

STATE OF HAWAII
HAWAII COMMUNITY DEVELOPMENT AUTHORITY
KAKAAKO
Honolulu, Hawaii, 96813

November 6, 2019

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

HCDA Board Members:

SUBJECT: Shall the Authority Authorize the Owner of Rycroft Terrace Reserved Housing Unit 426 to Rent Her Unit in Accordance with Hawaii Administrative Rules §15-218?

SUMMARY:

A Reserved Housing unit owner at Rycroft Terrace is seeking permission to rent her unit due to a temporary military transfer to the mainland. The rental would be in accordance with the 2018 Reserved Housing Rules and the proposed rent is \$2,200 a month, including all utilities. A qualified renter who meets HCDA's requirements is ready to move in, pending Authority approval.

AUTHORITIES:

Pursuant to Hawaii Administrative Rules (HAR) §15-218-45, the Authority may on a case-by-case basis consider requests from a reserved housing unit owner to rent the unit during the regulated term. The rental of reserved housing units by owner shall be regulated by §§15-218-32, §15-218-43, and §15-218-44.

BACKGROUND:

In a letter dated October 14, 2019, Reserved Housing Unit Owner Dianna Wallis requests permission from the Hawaii Community Development Authority (HCDA) to rent Unit 426 at Rycroft Terrace. This letter is attached hereto as Exhibit A. Ms. Wallis married a Navy serviceman after she purchased her unit, and her husband subsequently received transfer orders to Tennessee. In her letter, Ms. Wallis explains that she and her husband would like to return to Unit 426 at the end of their tour to start a family.

Per Ms. Wallis' Unit Deed, the regulated term for Rycroft Terrace Reserved Housing Unit 426 is ten (10) years from the date of recordation in the State of Hawaii Bureau of Conveyances. The date of recordation was October 2, 2014; therefore, the regulated term for Rycroft Terrace Reserved Housing Unit 426 is still in effect and will expire on October 2, 2024.

Ms. Wallis opted in to the 2018 Reserved Housing Rules, therefore Unit 426 is governed by HAR §15-218. Pursuant to HAR §15-218-32, during the regulated term, reserved housing units can be rented to a household earning no more than 140% of the area median income (AMI). HCDA's chart for the 2019 AMI levels for various household sizes is attached as Exhibit B. The assets of the applicant shall not exceed 135% of the applicable income limitation. Assets include all cash, securities, real and personal property at current fair market value, less any outstanding liabilities for these assets. Qualified retirement accounts do not count toward assets.

HAR §15-218-44 requires that monthly rent shall be based on no more than 30 percent of the applicable AMI. To calculate the maximum rent, the following formula shall be applied:

$$\text{Max Rent} = \frac{\text{Current Gross Annual Income}}{12} \times 30\%$$

Monthly rent must include all utilities [water, sanitary sewer service, electricity and gas (where applicable)] and other building operating costs but may exclude telephone, cable television, internet service, and parking fees.

The unit must be offered for rent on a first-come, first-served or lottery basis to a qualified renter. The unit owner must decide which method will be used and submit proof to the HCDA that the selection of the renter was made in accordance with the applicable rules.

A letter from Ms. Wallis' realtor dated October 14, 2019, explains the process to find a qualified renter in accordance with HAR §15-218. This letter is attached as Exhibit C.

ANALYSIS:

After holding four showings, the realtor explained only one application was received from a renter that met all HCDA requirements. The application is attached as Exhibit D. In the application, the prospective renters explain they are a married couple seeking a larger place to live with their family member, whom they support. Financial documents are available for board review, as needed, to confirm their income and assets as a household of three are in compliance with HAR §15-218-32.

The renters have a combined gross income of \$120,691.52, which represents 135% AMI for a household of three. Given their income level, the maximum rent allowable under HAR §15-218-44 is \$3,017.29 for the two-bedroom, one bathroom unit. Ms. Wallis' realtor notes that monthly rent for the two-bedroom, one-bath Rycroft Terrace Unit 426 will be \$2,200 monthly, inclusive of all utilities and building operating costs.

RECOMMENDATION:

HCDA staff recommends that the Board:

Authorize the Owner of Rycroft Terrace Reserved Housing Unit 426 to Rent Her Unit in Accordance with Hawaii Administrative Rules §15-218.

Respectfully submitted,



Lindsey Dōi
Asset Manager

APPROVED FOR SUBMITTAL:



Aedward Los Banos, Executive Director

Attachments

Exhibit A – Letter from Ms. Dianna Wallis dated October 14, 2019

Exhibit B – 2019 HCDA AMI Chart

Exhibit C – Letter from Mr. Robert Kirkpatrick dated October 14, 2019 and Tenant Selection Process

Exhibit A

Dianna Scott (Wallis)

1550 Rycroft St, Apt 426
Honolulu, Hi 96814
(808) 728-9160
Dwallisarch@gmail.com

October 14, 2019

Aedward Los Banos

Hawaii Community Development Authority (HCDA)
547 Queen St
Honolulu, Hi 96813

Dear Mr. Los Banos and HCDA Board Members,

Thank you for providing me with an outline of the parameters to find a suitable renter for our home while my husband and I are stationed in Tennessee.

Given that we are not able to attend the November 6, 2019 meeting, we have Robert Kirkpatrick (our property manager) attending the meeting. He was able to help us locate a renter per the requirements set forth by the letter HCDA sent us May 9, 2019.

We hope that the board agrees that our relocation was not by choice. We would very much like to return to our home at the end of this upcoming tour and start our family. We completely understand that if we are permitted to rent our home it will be in accordance to section 43, 44, and 45 of the "2018 Reserved Housing Rules," references to these sections have been included. This exception will enable us to rent our home out as a low income rental unit in the time we are gone to cover a portion of the mortgage and maintenance expenses. I am invested in my home both emotionally and financially and would consider this a great loss for our family if we were forced to sell.

Please feel free to contact me with any questions you might have.

We appreciate your consideration.

Sincerely,

Dianna Scott

Exhibit B

Hawaii Community Development Authority 2019 Reserved Housing Income Limits

	1 person	2 person	3 person	4 person	5 person	6 person	7 person	8 person
Extremely Low Income	30%	25,350	28,950	32,550	36,150	39,050	41,950	44,860
	40%	33,800	38,600	43,400	48,200	52,100	55,950	59,800
Very Low Income	50%	<u>42,200</u>	<u>48,200</u>	<u>54,250</u>	<u>60,250</u>	<u>65,100</u>	<u>69,900</u>	<u>74,750</u>
	60%	50,650	57,900	65,100	72,300	78,150	83,900	89,700
	75%	55,750	63,700	71,700	79,650	86,000	92,400	98,750
Low Income	80%	<u>67,500</u>	<u>77,150</u>	<u>86,800</u>	<u>96,400</u>	<u>104,150</u>	<u>111,850</u>	<u>119,550</u>
	100%	69,300	79,200	89,100	99,000	106,900	114,850	122,750
Area Median Income	110%	76,250	87,100	98,000	108,900	117,600	126,300	135,050
	120%	83,150	95,050	106,900	118,800	128,300	137,800	147,300
Gap Income	130%	90,100	102,950	115,850	128,700	139,000	149,300	159,600
	140%	97,000	110,900	124,750	138,600	149,700	160,800	171,850

Adjustment for Unit Type	
Unit Type	One
Studio	Bedroom
Adjustment	70%
	Two
	Bedroom
	Base
	80%
	Three
	Bedroom
	Base
	108%
	Four
	Bedroom
	Base
	116%
	Five
	Bedroom
	Base
	124%

*For each person in excess of eight, the four-person income limit should be multiplied by an additional 8 percent.

(For example, the nine-person limit equals 140 percent [132 + 8] of the relevant four-person income limit.)

*Income limits are rounded to the nearest \$50.

*HUD base figures (underlined) were interpolated by HCDA. This chart is provided as a guide only.

Exhibit C

October 14 2019

Attn: HCDA

In regards for Rycroft Terrace

Unit #426

Owners: Mr. Ernest Scott & Dianna Wallis/Scott

To the board members:

Aloha my name is Robert Kirkpatrick with Hawaii Pacific Realty Group here on Oahu RS: 80979

I am writing you this letter on behalf of Ernest & Diana Scott Who have chosen to adopt the new 2018 Reserved housing rules and are requesting to Opt into rent their unit #426. The Scotts have been transferred off island due to Mr. Scotts Service with the United States Navy.

Their unit is currently advertised on Zillow and all the other affiliated sites awaiting an application. All potential tenants are interviewed to see if they can meet the HCDA rules and regulations for qualification. I have had 4 showings to date and only one application received that was within the required guidelines and all other applicants chose not to apply.

Potential Tenants: John David Riechart, Esther Madano, Charles Scott (Brother)
(Application attached)

When I received the application from John & Esther I began the approval process with a check of funds and all other HCDA rules that apply to renting unit #426. They have met all requirements to rent the home and are willing to wait until November 6th for final approval from the HCDA.

Please see attached Tax documentation to prove that my clients are within the required guidelines.

The brother Charles is handicap and will not be an income producer in the home and has no tax requirements.

Below is a breakdown of the allowed income and asset requirements per HCDA 2018-2019

The max AMI for 3 people is 138,983 @140% gap income

Both potential tenants combined yearly is $\$120,691.52 + 130\% = \3017.28 Max allowed rental amount.

Rent requested per month is \$2200 and include all required utilities.

Applicants income calculation: $42,814.52 + 67,000 + 8859 + 2018 = 120,691.52$ Annually.

Mahalo For your consideration, if you have any other questions please contact me at.

Hawaiihomes4you@gmail.com (702) 683-9999 Robert Kirkpatrick HPRG RS: 80979

Ernest Scott

Dianna Scott

Tenant selection process for Rycroft Terrace unit #426

1. Property was listed on Zillow for rent .
2. Viewings scheduled on a first come first serve basis as advertised.
3. In total 4 viewings and only one potential tenant chose to proceed with an application.
4. One application was submitted and processed no other applications entered or submitted throughout the whole advertising process.
5. After application was reviewed and all HCDA requirement were met I informed the potential tenant of the process for approval per HCDA guidelines.
6. Potential tenant has provided Tax/Bank/History of employment and is awaiting approval.

Attached is PDF proof of the selection process and correspondence for the advertisement of unit 426

