

FOR ACTION

I. REQUEST

Approve: (1) the Hawaii Housing Finance and Development Corporation's Purchase of Equity in Designated Units within The Flats at Sky Ala Moana Project (the Project) Located at 1390 Ala Moana Boulevard, Honolulu, Hawaii, TMK No.: (1) 2-3-016: 049, in Accordance with Chapter 15-309, Hawaii Administrative Rules; and (2) a Set Aside of Dwelling Unit Revolving Fund Equity Pilot Program Funds for the Project

II. FACTS

- A. The Dwelling Unit Revolving Fund (DURF) Equity Pilot (DEP) program was established by the 2023 Hawaii State Legislature to address the high, unmet demand of for-sale units by Hawaii residents, specifically residents who: (i) own no other real property; (ii) receive no gift funds and (iii) work in a profession that is facing a shortage (Target Group), as defined by the Hawaii Housing Finance and Development Corporation (HHFDC).
- B. On July 9, 2024, the Real Estate Services section met with the Project sales team to provide information and consider the project for the DEP program. On July 15, 2024, HHFDC received JL Avalon Capbridge, LLC's (the Developer) request to participate in the DEP program. The Project is a part of the Sky Ala Moana East, a mixed-use condominium development by JL Avalon Capital, LLC, comprised of affordable, commercial, hotel and condo-hotel units. It does not include use of or access to the amenities developed as a part of the adjacent property, the Sky Ala Moana West condominium.
- C. The Project consists of 84 affordable for-sale units comprised of studios, 1- and 2-bedroom units, option to purchase one parking stall, and is subject to the City and County of Honolulu's (City) Affordable Housing Rules (2019), such as maximum income limits, 30-year occupancy restriction, and repurchase option in favor of the City. Since the initial unit offering in August 2022, affordable requirements were adjusted and applied to unsold units based on the category of unit as Ordinance or Community Benefit. See below for applicable adjustments.

Unit Category:	Ordinance	Community Benefit
Total Units:	38	26
Unit Type (Quantity):	Studio (30) 2-Bedrm (8)	Studio (24) 2-Bedrm (2)
Area Median Income:	120% Adjusted to 140%	120%
Restriction Period:	30 years	30 years Adjusted to 10 years
Developer Option to Rent: Expires 12/31/2027	Yes	Yes *Developer elects not to rent out these units.

- D. As of July 10, 2024, a total of 64 units remains unsold. All 26 unsold units under the Community Benefit category will be applied to the DEP program, including parking, as follows:

No. of Units	Unit Type	HHFDC AMI%	Original Sales Price with Parking	HHFDC Equity	New Sales Price	New AMI%
24	Studio, 1 Bath	100%	\$310,000 – \$336,000	20% of the Sales Price (\$62,000 - 67,200)	\$248,000 - \$268,800	80%
2	2-Bedrm, 1 Bath	120%	\$541,000 \$544,000	15% of the Sales Price (\$81,150; \$81,600)	\$459,850; \$462,400	110%
HHFDC Total DURF Equity: \$1,696,350						

- E. The Project was completed in September 2023 and is ready to move in immediately after closing the sale. The estimated closing is 45-60 days from the contract signing date.

III. DISCUSSION

- A. The versatility of the DEP program provides for a broad range of starter unit opportunities and options for qualified purchasers within the Target Group, including affordable units with similar rules and regulations to HHFDC’s affordable program. The readiness of the Project lends itself to providing housing for Target Group purchasers immediately.
- B. To date, a combined total of 48 (or 53, if applicable) units are approved for-sale as DEP program units in two housing developments – Kuilei Place and Modea. The combined total of \$4 million (to \$4.5 million, if applicable) in allocated funds and remaining balance of \$5.9 million (or \$5.4 million, if applicable), indicates available funds to support an increase in the supply of affordable priced DEP program units into the community.
- C. The DEP agreement will provide for a commitment of funds for six (6) months. Considering the immediate availability to occupy the units, limited supply of DEP funds and interest in use of the DEP program, a robust marketing and sales program for a period of six-months from the re-offering date to the public is essential and expected. Unused funds at the end of the re-offering period may be evaluated for redistribution to maximize limited program funds and increase the supply of housing units.

IV. RECOMMENDATION

That the HHFDC Board of Directors approve the following for The Flats at Sky Ala Moana For-Sale Housing Development Project, substantially as described in this For Action:

- A. HHFDC purchase of equity in designated units subject to the DEP program and contracted by qualified purchasers;
- B. Allocation of DEP program funds for designated equity units shall not exceed the total amount stated herein;
- C. Execution of any DEP Program agreement necessary to memorialize the requirements herein; and

D. Authorize the Executive Director to take all actions necessary to effectuate the purposes of this For Action.

Prepared by: Lorna Kometani, Real Estate Services Section Chief

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Reviewed by: Randy Chu, Development Branch Chief

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Approved by the Board of Directors as

Circulated Amended

On August 8, 2024

Real Estate Services Section

Please take necessary action.



Executive Director