



Call for Proposals
Honolulu Affordable Housing Preservation Initiative
April 20, 2012

Submission of Proposals

The City and County of Honolulu confirms that proposals in response to the Request for Proposals for the Honolulu Affordable Housing Preservation Initiative must be submitted to CBRE Inc., at the address shown in the Request for Proposals, by 2:00 p.m. Hawaii Standard Time on April 27, 2012. Proposers are strongly encouraged to verify that their proposals are submitted in conformance with the Proposal Format and other requirements as stated in the Request for Proposals prior to the submission of proposals. Proposers are also reminded to submit the required number of paper copies of their Proposal (original plus seven (7) copies) to CBRE Inc.

Clarifications

The City offers the following clarifications for consideration by prospective proposers.

1. Redevelopment of HAHPI Properties. During the initial 10 years of the 65 year lease term, buyer may elect to redevelop Pauahi Hale, Kanoa Apartments, Winston Hale and Bachelors Quarters. Buyers should note that redevelopment of Kanoa Apartments and Bachelors Quarters may not commence until the HOME Program compliance periods for these properties have expired. The following provisions shall apply to the redevelopment and will be incorporated into the lease for the specific property.

The buyer shall be required to adhere to all of the then-current building and zoning regulations of the City and County of Honolulu and must obtain prior approval of its proposed redevelop project from the Honolulu City Council. In the event buyer elects to redevelop a site, the lease term shall be extended by 10 years however in no event will the total lease term be greater than 75 years, which would include the original 65 year lease term.

Buyer would be free to apply to the City and County of Honolulu for any funding sources the City and County of Honolulu would have available at the time for affordable housing development.

Pauahi Hale, Winston Hale, Kanoa Apartments

In the event that buyer obtains approval to demolish and replace the existing improvements, prior to such demolition, buyer shall pay for the relocation of all tenants to a similar property with monthly rent not more than the then-current rent the tenant is paying (unless buyer agrees to subsidize and pay any additional rental costs) and at a location that is not more than 1 mile from the project. Buyer shall be allowed to redevelop the site with improvements that will be for rent only to a similar ratio of income unit types as the original structure.

Bachelors Quarters

In the event that buyer obtains approval to demolish and replace the existing improvements, prior to such demolition, buyer shall pay for the relocation of all tenants to a similar property with monthly rent not more than the then-current rent the tenant is paying (unless buyer agrees to subsidize and pay any additional rental costs) and at a location that is not more than 2 miles from the project. Buyer may also elect to increase the density of the site while maintaining the existing improvements. Buyer shall be allowed to redevelop the entire site with improvements that will contain at least 2 Low HOME units and 8 High HOME units. The tenants in the balance of new units must have an income level not to exceed 80% of Honolulu Area Median Income. In addition, any improvements, demolition and construction shall be in accordance with all historic property regulations and requirements and in compliance with all restrictive covenants affecting the property.

2. **Lease Terms.** The leases for the HAHPI properties will be for 65 years with nominal lease rents (\$1.00 per year). The leases may be extended to 75 years should a HAHPI property be redeveloped as provided in Paragraph III.6. of the Request for Proposals. To ensure that each property is properly maintained and kept in good condition and repair, in addition to the minimum initial capital expenditures described in response #33 under RFP Addendum #6, buyer will be required to make ongoing improvements to each property during each 5-year period of the lease term in an amount equal to the greater of (i) an average of three percent (3%) of the gross annual revenues (from residential and commercial units and parking revenues) for such respective property during such 5-year period, or (ii) the aggregate of the minimum reserve amounts per residential unit described in response #33 under RFP Addendum #6, subject to consumer price index escalations, for such respective property during such 5-year period.
3. **Separate Ownership Structures.** Proposers have asked whether they may create separate/single purpose entities or appoint designees to receive conveyance of the leasehold interests at closing. Buyer may designate nominees to take leasehold title at closing; provided, however, that buyer remains fully liable under the Purchase and Sale Agreement, including all conditions subsequent and all provisions which survive closing. The City reserves the right to review and approve of each nominee, and if the City does not reasonably believe that the nominee can fulfill the requirements of lessee under the respective lease, the City may disapprove of such nominee. Buyer

shall provide to the City notice of the designation of any nominee no less than 30 days prior to the scheduled closing date.

4. Future Resale of HAHPI Properties. Once the ground lease for each property has been executed, lessee will be allowed to assign its interest in the ground lease to an assignee with the City's reasonable consent. The City will review the following factors in determining whether to consent to the assignment: (i) assignee's financial stature and financial capability to perform its obligations under the lease and to pay all sums due under the lease, (ii) assignee's experience, reputation and managerial and operational skills to operate and maintain the property, and (iii) any other factors that the City deems relevant including the possibility of default by lessee under the lease.

5. Deposits. The City desires to lease all properties in this RFP at one time. Accordingly, all properties shall close simultaneously and all of buyer's financing shall be funded for one closing. The initial and second deposit (collectively the "Deposits"), as required under Paragraph I.22. of the Request for Proposals, will be held in escrow and credited against the amount due from the buyer at final closing. If, however, the City is unable to close all properties simultaneously, buyer's entire deposit will be applied to the last closing. Proposers should note that the Deposits become nonrefundable upon (i) the approval by the Honolulu City Council of the Resolution(s) authorizing the leases of the HAHPI properties, and (ii) the satisfactory completion of due diligence. Thus, if buyer fails to close on all of the properties through no fault of the City, including any delayed closing as noted above, prior to the deadlines established in the Purchase and Sale Agreement, escrow shall be required to pay all nonrefundable Deposits to the City.

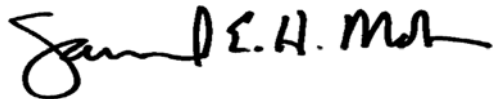
6. Period of Due Diligence. As provided in Paragraph I.21. of the Request for Proposals, the Successful Proposer will be afforded a 60 day due diligence period which shall commence upon the execution of the Purchase and Sale Agreement by the parties, and the issuance of a written Notice to Proceed by the City. The Purchase and Sale Agreement shall be executed within five (5) working days from the approval of the Honolulu City Council of the Resolution authorizing the execution of the Purchase and Sale Agreement.

7. Closing. All closings shall occur no later than October 31, 2012, with the exception of Kulana Nani and Westlake Apartments, which shall close upon the completion of all pre-closing activities required by the United States Department of Housing and Urban Development.

8. Surveys. Site surveys have been completed and have been posted to the Due Diligence Library. The City has contracted for the preparation of ALTA surveys for each property and work on the preparation of the ALTA surveys is progressing.

9. Title and Escrow Services. Title and escrow services shall be provided by Title Guaranty of Hawaii, Inc., and the title policies shall be underwritten by First American Title Insurance Company.

10. City Council Review and Approval Process. The Honolulu City Council, in their sole and absolute discretion, must adopt Resolutions approving the execution of the Purchase and Sale Agreement and the leases for the HAHPI properties prior to their execution. The Purchase and Sale Agreement and the leases must be attached in substantially final form to the Resolutions and submitted to the Honolulu City Council by the Department of Community Services for consideration. At the discretion of the Council's Presiding Officer, the Resolutions will be referred to one or more City Council Committees for review. The Successful Proposer along with representatives of the City's HAHPI Team will be required to make a presentation on the proposed transaction at one or more Committee meetings. Upon the approval by the Committee(s), the Resolutions will be reported out to the full City Council for adoption. Upon the adoption of the Resolutions by the Honolulu City Council, the Purchase and Sale Agreement and the leases may be executed by the parties; provided, however, that any substantial changes subsequently made to these documents shall be subject to further review and approval by the Honolulu City Council.



Samuel E.H. Moku
Director - Department of Community Services