

KAKAAKO RESERVED AND WORKFORCE HOUSING RULES AMENDMENT

STAFF REPORT

May 5, 2021

I. REQUEST

Adopt the Kakaako Reserved and Workforce Housing Rule amendment, dated May 5, 2021.

II. BACKGROUND

In July 2018 the Hawaii Community Development Authority (HCDA/Authority) adopted the following recommendations of the Affordable Rental Housing Development Permitted Interaction Group (PIG).

1. Utilize the money in the reserved housing revolving fund to purchase land for development of affordable rental housing projects. Consider competitive solicitations for purchase of land for rental housing projects.
2. Consider cash in lieu or dedication of land option from developers instead of providing reserved housing units. Money collected from cash in lieu can be used to purchase land for affordable rental projects and/or for providing gap financing. Land dedicated by developers can be used for affordable rental housing projects.
3. Consider a policy to allow owners of reserved housing units to pay the equity sharing out front instead of waiting until the resale or transfer of the reserved housing unit. Money collected for early payment of equity sharing can be used for purchasing land for affordable rental housing projects and/or providing gap financing.
4. Explore establishing a rental housing unit rehabilitation micro-loan program to increase affordable housing using the existing Kakaako Community Development District (KCDD) housing stock.
5. Consider increasing zoning incentives (i.e., density and height) within the KCDD, especially in Transit Oriented Development (TOD) areas and on small lots, for projects that include rental housing. Increased density will increase the number of housing units that can be developed in the KCDD and even keeping the reserved housing requirement at 20% will increase the number of affordable housing that will be produced.
6. Work closely with the Hawaii Housing Finance and Development Corporation (HHFDC) in prioritizing affordable rental housing projects in the KCDD for Low Income Housing Tax Credit (LIHTC), Rental Housing Revolving Fund (RHRF),

Dwelling Unit Revolving Fund (DURF) funding.

7. Work with the HHFDC in lobbying the legislature for a broad-based financing mechanism for developing affordable rental housing projects.
8. Explore the option of developing a public parking structure in the Sheridan and Central Kakaako neighborhood zones. Parking stalls could be offered at a reduced rate for KCDD affordable housing projects. This would take away the burden of building expensive parking for affordable housing projects and significantly reduce development costs.

The recommendations were intended to encourage and facilitate development of affordable housing in Kakaako with specific focus on affordable rental housing. Some of the recommendations require amending the Authorities' administrative rules before they can be implemented.

In December 2020 the Authority authorized the executive director to hold public hearings to amend the Kakaako Reserved and Workforce Housing Rules ("Rules") to allow for payment of HCDA shared equity without sale of transfer the reserved or workforce housing unit.

III. DISCUSSION

A copy of the proposed amendment to the Rules was mailed to all reserved housing owners. Staff did not receive written comments from any reserved housing owners. Several comments on the proposed amendment was received by the public hearing date of April 7, 2021. The Authority was provided a copy of all comments. Summary of the comments and HCDA staff response to comments is provided as Exhibit A. A final version of the Rules is provided as Exhibit B. The proposed amendment is reflected in §15-218-41 on page 218-24. If the Authority adopts the proposed amendment at this public hearing, the final version of the Rules will be transmitted to the Governor for approval. The Rules will become effective after the Governor's approval and filing with the Lieutenant Governor's office.

IV. RECOMMENDATION

Staff recommends that the Authority Adopt the Kakaako Reserved and Workforce Housing Rule amendment, dated May 5, 2021.

Attachments: Exhibit A – Summary of Public Comments and HCDA Staff Response
Exhibit B - HAR Chapter 15-218