

FOR ACTION

I. REQUEST

Request to Approve the Development Plan and Program for the Sale of Reserved Housing Units in Kaulu, the Residential Community Located in the Kalaeloa Community Development District, at Tax Map Key Nos. (1) 9-1-013:197, 198, and 199, in Accordance with the Findings of Fact, Conclusions of Law, and Decision and Order for Planned Development Permit KAL 21-005 Dated February 2, 2022.

II. BACKGROUND

The Presentation Hearing for Application No. KAL 21-005 (Gentry Kalaeloa, LLC / Kaulu) was held by the Hawaii Community Development Authority (“HCDA”) on December 1, 2021, at the request of Gentry Kalaeloa, LLC (“Applicant”) for a Development Permit (“Permit Application”). The contested case hearing process was commenced in accordance with Chapter 15-215, Hawaii Administrative Rules (“HAR”), Kalaeloa Community Development District (“Kalaeloa CDD”) Rules (“Kalaeloa Rules”) and Chapter 15-216 Kalaeloa Reserved Housing Rules (“Kalaeloa Reserved Housing Rules”).

The Development Permit was required for the construction of a new residential project, “Kaulu,” on an approximately 29.8-acre property (“Project”) within the Kalaeloa CDD. The Project site is identified as Tax Map Key (“TMK”) parcels (1) 9-1-013:197, 198, and 199; all of which are located within the KCDD T3 General Urban transect zone. The Project site is bounded by the proposed Kamokila Boulevard Extension (to the west), the realigned Boxer Road/Saratoga Avenue (to the south), Copahee Avenue (to the east) and Franklin Delano Roosevelt Avenue (“FDR”) (to the north). The landowner is Hunt Communities, LLC.

The Project will include approximately 262 multi-family attached units and 128 single-family detached units, for a total of 390 residential units. Hawaii Administrative Rules § 15-215-17 requires all developers constructing multi-family dwelling units on a lot greater than 40,000 gross square feet (“sf”) to construct at least twenty percent of the total residential floor area as reserved housing units. The Project will have approximately 519,584 sf of gross residential floor area and twenty percent of that floor area is 103,917 SF. Once applied to the various floor plans being offered in the Project, this translates into approximately 87 reserved housing units. These units will be dispersed across the entirety of the development. The Applicant proposed making the reserved housing units available to approved households earning up to 140% of Oahu’s Area Median Income (“AMI”), as required by the Kalaeloa Reserved Housing Rules.

On February 2, 2022, the Kalaeloa Board (“Board”) held a Decision-Making Hearing, wherein the Board found that the Project satisfied all the required criteria per the Rules and approved the Project with conditions. The Findings of Fact, Conclusions of Law, and Decision and Order (“FOF, COL, and D&O”) included the following conditions to

specifically address the Board's concerns about how the AMI would be applied in pricing the reserved housing units:

"12. Reserved housing shall be required pursuant to the Kalaeloa Reserved Housing Rules (HAR Chapter 15-216). Pursuant to HAR § 15-216-17, and based on the total floor area, 103,917 sf of floor area is required for reserved housing within the Project; however, Gentry shall provide a minimum of 104,802 sf of reserved housing floor area (equivalent to a minimum of approximately 87 reserved housing units) within the multi-family buildings within the Project."

"13. The sale of all reserved housing unit in the Project shall be consistent with the Kalaeloa Reserved Housing Rules (HAR Chapter 15-216). Within 180 calendar days of the issuance of this FOF, COL, and D&O for the Project, Gentry shall provide a development plan and program for the sale of reserved housing units in the Project for review and approval by the Authority. The reserved housing program shall include an analysis detailing assumptions for determining any common area maintenance fees in the form of a reserve study and a schedule of common area maintenance fee for reserved housing units."

In fulfillment of the above conditions, the Reserved Housing Program ("RHP") was submitted to the Authority within 180 days of the issuance of this FOF, COL, and D&O for the Project, on July 20, 2022. This document is provided as Exhibit A.

III. RESERVED HOUSING PROGRAM

As required, the Applicant has furnished the Authority with a development plan and program for the sale of Reserved Housing ("RH") units (see Exhibit A). However, the RHP does not yet include a reserve study to provide the assumptions and financial analysis necessary to determine common area maintenance fees. Maintenance fees are one variable in calculating RH unit pricing.

The Applicant plans to calculate pricing for RH units in an incremental approach and will submit pricing to the Authority for approval at least 90 days prior to the publishing of the sales notice for the subject units. The Applicant currently intends to price its 2-bedroom RH units as affordable for those making up to 120% of AMI, and its 3-bedroom RH units for those making up to 130% AMI. The Applicant notes that rising interest rates may drive the targeted AMI range higher when the Applicant returns to the Authority for pricing approval.

The RHP proposes eight (8) sales increments of the Project, containing a total of 87 Reserved Housing ("RH") units, spanning a period of approximately three years.

Sales lotteries will be held in multiple phases within every increment. As part of its incremental pricing approach, the Applicant will request eight separate Authority approvals for each of its RH sales increments.

The first increment will include twelve (12) RH units, and the first six (6) of these 12 are anticipated to be sold via lottery in September 2023. The first closings are anticipated to occur in November 2023, with the full buildout of the Project expected for completion in September 2026.

As the Project progresses, each increment will include about 12 RH units, representing about twenty percent of the total residential floor area for that increment. Additionally, all required amenities such as outdoor recreation areas will also be built proportionally so that each increment contains all of the required features even when considered on its own.

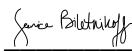
As discussed with the Board in the Decision-Making Hearing, the Applicant has also included various incentive programs in the RHP. These include elements such as low deposit requirements, closing cost incentives and partnerships with nonprofit housing counseling agencies to assist buyers for sustained homeownership. As a means to access the closing cost incentives, the Applicant has provided a choice of three preferred lenders within the RHP. Details on all aspects of the RHP can be found in Exhibit A.

IV. RECOMMENDATION

Approve the Development Plan and Program for the Sale of Reserved Housing Units in Kaulu, the Residential Community Located in the Kalaeloa Community Development District, at Tax Map Key Nos. (1) 9-1-013:197, 198, and 199, with the condition the Applicant shall present to the Authority for approval, the reserve study, and a schedule of common area maintenance fees for reserved housing units, when available, and the unit sales price for each increment 120 days prior to the lottery, in Accordance with the Findings of Fact, Conclusions of Law, and Decision and Order for Planned Development Permit KAL 21-005 Dated February 2, 2022

Attachments:

Exhibit A – Kaulu by Gentry Reserved Housing Program

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