

# HCDA' S RESERVED HOUSING PROGRAM

## FREQUENTLY ASKED QUESTIONS

➤ **What is the HCDA?**

The Hawaii Community Development Authority (“HCDA”) is a State agency that was established to supplement traditional community renewal methods by promoting and coordinating public and private sector community development. HCDA is in charge of overseeing all development within the Kaka’ako area of Honolulu.

➤ **What is the Reserved Housing Program?**

Reserved Housing is a program administered by HCDA to help ensure an increased supply of housing is made available to Hawaii residents with incomes below 140% of the Honolulu area median income (“AMI”). Reserved Housing units are required to be priced as affordable to households below 140% of AMI and are often sold below market rate. The Reserved Housing program includes certain resale and other restrictions on the unit

➤ **What are the resale and other restrictions imposed by the Reserved Housing Program?**

During a 5 year regulated period, the unit must be owner-occupied (certain exceptions apply), and HCDA has the first option to buy back the unit should the owner decide to sell. In addition, if the unit is purchased below market rate, as determined by an appraisal, then upon resale HCDA is entitled to a share of the appreciation, called Shared Appreciation Equity or “SAE.” It is important to note that we do not anticipate any SAE will apply to this project. Other restrictions apply.

➤ **What is the process to apply for and select a unit?**

There will be a newspaper announcement in the Star Advertiser specifying when applications will be available for pickup at the project sales office. The application will include detailed information on the application and unit selection process. The general process is:

1. Pick up an application at the project sales office;
2. Work with an Approved Project Lender to get a prequalification letter;
3. Submit completed application (i.e. prequalification letter with two required affidavits);
4. Each qualified applicant is placed on a property selection list in the chronological order in which completed applications were received;
5. A unit selection event will be held for applicants to choose a unit and sign a sales contract;
6. If all units are not sold at the unit selection event, applications will continue to be accepted on a first-come-first-served basis until all units are sold.

➤ **What is the timeline?**

First Presale Announcement in Honolulu Star Advertiser	Wednesday January 4, 2017
Begin Distributing Applications	Saturday January 7, 2017
Second Presale Announcement in Honolulu Star Advertiser	Sunday January 15, 2017
Begin Accepting Completed Applications	Saturday January 28, 2017
Unit Selection Event for Reserved Housing Units	Saturday February 25, 2017

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➤ **To whom should I direct my questions?**

Prospective buyers should direct their questions to the Sales Office or to an Approved Project Lender, as appropriate. If the Sales Agent or Lender gets stuck on a question, then they will direct the question to HCDA. Prospective buyers should not contact HCDA directly.

➤ **Who are the Approved Project Lenders?**

Honolulu Home Loans and American Home Loans (a division of American Savings Bank) are the Approved Project Lenders. The Applicant's prequalification letter must come from one of these two lenders, though the Applicant may choose any lender they wish to issue the home loan.

➤ **How are Applicants qualified?**

The Approved Project Lenders qualify Applicants both for the Reserved Housing program and for a home loan. To verify the buyer's eligibility, Lenders will require documentation such as:

- 2-3 years tax returns (must include 2015, no exceptions)
- W-2
- Pay stubs
- Verification of assets
- Gift letter with verification of funds (if receiving assistance with down payment)

➤ **What are the qualifications for purchasing a Reserved Housing Unit?**

1. Purchaser is at least of the age of majority (18 years of age);
2. Purchaser does not have a majority interest in a principal residence or a beneficial interest in a land trust on a principal residence within or without the State of Hawaii for a period of three (3) years immediately prior to the date of application for a Reserved Housing Unit under HAR §15-218-30 of the Mauka Area Rules;
3. Purchaser does not have a spouse or dependent child who has a majority interest in a principal residence or a beneficial interest in a land trust on a principal residence within or without the State of Hawaii for a period of three (3) years immediately prior to the date of application for a Reserved Housing Unit under HAR §15-218-30 of the Mauka Area Rules;
4. Purchaser is the owner or lessee and occupant of the Reserved Housing Unit;
5. Purchaser does not have a record or history of conduct or behavior, including past rent payments, which may prove detrimental to other tenants or HCDA, within parameters set by federal laws on discrimination, including the American with Disabilities Act.

➤ **What are the Income and Asset Limits for the Program?**

The income limit for the adjusted household income is 140% of the 2016 area median income, as defined by the U.S. Department of Housing and Urban Development. The asset limit is 135% of the applicable income limit. These amounts are shown in the table below.

Household Size	1 person	2 person	3 person	4 person
Income Limit	\$86,150	\$98,450	\$110,750	\$123,050
Asset Limit	\$116,303	\$132,908	\$149,513	\$166,118

The "adjusted household income" refers to the total income, before taxes and personal deductions, received by all members of the eligible borrower's household, including, but not

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limited to, wages, social security payments, retirement benefits, unemployment benefits, welfare benefits, interest and dividend payments, but not including business deductions. "Assets" include bank accounts, investment accounts (but not retirement accounts) and equity in any owned real estate.

- **Can a person Gift the entire purchase amount to a Buyer?**  
Yes. HCDA has no defined limit on gifts.
- **Can you own a rental property and purchase a Reserved Housing unit?**  
Yes, but you must not own a majority interest in a primary residence currently or for the prior 3 years. If a rental property is owned, equity in the property will count toward HCDA's asset limit.
- **What is the Deposit Amount?**  
\$500 at signing of the purchase contract and after 30 days the balance up to 5% of the purchase price.
- **Are Retirement Funds a part of the asset limits?**  
No, Retirement funds are excluded from asset limits. However, if a buyer dips into their Retirement Fund then the Retirement Fund will be included in their assets.
- **How do Tenant in Severalty/Non-married buyers Qualify?**  
The household must be qualified together.
- **Can a Reserved Housing unit be rented out within the 5 year regulated term?**  
Yes, if the HCDA Board approves. However, the buyer can only rent to a tenant that is qualified under the Reserved Housing Program guidelines.
- **How does the Certificate of Compliance signing process work?**  
The Certificate of Compliance needs to be signed annually by the buyer until the end of the 5 year regulated term.
- **What constitutes a complete Reserved Housing Program Application?**  
Applicant must provide a prequalification letter from an Approved Project Lender, as well as two signed and notarized affidavits confirming 1. eligibility for the program and 2. intent to comply with the program restrictions.
- **What if Buyer Income/Asset Increases after contracting?**  
No re-evaluation of the buyer's eligibility takes place after the submittal of the application, unless there are occupancy changes or other rare circumstances.