$2,763	\$2,888	\$3,014	\$3,516



# KAKAAKO RESERVED HOUSING RULE AMEDMENTS

## §15-218-35 Terms of Reserved Housing & Workforce Housing for Sale

- Establishes 1<sup>st</sup> 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

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

# KAKAAKO RESERVED HOUSING RULE AMEDMENTS

## 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 AMEDMENTS

## §15-218-38: Foreclosure

- Requirement to Notify the Authority
- Authority party to any foreclosure action
- Authority in 2<sup>nd</sup> 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

# KAKAAKO RESERVED HOUSING RULE AMEDMENTS



## § 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

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

Example:

*Resale fair market value* = \$700,000

*Original fair market value* = \$500,000

*Original 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 is 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 1<sup>st</sup> Option to Purchase and Equity Sharing

- Provides for deferral of 1<sup>st</sup> option to purchase
- Adds conditions to deferral of first option to purchase and equity sharing



# KAKAAKO RESERVED HOUSING RULE AMEDMENTS

## §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

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

Current Median Income (2017)	\$86,600	Adjustment for Unit Type		Monthly Reserves****		Assn Dues AD/RPT/MIP	MIP Pricing Assumptions	WORKSHEET ASSUMPTIONS
Inflation Factor	1	Unit Type	Unit Type	Total				
Future Median Income	\$86,600	0.7	Studio	\$386		AD/RPT/MIP		
Annual Mortgage Rate	4.08%	0.9	1Bedroom	\$658		AD/RPT/MIP		
		1	2 Bedroom	\$700				Input Inflation Factors:
Mortgage Term (years)	30							%/Year 2.00%
Downpayment (% of MAP)	10.0%	1.08	3Bedroom	\$850		AD/RPT/MIP		# of Years 0
Housing Expense (% of Income)	33.0%	1.16	3+Bedroom	\$900		AD/RPT/MIP		
**** Monthly Reserves: AD: Association Dues (UPDATE), RPT: Real property Taxes (UPDATE), MIP: Mortgage Insurance Premium (UPDATE)								Input Mortgage Rates*****:
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3 + Bedroom	\$268,773	\$332,450	\$396,128	\$427,966	\$459,805	\$491,643	\$523,482	\$650,836
								Average 4.08%

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

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Housing Expense (% of Applicable AMI)*	30.0%	0.7	Studio
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		1.16	3 + Bedroom

\* For Chapter 218

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

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3 + Bedroom	\$2,009	\$2,260	\$2,511	\$2,637	\$2,763	\$2,888	\$3,014	\$3,516



# KAKAAKO RESERVED HOUSING RULE AMEDMENTS

## §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 =  $0.07 \times \$197,640,000 = \$13,834,800$

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 =  $\$310,000 \times 49 = \$15,190,000$

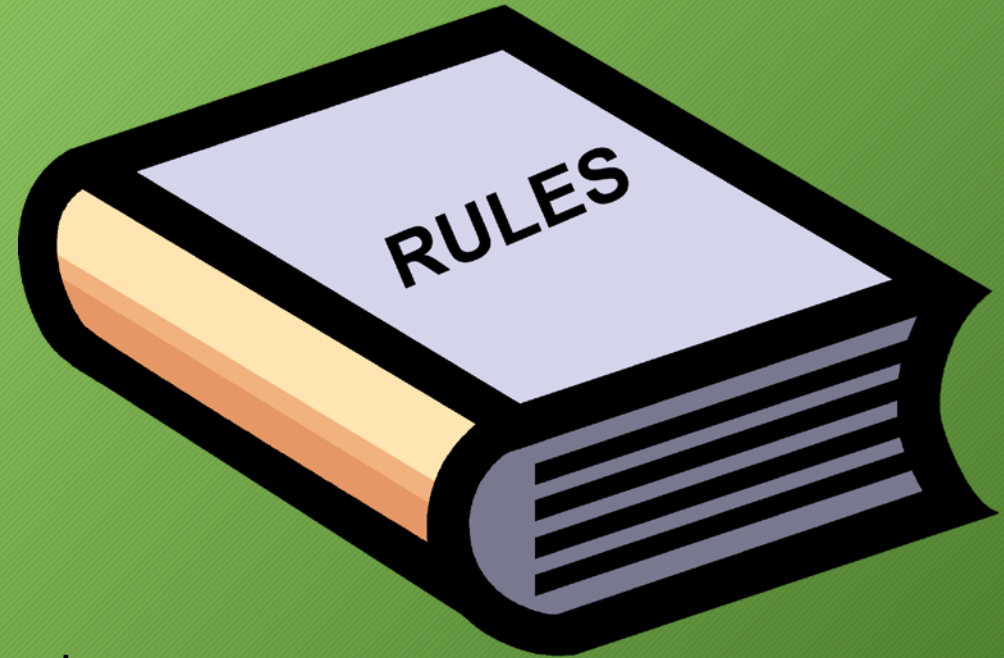
# KAKAAKO RESERVED HOUSING RULE AMEDMENTS

## §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





Mahalo

