

STATE OF HAWAII
HAWAII COMMUNITY DEVELOPMENT AUTHORITY
DECISION MAKING HEARING
Honolulu, HI 96813

September 6, 2017

Chairperson and Members
Hawaii Community Development Authority
State of Hawaii
Honolulu, Hawaii

HCDA Board Members:

SUMMARY:

The Authority is being asked to adopt the proposed Kakaako Reserved Housing Rules.

AUTHORITIES:

Hawaii Revised Statutes §§ 206E-4 and 5.

BACKGROUND:

A timeline summary of the Kakaako Reserved Housing Rules Amendment Process is presented below as **Table 1**.

Notice of public hearing was published on July 16, 2017, in the Honolulu Star-Advertiser, Maui News, The Garden Isle, Hawaii Tribune-Herald, and West Hawaii Today. The notice was also sent to HCDA's email list and posted on the HCDA website.

Table 1: Summary of Kakaako Reserved Housing Rules Amendment Process

Date	Public Discussion
May 7, 2014	Authority initiates amendments to Hawaii Revised Statutes: Chapter 15-218, Kakaako Reserved Housing Rules.
August 6, 2014	Authority appoints a committee of HCDA members to investigate enhancement of reserved housing program in the KCDD and recommend necessary statutes and/or rules amendments.
March 1, 2015	Reserved Housing Investigative Committee Report published. Report available online.
May 6, 2015	Discussion on the Reserved Housing Investigative Committee Report.
September 2, 2015	HCDA staff made a presentation to the Authority on the amendments to the Kakaako Reserved Housing Rules.
February 3, 2016	Authority appointed a Taskforce to develop recommendation on reserved housing policy and subsequent amendments to the Kakaako Reserved Housing Rules.
July 6, 2016	Taskforce recommendation presented to the Authority.
September 7, 2016	HCDA staff presented a proposed draft amendment to the Kakaako Reserved Housing Rules to the Authority.

September 6, 2017

January 4, 2017	Taskforce presented to the Authority a revised recommendation based on stakeholder feedback.
March 1, 2017	HCDA staff presented the proposed draft Kakaako Reserved Housing Rules amendments based on revised recommendation from the Taskforce.
March 28, 2017	Public hearing.
May 3, 2017	Public hearing
May 17, 2017	Public hearing
May 31, 2017	Public hearing continued to June 7, 2017
June 7, 2017	Public hearing. Authority voted not to adopt proposed Kakaako Reserved Housing Rules dated April 16, 2017 and direct staff to prepare a new draft to be presented to the Authority at its July 5, 2017 meeting.
July 5, 2017	Authority Meeting. Staff presented proposed draft Kakaako Reserved Housing Rules. Authority approved the proposed draft with three HCDA staff proposed amendments for holding public hearing.
August 16, 2017	Presentation hearing on proposed draft Kakaako Reserved Housing Rules dated July 16, 2017.

ANALYSIS:

Three written testimony was received for the August 16, 2017 public hearing and one person testified at the hearing. Testimony from the previous public hearings have been provided to Authority members.

Table 2. Summary of Public Testimony from August 16, 2017 Public Hearing & HCDA Staff Comment

Public Testimony	HCDA Staff Comment
The HCDA should consider amendments to its administrative rules that provide for hardships concerning share appreciation equity policies and programs. The HCDA may wish to consider amendments similar to those promulgated by HHFDC.	The comment pertains to provisions of §15-218-35(d) and §15-218-42. §15-218-35(d) has been amended to provide that any subsequent mortgage placed on the reserved housing or workforce housing unit shall not exceed the buyback price established by the Authority. Previously the provision limited the amount of subsequent mortgage placed on the reserved housing unit to 80% of the original sales price. The amended language gives the owner of the reserved housing unit opportunities to benefit from owner's equity in the unit while protecting the Authority's share of equity in the unit. § 15-218-42 was amended to include language from Hawaii Administrative Rules §15-307-127 (HHFDC Rules cited in the testimony).
Appreciates the provision of a maximum sale or rental amount equal to a weighted average of no more than 120% of area median income (AMI) for all reserved and workforce housing units. Would not be opposed to if the weighted average was lowered to 110% of AMI. Kakaako was envisioned as a mixed use mixed income	Limiting the weighted average sales price to 120% of AMI as proposed will result in at least 50% of the required reserved housing units priced at or below 120% of AMI. Similarly, at least 50% of the workforce housing units will be priced at or below 120% of AMI. The HCDA's Mauka Area

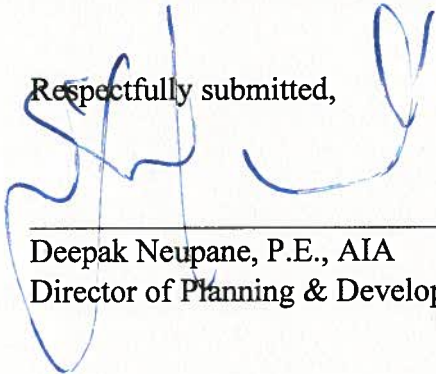
<p>community and the Authority should reinforce housing policies that support mixed income community in the district.</p>	<p>Plan and Rules and the Kakaako Reserved Housing Rules implement policies that are supportive of mixed use, mixed income community in Kakaako. In the last 30 years, approximately 1,500 rental housing units that are affordable at 100% or below of area median income have been developed in Kakaako. Another 300 affordable rental housing units are scheduled to be developed in the foreseeable future increasing the supply of affordable rental units to over 1,800. This combined with over 2,000 for-sale units priced at or below 140% of AMI provides a good mix of housing for low to moderate income households. Out of approximately 11,000 housing units developed in Kakaako in the last 30 years approximately 34% is affordable for household income of 140% of AMI or below.</p>
<p>Opposes all of the proposed changes because they distort the market and allow even more benefit to accrue to few that are lucky enough to be selected to purchase reserved or workforce housing units. Specifically opposes the following provisions.</p> <ul style="list-style-type: none"> • Opposes change of percentage of reserved housing units required if the units are provided as rental reserved housing unit. The proposed amendment requires 20% instead of the current 15%. • Opposes provisions of §15-218-30(b). • Opposes provisions of §15-218-35(c), §15-218-41, and §15-218-42. No appreciation for affordable housing should accrue to the owners because it is a transfer of wealth from everyone in the state to a few lucky individuals. The Authority should be able to purchase the unit at the original sale price. No equity should be shared and all equity increase should go to the Authority. Deferral of first option to purchase and equity sharing will create legacy units where families can pass the unit from one generation to the next. • Opposes provisions of §15-218-45. • Opposes provisions of §15-218-31(d) • Supports deleting §15-218-55 to provide flexibility. • Supports §15-218-17(e) which requires developers to provide financial guarantee 	<ul style="list-style-type: none"> • Reserved housing units can be provided as for-sale units or rental units. The proposed amendment makes the requirement 20% of the total residential units whether the reserved housing provided are for-sale units or rental units. • §15-218-30(b) allows for owners of reserved housing units to purchase a larger reserved housing unit if the owner's household size has increased. Income qualification is still required. The provision was added to encourage families to continue living in Kakaako even when their family size increased. This promotes diversity in the district. • §15-218-35(c) establishes the buyback price formula and provides for opportunity for the reserved housing or workforce housing unit to build equity in the unit and benefit from the equity. It is reasonable that the owner of a reserved or workforce housing unit benefit financially from sale of the unit at a later date. The buyback formula prevents the owner from benefiting from a windfall from sale of the unit while realizing a fair return. Similarly, §15-218-41 provides for owner to benefit from equity in the unit. Provisions of §15-218-42 will create legacy units since the new buyer will have to meet income and other qualification requirements.

<p>to the Authority for construction of reserved housing units.</p> <ul style="list-style-type: none">• Supports §15-218-18(b)(3) which provides flexibility in off street parking requirements.	<ul style="list-style-type: none">• §15-218-45 provides for rental of a reserved or workforce housing unit by the owner. Household income and other qualifying requirements are still applicable so the unit will still remain a qualifying reserved or workforce housing unit.• §15-218-31(d) gives priority for applicants who have been displaced from housing within the Kakaako Community Development District as a result of redevelopment. It is reasonable to provide additional opportunities for families living in Kakaako to remain in Kakaako if those families qualify to purchase a reserved or workforce housing unit.
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RECOMMENDATION:

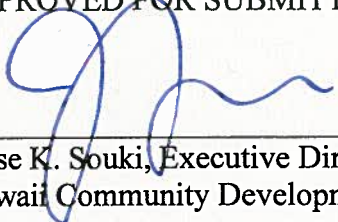
Staff recommends that the Authority adopt the proposed Kakaako Reserved Housing Rules dated July 16, 2017.

Respectfully submitted,



Deepak Neupane, P.E., AIA
Director of Planning & Development

APPROVED FOR SUBMITTAL:



Jesse K. Souki, Executive Director
Hawaii Community Development Authority