



**UNIVERSITY OF HAWAII**

PRESIDENT, UNIVERSITY OF HAWAII  
AND CHANCELLOR, UNIVERSITY OF HAWAII AT MĀNOA

July 10, 2000

**EXECUTIVE MEMORANDUM NO. 00-5**

**TO:** Senior Vice President and Executive Vice Chancellor  
Senior Vice Presidents and Chancellors  
Senior Vice Presidents  
Vice Presidents  
System Directors  
Secretary of the Board of Regents  
State Director for Vocational Education

**FROM:** Kenneth P. Mortimer *K.P. Mortimer*  
President, University of Hawai'i and  
Chancellor, University of Hawai'i at Mānoa

**SUBJECT: EXECUTIVE POLICY E2.209, UNIVERSITY HOUSING ASSISTANCE PROGRAM**

The revised Executive Policy E2.209, University Housing Assistance Program is now available on the worldwide Web. The policy has been amended in section III. **FINANCIAL ASSISTANCE, C. Financial Assistance; Maximum Loan** to provide the President with the discretion to approve a higher financial assistance loan amount for recruitment purposes.

I hereby promulgate this revised policy and assign responsibilities as described therein.

Prepared by the Office of the  
Senior Vice President for Administration.  
This replaces Executive Policy E2.209 dated February 1997.

UNIVERSITY OF HAWAI'I

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EXECUTIVE POLICY - ADMINISTRATION

July 2000

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E2.209 University Housing Assistance Program

I. INTRODUCTION

This Executive Policy directs implementation of Section 9-10b. of the Board of Regents Bylaws and Policies.

II. GENERAL PROVISIONS

A. Definitions

The words and phrases in this Executive Policy shall, unless inconsistent with the context, be construed as follows:

"Academic Unit" includes any Campus, College, School, Center, Office, Institute, or other organizational unit.

"CPC Loan" means a loan made to secure the University's interest in a Housing Unit which is subject to a Conditional Price Credit arrangement.

"CPC Loan Documents" includes all documents executed in connection with the making of a CPC Loan.

"Director" means the Director of the Faculty Housing Development and Assistance Services Office.

"Eligible Person" includes any full time Board appointee.

"Entity" includes a natural person; a sole proprietor; a partnership; a corporation, whether organized for profit or not for profit; a government agency; an association; or any other organization.

"For-Sale Project" means a housing project developed by or for the University.

"Housing Payments" includes mortgage payments, real property taxes, home insurance premiums, utilities expenses, and other such costs associated with homeownership.

"Housing Unit" includes any individual residential real property, such as a single family house, a single unit in a duplex, or an individual condominium unit.

"Lessee" means a person who receives an Apartment Lease from the University.

"Lessor" means the University of Hawai'i or any of its designees or assignees.

"Office" means the systemwide Faculty Housing Development and Assistance Services Office.

"Owner" means the owner of a Housing Unit.

"Participant" means a person who receives a University Loan under the Financial Assistance component of the Program.

"Program" means the University Housing Assistance Program established by the Board of Regents' Bylaws and Policy Section 9-10b.

"Prospective Participant" means a person who has applied to receive funds under the Financial Assistance component of the Program.

"Prospective Purchaser" means a person who intends to purchase a Housing Unit in a For-Sale Project.

"Prospective Tenant" means a person who intends to occupy a Housing Unit in a Rental Project.

"Purchase Price" means the contract purchase price of the Housing Unit being purchased and being financed by a University Loan. For a Housing Unit in a For-Sale Project, the Purchase Price is the Base Purchase Price.

"Purchaser" means a person who purchases a Housing Unit in a For-Sale Project.

"Rental Project" means a housing project developed by or for the University.

"Tenant" means a person who occupies a Rental Unit in a Rental Project.

"University" means the University of Hawai'i.

"University Administrator" includes a Dean of a College or School; a Director of a Center, Office, or Institute; a Provost of a Campus; and any other Executive appointee.

"University Loan" means a loan made by the University under the Financial Assistance component of the Program.

"University Loan Documents" includes all documents executed in connection with the making of a University Loan.

"Vice President" means the Senior Vice President for Administration.

#### B. Program Components

The components of the Program include Information, Counseling, and Referral; Financial Assistance; and Housing Development (BORP Sec. 9-10b. A.2.). The components of the Program shall be administered only in accordance with the Intent and Purpose of the Board Policy, specific provisions of the Board Policy, and this Executive Policy.

#### C. Funding

Funding for the Program shall be derived principally from the Housing Assistance Revolving Fund, and used to finance the Program and to support the operation of the Office (BORP Sec. 9-10b. A.3.a.).

The University shall obtain Board approval before accepting any private funds for the Financial Assistance component of the Program (BORP 9-10b. A.3.b.).

D. Program Eligibility

Any full time Board appointee is eligible to participate in the Program. Additional eligibility requirements necessary or desirable to implement the Program shall be established in accordance with the Intent and Purpose of the Board Policy (BORP Sec. 9-10b. A.4.a.). All additional eligibility requirements established for the Program components shall be specified within this Executive Policy.

E. Allocation and Selection System

Program resources shall be allocated in accordance with the Intent and Purpose of the Board Policy (BORP Sec. 9-10b. A.4.b.). The allocation and selection system shall be reviewed annually to meet changing needs (BORP Sec. 9-10b. A.4.b.).

F. Additional Program Requirements

Any rules, procedures, requirements, terms, conditions, priorities, or standards as may be necessary or desirable to implement the Program shall be established in accordance with the Board Policy and further Board directives (BORP Sec. 9-10b. A.5.a.).

G. Administering Office

The Program shall be administered by the systemwide Faculty Housing Development and Assistance Services Office, and the Office shall provide support, information, and consultation to academic units and Prospective Tenants, Purchasers, and Participants (BORP Sec. 9-10b. A.5.b.). The Office may establish any specific procedures deemed necessary or desirable to effectuate the purposes of the Program.

H. Semi-Annual Report

The Office shall prepare and submit a semi-annual report to the Board, and include detailed information on the source and use of funds, and relevant summary and detailed categorical information and statistics (BORP Sec. 9-10b. A.5.c.). The report shall also include detailed information on the

University Loans made; the rental and for-sale projects developed and managed; the Housing Units financed; and applicable summary information on actual Purchasers, Participants, and Tenants assisted, and on the target group population.

I. Documents

The Office may prepare, or cause to be prepared, all ground leases, sales contracts, purchase or sales agreements, loan agreements, mortgages, notes, financing statements, contingent interest agreements, covenants restricting occupancy or resale, rental agreements, house rules and all other documents necessary or convenient for the exercise of the Intent and Purpose of the Board Policy (BORP Sec. 9-10b. A.6.a.).

The complete terms of any loan, agreement, arrangement, or restrictive covenant governing ownership, use, or resale shall be deemed to be as specified in the actual documents executed between the University and the Participant, the Purchaser, or the Tenant.

The Director may amend the form of any documents used by the Office from time to time, to be used in subsequent loans, ground leases, rental agreements, or other agreements. Any such form amendments shall not affect a pre-existing loan, ground lease, or rental agreement, as appropriate, unless both the University and the Participant, Purchaser, or Tenant, as applicable, agree to amend such pre-existing loan, ground lease, or rental agreement, by using the latest form of any such document.

Executed documents shall be recorded in the Bureau of Conveyances of the State of Hawai'i, as appropriate.

J. Application Forms

Application forms for obtaining University Loans, purchasing For-Sale Project Housing Units, and renting Rental Project Rental Units shall be made available to all interested persons. All application forms shall be filed directly with the Office.

K. Contracts

The Office may enter into contracts with any qualified Entity to manage, sell, or acquire any Housing Unit, or to provide any services the Office is required to conduct for the purposes of the Program (BORP Sec. 9-10b. A.6.b.).

L. Sale and Purchase of Housing Units, and Loans Made

The University may convey and acquire any for-sale Housing Unit it developed or financed and may make a University Loan without prior Board approval. A University Loan shall not be deemed an investment subject to the Board of Regents' Bylaws and Policies. At the discretion of the President, any unsold for sale housing unit may be rented, subject to the Administrative Rules and Board Policy governing University-owned faculty housing rental units (BORP Sec. 9-10b. A.6.c.).

M. Rules

If any provision of the Program is deemed to affect the general public, the University shall adopt rules in accordance with Chapter 91, HRS.

III. FINANCIAL ASSISTANCE

A. Financial Assistance; Intent of Financial Assistance

The intent of the Financial Assistance component is to assist selected qualified Eligible Persons who lack sufficient financial resources in purchasing principal residences (BORP Sec. 9-10b. B.1.a.).

B. Financial Assistance; Funds Deemed a Loan

Financial Assistance funds advanced shall be treated as a University Loan to the Participant (BORP Sec. 9-10b. B.3.a.). The University Loan shall be secured by a second mortgage on the Housing Unit.

C. Financial Assistance; Maximum Loan

The maximum amount of Financial Assistance funds which may be advanced to a Participant is \$60,000.

The University Loan and a CPC Loan, if any, in total shall not exceed thirty percent (30%) of the Purchase Price.

Notwithstanding the foregoing and subject to availability of funds, the President, at his discretion for recruitment purposes, may approve a loan of Financial Assistance funds exceeding the amount as set forth above, provided that such loan does not exceed fifty percent (50%) of the Purchase Price or appraised value, whichever is less, with a minimum down payment from the Participant of five percent (5%) of the Purchase Price or appraised value, whichever is less.

D. Financial Assistance; Mortgage Assistance

University Loan funds may be used to provide monthly supplement payments to the Participant's first mortgage lender, to assist the Participant in qualifying for a first mortgage.

1. The total monthly supplement payments for the initial twelve month period shall not exceed forty percent of the estimated Housing Payments to be made by the Participant during the identical period.
2. The monthly supplement payments shall be provided for a period no longer than sixty months.
3. Generally, the payments shall decrease annually, in equal ratio over the established period. For example, if the period is forty eight months: the assistance payments for months thirteen through twenty-four shall be three-fourths of the payments for months one through twelve; the assistance payments for months twenty-five through thirty-six shall be one-half of the payments for months one through twelve; the assistance payments for months thirty-seven through forty-eight shall be one-fourth of the payments for months one through twelve.

Alternately, the Office may establish any other method for the decreases if it determines that there is a justifiable basis for allowing the supplement payments to decrease in a non-equal ratio over the established period.



E. Financial Assistance; Down Payment and Closing Costs

University Loan funds may be used to assist the Participant in meeting down payment requirements of the first mortgage lender and in paying transaction closing costs.

F. Financial Assistance; Office Assistance

The Office shall provide assistance to a Prospective Participant in establishing a viable mix of down payment funds, housing purchase transaction closing costs, and monthly supplement payments to be provided by the University Loan. The Office shall have sole determination of the financial assistance mix to be offered to the Prospective Participant (BORP Sec. 9-10b. B.1.b.).

G. Financial Assistance; Priority

An Eligible Person who at the time of application does not own an interest in residential real property within the State of Hawai'i suitable for occupancy as a principal place of residence shall have priority as a Participant if there are more Prospective Participants than Financial Assistance funds available (BORP Sec. 9-10b. B.2.a.).

H. Financial Assistance; General Financial Qualification

A Prospective Participant shall be deemed to possess the financial capability to purchase the Housing Unit if the Prospective Participant is able to meet the underwriting standards imposed by the lending institution making the first mortgage on the Housing Unit.

I. Financial Assistance; Minimum Down Payment Requirement

A Prospective Participant shall be deemed to meet the requirements of the minimum down payment requirement if the Prospective Participant is able to contribute at least five percent (5%) of the Purchase Price from the Participant's own funds.

J. Financial Assistance; Asset Contribution Requirement

A Prospective Participant shall be deemed to meet the requirement of contributing a substantial portion of the Participant's assets toward the purchase of the Housing Unit if the Prospective Participant meets the following tests:

1. All of the Prospective Participant's Net Liquid Assets, exclusive of Exempt Assets and Exempt Liabilities, in excess of an amount equal to the Prospective Participant's annual family income, shall be applied toward the down payment or transaction closing costs.
  - a. For the purposes of this Executive Policy, the term "Net Liquid Assets" includes all cash, securities, collectibles, cash value in whole life insurance policies, and other personal property of a similar liquid nature as shall be further specified by the Office, decreased by any debts of a short term nature.
  - b. For the purposes of this Executive Policy, the term "Exempt Assets" includes retirement funds (such as Individual Retirement Account funds, Keogh Plan funds, Pension and Profit Sharing funds), intangible assets, and other assets of a similar nature as shall be further specified by the Office.
  - c. For the purposes of this Executive Policy, the term "Exempt Liabilities" includes any debt associated with any Exempt Assets.
2. Other than for the Housing Unit to be financed by the University Loan, the Prospective Participant shall not own any interest in more than one other real property anywhere.

K. Financial Assistance; Loan Term and Repayment

The term of the University Loan shall be ten years; except that the University Loan shall be repaid in full upon the sale of the Housing Unit by the Participant or upon employment separation or other reasons as specified in this Policy.

Periodic payments of principal or interest on the University Loan are not required. Principal and interest shall be fully paid in a lump sum balloon payment when the University Loan is repaid.

The University Loan may be repaid at any earlier time without prepayment penalty (BORP 9-10b. Sec. B.3.a.).

L. Financial Assistance; Loan Interest

The University Loan repayment amount shall not be less than the original principal amount of the University Loan, together with either a stated rate of interest or contingent interest, whichever amount is greater (BORP Sec. 9-10b. B.3.a.).

1. The stated rate of interest for the University Loan shall be the Applicable Federal Rate (AFR) established by the U. S. Internal Revenue Service for a ten year loan, for the date the Loan is made.
2. The stated rate of interest established for the University Loan shall be fixed for a ten year period.
3. The stated rate of interest accruing on the University Loan shall be simple interest, computed annually on the University Loan anniversary date.
4. The contingent interest shall be the percentage of the resale price or fair market value at the time of the University Loan repayment equal to the percentage of the original University Loan to the Purchase Price, less the original amount of the University Loan.

M. Financial Assistance; Property Standards

Before the University Loan is approved, the Director shall determine that the Housing Unit is suitable and consistent with the intent of the Program. Other than for a Housing Unit in a For-Sale Project, the following limitations also apply:

1. The Housing Unit shall be a fee simple real property.
2. The Housing Unit shall be substantially residential in character and use.

3. Financial Assistance funds shall not be used for land acquisition or construction activity.

N. Financial Assistance; Other Requirements

A University Loan shall only be made if the following conditions are met:

1. The University Loan is secured by an American Land Title Association (ALTA) Title Insurance Policy in favor of the University of Hawai'i for the full amount of the University Loan.
2. The Housing Unit is fully covered up to its replacement value by extended coverage hazard insurance. If the Participant fails to maintain such insurance, the University may obtain coverage, at the Participant's expense, to protect the University's rights in the Housing Unit.
3. The University Loan is made in accordance with real property standards, loan-to-value requirements, repayment requirements, and other requirements, terms, conditions, and procedures, which the Board may further specify (BORP Sec. 9-10b. B.3.a.). Any such Board specifications shall supersede any nonconforming provisions in this Executive Policy.

O. Financial Assistance; Capital Basis Change

A constructed addition to the Housing Unit made by the Participant may be considered as a capital addition to the Purchase Price, subject to determination of such amount by the Office. The Participant shall be required to document such capital addition from receipts, tax records, or other documents. The Office may time discount the cost or value of the capital addition in lieu of using the actual cost or value of the capital addition.

P. Financial Assistance; Owner Occupancy Requirement

The Participant who is the Eligible Person shall be a principal occupant of the Housing Unit and shall maintain principal occupancy of the Housing Unit until the University Loan is repaid (BORP Sec. 9-10b. B.3.b.).

Q. Financial Assistance; Ownership Restrictions

The University shall allow any person who is not the Eligible Person to purchase an ownership interest in the Housing Unit as a joint tenant, a tenant in common, or a tenant by entirety with the Eligible Person; provided that the Purchaser who is not the Eligible Person shall be required to execute all appropriate University Loan Documents and shall be subject to all requirements applicable to the Eligible Person (BORP Sec. 9-10b. B.3.b.).

1. The Participant who is the Eligible Person shall be required to own at least a fifty-percent (50%) interest in the Housing Unit. If that Eligible Person's interest in the Housing Unit is reduced to less than fifty percent (50%), then the University Loan shall be repaid within a six month grace period from the effective date of that reduction in ownership.
2. The interest in the Housing Unit of a person who is not the Eligible Person shall be no greater than, or extend beyond, that of the Eligible Person, except as provided in this Executive Policy (BORP Sec. 9-10b. B.3.b.).
3. If the Participant who is the Eligible Person ceases to be a Board appointee, then the University Loan shall be repaid within a six month grace period from the date of separation as a Board appointee.
4. If a University Loan is unpaid at the time of death of the Participant who was the Eligible Person, the Eligible Person's surviving household members may continue to occupy the Housing Unit, but the University Loan shall be repaid within an eighteen month grace period from the date of the Eligible Person's death.
5. Any stated grace period may be extended once at the discretion of the Director, as authorized in writing, for a period equal to half of the original grace period. Any subsequent request for extension shall require approval of the Vice President.

R. Financial Assistance; Resale Restrictions

A Participant shall be prohibited from conveying the Housing Unit in noncompliance with the University Loan Documents. At the time of contemplated resale of the Housing Unit then secured by a University Loan, the University shall receive the first opportunity to purchase the Housing Unit (BORP Sec. 9-10b. B.3.b.).

If the University desires to purchase the Housing Unit, the University shall not purchase the Housing Unit for an amount which is in excess of fair market value as established by a licensed appraiser selected by the University.

The University shall have thirty days to exercise this right of repurchase.

Contemporaneous with the period of the University's right, the Participant may offer the Housing Unit on the open market to any person; except if the Housing Unit is in a For-Sale Project, the resale restrictions applicable to the For-Sale Project shall govern the resale.

The University Loan resale restriction applicable to the Housing Unit shall no longer apply after the University Loan is paid off.

S. Financial Assistance; Allocation System

The Financial Assistance resources shall be allocated and distributed in the following manner:

1. Resources Available

The Office shall, before the beginning of the academic year, determine the amount of financial resources available for distribution during the academic year.

2. President's Reserve

Up to twenty percent (20%) of the financial resources available may be set aside for use by the President for University Loans. The President may distribute this amount

for any special circumstance or purpose and to meet changing needs of the University.

3. Systemwide Allocation

The President shall allocate the remaining eighty percent (80%) of the financial resources to Chancellors in proportion to the number of current full time head count Board appointees at each campus under each of the Chancellors.

4. Chancellor's Distribution

Each Chancellor, in consultation with University Administrators, shall determine the allocation of resources to meet the institutional needs of Academic Units under the Chancellor's control. Each Chancellor shall establish a process for selecting Prospective Participants of University Loans. In consultation with the Office and the President, the Chancellors shall select Prospective Participants of University Loans. The Chancellors shall certify that the selections have been conducted in accordance with Board Policy and Executive Policy.

5. Office Processing

The Chancellor shall forward the names of the selected Prospective Participants to the Office. The Office shall contact each Prospective Participant directly to provide information and counseling to assist the Prospective Participant in determining the use of the Financial Assistance proceeds. The Office shall have sole determination of the use of funds allocated to the Prospective Participant. If, after consultation with the Prospective Participant, the Office deems that the Prospective Participant will not be able to effectively use the Financial Assistance funds, the Office shall notify the Chancellor, and the Chancellor shall have the opportunity to select an alternate Prospective Participant.

6. Allocation Expiration

If a Prospective Participant has not used the allocation within twelve months of being selected, the allocation shall lapse and revert back to the Chancellor.

IV. O`AHU RENTAL PROJECTS

A. O`ahu Rental Projects; Applicability

This Part of this Executive Policy is applicable to the Kau`iokahaloa Nui Apartments Project (the Rental Project situated at Woodlawn Drive and Lowrey Avenue). This Part of this Executive Policy is not applicable to the Waahila Faculty Apartments project situated on the Manoa Campus.

B. O`ahu Rental Projects; Purpose

The purpose of the O`ahu Rental Projects component of the Program is to provide temporary, transitional housing primarily for recently recruited Eligible Persons.

C. O`ahu Rental Projects; Eligibility

Eligibility shall be in accordance with the Administrative Rules Governing University-Owned Faculty Housing Units as described in Attachment A.

D. O`ahu Rental Projects; Priority

Any Eligible Person who is appointed to an O`ahu campus and whose workplace is on O`ahu shall have priority to rent a housing unit in the Kau`iokahaloa Nui Rental Project if there are more prospective tenants than rental units available. An Eligible Person who has an initial appointment date not more than three years before the rental application date shall have priority to rent if there are more prospective tenants than rental units available.

E. O`ahu Rental Projects; Rental and Parking Rates

Rental and parking rates for O`ahu Rental Projects shall be as specified in the Board Policy.

F. O`ahu Rental Projects; Maximum Rental Agreement Term

A Rental Agreement for a Rental Unit shall not be longer than one year.



A Tenant shall be limited to occupy Rental Units in O'ahu Rental Projects for no more than three years.

In extenuating circumstances which benefit the University, the Office may allow an extension to the three year occupancy limit. All extensions are discretionary, and shall depend on the merit of the specific request and other factors such as demand for Rental Units, etc. A request for extension shall be in accordance with forms and procedures established by the Office, and approval shall only be valid if issued in writing by the Office. The Office may consult with the Chancellor before making a decision on any tenancy extension.

G. O'ahu Rental Projects; Other Household Members

Any other member of the Tenant's household who resides in the Rental Unit need not be an eligible Board appointee to occupy the Rental Unit, nor be related by blood or marriage to the Tenant.

All the adult members of the Tenant's household shall be required to sign the Rental Agreement and comply with all other tenancy requirements.

H. O'ahu Rental Projects; Termination of Occupancy

The Tenant and all other household members shall not be allowed to continue to occupy a Rental Unit if the Tenant ceases to be a Board appointee, if the Tenant no longer occupies the Rental Unit, if the Tenant fails to comply with House Rules adopted for the Project, or otherwise is deemed to no longer be eligible to occupy a Rental Unit.

1. If the Tenant ceases to be a Board appointee or is no longer eligible to rent a Rental Unit, the Tenant and all other household members shall vacate the Rental Unit within thirty days of receipt of the notice given by the Office, or otherwise in accordance with the notice.
2. If the Tenant ceases to occupy the Rental Unit due to a separation from the Tenant's other household members or for any other reason, and the Tenant's other household members continue to occupy the Rental Unit, the Tenant's other household members shall vacate the Rental Unit

within thirty days of the Tenant ceasing to occupy the Rental Unit.

3. If the Tenant's other household members are occupying the Rental Unit at the time of the Tenant's death, the Tenant's other household members may continue to occupy the Rental Unit, but shall vacate the premises within ninety days of the date of the Tenant's death or at the end of the Rental Agreement term, whichever longer.
4. Any such deadline to vacate the Rental Unit may be extended once for a period of up to thirty calendar days, with the approval of the Office. Any subsequent request for extension shall require approval of the Vice President. Any approval required shall only be valid if it is in writing.

I. O'ahu Rental Projects; Subleases and Assignment

Unless agreed to by the Office in writing, a Tenant shall not sublet the Rental Unit and Parking Stalls, nor assign the Rental Agreement and Parking Permits.

J. O'ahu Rental Projects; Other Requirements

The Office may adopt House Rules and other documents which regulate the conduct of Tenants and visitors to Rental Units.

The Office may establish any other occupancy requirements, terms, conditions, and procedures deemed necessary or desirable to effectuate the administration of any O'ahu Rental Project.

K. O'ahu Rental Projects; Pets

Any Project may be deemed a Project which shall not allow any pets in all Rental Units, a Project which limits pets only to certain Rental Units in the Project, or allows pets in all Rental Units in the Project.

The Office is authorized to make a determination whether pets shall be allowed in specific Rental Projects. After the Office makes this determination for the Rental Project, such information shall be included in the House Rules for that Project.

In the interest of providing prior disclosure to Prospective Tenants, the Office shall also notify any interested persons of this allowance or prohibition.

University Administrators shall be responsible for notifying Prospective Tenants of the existence of House Rules relating to pets.

L. O'ahu Rental Projects; Allocation System

The Rental Units shall be allocated and distributed in the following manner:

1. Rental Units Available

The Office shall, before the beginning of the Fall and Spring semesters, determine the number of Rental Units which are expected to become available for occupancy during the Fall and Spring semesters.

2. President's Reserve

Ten percent (10%) of the Rental Units available may be allocated for distribution by the President. The President may distribute these Rental Units for neighbor island community college or University of Hawai'i at Hilo personnel while attending an O'ahu campus on sabbatical or professional improvement leave, for visiting professors, or for any other special circumstance or purpose.

3. O'ahu Campus Allocation

The President shall allocate the remaining ninety percent (90%) of the Rental Units to each O'ahu Chancellor in proportion to the number of current full time head count Board appointees at each O'ahu campus under each of the O'ahu Chancellors.

4. Chancellor's Distribution

Each Chancellor, in consultation with University Administrators, shall determine the distribution of Rental Units to meet the institutional needs of Academic Units under the Chancellor's control. After making the distribution to Academic Units under the Chancellor's

control, the Chancellor shall forward the distribution plan to the Office.

5. Selection

Each University Administrator who receives a Rental Unit allocation shall establish a process deemed necessary or desirable to select a Prospective Tenant for the Rental Unit, and shall certify that the selection has been conducted in accordance with Board Policy.

6. Office Processing

The University Administrator shall forward the names of the Prospective Tenants to the Office. The Office shall contact each Prospective Tenant directly to provide information to assist the Prospective Tenant in determining whether the Prospective Tenant will accept the offer of renting the Rental Unit. If, after consultation with the Prospective Tenant, the Prospective Tenant declines the offer to rent the Rental Unit, the Office shall notify the University Administrator, and the University Administrator may substitute the name of another Prospective Tenant to the Office within a specified time period.

7. Expiration

If a University Administrator does not provide the Office with the name of a Prospective Tenant within the specified time period, the Office shall inform the respective Chancellor, and that Chancellor may redistribute the Rental Unit to another Academic Unit. If a Chancellor is unable to fill a Rental Unit within a reasonable time, the Office shall inform the President, and the President may reallocate the Rental Unit.

V. KAU'IOKAHALOA IKI CONDOMINIUM PROJECT

A. Kau'iokahaloa Iki Project; Applicability

This Part of this Executive Policy is applicable to the Kau'iokahaloa Iki Condominium (Woodlawn at Kahaloa) Project (BORP Sec. 9-10b. D.1.).

B. Kau'iokahaloa Iki Condominium Project; Purpose

The purpose of the Kau'iokahaloa Iki Condominium Project component of the Program is to provide long-term housing and homeownership advantages for Eligible Persons.

C. Kau'iokahaloa Iki Condominium Project; Eligibility

Eligibility shall be in accordance with the Administrative Rules Governing University-Owned Faculty Housing Units as described in Attachment A.

D. Kau'iokahaloa Iki Condominium Project; Priority

Any Eligible Person who is appointed to an O'ahu campus and whose workplace is on O'ahu shall have priority to purchase a housing unit in the Kau'iokahaloa Iki For-Sale Project if there are more prospective tenants than rental units available. An Eligible Person who at the time of application does not own an interest in residential real property within the State of Hawai'i suitable for occupancy as a principal place of residence shall have priority to purchase a Housing Unit in the Project if there are more Prospective Purchasers than Housing Units available.

E. Kau'iokahaloa Iki Condominium Project; Purchase By Entity

At the discretion of the President, a qualified Entity may purchase a Housing Unit in the Project if it pledges to allow the Housing Unit to be occupied by an Eligible Person during the full term of ownership, and by complying with rental and resale requirements as specified in the Board Policy, or as established in accordance with Intent and Purpose of the Board Policy (BORP 9-10b. D.2.c.).

F. Kau'iokahaloa Iki Condominium Project; Qualification

A Prospective Purchaser, in addition to being eligible, shall possess the financial resources required and be financially qualified to secure mortgage financing.

G. Kau'iokahaloa Iki Condominium Project; Base Purchase Price

The actual Base Purchase Price, at which a Housing Unit shall be initially sold, shall be determined by the Office after it conducts an appraisal or market study of the value of each Housing Unit within a reasonable time before the execution of sales contracts by Prospective Purchasers.

The actual Purchase Price for a subsequent conveyance of a Housing Unit shall be deemed the new Base Purchase Price.

H. Kau'iokahaloa Iki Condominium Project; Conditional Price Credit

The University shall establish a range of Conditional Price Credits which shall not exceed more than twenty percent of the Base Purchase Price, and at the option of the Prospective Participant, the Housing Unit may be purchased subject, or not subject, to any one of the established Conditional Price Credits (BORP Sec. 9-10b. D.3.b.).

The range of Conditional Price Credits is established at \$20,000, \$40,000, \$60,000, and \$80,000. The range of Conditional Price Credits stated herein is subject to change. The actual Conditional Price Credit shall be determined by the Office after it conducts an appraisal or market study of the value of the Housing Units within a reasonable time before the execution of sales contracts by Prospective Participants.

I. Kau'iokahaloa Iki Condominium Project; Conditional Price Credit; General Loan Terms

The Conditional Price Credit shall be treated as a loan from the University to the Participant (BORP Sec. 9-10b. D.3.b.).

The term of the CPC Loan shall be ten years; except that the CPC Loan shall be repaid in full upon the sale of the Housing Unit by the Participant, upon the death of the Participant, upon employment separation, or other reasons as specified in this Policy.

Periodic payments of principal or interest on the CPC Loan are not required. Principal and interest shall be fully paid in a lump sum balloon payment when the CPC Loan is repaid.

The CPC Loan shall be provided only on the basis of financial need, as determined by the first mortgage lender of the Prospective Participant.

The CPC Loan may be repaid at any earlier time without prepayment penalty (BORP 9-10b. Sec. D.3.c.).

The CPC Loan shall be secured by a mortgage junior to all other mortgages made at the time the CPC Loan is made. A Participant shall not convey the Housing Unit except as provided in the CPC Loan Documents.

J. Kau'iokahaloa Iki Condominium Project; Conditional Price Credit; Interest

The CPC Loan repayment amount shall not be less than the original amount of the CPC Loan, together with interest based on either a reasonable index rate or contingent interest, whichever interest amount is greater (BORP Sec. 9-10b. D.3.c.).

1. The indexed interest rate established for a CPC Loan shall be fixed for a ten year period.
2. The indexed interest rate for the CPC Loan shall be the Applicable Federal Rate (AFR) established by the U. S. Internal Revenue Service for a ten year loan, for the date the Loan is made.
3. The indexed interest accruing on the CPC Loan shall be simple interest, computed annually on the CPC Loan anniversary date.
4. The CPC Loan contingent interest shall be the percentage of the resale price or fair market value at the time of the CPC Loan repayment equal to the percentage of the original CPC Loan to the Base Purchase Price of the Housing Unit, less the original amount of the CPC Loan.

K. Kau'iokahaloa Iki Condominium Project; Conditional Price Credit; Capital Basis Change

A constructed addition to the Housing Unit made by the Participant may be considered as a capital addition to the Base Purchase Price, subject to determination of such amount by the Office. The Participant shall be required to document

such capital addition from receipts, tax records, or other documents. The Office may time discount the cost or value of the capital addition in lieu of using the actual cost or value of the capital addition.

L. Kau'iokahaloa Iki Condominium Project; Leasehold Terms

Each Housing Unit shall be sold in leasehold, with a ground lease rent of \$1 per year, fixed for 55 years, payable in advance upon purchase closing, and the lessee shall have the option to extend the ground lease to a maximum 55 years at any time during the ground lease (BORP Sec. 9-10b. D.4.a.).

The lessee shall have the right to extend the lease at any time to a full 55 year term, with a ground lease rent of \$1 per year, by paying all costs of the extension, including legal fees, recordation fees, and the additional lease rent in advance.

The Office shall establish provisions which protect the University in the event of any proposed involuntary conveyance of the ground lease or the leased fee interest (BORP Sec. 9-10b. D.4.a.).

The ground lease shall require the Lessee to notify the University upon receipt by the Lessee of a notice of proposed foreclosure action by any mortgage lien holder of the Lessee.

Conveyance documents shall require a Lessee to waive any right to acquire the leased fee interest in the Housing Unit through State statute or City & County of Honolulu ordinance.

M. Kau'iokahaloa Iki Condominium Project; Owner Occupancy Requirement

The Lessee shall be a principal occupant of the Housing Unit and shall maintain principal occupancy of the Housing Unit for as long as the Lessee retains an interest in the Housing Unit (BORP Sec. 9-10b. D.4.b.).

During periods of Board of Regents approved leave, the Lessee who is a Board of Regents appointee may rent the Housing Unit with written notice to the Office.



The Office may establish any other specific owner occupancy requirements, terms, conditions, and procedures deemed necessary or desirable to effectuate the purposes of the Program.

N. Kau'iokahaloa Iki Condominium Project; Resale Restrictions

At the time of contemplated resale of the Housing Unit, the Owner shall offer the first opportunity to purchase the Housing Unit to the University.

If the University desires to purchase the Housing Unit, the University shall not purchase the Housing Unit for an amount which is in excess of fair market value as established by a licensed appraiser selected by the University.

The University shall have thirty days to exercise this right of repurchase.

Contemporaneous with the period of the University's right, the Owner may offer the Housing Unit for sale to any other Eligible Person.

If an Eligible Person does not purchase the Housing Unit, the Housing Unit may be offered for sale to any person; provided that the Housing Unit shall have been actively marketed for a continuous period of six months at an offering price no greater than five percent above the fair market value of the Housing Unit.

The University shall have the right to match any offer by a subsequent Prospective Purchaser, at its discretion.

O. Kau'iokahaloa Iki Condominium Project; Allocation System

The Housing Units in the Kau'iokahaloa Iki Condominium Project shall be allocated and distributed in the following manner:

1. O'ahu Campus Allocation

The President shall allocate the Housing Units in the Kau'iokahaloa Iki Condominium Project to each O'ahu Chancellor in proportion to the number of current full time head count Board appointees at each O'ahu campus under each of the O'ahu Chancellors; provided that the

President may adjust the allocation as necessary to meet the academic needs of the University.

2. Chancellor's Distribution

Each Chancellor, in consultation with University Administrators, shall distribute the Housing Units in the Kau'iokahaloa Iki Condominium Project to meet the institutional needs of Academic Units under the Chancellor's control. Each Chancellor shall establish a process for selecting Prospective Purchasers. In consultation with the President, the Chancellors shall select Prospective Purchaser. The Chancellors shall certify that the selection has been conducted in accordance with Board Policy and Executive Policy. After making the selection, each Chancellor shall forward the selection list to the Office.

3. Office Processing

The Office shall contact each Prospective Purchaser of a Housing Unit in the Project directly to provide information and counseling to assist the Prospective Purchaser in determining whether to purchase. If, after consultation with the Prospective Purchaser, the Office deems that the Prospective Purchaser will not be able to purchase the Housing Unit, or if the Prospective Purchaser decides not to proceed with the purchase, the Office shall notify the Chancellor, and the Chancellor shall have the opportunity to select another Prospective Purchaser within a time period specified by the Office.

4. Expiration

If a Chancellor does not provide the Office with the name of a Prospective Purchaser within the specified time period, the Office shall inform the President, and the President may reallocate the Housing Unit.