



# ULANA

WARD VILLAGE



## 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. The Hawaii Community Development Authority (or HCDA) oversees development of Kaka'ako. HCDA created the Reserved Housing program to assist qualified Hawaii residents to become homeowners in the revitalized urban core of Honolulu. Within the Kaka'ako district is the Ward Village Master Plan, Ulana at Ward Village will be the third residential high-rise and will add 696 reserved housing residences in Ward Village.

## What is Reserved Housing?

The "Reserved Housing" is designed for a person or families who make too much to qualify for Federal Assistance programs but not enough to purchase a market-priced unit residence. Reserved Housing is characterized as households making up to 140% of the Area Median Income, or AMI.

## How is AMI determined?

AMI is determined by the US Department of Housing and Urban Development, or HUD. AMI represents the annual income that a typical person or household earns in an area. For reserved housing, the maximum income a household can make is 140% of AMI. Reserved housing prices are based on income, not market conditions.

## What does eligible and qualified mean.

First, the project lender will determine if you are **eligible** under the HCDA reserved housing program – this is a very black and white process. Second, the project lender needs to determine if you are financially **qualified**. They will determine how much you can pay for a home. These steps take time, so we encourage you to get started with a project lender as soon as possible.

## What are the eligibility requirements for a buyer of reserved housing homes?

1. Is a citizen of the United States or a resident alien
2. Is a resident of the State of Hawaii
3. Is at least 18 years of age
4. Buyer and Spouse do not have majority interest in a principal residence within the last three years
5. Shall be the owner and occupant of the reserved housing home during the regulated period
6. Has never purchased a reserved housing home (exceptions apply)
7. All household members must provide income and asset verification
8. Income and assets must be under the area medium income (AMI) limits



## What are the occupancy guidelines?

Now keep in mind that HCDA has occupancy guidelines. Your family size will impact what size home you are able to purchase. For example, a family of 4 can purchase a 2 or 3 bedroom but not a 1- bedroom home. A family of 2 can purchase a 1 or 2-bedroom home but not a 3-bedroom home.

UNIT TYPE	PERMISSIBLE HOUSEHOLD SIZE
Studio	1-2
1 Bedroom	1-3
2 Bedroom	2-5
3 Bedroom	3-7

## What are the income requirements for reserved housing?

1. 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 limited to, wages, social security payments, retirement benefits, unemployment benefits, welfare benefits, interest and dividend payments, but not including business deductions.
2. In addition, the buyer’s assets (cash, securities, mutual funds) may not exceed 125% of the applicable income limit. Buyer’s retirement accounts and gifts do not count as assets.
3. 2021 Reserved Housing Income Limits<sup>1</sup>

HOUSEHOLD SIZE	MAXIMUM QUALIFYING INCOME
1 Person	\$103,900
2 Persons	\$118,700
3 Persons	\$133,550
4 Persons	\$148,400
5 Persons	\$160,250
6 Persons	\$172,150
7 Persons	\$184,000

<sup>1</sup>Income limits are rounded to the nearest \$50.



## What are the asset requirements?

For the assets eligibility, your total assets must not exceed 125% of the qualified income limits. For example, for a family of 4, the maximum qualified assets cannot exceed \$185,500 based on the 2021 AMI.

HOUSEHOLD SIZE	NET ASSETS LIMITS
1 Person	\$129,875
2 Persons	\$148,375
3 Persons	\$166,938
4 Persons	\$185,500
5 Persons	\$200,313
6 Persons	\$215,188
7 Persons	\$230,000

## What is the determination of assets?

When it comes to the determination of assets, all liquid assets such as cash, securities, real and personal property and will count towards the maximum allowance.

The good news is that retirement accounts such as 401Ks and IRAs don't count. Also, gift funds used toward the down payment do not count.

## What are the lender requirements?

Lenders will require documentation to verify the buyer's income. Examples are as follows:

1. 3 years tax returns
2. W-2
3. Pay stubs
4. Verification of assets
5. Gift letter with verification of funds (if receiving assistance with down payment)

## How much is the down payment?

The developer can require up to a 10% down payment. The buyer can put in a larger down payment if recommended or required by the lender.

\$500 at contracting, 5% minus \$500 at 30 days and 5% at 120 days after contract signing.



## **Where can I learn more about Reserved Housing Mauka Area Rules (Chapter 22) June 2005?**

The HCDA website has a copy of the Mauka Area Rules (Chapter 22) Kaka'ako Community Development District, June 2005 and can be found at:

<http://dbedt.hawaii.gov/hcda/files/2013/05/2005-Mauka-Area-Rules-6-13-05.pdf>

## **What is the regulated term for reserved housing homes (i.e.-how long am I required to occupy the home)?**

The regulated term for reserved housing home is established based on home affordability and will range anywhere from 2-10 years. Reserved housing homes affordable to qualified persons with adjusted household incomes:

1. Less than one hundred percent of median income shall be regulated for ten (10) years;
2. One hundred to one hundred nineteen percent of median income shall be regulated for five (5) years;
3. One hundred twenty to one hundred forty percent of median income shall be regulated for two (2) years. HCDA may elect to extend the period on a case-by-case basis.

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## **What is the Buyback Provision?**

1. Buyback is the first provision, which allows HCDA to purchase the home if you decide to sell within the regulated term. For Ulana Ward Village, that period will be either 2, 5, or 10 years. This provision is in place to prevent investors from purchasing and then flipping the home for a quick profit.
2. If you decide to sell during the regulated term, then HCDA has the first right to purchase your home at the original purchase price. If HCDA decides not to exercise this right, or you are selling the home beyond the regulated term, then you will be able to sell your home at market value.
3. The buyback term is determined when the developer sets the sales price, so you will know well in advance of selecting your home.



## What is a shared equity?

1. Share Equity is the second provision. This is an amount equivalent to the difference between the original appraised value of the home and the reserved housing contract price.
2. After the end of the regulated term, the owner may sell the home or assign the property free from any transfer or price restrictions except for applicable equity sharing requirements set forth in 15-22-187 of the Mauka Rules, Chapter 22 document.
3. At the time the property is sold, the buyer will pay HCDA the shared equity.

## What is an example of shared equity?

This is an example of what shared equity can potentially look like. You purchase a reserved home for \$400,000 ("four-hundred-thousand dollars:"). The appraised value at the time you purchase is \$500,000 ("five hundred thousand"). Then let's say you sell the home at some time in the future for \$600,000. In this example, the shared equity is \$100,000 ("one hundred thousand dollars").

	\$600,000 Sale Price
-	\$400,000 Original Purchase Price
-	\$100,000 shared equity that you MUST pay to HCDA
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	\$100,000 Profit

## What if I just want to keep renting what should I consider?

For example, if you are renting a place right now.... let's say for \$1,700 a month. Over 5 years that adds up to over \$102,000! That's assuming your rent doesn't increase.

## Reasons to buy Reserved Housing

1. Eligible applicants are able to purchase a home under appraised value
2. Reserved housing provides an opportunity for local residents a homeownership opportunity that may not otherwise be able to afford.
3. Gifting and co-signing provide opportunities for homeownership for younger buyers who may not have saved for a down payment.
4. Great way for First Time Homebuyers to live in Ward Village, Kaka'ako's vibrant new neighborhood

## What are the steps?

If you haven't already, go to [www.ulanaawardvillage.com](http://www.ulanaawardvillage.com) and register your interest and sign up for a Ulana Reserved Housing Presentation.