SUMMARY OF PROPOSED FLOOR DRAFT:

RESOLUTION 14-121, CD1
AMENDING CITY COUNCIL POLICY GOVERNING QUALIFICATIONS FOR PROSPECTIVE DEVELOPERS/OWNERS/MANAGERS OF THE CITY'S AFFORDABLE HOUSING PROJECTS

PROPOSED FD1:

A. In paragraph 4 of the first BE IT RESOLVED clause, replaces the amendatory language with the following:

Affordable housing projects within the Chinatown Special District, as defined in Section 21-9, Revised Ordinances of Honolulu 1990, as amended, that were developed as mixed-income communities must remain so. To the extent feasible, it is desirable to adjust the tenant income profile of these mixed-income projects to the following proportion: at least 40% of total units occupied by households earning 60% or less of the area median income (AMI), 30% of total units occupied by households earning more than 60% and up to 80% of the AMI, 20% of total units occupied by households earning more than 80% and up to 120% of the AMI, and 10% of total units occupied by households earning more than 120% of the AMI; provided that any adjustment must be achieved over time via normal tenant turnover; and provided further that low-income tenants (60% or less of the AMI) in Chinatown Gateway Plaza, Marin Towers and Harbor Village as of March 31, 2014 must not be displaced so long as they remain within that income group and are in compliance with their obligations under any applicable landlord-tenant agreement.

In achieving the desired tenant income profile for these mixed-income projects, factors to be considered must include, but are not limited to, the need for more low income housing on Oahu; the goals of economic revitalization and preservation of the character of the surrounding community; the financial feasibility of achieving the desired mix; and the need to generate adequate revenue for the City.

Rent amounts must not exceed the HUD allowable rent guidelines applicable to the income group. Rents may be subject to reasonable annual increases; provided that for tenants with a household income of 80% or less of the AMI, the increase must not exceed 10% of the rent charged for the immediately prior year.

B. Makes miscellaneous technical and non-substantive amendments.

CITY COUNCIL

CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII

No. **14-121, CD1, FD1**

PROPOSED FD1

RESOLUTION

AMENDING CITY COUNCIL POLICY GOVERNING QUALIFICATIONS FOR PROSPECTIVE DEVELOPERS/OWNERS/MANAGERS OF THE CITY'S AFFORDABLE HOUSING PROJECTS.

WHEREAS, City Council policy governing qualifications for prospective developers/owners/managers of the City's affordable housing projects was initially established by the adoption of Resolution 08-108, CD1; and

WHEREAS, the twelve City-owned affordable housing projects are:

Bachelors Quarter's (built in 1938), 10 units
Chinatown Gateway Plaza (1990), 200 units
Chinatown Manor (1993), 89 units
Harbor Village (1991), 90 units
Kanoa Apartments (1955), 14 units
Kulana Nani (1972), 160 units
Manoa Gardens (1992), 41 units
Marin Tower (1994), 236 units
Pauahi Hale (1982), 77 units
West Loch Elderly (1993), 150 units
Westlake Apartments (1973), 96 units, and
Winston Hale (1964), 94 units;

and

WHEREAS, preserving existing affordable rental housing in a safe and well-maintained physical condition, and under professional, tenant-sensitive and effective management is of critical importance; and

WHEREAS, the Council wishes to preserve the twelve City-owned affordable housing projects as affordable in perpetuity, and increase the supply of permanently affordable rental housing to serve the diverse communities that compose the unique fabric of our City and State; and

WHEREAS, the Council wishes to amend its policy relating to qualifications for prospective developers/owners/managers of the City's affordable housing projects; now, therefore,

RESOLUTION

BE IT RESOLVED by the Council of the City and County of Honolulu that the following policy sets forth the goals and objectives of the City with respect to prospective owners and managers of the City's affordable housing projects, and must be attached to the lease for any of the twelve City-owned affordable housing properties:

(1) Development/Ownership

- Prospective owners shall have the development of permanently affordable rental housing as part of their core competence and/or mission. Absent this, affordable housing must be an explicit part of their business plan;
- Prospective owners shall be able to package financing that ensures permanently affordable rental housing;
- Prospective owners/developers shall have a good history of working with community and resident groups;
- Prospective owners shall have a long-term plan for permanent affordability; and
- Prospective owners shall be willing to accept ownership with a deed restriction that specifies affordability in perpetuity and/or as a leasehold interest with the City to maintain the fee simple ownership.

(2) Management

- Prospective owners shall select an experienced affordable rental housing management agent with a good history of working with resident groups;
- Prospective owners shall implement a management plan evidencing concern for the resident community they serve and including regular resident participation; and
- Prospective owners shall have a strong performance record of maintaining and rehabilitating affordable rental housing.

(3) Rehabilitation

- Prospective owners proposing to rehabilitate buildings shall allow residents to participate in planning the rehabilitation before construction begins, and construction must be completed within a reasonable time;

- Building rehabilitation must include but is not limited to health, safety, and environmental needs of residents;

- Rent increases associated with rehabilitation must be reasonable for existing resident populations and should be phased in over a period of time; and

- Prospective owners shall hire local contractors and/or local subcontractors whenever feasible.

(4) Affordability

Quality affordable housing is the cornerstone of livable communities. Most City-owned affordable housing projects represent a range of incomes that has proven to be economically and socially beneficial for project neighborhoods. Prospective owners shall retain the existing mix of affordability, or if feasible, increase service to the low income community, defined as the population at or below 60% of the HUD median income. If financially feasible, owners may change these income ranges to only serve those at lower income levels.

Affordable housing projects within the Chinatown Special District, as defined in Section 21-9, Revised Ordinances of Honolulu 1990, as amended, that were developed as mixed-income communities must remain so. To the extent feasible, it is desirable to adjust the tenant income profile of these mixed-income projects to the following proportion: at least 40% of total units occupied by households earning 60% or less of the area median income (AMI), 30% of total units occupied by households earning more than 60% and up to 80% of the AMI, 20% of total units occupied by households earning more than 80% and up to 120% of the AMI, and 10% of total units occupied by households earning more than 120% of the AMI; provided that any adjustment must be achieved over time via normal tenant turnover; and provided further that low-income tenants (60% or less of the AMI) in Chinatown Gateway Plaza, Marin Towers and Harbor Village as of March 31, 2014 must not be displaced so long as they remain within that income group and are in compliance with their obligations under any applicable landlord-tenant agreement.

In achieving the desired tenant income profile for these mixed-income projects, factors to be considered must include, but are not limited to, the need for more low income housing on Oahu; the goals of economic revitalization and preservation of the character of the surrounding community; the financial feasibility of achieving the desired mix; and the need to generate adequate revenue for the City.

Rent amounts must not exceed the HUD allowable rent guidelines applicable to the income group. Rents may be subject to reasonable annual increases; provided that for tenants with a household income of 80% or less of the AMI, the increase must not exceed 10% of the rent charged for the immediately prior year.

Long term affordability means affordability in perpetuity, and is not defined as "for the useful life of the building," as this may encourage some owners to let properties deteriorate when they want to "opt" out of their commitment.

Any additional housing developed on any of these sites must also be affordable rental housing, unless the development of market-rate housing proves a positive addition and the profits from these market-rate units will provide additional subsidy for existing and possible additional affordable rental housing.

These affordability restrictions must be memorialized either as part of a leasehold agreement, a land development/disposition agreement, regulatory agreement, and/or any other covenant document to be placed on the subject property, depending on the mechanism by which the land and/or buildings containing the units are to be transferred/sold to a third party.

(5) Local ownership

The City shall prefer local ownership wherever feasible. Prospective owners without a history of doing business in Hawaii shall be prepared to explain their plan for long-term involvement in Hawaii. Prospective owners from outside the State shall be asked for their long-term commitment to doing business in Hawaii.

(6) Non-Profit/For-Profit

Whenever feasible, the City shall prefer non-profit or community-development corporate developers motivated by a concern for the residents they serve. Prospective for-profit owners interested in these properties shall be prepared to explain how affordable rental housing ownership fits within their business plan or

model. The City shall base the choice of a developer, either non-profit or for-profit, on the depth and length of affordability that a developer commits to produce, as well as on its proven track record at meeting such commitments. The City shall define depth of affordability to mean affordable to the people with the lowest incomes, and length of affordability to mean in perpetuity.

(7) Partnership

The City administration shall continue to communicate and partner with residents and owners/managers of said City-owned affordable housing projects in further defining and implementing the policies of this Resolution.

; and

BE IT FURTHER RESOLVED that for informational purposes only, the substantive material added to the policy previously stated in Resolution 08-108, CD1, as shown above, is underlined; and

BE IT FURTHER RESOLVED that upon its adoption, this Resolution supersedes in its entirety Resolution 08-108, CD1; and

CITY COUNCIL
CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII

No. **14-121, CD1, FD1**

RESOLUTION

BE IT FINALLY RESOLVED that copies of this Resolution be transmitted to the Mayor, Managing Director, the directors of the departments of Community Services, Budget and Fiscal Services, and Planning and Permitting, and the director of the Honolulu Field Office of the U.S. Department of Housing and Urban Development at 500 Ala Moana Boulevard, Suite 3A, Honolulu, Hawaii 96813.

INTRODUCED BY:

Carol Fukunaga

DATE OF INTRODUCTION:

May 21, 2014
Honolulu, Hawaii

Councilmembers