

FOR ACTION

I. REQUEST

Consider Authorizing the Executive Director to Implement a “Supplemental Financing and Buyback Plan” (“Plan”) for Reserved Housing Units Within the Ulana Ward Village project, Located at 828 Auahi Street, Honolulu, Hawaii 96813, and Further Described by Tax Map Key Number (1) 2-1-053:001, that are Proposed to be Sold by the Reserved Housing Unit Owners During the Regulated Term, Such Plan Containing the: (i) Actions to be taken by HCDA upon a Proposed Sale of Said Reserved Housing Units, and (ii) Supplemental Financing to be Utilized by the HCDA to Buyback Said Reserved Housing Units.

II. BACKGROUND

The Ulana Ward Village project consists of 697 reserved housing units for persons with incomes not exceeding 140% of the area median income. There are 123 studio, 205 1-bedroom, 246 2-bedroom, and 123 3-bedroom units within the project, which are scheduled to be ready for occupancy around December 2025.

The regulated terms for the Ulana units range from 2 to 10 years, depending upon the sales price of the unit. There are 52 units with 2-year regulated terms; 501 units with 5-year regulated terms, and 144 units with 10-year regulated terms.

During the regulated term, if a reserved housing unit owner wishes to sell their unit, HCDA has a one-time right to buy back the unit at a prescribed buyback price. The buyback price is calculated in accordance with Hawaii Administrative Rules (“HAR”) §15-22-186.

Pursuant to HAR §15-22-186(c)(3), the HCDA has the option to respond to buyback requests by either 1) waiving its option to purchase the unit, 2) agreeing to buy the unit, or 3) providing a substitute buyer for the unit at the aforementioned purchase price.

Given the large number of units in the Ulana project, the HCDA expects at least a handful of units may become available for buyback immediately after buyers close on the sales of their units in late 2025. HCDA staff feel it is prudent to create and implement a plan in advance to fairly address all potential buybacks in the project.

III. DISCUSSION AND ANALYSIS

The following is the proposed “Supplemental Financing and Buyback Plan”. For each Ulana unit offered for buyback, HCDA staff proposes the following actions that may be taken, in order of preference:

- Option 1: HCDA or another designated entity¹ (i.e., Hawaii HomeOwnership Center) buys the unit at the designated buyback price and resells it as an affordable unit to another qualified buyer. This would preserve the affordability of the unit and keep the unit in the HCDA's Reserved Housing inventory if the HCDA bought back the unit itself. If the HCDA buys the unit itself, the HCDA would need sufficient funds to complete the purchase and to procure a broker to facilitate the transaction. The HCDA would also need to ensure a new Unilateral Declaration of Restrictive Covenants is executed to initiate a new regulated term with a buyback provision and shared equity requirement for the new buyer. If another entity such as the Hawaii HomeOwnership Center buys back the unit, the unit would become part of their affordable housing program (subject to their own rules and requirements) and the HCDA would not receive any shared equity. This is the approved policy for other Reserved Housing units that currently come up for buyback.
- Option 2: HCDA requires the original owner to resell the unit to a qualified new buyer approved by the HCDA at the designated buyback price. The HCDA would procure a broker to find and approve such qualified new buyers, maintain a waitlist, and oversee the transaction. This option would preserve the affordability of the unit, keep the unit in the HCDA's Reserved Housing inventory, and would relieve the HCDA from the financial burden of repurchasing the unit itself. As part of the transaction, the HCDA would impose a new Unilateral Declaration of Restrictive Covenants on the new owner. This new Unilateral Declaration would restart the original regulated term (either 2, 5, or 10 years), and include both a buyback provision and shared equity requirement. The shared equity amount would be calculated in accordance with HAR §15-22-187, which would require a fair market appraisal at the time of sale to the new qualified buyer, at the new buyer's expense. Note: The original owner would not pay shared equity to the HCDA since that amount is factored into the buyback price. The resulting resold unit would function exactly like a newly developed HCDA Reserved Housing unit, as the new qualified buyer would be subject to HCDA's buyback provision if they decide to sell the unit during the restarted regulated term. When the new qualified buyer sells or transfers the unit, HCDA will be entitled to the shared equity amount due.
- Option 3: HCDA buys the unit at the designated buyback price and procures a property manager to rent and manage the unit as an affordable unit to a qualified renter in accordance with HAR §15-22, Subchapter 7. This option preserves the affordability of the unit but adds an unknown cost of maintaining and overseeing a rental unit. HCDA will rent the unit until the expiration of the regulated term or a favorable opportunity arises to sell the unit to a qualified new buyer.
- Option 4: HCDA waives buyback and collects the shared equity immediately in order for the owner to rent or sell the unit at market pricing. This option loses the affordability of the unit but provides the HCDA with shared equity that can be used

¹ The sole currently designated entity for buyback is the HomeOwnership Center.

for future affordable housing projects. As mentioned below, the decision to buy or not buy a unit will be made on a case-by-case basis.

The amount of funds needed for the HCDA to buy back units under Options 1 and 3 varies widely depending on the type of unit offered for buyback (see table below for range).

Unit Type	Buyback Price Range	If Buyback Waived, Shared Equity Paid to HCDA Range
Studio (123 units)	\$271,000 - \$355,400	\$99,200 - \$164,000
1-bed (205 units)	\$400,500 - \$556,300	\$121,900 - \$179,600
2-bed (246 units)	\$504,100- \$650,300	\$91,500 - \$184,900
3-bed (123 units)	\$550,000 - \$717,400	\$93,200 - \$181,200

Options 1 and 3 may require supplemental financing, as the HCDA's capacity to buy back reserved housing units is limited to the existing funds in our Reserved Housing Sub-account. To increase the HCDA's buying capacity, our sister agency, the Hawaii Housing Finance and Development Corporation ("HHFDC") offered to loan the HCDA up to \$3 million from its Dwelling Unit Revolving Fund ("DURF") to assist with buybacks over a two-year term. This would require a separate agreement with HHFDC, subject to approval by HHFDC's board.

HCDA's expenditure limit for the buyback of Ulana units is the sum of: (i) existing funds in our Reserved Housing Sub-account, and (ii) the \$3 million in supplemental funds from DURF ("Buyback Expenditure Limit").

HCDA staff will evaluate each unit offered for buy back on a case-by-case basis and will select the best option available based on existing conditions. Factors such as unit type, marketability, buyback price, waitlist size, and available financing will all be carefully examined prior to proceeding with one of the four buyback options listed above.

This "Supplemental Financing and Buyback Plan", as proposed herein or as revised by the board, is intended to be self-effectuating and not require further board action.

Further board consideration and approval will be sought if either: (i) additional buyback options, (ii) other means of supplemental financing, (iii) using other HCDA special funds, or (iv) a change in the Buyback Expenditure Limit, is proposed by HCDA staff.

IV. RECOMMENDATION

Authorize the Executive Director to Implement a "Supplemental Financing and Buyback Plan" ("Plan") for Reserved Housing Units Within the Ulana Ward Village project, Located at 828 Auahi Street, Honolulu, Hawaii 96813, and Further Described by Tax Map Key Number (1) 2-1-053:001, that are Proposed to be Sold by the Reserved Housing Unit Owners During the Regulated Term, Such Plan Containing the: (i) Actions to be taken by HCDA upon a Proposed Sale of Said Reserved Housing Units, and (ii) Supplemental Financing to be Utilized by the HCDA to Buyback Said Reserved Housing Units as

described in this staff report and undertake all tasks necessary to effectuate the purpose(s) of this For Action, Except for (i) additional buyback options, (ii) other means of supplemental financing, (iii) using other HCDA special funds, or (iv) a change in the Buyback Expenditure Limit.

Prepared By: Lindsey Doi, Asset Manager:  _____

Reviewed By: Craig K. Nakamoto, Executive Director: *Craig K. Nakamoto* _____