


Reviewed and Approved by Executive Director:   
September 1, 2021

## **FOR ACTION**

### **I. REQUEST**

Establish a Permitted Interaction Group Pursuant to Hawaii Revised Statutes §92-2.5(b)(1) to Review the HCDA's Reserved Housing Program and Make Recommendations to the Authority on Maintaining Long-Term Affordability of Reserved Housing Units.

### **II. DISCUSSION**

The Authority's administrative rules for Kakaako Community Development District (KCDD) and Kalaeloa Community Development District (KLCDD) require residential developments within the community development districts to provide affordable housing units as a condition for development. In KCDD the requirement is to provide 20% of the units in a residential project as 'reserved housing' units. In KLCDD the requirement is to construct and reserve at least 20% of the residential floor area as 'reserved housing' units. In both community development districts the 'reserved housing' units must be priced to be affordable for a household with an annual income of no more than 140% of the area median income. Maximum allowable sales price of these 'reserved housing' units is determined based on a number of factors that consider ownership cost such as mortgage principal and interest payment, association dues, mortgage insurance premium, and real property taxes. The administrative rules for both community development districts limit monthly housing cost to thirty-three percent (33%) for gross household income. In KCDD 'reserved housing' units are regulated for 10 years and in KLCDD for 5 years. Some elements of housing cost such as association dues and property taxes can fluctuate from year to year. Typically, as the building gets old association dues tend to increase. There has been concerns expressed that developers use lower association dues initially in pricing reserved housing units and the association dues go up once the units are sold, and residents move in. In some instances, the association dues have gone up so high that the total housing cost becomes more than 33% of a household income. The purpose of this permitted interaction group is to review and analyze the total housing cost with the purpose of maintaining long-term affordability of reserved housing units.

### **III. RECOMMENDATION**

It is recommended that the Authority Establish a Permitted Interaction Group to Review the HCDA's Reserved Housing Program and Make Recommendations to the Authority on Maintaining Long-Term Affordability of Reserved Housing Units.

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