

Request for Proposals

Honolulu Affordable Housing Preservation Initiative

Offered by:

City and County of Honolulu
Department of Community Services
Office of Housing

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Request for Proposals
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Request for Proposals
Honolulu Affordable Housing Preservation Initiative

I. Request for Proposals

1. Introduction

The City and County of Honolulu, through its Department of Community Services and Office of Housing requests proposals from qualified entities to acquire leasehold interest in 12 rental housing complexes containing a total of 1,257 affordable, gap group, and market rate rental housing units under the Honolulu Affordable Housing Preservation Initiative (HAHPI). The intent of HAHPI is to develop a new public/private collaboration that will preserve the City's affordable rental housing complexes as a housing resource for the citizens of the City and County of Honolulu. HAHPI is also intended to create an opportunity for private enterprise to lend its skills, resources, and abilities to the operation, management, and maintenance of rental housing to create a better living environment for the residents of the City's rental housing complexes. The lease of the City's rental housing complexes will be undertaken pursuant to Section 28-3.5, Revised Ordinance of Honolulu. Interested parties may obtain online access to the Request for Proposals packet, Offering Memorandum and the library of due diligence materials beginning February 15, 2012, for the nonrefundable registration fee of ONE HUNDRED AND NO/100 DOLLARS (\$100.00) payable on-line at www.CBREMarketplace.com\HAHPI.

A public review copy of the Request for Proposals, Offering Memorandum, and the library of due diligence materials is available at the Department of Community Services, 715 South King Street, Suite 311, Honolulu, Hawaii during the hours of 7:45 a.m. and 4:30 p.m., Monday through Friday. A public review copy of the Request for Proposals and the Offering Memorandum is available at the Department of Budget and Fiscal Services, Division of Purchasing, Honolulu Hale, 530 South King Street, Room 115, Honolulu, Hawaii during the hours of 7:45 a.m. and 4:30 p.m., Monday through Friday.

2. Definitions

The terms stated below shall have the same meaning throughout this document, unless specifically stated otherwise or clearly inappropriate in context.

a) "Amendment" means an addendum to this Request for Proposals amending or clarifying a provision.

b) "Call for Proposals" means a notice to be provided to Proposers which will confirm the specific date and time by which a Notice of Intent to Propose and Proposals must be submitted to the Consultant. The Call for Proposals will also confirm the deadline for the submission of requests for clarification, interpretation or exemption.

c) "City" means the City and County of Honolulu, a municipal corporation of the State of Hawaii.

d) "Consultant" means CBRE, Inc., the company retained by the City to assist in this Request for Proposals process and whose principal place of business is 1003 Bishop Street, Pauahi Tower, Suite 1800, Honolulu, Hawaii 96813.

e) "DCS" means the Department of Community Services of the City and County of Honolulu.

f) "Due Diligence Library" means a collection of documents relating to the Real Property.

g) "Evaluation Committee" means a committee whose members are selected by the City and is convened and organized by the City to review and analyze the Proposals.

h) "Gap Group" means a household whose income is greater than 80% but less than 120 percent of median income for the City and County of Honolulu as determined by the City and County of Honolulu.

i) "Human Services" means child care, health care and Social Services.

j) "Lease" means the written agreement stating the rights and obligations of the City and the Successful Proposer pertaining to the use of the Real Property.

k) "Low and Moderate Income Households" means a household whose income does not exceed 80 percent of median income for the City and County of Honolulu, as determined by the United States Department of Housing and Urban Development.

l) "Offering Memorandum" means a document prepared by the Consultant and which contains photos, illustrations, maps and pertinent information regarding the Real Property.

m) "Nonprofit Corporation" means a company registered to do business as a nonprofit corporation in the State of Hawaii and is recognized by the Internal Revenue Service as a 501(c)(3) corporation.

n) "Notice to Proceed" means the written form or statement issued by the City designating the commencement date for the services and activities related to the Project as specified in this RFP.

o) "Officer in Charge" means the Director of the Department of Community Services.

p) "Project" means the activities and responsibilities described in this Request for Proposals, including, but not limited to, the leasing, operation, and maintenance, and management of the Real Property, the payment of a lease premium and other compensation to the City, and compliance with the terms of the leases for the Real Property, and all other conditions or requirements therein.

q) "Proposal" means the material submitted by the Proposer in response to this RFP.

r) "Proposal Due Date" means the date and time of receipt of a Proposal at or before the date and time specified in the Request for Proposals and confirmed in the Call for Proposals or such later date as may be determined by the City, at the office specified in the Request for Proposals as evidenced by the date-time stamp furnished by the Consultant.

s) "Proposer" means the person or entity submitting a proposal.

t) "Prospective Proposer Known to Have Received the Request for Proposals" means a person who has obtained a Request for Proposals packet.

u) "Real Property" means the rental housing complexes more fully described on the Offering Memorandum.

v) "Request for Proposals ("RFP") means a packet of written material which includes the Notice to Proposers, the Request for Proposals, instructions as to the Proposal process, Proposer's minimum qualifications, Project Description and Requirements, Evaluation Criteria, Exhibits to the Request for Proposals, and Amendments to the Request for Proposals.

w) "Social Services" means those services required by persons with social problems or physical or mental disabilities.

x) "Successful Proposer" means the Proposer selected by the City to undertake the Project.

3. Request for Proposals Process

Pre-Proposal Tele-conference. The City will hold a pre-proposal conference with prospective Proposers via conference call:

| | |
|--------------------|--------------------------------|
| Date: | March 20, 2012 |
| Time: | 9:30 a.m. Hawaii Standard Time |
| Call-In Number: | (888) 535-0454 |
| Conference Number: | 5102492463 |

Although participation is not mandatory, all prospective Proposers are encouraged to call in.

Site Visits. The City and the Consultant will conduct site visits for prospective Proposers to the Real Property (all 12 properties). Please refer to the Offering Memorandum for details on the site visits. Prospective Proposers participating in the site visit must utilize transportation provided by the City or the Consultant. Site visit participants will be escorted through each property by representatives of the City. Unescorted visits to the Real Property will not be accommodated. Persons participating in the site visits must make a reservation with the Consultant no later than seven (7) days prior to the site visit date. The City reserves the right to limit the number of persons participating in the site visit. Participants requiring special accommodations should contact the Consultant ten days prior to the site visits.

Submission of Proposals. The original of the proposal plus seven (7) copies shall be submitted to the Consultant on or prior to 2:00 p.m. on April 13, 2012, in conformance with the Proposal Format stated in Exhibit 2.

Each Proposal must include all information, forms, and exhibits required by this Request for Proposals, including the Proposal Format which is attached hereto as Exhibit 2.

Each Proposal must be signed by a person authorized to act for the Proposer. Evidence of the signer's authority to act on behalf of the Proposer sufficient to satisfy the City must be submitted with the Proposal.

The Consultant shall upon receipt date- and time-stamp the first page of each Proposal and shall promptly provide the Proposer with a copy of the date- and time-stamped first page. The date- and time-stamp placed by the Consultant on the first page of each Proposal may be accepted by the City as conclusive evidence of when the Proposal was received.

Each Proposal must remain valid and available for a period of at least 90 days subsequent to the Proposal due date.

A Proposer may submit only one Proposal. A Proposer shall be considered to have submitted more than one Proposal if a Proposer submits more than one Proposal either (i) in same name; (ii) by an agent of a Proposer; (iii) by a partnership or a joint venture of which a Proposer is a member in which a Proposer holds more than twenty five percent (25%) interest in a Proposer's name or in the name of others for a Proposer in any manner; (iv) by a corporation in which a Proposer owns more than twenty five percent (25%) of the shares of stock in the Proposer's name or in the name of others for a Proposer in any manner; or (v) by any combination of the entities described in (iii) and (iv), above in this paragraph, in which a Proposer holds a total of more that twenty five percent (25%) combined interest in a Proposer's name or in the name of others for a Proposer in any manner.

Notice of Intent to Propose. Prospective Proposers shall file a Notice of Intent to Propose with the Consultant using the form attached hereto as Exhibit 3, by April 6, 2012. No Proposal will be accepted from a Proposer unless the Proposer has filed a Notice of Intent to Propose. The Notice of Intent to Propose must be submitted to the Consultant by facsimile to (808) 541-5155, mail, or delivered written correspondence. Each Proposer is responsible to ensure that the Notice of Intent to Propose is received and time- and date-stamped by the Consultant on or before the time and date specified.

4. Responsibilities for Proposers

Proposers shall have the following obligations ("Obligations"):

a) to review and fully understand (i) all of the provisions of this Request for Proposals including the Offering Memorandum, the contents of the Due Diligence Library and all Exhibits and Attachments attached to it; (ii) all amendments, clarifications, interpretations, and exceptions to this Request for Proposals; (iii) all Federal, State, and City statutes, laws, ordinances, rules, regulations, and guidelines applicable to this Request for Proposals; (iv) all other published standards and requirements applicable to the Project;

b) to request the necessary and appropriate clarifications, interpretations, and exceptions applicable to this Request For Proposals;

c) to understand that the submission of a Proposal by any Proposer constitutes a representation that the Proposer's has fulfilled its obligations under this Paragraph;

d) to understand that Proposer's failure to fulfill its obligations under this Paragraph shall not relieve a Proposer from any obligations under a subsequently executed Lease Agreement with the City;

e) to comply with all applicable statutes, ordinances, rules, and regulations of any governmental authority or agency having jurisdiction over the Project, or any part of it, as they may be amended from time to time;

f) to respond fully and adequately and in a timely manner to all reasonable requests for information made to the Proposer by the City;

g) to designate in writing those portions of its Proposal which the Proposer believes contain trade secrets or other proprietary data and shall request that these portions of the proposal be held confidential. A Proposer's designation and request shall be subject to review by the City to evaluate its validity. The trade secrets or other proprietary data shall accompany the Proposal, but shall be readily separable from the remaining portions of the Proposal in order to facilitate eventual public inspection of the nonconfidential portions of the Proposal. After all agreements pertinent to the project have been executed by the parties, all Proposals, except those portions that the Proposer has validly designated as containing trade secrets or other proprietary data, shall be open to public inspection;

h) to obtain pursuant to §103-53, Hawaii Revised Statutes, tax clearances from

the State Department of Taxation and the Internal Revenue Service, as a prerequisite to entering into a lease with the City.

5. Requests for Clarifications, Interpretations and Exceptions

A prospective Proposer may submit a request to the Consultant for clarification or interpretation of any provision stated in this Request for Proposals. If there is an apparent conflict or inconsistency between provisions stated in this Request for Proposals or if this Request for Proposals violates any Federal, State or City law, statute, ordinance, rule, regulation, or other requirement, a prospective Proposer shall submit a request for clarification or interpretation of that apparent conflict, inconsistency, or violation.

A prospective Proposer may request an exception to any provision stated in this Request for Proposals. Technical data and other pertinent information shall be provided by and at the expense of the prospective Proposer with the request to support the conclusion that a condition equal to or better than that required by the provisions stated in the Request for Proposals will result if the exception is granted. The City or Consultant may request additional information from the prospective Proposer.

6. Submission of Requests

Requests for clarification, interpretation or exceptions to this RFP shall be submitted by in writing and delivered, mailed, or sent by facsimile to the Consultant at the address stated in paragraph 2, above, no later than 2:00 p.m., March 23, 2012. The date and time of receipt of these requests shall be evidenced by the date- and time-stamp furnished by the Consultant or indicated on these requests by other means. A person submitting a request shall be solely responsible for its delivery to the Consultant. The City will not respond to a request which is submitted after the date and time stated in this paragraph.

7. Clarification, Interpretations, and Exceptions

The City will respond to a request for clarification or interpretation and will determine whether or not to grant a request for an exception. Clarifications, interpretations, and exceptions shall be issued in writing by the City as amendments to this Request for Proposals by March 30, 2012.

Only the written amendment shall be binding on the City. No other communication with any employee or agent of the City may be relied upon or shall be binding on the City.

8. Proposal Due Date; Submission Location

Proposals shall be submitted in the form specified in Paragraph III.8. by 2:00 p.m. on April 13, 2012. The City may in its sole and absolute discretion, extend the Proposal Due Date. Any extension of the Proposal Due Date shall be issued as an amendment to this Request for Proposals.

Proposals shall be submitted to the Consultant at the address shown below:

CBRE, Inc.

1003 Bishop Street
Pauahi Tower, Suite 1800
Honolulu, Hawaii 96813-3544

9. Modifications to Proposals

Any modifications to a Proposal by a Proposer must be in written form in the same format as the initial Proposal and must be executed by the person who signed the initial Proposal on behalf of the Proposer. It must also be received by the Consultant no later than the specified time on the Proposal Due Date. Proposal modification received by the Consultant prior to the Proposal Due Date shall be deemed to have been received and accepted. The date and time of the Proposal modification shall be evidenced by the date/time stamp furnished by the Consultant on a submitted Proposal modification. No other form of communication modifying a Proposal will be accepted.

10. Withdrawals of Proposals

Prior to the Proposal Due Date, a request to withdraw a Proposal must be in written form specifying the Project, the name of the Proposer, the date and time that the Proposal was stamped as received by the Consultant, and a definitive statement that the Proposer withdraws the Proposal. The request will be sufficient upon the receipt by the Consultant as evidenced by the date/time stamp furnished by the Consultant. The Proposer may submit a new Proposal but only prior to the Proposal Due Date.

11. Responsibility for Expenses in Preparing Proposals

Proposers who respond to this Request for Proposals will be solely responsible for all costs and expenses incurred in connection with responding.

12. Opening of Proposals

Proposals shall not be publicly opened, but shall be opened at the offices of the Consultant as soon as possible after the Proposal Due Date. The contents of the Proposals shall not be disclosed to any unauthorized person. Each opened Proposal shall be listed in a Register of Proposals that includes a description of each Proposal, and the name of each Proposer.

The contents of all Proposals and their evaluations shall be kept confidential during the Selection Process. Only the Consultant, City officers and employees, and members of the Evaluation Committee having a legitimate reason to review the Proposals shall have access to them during the selection process. The Proposals (with the exception of segregated materials validly marked as confidential), Register of Proposals and the results of the Proposal evaluations shall be made public after the Selection Process.

. AFTER OPENING OF ALL PROPOSALS SOLICITED BY THE NOTICE OF REQUEST FOR PROPOSALS AND THIS REQUEST FOR PROPOSALS, THE CITY MAY, IN ITS SOLE AND ABSOLUTE DISCRETION, REJECT ALL SUBMITTED PROPOSALS.

13. Rejection of Individual Proposals

The City shall reject any Proposal (i) which is date- and time-stamped after the Proposal due date and time, unless the City determines, in its sole and absolute judgment, that failure to timely date- and time-stamp the Proposal is due to the action or inaction of the Consultant or of a City officer or employee directly involved in this Request for Proposals; (iii) which is submitted by a Proposer submitting more than one Proposal; (iv) which is submitted by a Proposer who has failed to obtain a Request for Proposal information packet in the manner stated above; or (v) which is submitted by a Proposer who failed to submit a Notice of Intent to Propose in the manner stated below.

The City may reject any Proposal (i) which is not submitted in the format set forth in Exhibit 2; (ii) which is not submitted in accordance with the instructions stated in this Request for Proposals; (iii) which modifies or fails to provide any material required by this Request for Proposals; (iv) which contains any omissions, erasures, alterations or irregularities; or (v) which contains any conditions not contemplated in the Request for Proposals and found to be unacceptable by the City.

The City reserves the right to (i) to undertake discussion with one or more Proposers or (ii) to accept that Proposal or modified Proposal which, in its sole and absolute judgment, would be most advantageous to the City. The City reserves the right to consider any specific Proposal which is conditional or which is not prepared in accordance with the instructions and requirements of the Request for Proposals. The City reserves the right to waive any defects in any Proposal. The City or the Consultant shall give prompt notice to a Proposer whose timely Proposal is rejected.

14. Errors in Proposals

If an error is discovered in a Proposal after all of the Proposals are opened, but prior to the award of the lease, the Proposal may be rejected by the City.

If an error is discovered in a Proposal after the award of the Project, no correction will be permitted unless the Director of the Department of Community Services determines that it would be unconscionable not to correct the error and correction of the error is in the best interest of the City.

15. City's Right to Amend or Supplement the Request for Proposals

The City may amend any provision stated in this Request for Proposals at any time prior to or after the Proposal Due Date, but prior to Selection, by delivering or mailing the written amendment to each prospective Proposer which has obtained an RFP information packet. Without limiting the generality of the foregoing, the City may by written amendment withdraw one or more properties, or one or more portions of any particular property, from the offering covered by this Request for Proposals

16. Waiver of Irregularities

The City may waive a minor irregularity, deviation, or defect in a Proposal or in the requirements stated in this Request for Proposals if the City determines that the waiver will be in the best interest of the City.

17. Discussions with Proposers

After the submission and opening of proposals, the City may at its sole and absolute discretion, conduct discussions with Proposers. The Officer in Charge shall establish procedures and schedules for conducting discussions and maintain a record of the date, place, purpose of meetings and those attending.

1) Prior to conducting discussions a “priority list” shall be generated by the Officer in Charge or the Evaluation Committee.

- a) In order to generate a priority list, Proposals shall be classified initially as acceptable, potentially acceptable, or unacceptable.
- b) All responsible Proposers who submit acceptable or potentially acceptable proposals are eligible for the priority list. numerous acceptable or potentially acceptable Proposals have been submitted, the Officer in Charge or the Evaluation Committee may rank the proposals and limit the priority list to the best three Proposals. Those Proposers who are selected for the Priority List shall be referred to as the “Priority-Listed Proposers”.

2) Discussion shall be limited only to Priority-Listed Proposers. Discussion shall be used to promote understanding of the City’s requirements for the Project and the Proposer’s Proposal, and to facilitate arriving at agreements that will provide the best value to the City taking into consideration the evaluation criteria set forth in the RFP.

3) Proposals may be accepted on evaluation without discussions.

4) Priority-Listed Proposers shall be accorded fair and equal treatment with respect to any opportunity for discussions and revisions of Proposals.

- a) Any substantial oral clarification of a Proposal shall be reduced to writing by the Priority-Listed Proposer.
- b) If during discussions there is a need for any substantial clarification or change in the RFP, the RFP shall be amended by an addendum to incorporate the clarification or change

5) Addenda to the RFP shall be distributed only to Priority-Listed Proposers.

- a) The Priority-Listed Proposers shall be permitted to submit a new Proposal or to amend those submitted.
- b) If in the opinion of the Officer in Charge or the Evaluation Committee a contemplated amendment will significantly change the nature of the RFP, the RFP may be canceled and a new RFP issued.

6) The contents of any proposal shall not be disclosed so as to be available to competing Proposers during the discussion.

18. Best and Final Offers

The Officer in Charge may in his sole and absolute discretion, establish a date and time for the Priority-Listed Proposers to submit their best and final offers.

Best and final offers shall be submitted only once, unless the Officer in Charge determines in writing that it is in the City's best interest to: (1) conduct additional discussions; (2) or change the City's requirements by an addendum distributed only to Priority-Listed Proposers; (3) require another submission of best and final offers. Otherwise, no discussion of changes in the best and final offers shall be allowed prior to selection.

Priority-Listed Proposers shall also be informed that if they do not submit a notice of withdrawal or another best and final offer, their immediate previous offer will be construed as their best and final offer.

After best and final offers are received, final evaluation will be conducted and a selection of a Proposal made by the City.

19. Award of the Project

The project shall be awarded to the Proposer determined to be responsive and responsible whose Proposal is determined to be the most advantageous to the City based on the Evaluation Criteria stated in Section VI., below. The City may select a Proposal without any conference or discussion with Proposers.

Following selection of a Successful Proposer, the Officer in Charge will file a written report with the city clerk containing the public notice published to request proposals, a listing of the top three Proposals, and identifying the proposal selected, including the results of any negotiations with the Successful Proposer. Upon receipt of the report, the city clerk will post the report for public inspection in City Hall where other public notices and meeting agendas of the council are posted. The report shall be a public record.

20. Negotiation with Successful Proposer; Visit to Successful Proposer, Purchase and Sale Agreement

The Successful Proposer shall accommodate a delegation of five (5) City representatives designated by the City to inspect the corporate operations of the Successful Proposer. The inspection shall include visits to two (2) multifamily rental housing developments owned and managed by the Successful Proposer. In the event that the Successful Proposer's base of corporate operations is located outside of the City and County of Honolulu, the Successful Proposer shall pay for all travel and accommodation expenses of the City delegation.

Upon the conclusion of the visit to the Successful Proposer's base of operations, the City and the Successful Proposer shall have 30 days to negotiate the terms of the Purchase and Sale Agreement for the Real Property and the forms of the leases and Regulatory Agreements for the Real Property. The Purchase and Sale Agreement and

the Leases shall be submitted to the Honolulu City Council for review and approval via the adoption of Resolutions authorizing their execution. The Honolulu City Council reserves the right in their sole and absolute discretion to reject or modify the Purchase and Sale Agreement and the Leases. The Purchase and Sale Agreement shall be executed by the City and Successful Proposer within five (5) days after the Resolution authorizing its execution is adopted by the Honolulu City Council.

21. Due Diligence

The Successful Proposer shall begin due diligence and other activities to effectuate the execution of the Leases only upon receipt of a formal "Notice to Proceed" (NTP) from the City. The NTP will not be issued until such time as the Purchase and Sale Agreement is executed by the City and Successful Proposer. All due diligence activities shall be concluded within 60 days of the issuance of the NTP.

The City shall grant the Successful Proposer a revocable Right of Entry onto the Real Property to facilitate the Successful Proposer's due diligence activities. All costs or expenses related to due diligence activities, including, but not limited to the cost to repair damage to the Real Property caused by the Successful Proposer's due diligence activities shall be the responsibility of the Successful Proposer.

At the conclusion of the due diligence period, the Successful Proposer shall inform the City that it is satisfied or not satisfied as a result of its due diligence. Should the Successful Proposer inform the City that it is not satisfied with due diligence, the Successful Proposer shall provide to the City a written description of the objectionable conditions which form the basis for its determination. Upon receipt of the description of objectionable conditions from the Successful Proposer, the City shall have 90 days to cure such conditions or the City may choose to cancel the selection of the Successful Proposer without penalty or compensation to the Successful Proposer.

22. Deposits

An initial deposit in the amount of ONE MILLION AND NO/100 DOLLARS (\$1,000,000.00) shall be made into escrow by the Successful Proposer upon the execution of the Purchase and Sale Agreement. The deposit may be returned to the Successful Proposer within 30 days after (1) the Successful Proposer has notified the City that it is not satisfied with the results of its due diligence; (2) the Successful Proposer has informed the City of conditions that it finds objectionable, and (3) the City has informed the Successful Proposer of its decision to decline to cure such conditions.

A second deposit in the amount of FOUR MILLION AND NO/100 DOLLARS (\$4,000,000.00) shall be made into escrow by the Successful Proposer upon the satisfactory completion of due diligence. The initial and second deposit shall be refunded to the Successful Proposer only if the Honolulu City Council, in their sole and absolute discretion, elects not to authorize the execution of the Leases for the Real Property. Upon the adoption of a Resolution authorizing the execution of the Leases by the Honolulu City Council, the initial and second deposits will be deemed nonrefundable and credited against future amounts owed to the City under the Purchase and Sale Agreement.

23. Leases

Upon the satisfactory completion of due diligence, the City and the Successful Proposer shall have 30 days to finalize the leases and regulatory agreements for the Real Property. The approval of the Leases will require the adoption of a Resolution authorizing the execution of the Leases by the Honolulu City Council in their sole and absolute discretion.

24. Cancellation of Selection

The City reserves the right to cancel the selection of any Successful Proposer any time before signing the leases.

25. Cancellation of Request for Proposals

The City may cancel the Request for Proposals at any time if, in the City's judgment, such cancellation would be in the best interest of the City. When a Request for Proposals is canceled prior to the Proposal Due Date, notice of cancellation shall be sent to all prospective Proposers known to have received the Request for Proposals.

When a Request for Proposals is canceled after the Proposal Due Date, notice of the cancellation shall be sent to all Proposers who submitted Proposals. Proposals which have been opened shall be retained in the procurement file. Proposals which have not been opened shall be returned to the Proposers upon request or otherwise disposed of.

After cancellation, the City may issue a new Request for Proposals, utilize an alternative procurement process, cancel, or defer the proposed procurement.

26. Unauthorized Communication

Except as otherwise authorized in this Request for Proposals, Proposers and their agents shall not make any contact or have communication with any City officer, employee, or agent directly involved with this RFP.

27. Costs

Under no circumstances, including the rejection of Proposals, will the City reimburse any costs incurred by in connection with this RFP, any Proposer or any other person during this procurement process including the preparation of a Proposal.

28. Disclaimers

The City makes no warranty, guaranty, or representation whatsoever, expressed or implied, (i) that the Real Property is free from hazardous material as it is defined in any statute, law, ordinance, rule or regulation passed, adopted, or promulgated by any governmental authority having jurisdiction over the subject matter; (ii) that the title to the Real Property is free and clear of liens, encumbrances, easements, and restrictions including those which appear of record and those which are not shown on the record which may have an adverse impact on the use which a Proposer may propose; and (iii) that the City will exercise its power of eminent domain to acquire any other real property by the initiation of a condemnation action.

29. Disclosure of Proposals

Generally speaking, Proposals shall be subject to disclosure as government records upon completion of the award process. Certain records may be exempt from disclosure under Uniform Information Practices Act. Proposers are responsible for segregating and marking materials which they claim may be exempt

II. Proposer's Minimum Qualifications

1. Qualified Organization

Proposers must meet the following organizational requirements:

1. At a minimum, Proposers must have 10 years experience in the management and operation of rental housing, and a minimum of 1,000 rental units under ownership.
2. At the time of the Submission of Proposals, Proposers must be authorized to do business in the State of Hawaii as evidenced by a Certificate of Good Standing issued by the State of Hawaii, Department of Commerce and Consumer Affairs current to within 30 days of the Proposal Due Date.
3. Registered as a business in the United States of America, and possess a current Federal Tax Identification Number.
4. Proposers must be current on all federal and state taxes as evidenced by a Tax Clearance Certificate current to within 30 days of the Proposal Due Date.
5. Proposers may not be in arrears on the payment of taxes, rents, or other obligations owing to the City and County of Honolulu, nor may a Proposer be a party to any pending litigation against the City and County of Honolulu.

2. Insurance Requirements

Proposers must provide evidence of their ability to obtain workers compensation, minimum liability, general liability, and automobile liability (including no-fault coverage) insurance with limits of not less than \$1,000,000 per occurrence for each coverage, except where otherwise set by statute.

At all times during the term of the Agreements, once they are signed, the Successful Proposer shall carry, or cause to be carried, the following kinds and amounts of insurance, covering the Successful Proposer, its contractors and subcontractors, and the City:

1. Worker's compensation insurance in accordance with State statutes, and including a waiver of subrogation against the City.

2. Employer's liability insurance with limits of not less than \$500,000 per person.

3. Comprehensive or commercial general liability insurance covering bodily injury, personal injury and property damage, with limits of not less than \$1,000,000 per occurrence, and including the following extensions of coverage: (i) Contractual liability to cover liability assumed under this agreement; (ii) Personal injury liability with the employee and contractual exclusions deleted; (iii) Products and Completed Operations coverage; (iv) Broad Form property damage liability; (v) Explosion, Collapse and Underground Hazards (XCU); and/or (vi) Owners and Contractors protective liability to protect against claims arising out of contractors and/or subcontractors operations.

4. Automobile liability (bodily injury and property damage liability) including statutory no-fault benefits, covering all owned, non-owned, and hired vehicles used in the performance of this agreement, and in accordance with applicable State laws and regulations, with limits of not less than \$1,000,000 per occurrence.

5. Prior to commencement of any construction, the Successful Proposer shall procure and maintain, or cause to be procured and maintained at all times during the course of construction and until final acceptance, 100% payment and performance bonds and builders risk insurance covering against all risks of loss or damage to the work, including all buildings, all risks of loss or damage to the work, including all buildings, structures, appurtenances or alternations, repairs and other improvements, materials, equipment and supplies. Such policy shall cover against all risks of loss or damage including vandalism and malicious mischief (V&MM), excluding the peril of earthquake. The limits of coverage shall be the replacement value based on the full value at risk at any one time.

All policies of insurance required shall, where permitted:

a. Name the City, its elected and appointed officials, employees, and agents as additional named insured;

b. Provide that this insurance is primary coverage with respect to all insured;

c. Contain a severability of interest clause providing that the insurance applies separately to each insured and that the policy covers claims or suits by one insured against other;

d. Provide that the policy will not be canceled, terminated, lapsed, or materially changed without 60 days prior written notice to the City.

The Successful Proposer shall provide the City with current certificates of insurance for each required insurance policy, and shall keep records of all policies on behalf of any individual or company hired in the course of execution of the Agreements.

3. Sexual Harassment Policy

The Successful Proposers shall comply with Article 18 of Chapter 1 of the Revised Ordinances of Honolulu 1990 ("ROH"). Provisions to that effect will be included in the lease and Development Agreement. This Article is on file and available for viewing in the Purchasing Division, Department of Budget and Fiscal Services. A copy of the Article is available at the Office of the City Clerk, Honolulu Hale, 530 South King Street, Honolulu, Hawaii.

4. Non-discrimination

The Successful Proposer shall not discriminate against any employee or applicant for employment based on race, color, national origin, religion, sex, sexual orientation, familial status, or disability. The Successful Proposer shall comply with the provisions included in any agreement with the City pertaining to discrimination.

III Project Description and Requirements

1. Introduction

The City and County of Honolulu, through its Department of Community Services and the Office of Housing request proposals from qualified entities to acquire leasehold interest in 12 City-owned rental housing complexes under the Honolulu Affordable Housing Preservation Initiative. The sale of the HAHPI properties will be on a long term leasehold basis, not to exceed 65 years. The programs of affordable housing which are more fully described in the Offering Memorandum must be maintained during the entire term of the Leases. All existing tenant leases shall be honored, and the displacement or eviction of tenants in good standing is not permitted.

Mixed-use properties in the HAHPI portfolio including Chinatown Gateway Plaza, Harbor Village, Marin Tower, and Winston Hale are being offered in their entirety, meaning that the offering includes attached commercial space and public parking facilities, in order to have these properties under a unified management structure. Prospective Proposers are urged to carefully review the Offering Memorandum as it relates to the operation of public parking facilities, including limits on parking rates and assessments. The City will be pursuing an Ordinance amendment confirming the inclusion of commercial space and public parking in the offering.

Pursuant to Section 28-4.1, Revised Ordinance of Honolulu, the lease term for City-owned property shall not exceed five (5) years, provided, however, that the Honolulu City Council may by Resolution, approve the leasing of City property for a longer period provided that (1) When the lessee or tenant is required by the terms of the

proposed contract to expend the sum of \$25,000.00 or more for capital assets or to provide for the renovation or maintenance of any capital asset, or the lessee's or tenant's expenditure is equal to or in excess of the sum of \$25,000.00, as determined by the council. The term "capital asset" includes not only the construction of improvements but the installation of furniture and fixtures, the cost of which would be depreciable over the period of the concession or lease in excess of five years; or (2) the City agency proposing the lease certifies that the longer term is necessary to secure non-City financing or to enable the transfer of the real property to a different housing or human services provider. It is the intent of the City to lease the Real Property for a term not to exceed 65 years.

Prospective Proposers should note that execution of the Leases for the Real Property is subject to the prior approval of the Honolulu City Council in their sole and absolute discretion.

2. Proposal Schedule

The following schedule represents an estimated timetable leading to the submission of initial Proposals:

| | |
|------------------------------|--|
| February 15, 2012 | First RFP Advertisement, and first day of availability of the Offering Memorandum |
| February 22, 2012 | Second RFP Advertisement |
| March 6, 7, 13, and 14, 2012 | Site Visits to HAHPI Properties |
| March 20, 2012 | Teleconference for Prospective Proposers (9:30 a.m. HST) |
| March 23, 2012 | Deadline for Written Requests for Clarification, Interpretations, and Exceptions |
| March 30, 2012 | Deadline for City's Reply to Requests for Clarification, Interpretations, and Exceptions |
| April 6, 2012 | Deadline for Submission of Notice of Intent to Propose |
| April 13, 2012 | Deadline for Submission of Proposals to the City. |

3. HAHPI Properties

The properties offered through this Request for Proposals are fully described in the Offering Memorandum.

4. Responsibilities of the Successful Proposer

The Successful Proposer will be responsible for all aspects of the Project, including, but not limited to, the following:

- a) Lease the Real Property from the City for a term not to exceed 65 years.
- b) Implementing a program of capital improvements to the Real Property as described in the Proposal submitted by the Successful Proposer.
- c) Manage, operate, and maintain the Real Property in accordance with the management, operations, and management plan included in the Proposal submitted by the Successful Proposer.
- d) Payment to the City of a lease premium and other compensation in a manner agreed to by the City and Successful Proposer. It is the City's preference that payment is in the form of a lump sum compensation for the Real Property as opposed to participation in net cash flow or periodic lease rent payments.
- e) Providing a bond or other surety bond or other form acceptable to the City to secure the Successful Proposer's performance in the execution of leases for Real Property.
- f) Rent the rental housing units in the Real Property in accordance with the rent guidelines contained in the Offering Memorandum.
- g) Manage, operate, and maintain public parking facilities described in the Offering Memorandum in compliance with the terms and conditions stated in the Offering Memorandum.
- h) Manage, operate, and maintain the commercial space described in the Offering Memorandum in compliance with the terms and conditions stated in the Offering Memorandum.
- i) Participate in meetings and presentation to residents of the Real Property, the Honolulu City, and other organization as required by the City.
- j) Comply with all Federal requirements relating to fair housing, equal opportunity, and affirmative marketing, as applicable.
- k) Complying with Section 1-18.4, Revised Ordinances of Honolulu relating to sexual harassment.
- l) Complying with all other applicable City, State and federal laws, statutes, ordinances, rules and regulations.

5. Responsibilities of the City & County of Honolulu

In order to facilitate the development of responsive proposals and the transition of the Real Property to new ownership, the City and County of Honolulu shall undertake the following activities.

- a) Make the Real Property available for inspection by prospective Proposers in accordance with the Site Visit schedule stated in the Offering Memorandum.
- b) Provide a collection of documents related to the Real Property in a due diligence library.
- c) Provide the successful Proposer a revocable right of entry to conduct due diligence activities at the Real Property.
- d) Facilitate the transition of management of the Real Property to the Successful Proposer after the execution of the leases by transferring current tenant records, maintenance records, and other pertinent information, and with thirty (30) days notice cancelling property management contracts.
- e) Pursue amendments to the Revised Ordinances of Honolulu, confirming the inclusion of commercial space and public parking in the offering.

6. Redevelopment of HAHPI Properties

The lease for the Pauahi Hale, Bachelor's Quarters, and Winston Hale, Kanoa Apartments will provide the Successful Proposers the opportunity to redevelop these properties, with the consent of the City, in the future. Such redevelopment proposals must be reviewed by the City, and may be subject to the approval of the Honolulu City Council pursuant to Section 28-3.4, Revised Ordinance of Honolulu. New redevelopment projects must replace existing rental housing at a minimum one to one basis with all affordable housing restrictions intact.

7. Hazardous Materials

All material regarding the presence of asbestos, lead-based paint, and hazardous materials which are in the possession of the City are filed in the Due Diligence Library. The absence of a hazardous materials study for a given HAHPI property should not be interpreted to mean that no such materials are present. Prospective Proposers are responsible to conduct their own studies to determine the condition of the Real Property as it relates to hazardous materials.

8. Submission Requirements

Proposals shall be submitted in original plus seven (7) copies prior to the Proposal Due Date. Proposals shall be submitted in three ring binders indexed and organized in accordance with the Proposal Format attached hereto as Exhibit 2.

IV. Evaluation, Selection, and Approval

1. Evaluation Period

During this evaluation period Proposers may be required to make such oral presentations or submit additional information as required to clarify the proposal

2. Evaluation Criteria

A Successful Proposer may be selected after an evaluation by the City based on the following criteria which are listed in order of priority:

1) Experience of the Proposer in the successful management, operations, and maintenance of rental housing communities, with a specific emphasis on affordable rental housing communities. This criterion will include an examination of the Proposer's management practices including policies regarding resident participation in the management of their communities, response times to requests for services, and the Proposer's policy in setting rents.

2) The financial compensation being offered to the City. The City will evaluate and value the Proposer's compensation to the City, based on the City's review of the financial information provided in the Proposal. The City, at its sole discretion, may discount or dismiss compensation proposals which the City determines to be speculative or otherwise not guaranteed.

3) Financial capacity of the Proposer. The City will examine the Proposer's financial statements evaluate a Proposer's financial capacity to support the ongoing operations and maintenance of the Real Property.

4) Proposer's plans for immediate capital improvements to the Real Property and plans for the long term maintenance of the Real Property. The City assessment will include a review of the Proposer's financing plan for the capital improvements.

5) Proposer's management practices and policies including policies regarding resident participation in the management of their communities, response times to requests for services, and the Proposer's policy in establishing rents.

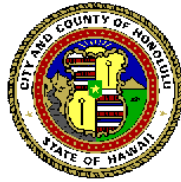
3. Selection and Approval

The Successful Proposer will be notified in writing by the Officer in Charge. Following the site visit to the Successful Proposer's base of corporate operations described in Paragraph II.20., above, the Successful Proposer shall be given the exclusive right for 30 days to finalize the terms of the Purchase and Sale Agreement, and the forms of the Leases for the Real Property, and other related agreements. The execution of the Purchase and Sale Agreement and the Leases will be subject to the approval of the City Council via the adoption of a Resolution. If this deadline cannot be met, the City, in its sole and absolute discretion, reserves the right to extend the deadline or to rescind the acceptance and select from the remaining Proposals.

The Purchase and Sale Agreement shall be executed within five (5) working days of the adoption by the Honolulu City Council of the Resolution approving the execution of the Purchase and Sale Agreement. Upon the satisfactory conclusion of due diligence period as provided in Paragraph II.21., above, the City and the Successful Proposer shall have 30 days to finalize and execute the Leases and Regulatory Agreements for the Real Property.

Exhibit 1

Notice of Request for Proposals



Public Notice

Request for Proposals Honolulu Affordable Housing Preservation Initiative

The City and County of Honolulu, through its Department of Community Services and Office of Housing requests proposals from qualified entities to acquire, operate, manage, and maintain the City's portfolio of 12 rental housing complexes identified below. Collectively, the rental housing complexes have a total of 1,257 rental units which are rented at rates that are affordable to households with low and moderate and gap group incomes, as well as at prevailing market rents.

| <u>Rental Housing Complex</u> | <u>Location</u> |
|-------------------------------|-----------------|
| Bachelor's Quarters | Ewa Villages |
| Chinatown Gateway Plaza | Chinatown |
| Chinatown Manor | Chinatown |
| Harbor Village | Chinatown |
| Kanoa Apartments | Palama |
| Kulana Nani Apartments | Kaneohe |
| Manoa Gardens | Manoa |
| Marin Tower | Chinatown |
| Pauahi Hale | Chinatown |
| Westlake Apartments | Salt Lake |
| West Loch Village | Waipahu |
| Winston Hale | Chinatown |

The objective of the Honolulu Affordable Housing Preservation Initiative is to preserve the City's portfolio of rental housing complexes as an affordable housing resource for the community by transitioning ownership of the complexes to a private entity with the experience, capacity, and resources to operate and maintain the complexes over the long term.

Proposers must meet the minimum qualification specified in the Request for Proposals including (1) Licensed to do business in the State of Hawaii; (2) Current on all federal and State tax obligations; (3) Current on all obligation owing to the City and County of Honolulu, (4) Registered as a business in the United States of America, and possess a current Federal Tax Identification Number, and (5) Not be a party to any pending litigation against the City and County of Honolulu. Prospective Proposers must have a

minimum of 10 years experience in the operation and management of rental housing complexes, and a minimum of 1,000 units currently under ownership.

Proposals will be evaluated based on: (1) the experience of the Proposer in the successful management, operation, and maintenance of rental housing communities, with a specific emphasis on affordable housing; (2) the proposed compensation to the City; (3) the financial capacity of the Proposer; (4) the Proposer's plans for immediate capital improvements to the rental housing complexes, and long term maintenance program; and (5) the Proposer's management policies and practices, including policies regarding resident participation in the management of their communities, response times to requests for services, and the Proposer's policy in establishing rents;

Applicable deadlines for Proposers include:

March 23, 2012 - Deadline for the submission of requests for clarifications, interpretations, and exceptions

March 30, 2012 - Deadline for the City to respond to requests for clarifications, interpretations, and exceptions

April 6, 2012 - Deadline for the submission of Notices of Intent to Propose

April 13, 2012 - Proposal submission date.

Interested parties may obtain online access to the Request for Proposals packet, Offering Memorandum and due diligence library for the non-refundable fee of ONE HUNDRED AND NO/100 DOLLARS (\$100.00) payable on-line at www.CBREMarketplace.com/HAHPI. The form of proposal is fully described in the Request for Proposals packet, with other information for interested parties, including the dates of the pre-proposal teleconference and site tours. A public review copy of the Request for Proposals, Offering Memorandum, and due diligence library is also available at the Department of Community Services, 715 South King Street, Suite 311, Honolulu, Hawaii, between the hours of 7:45 a.m. to 4:30 p.m. A public review copy of the Request for Proposals and the Offering Memorandum is available at the Department of Budget and Fiscal Services, Division of Purchasing, Honolulu Hale, 530 South King Street, Room 115, Honolulu, Hawaii between the hours of 7:45 a.m. to 4:30 p.m. Monday through Friday.

Questions regarding this Request for Proposals may be directed to HAHPI@CBREMarketplace.com

Michael R. Hansen, Director
Department of Budget and Fiscal Services

Exhibit 2

Proposal Format

Proposal Format

All proposals must be submitted in original plus seven copies. Please mark the original, and number all copies (Copy 1 – 7). All copies shall be submitted in three ring binders, organized and indexed as follows:

Tab 1 – Information on the Proposer

- A) Name, business address and contact information for the proposer
- B) Name and contact information of the Proposer's principal point of contact to which questions or requests for clarifications may be directed to.
- C) Name, business address and contact information for all members of the Proposer's teams including, but not limited to, legal counsel, members of the Proposer's finance team, property managers, architects, engineers and contractors.
- D) Narrative history of Proposer including ownership, length of time in existence, current lines of business.
- E) Federal Tax Identification Number

Tab 2 – Experience and Capacity of the Proposer

- A) Narrative summary of the Proposer's experience in the development, financing, ownership, management, operation, and maintenance of rental housing projects.
- B) Listing of rental housing projects currently under ownership or management of the Proposer. The listing should be itemized by project name, location, number of units by unit type (studio, one bedroom, project type (townhouse, garden apartment, high rise, etc.) target market (affordable, market, senior, etc.), and the estimated current market value of the project.
- C) Listing and statements of qualification for key members of the Proposer's team.
- D) Proposer's audited financial statements for the past three years.

Tab 3 – Proposer's Management Plan

- A) Listing and Statement of Qualifications of management agents, brokers, and other entities who will be responsible for the operations and management of the Real Property.

B) Proposer's plan for the financing of capital expenditures and improvements to the Real Property, a description of the Proposer planned capital expenditures to improve the Real Property during the first two years of operations, and the Proposer's procedures for responding to requests for repairs from tenants, including the average time to address repair requests.

C) Proposer's plans to affirmatively further fair housing in the operations and management of the Real Property and to affirmatively market the housing opportunities offered by the Real Property to minorities and underserved populations.

D. During the site visit to the Successful Proposer's corporate operations, the Successful Proposer shall provide the City delegation which (1) a description of the Proposer's property management standards and policies, including copies of typical house rules, management policies, tenant relations and grievance policies, a description on policies to include the views and perspectives of the residents on property management issues, and a description of resident services, if any, to be provided; and (2) a description of the Proposer's plans for future rent increases. Proposers are reminded on the restrictions on annual rent increase as described on Page ___ of the Offering Memorandum.

Tab 4 – Price Proposal

Proposers shall submit its formal price proposal which at a minimum shall include the following information:

A) Price: Please state the price your entity is willing to compensate the City for the entire portfolio with a breakdown by individual properties.

B) Financing Capacity and Verification of Resources to Close Transaction. Please provide a description of how the transaction will be financed. Proposer should include a description of the financing structure to be used which should disclose if your purchase is subject to financing or if you plan to pay with corporate funds on hand.

C) Due Diligence: Please provide the time frame that your entity needs to complete its due diligence investigation of the Real Property. Please note that the City and County has made available through the CBRE secured web site, all documentation and materials specific to each property. The City will therefore not provide any additional due diligence time for any subsequent document delivery that may be requested.

D) Deposits: Please confirm that your entity understands and accepts the requirement to provide deposits. The City and County of Honolulu will require the Successful Proposer to make the following deposits to be placed into escrow:

(1) Initial deposit: \$1,000,000 within five (5) days after the execution of the Purchase and Sale Agreement by the parties; and

(2) Second Deposit: \$4,000,000 payable within five (5) days of the waiver or satisfactory completion of due diligence.

E) Surety: Please provide a description of the proposed form of bonding or other surety to ensure that the Proposer will complete the acquisition properties in the portfolio.

F) Closing: Please provide the date in which closing would occur:

G) Special Conditions: Please provide any special conditions you require.

H) Please indicate the length of time that your proposal is valid.

I) Please note that the City and County of Honolulu will only consider Proposers that are bidding on the entire portfolio.

Tab 5 – Lease Proposal

Although leases for City-owned property are normally for five (5) years, it is the City's intent to lease the Real Property for a term of sixty five (65) years, subject to the approval of the Honolulu City Council.

A) Proposed periodic lease rent payments. If nominal lease rents are proposed, the Proposer shall demonstrate the financial need for the nominal lease rents.

B) A statement from the Proposer stating that a lease term of 65 years is necessary to secure non-City financing. The statement is required to qualify for a lease term in excess of five (5) years.

Tab 6 – Confidential Materials

Please segregate behind this tab and clearly mark all documents that are claimed to be confidential and state the basis for claiming such documents to be confidential.

Exhibit 3

Notice of Intent to Propose

Letterhead of Proposing Organization

_____, 2012

Mr. Samuel E.H. Moku, Director
Department of Community Services
715 South King Street, Suite 311
Honolulu, Hawaii 96813

Dear Mr. Moku:

Subject: Notice of Intent to Propose
Honolulu Affordable Housing Preservation Initiative

This is to provide formal notice of our intent to submit a proposal in response to the subject request for proposal. The undersigned represents that it has obtained and reviewed a copy of the Request for Proposals and Offering Memorandum and that it has reviewed documents in the due diligence library made available to interested parties. The undersigned understands and confirms the deadline for the submission of proposals as stated in Section I.6. of the Request for Proposals. Please call me at _____ should you have any question regarding this matter.

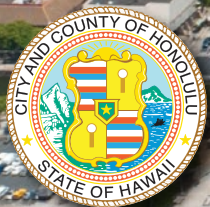
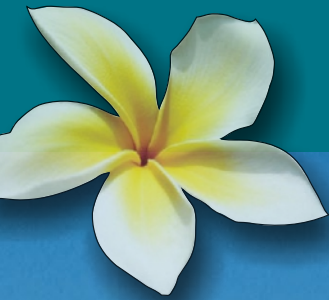
Sincerely,

Exhibit 4

Form of Lease
(To Be Provided)

City and County of Honolulu Affordable Housing Portfolio

OFFERING MEMORANDUM | FEBRUARY 2012



CBRE



Bachelors Quarters



Chinatown Gateway Plaza



Chinatown Manor



Harbor Village



Kanoa Apartments



Kulana Nani



Manoa Gardens



Marin Tower



Pauahi Hale



West Loch Village



Westlake Apartments



Winston Hale



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Affiliated Business Disclosure

CBRE, Inc. operates within a global family of companies with many subsidiaries and/or related entities (each an “Affiliate”) engaging in a broad range of commercial real estate businesses including, but not limited to, brokerage services, Properties and facilities management, valuation, investment fund management and development. At times different Affiliates may represent various clients with competing interests in the same transaction. For example, this Memorandum may be received by our Affiliates, including CBRE Investors, Inc. or Trammell Crow Company.

Those, or other, Affiliates may express an interest in the Properties described in this Memorandum (the “Properties”) may submit an offer to purchase the Properties and may be the successful bidder for the Properties. You hereby acknowledge that possibility and agree that neither CBRE, Inc. nor any involved Affiliate will have any obligation to disclose to you the involvement of any Affiliate in the lease or acquisition of the Properties. In all instances, however, CBRE, Inc. will act in the best interest of the client(s) it represents in the transaction described in this Memorandum and will not act in concert with or otherwise conduct its business in a way that benefits any Affiliate to the detriment of any other offeror or prospective offeror, but rather will conduct its business in a manner consistent with the law and any fiduciary duties owed to the client(s) it represents in the transaction described in this Memorandum.

Confidentiality Agreement

This offering Memorandum is made part of the Request for Proposal (“RFP”) and is intended solely for your limited use and benefit in determining whether you desire to express further interest in the acquisition of the Properties.

This Memorandum contains selected information pertaining to the Properties and does not purport to be a representation of the state of affairs of the Properties or the City and County of Honolulu (the “Owner”), to be all-inclusive or to contain all or part of the information which prospective investors may require to evaluate an acquisition of the Properties. All financial information is provided for general reference purposes only. All references to acreages, square footages, and other measurements are approximations. Additional information and an opportunity to inspect the Properties will be made available to interested and qualified prospective lessees. In this Memorandum, certain documents, including leases and other materials, are described in summary form. These summaries do not purport to be complete nor necessarily accurate descriptions of the full agreements referenced. Interested parties are expected to review all such summaries and other documents of whatever nature independently and not rely on the contents of this Memorandum in any manner.

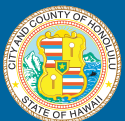
Neither the Owner or CBRE, Inc. nor any of their respective executives, directors, officers, Affiliates or representatives make any representation or warranty, expressed or implied, as to the accuracy or completeness of this Memorandum or any of its contents, and no legal commitment or obligation shall arise by reason of your receipt of this Memorandum or use of its contents; and you are to rely solely on your investigations and inspections of the Properties in evaluating a possible acquisition of the Properties.

The Owner expressly reserves the right, in its sole discretion: (1) to reject any or all expressions of interest or offers to lease the Properties; (2) to withdraw one or more of the Properties or portions of the Properties from this offering; and/or (3) to terminate at any time, with or without notice, discussions with any entity that may arise as a result of review of this

Memorandum. The Owner shall have no legal commitment or obligation to any entity reviewing this Memorandum or making an offer to lease the Properties unless and until leases of the Properties have been fully executed, delivered and approved by the Honolulu City Council, and any conditions to the Owner’s obligations therein have been satisfied or waived.

By receipt of the RFP and Memorandum, you agree that you will hold and use solely for the purpose of evaluating the potential acquisition of the Properties; and that you will not disclose this Memorandum or any of its contents to any unaffiliated entity without the prior written authorization of the Owner or CBRE, Inc. You also agree that you will not use this Memorandum or any of its contents in any manner detrimental to the interest of the Owner or CBRE, Inc. If after reviewing this Memorandum, you have no further interest in purchasing the Properties, kindly return this Memorandum to CBRE, Inc.

The information contained in this document has been obtained from sources believed reliable. While the Owner and CBRE, Inc. do not doubt its accuracy, the Owner and CBRE, Inc. have not verified it and makes no guarantee, warranty or representation about it. It is your responsibility to independently confirm its accuracy and completeness. Any projections, opinions, assumptions or estimates used are by way of example only and do not represent the current or future performance of the Properties. The value of this transaction to you depends on tax and other factors, which should be evaluated by your tax, financial and legal advisors. You and your advisors should conduct a careful, independent investigation of the Properties to determine to your satisfaction the suitability of the Properties for your needs.



**OFFICE OF THE MAYOR
CITY AND COUNTY OF HONOLULU**

530 SOUTH KING STREET, ROOM 300 * HONOLULU, HAWAII 96813
PHONE: (808) 768-4141 * FAX: (808) 768-4242 * INTERNET: www.honolulu.gov



PETER B. CARLISLE
MAYOR

DOUGLAS S. CHIN
MANAGING DIRECTOR
CHRYSTIN K. A. EADS
DEPUTY MANAGING DIRECTOR

MESSAGE FROM MAYOR PETER B. CARLISLE

Aloha!

On behalf of the City and County of Honolulu, I would like to thank you for your interest in joining with the City to secure the future of our rental housing complexes. I am confident that after reviewing this Offering Memorandum, you will agree that the Honolulu Affordable Housing Preservation Initiative offers a unique opportunity for a new public - private partnership that will preserve and possibly expand rental housing opportunities in Honolulu, provide our current and future tenants with a better living environment, and provide an opportunity for private industry to invest in Honolulu's rental housing market. The preservation of long term affordability is the City's highest priority for this initiative. We are confident that through a successful partnership, this goal can be achieved. We look forward to receiving your proposal, and we offer a warm mahalo for your interest in working with the City and County of Honolulu.

A handwritten signature in cursive script that reads "Peter B. Carlisle".

Peter B. Carlisle
Mayor





CITY COUNCIL
CITY AND COUNTY OF HONOLULU
530 SOUTH KING STREET, ROOM 202
HONOLULU, HAWAII 96813-3065
TELEPHONE: (808) 768-5010 • FAX: (808) 768-5011

ERNEST Y. MARTIN
CHAIR & PRESIDING OFFICER
HONOLULU CITY COUNCIL
TELEPHONE: (808) 768-5002
FAX: (808) 768-5011
EMAIL: emartin@honolulu.gov

Aloha and mahalo for your interest in the Honolulu Affordable Housing Preservation Initiative.

The Honolulu City Council has long recognized the important role that rental housing, particularly affordable rental housing, plays in our community. Rental housing has traditionally been the first place of residence for young families and new arrivals to Honolulu. It is the first rung of a housing ladder that could eventually culminate in a family achieving the American dream of home ownership.

Affordable rental housing is especially critical to senior citizens and persons with disabilities and other challenges who live on fixed incomes and who are particularly vulnerable to escalating rental rates. Preserving and enhancing the City's portfolio of rental housing complexes through a new public – private partnership will sustain this invaluable housing resource for generations to come.

With warmest aloha, the City looks forward to receiving your proposal.

Respectfully,


Ernest Martin
Chair & Presiding Officer
Honolulu City Council


Council District II
Ernest Y. Martin
Council Chair



District Map



Council District I
Tom Berg
Parks and
Cultural Affairs Committee - Chair



Council District VI
Tulsie Gabbard
Safety, Economic Development &
Government Affairs - Chair



Council District III
Vice-Chair Ikaika Anderson
Zoning and Planning
Committee - Chair



Council District VII
Romy M. Cacho
Floor Leader
Executive Matters and
Legal Affairs Committee - Chair



Council District IV
Stanley Chang
Public Works and
Sustainability Committee - Chair



Council District VIII
Breene Harimoto
Transportation Committee - Chair



Council District V
Ann H. Kobayashi
Budget Committee - Chair

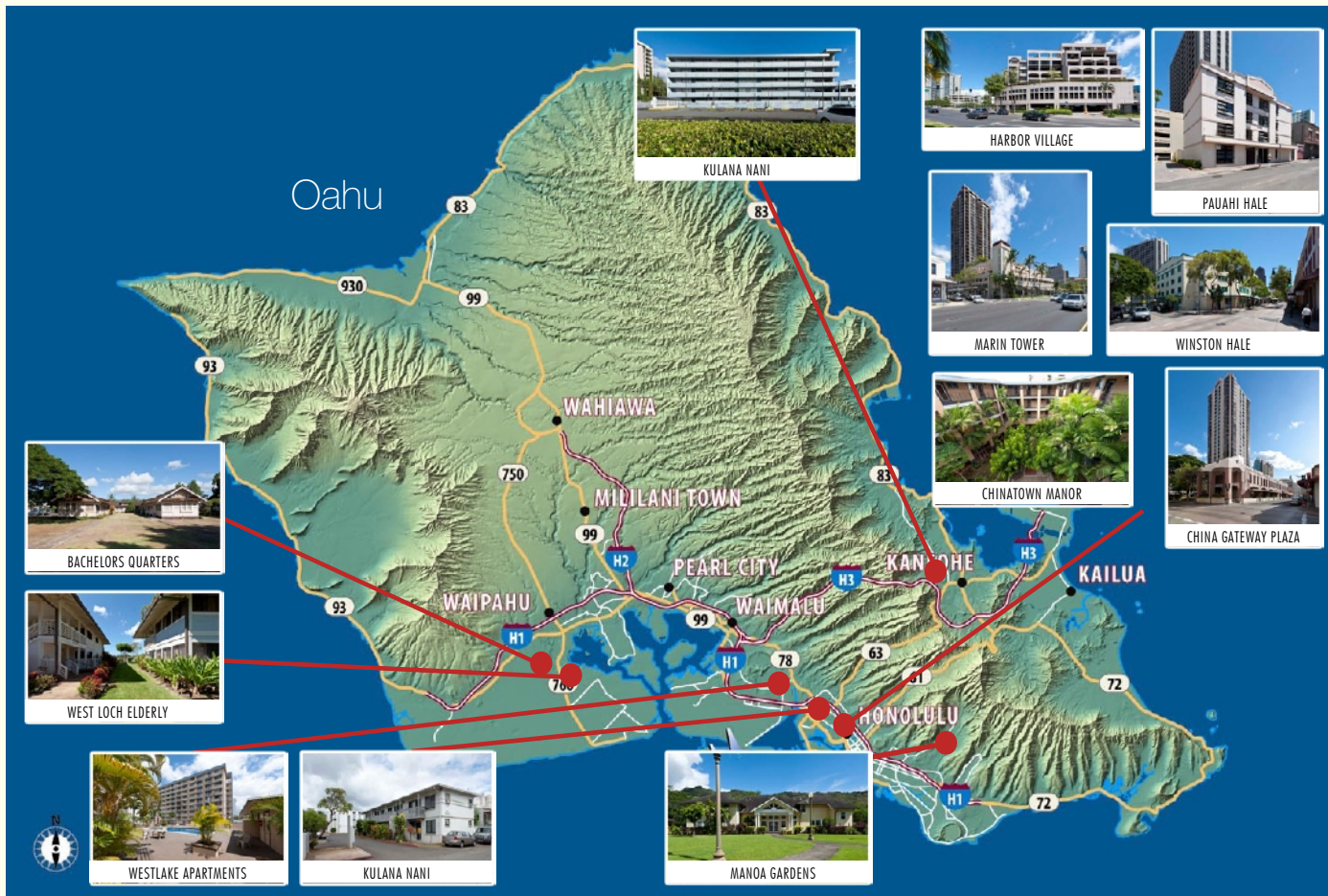


Council District IX
Nestor R. Garcia
Council Chair - Emeritus

Executive Summary

CBRE has been retained by the City and County of Honolulu (the “Seller”) as the exclusive consultant for the sale of the long term leasehold interest in its Affordable Housing Projects (the “Projects” or the “Properties”), comprised of 12 distinctive apartment buildings containing 1,257 rental units, commercial space and parking areas. This one of a kind offering will provide the purchaser with long term, stable cash flow in a market containing high barriers to entry and high demand by tenants, while ensuring the City and County of Honolulu can continue providing its residents with quality affordable housing.





Significant barriers to entry

The combination of a growing local population and continual immigration of new residents from throughout the Pacific Basin puts severe stress on Oahu's land resources that are needed to accommodate affordable housing in its urban areas, making developable land unaffordable and hard to obtain.

Economies of scale

Acquiring the Portfolio will allow the lessee to operate at high levels of efficiencies with economies of scale thereby positively affecting all facets of operations that grow bottom line profitability.

Long term favorable lease

The Properties will be offered under long-term ground leases that may be structured with nominal annual lease rents. By operating the Properties as qualifying "housing projects" under regulatory agreements with the City, the acquirer may annually file a claim of exemption from real property taxes. Further, in certain circumstances nonprofit entities and for-profit entities that carry out new construction or moderate or substantial rehabilitation of eligible housing projects may claim exemptions from Hawaii State General Excise Tax from the Department of Taxation. These opportunities may allow the acquirer to obtain very attractive financing for the Properties while preserving affordability.

Strong market indicators

Hawaii is benefiting from an economic resurgence with a strong performance in tourist related industries and tax collections. Federal expenditures have increased as military installations receive continued infrastructure upgrades and redeployment of various specialty divisions to Hawaii bases. Major County and State capital expenditures continue to create momentum in Hawaii's economy.

Strong Demand

Hawaii's high cost of living, combined with the nation's highest median single family home and second highest condominium prices, result in the third lowest home ownership in the nation. This premium cost of housing puts incredible demand on rental housing, as demonstrated by the City and County's 96% occupancy rate in its housing portfolio and the Honolulu market 1 bedroom monthly room rate average of \$1,570.

Transaction Timeline & Procedure

Solicitation

The Properties are being offered as a complete portfolio and are being offered for lease on an “all cash”, “as is where is” basis. A City Evaluation Committee will select the proposal that is most advantageous to the City, based on all of the evaluation criteria set forth in the City’s Request for Proposals.

Property Tours

Property tours of all 12 Properties will only be conducted on March 6, 7, 13 and 14. Interested parties will be driven to each property by coach and accompanied by members of the CBRE sales team. Touring parties will visit all 12 Properties on the date of their reservation.

Offering Update

A teleconference will be held on March 20th at 9:30 AM HST with all parties that have signed up for the RFP/Offering Memorandum. The conference call in number will be sent to all parties prior to the event. The purpose of the teleconference will be for potential bidders to ask representatives from the City and or its Consultant, questions about the Properties prior to the Proposal Due date. The teleconference will be recorded.

Request for Offers

The Properties are being offered without an asking price. The anticipated “Proposal Due Date” is currently April 13th. CBRE will confirm with interested bidders the Proposal Due Date one week prior to the Proposal Due Date.

Evaluation and Selection of Proposals

Proposals will be evaluated and selected in accordance with the detailed procedures set forth in the Request for Proposals. These procedures involve discussions with the Priority-Listed Proposers determined to have submitted the three best proposals to the City, and may include a round of Best and Final Offers. Discussions will be held at the offices of CBRE, 1003 Bishop Street, Suite 1800, Honolulu, HI 96813. The Priority-Listed Proposers will be given reasonable advance notice of meeting times for discussions.

Tour

The Successful Proposer, at its sole expense, shall fly up three representatives of the City and County of Honolulu to conduct a property tour of similar owned housing projects and will review with City representatives the Successful Proposer’s operations. The tour is estimated to be conducted during the months of May or June 2011.

Title & Escrow

Title Guaranty of Hawaii, Inc., Main Office, 235 Queen Street, 7th Floor, Honolulu, Hawaii will handle the title and escrow services.

Proposal Information

All parties are requested to submit their Proposals, in accordance with the detailed procedures set forth in the Request for Proposals, to the following address:

City and County of Honolulu
c/o Scott B. Gomes (B)
CBRE, Inc.
1003 Bishop Street, Suite 1800
Honolulu, HI 96813

Telephone: 808-541-5188

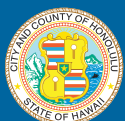
Facsimile: 808-541-5155

E-mail: HAHPI@cbre.com

Proposals may be submitted via facsimile transmission or e-mail on or before the Proposal Due Date. We request original documents be sent to the above address following the facsimile transmission. All Proposals must be accompanied with a detailed explanation of the Proposer’s general ownership and anticipated capital structure, biography of the company or individuals associated with the ownership structure and financial references. Refer to the Request for Proposals for a detailed description of the evaluation criteria and proposal format.

Proposers Obligations

The City and the Consultant shall make available a Due Diligence Library containing vital information from each property including but not limited to title documentation, financial and physical information about the Properties. Proposer shall be responsible to conduct their own review of the Properties.



Honolulu Affordable Housing Preservation Initiatives
Rent Standards and Policies

General Provisions

Income Recertification Required annually for all households occupying rent regulated (non-market rate) rental units.

Income Verification Method Section 8 Income verification method.

Non-Displacement Displacement of any tenant without cause prohibited. Tenants with income in excess of income limits are subject to over income rent provisions below.

Fair Housing Owner and property managers must conform to all Fair Housing requirements.

Over Income Rent Adjustments If during an annual income recertification a tenant shall be found to be over allowable income limits, rent shall be adjusted to 30% of gross income or per HOME Program rules for HOME-designated units during the HOME Compliance period.

Utilities Rent shall be inclusive of all utilities. Rent shall be adjusted for tenant-paid utilities per Section 8 utility allowances published by the City and County of Honolulu.

| Occupancy Standards (Minimum and Maximum Occupants per Unit Type) | <u>Unit Type</u> | <u>Minimum</u> | <u>Maximum</u> |
|--|------------------|----------------|----------------|
| | Studio | 1 | 2 |
| | One Bedroom | 1 | 3 |
| | Two Bedroom | 2 | 5 |
| | Three Bedroom | 3 | 7 |
| | Four Bedroom | 4 | 8 |

Rent Standards – CDBG Units

Applicable Projects Chinatown Manor
Kulana Nani
Pauahi Hale
Winston Hale

Income Limit Households occupying CDBG units shall not earn more than 80 percent of median income for the City and County of Honolulu as determined by the U.S. Department of Housing and Urban Development.

Rent Standards

Rents shall be the Lesser of:

1. The Fair Market Rent for Honolulu as published by the U.S. Department of Housing and Urban Development; or
2. The maximum rental rates for households earning 80 percent or less of median income as published by the Department of Planning and Permitting, City and County of Honolulu

Duration

CDBG rent standards shall apply to all CDBG units for the duration of the lease.

Rent Standards – HOME Investment Partnership Act Units**Applicable Projects**

Bachelor's Quarters
Kanoa Apartments
Kulana Nani
West Loch Village Elderly

Rent Standards

HOME Compliance Period – During the HOME Compliance Period, as defined in the lease, the Lessee shall comply with all HOME Program requirements as stated in 24 Code of Federal Regulations (CFR), Part 92

Post HOME Compliance Period – Lessee shall continue to follow HOME rent restriction for High and Low HOME units as designated in the lease per 24 CFR, §92.252:

Low HOME Unit defined as a unit that is rented to a household whose annual income, upon entry, is no more than 50 percent of the median income for the Honolulu Metropolitan Statistical Area ("MSA"); and is rented at a rent that does not exceed the "Low HOME Rent," including utilities. The "Low HOME Rent" is published annually by the United States Department of Housing and Urban Development (HUD) and is defined as:

1. A rent that does not exceed 30 percent of the annual income of a family whose Annual Income equals 50 percent of the median income for the Honolulu MSA, as determined by HUD, with adjustments for smaller and larger families; or
2. A rent that does not exceed 30 percent of the family's

Adjusted Income. If the unit receives Federal or State project-based rental subsidy and the very low-income family (a family whose household income does not exceed 50 percent of the median income for the Honolulu MSA) pays as a contribution toward rent not more than 30 percent of the family's Adjusted Income, then the maximum rent (i.e., tenant contribution plus project-based rental subsidy) is the rent allowable under the Federal or State project-based rental subsidy program.

High HOME Unit defined as a unit that is rented to a household whose annual income, upon entry, is no more than 60 percent of the median income for the Honolulu MSA; and is rented at a rent that does not exceed the "High HOME Rent," including utilities. The "High HOME Rent" is published annually by HUD and is defined as the lesser of:

1. The fair market rent for existing housing for comparable units in the area as established by HUD under 24 CFR §888.111; or
2. A rent that does not exceed 30 percent of the Adjusted Income of a family whose annual income equals 65 percent of the median income for the Honolulu MSA, as determined by HUD, with adjustments for number of bedrooms in the unit.

All other HOME Program requirements shall no longer apply.

Rent Standards – City affordable Housing Projects Not Subject to CDBG or HOME Rent Restrictions

Applicable Projects

Chinatown Gateway Plaza
Harbor Village
Manoa Gardens
Marin Tower
West Loch Elderly

Income Limits

Rental units designated for occupancy by low and moderate income households shall be occupied by households earning 80 percent or less of median income.

Rental units designated for occupancy by gap group households shall be occupied by households earning

between 81 percent and 120 percent of median income.

Rent Standards

Rental rates for units designated for occupancy by low and moderate income households shall be the lesser of

1. The Fair Market Rent as published by the U.S. Department of Housing and Urban Development; or
2. The maximum rental rates for households earning less than 80 percent of median income as published by the Department of Planning and Permitting, City and County of Honolulu.

Rental rates for units designated for gap group households earning between 81 percent and 120 percent of median income shall be the maximum rental rates for households earning less than 120 percent of median income as published by the Department of Planning and Permitting, City and County of Honolulu.

Current Rent Limits

As published by the
Department of Planning
and Permitting
10/1/2011

For rental units designated for occupancy by low and moderate income households earning 80 percent or less of median income:

Studio: \$1,235
One Bedroom - \$1,449
Two Bedroom – \$1,787
Three Bedroom – \$2,564
Four Bedroom – \$2,870

For rental units designated for occupancy by gap group households earning between 81 percent and 120 percent of median income:

Studio: \$1,836
One Bedroom - \$1,958
Two Bedroom – \$2,313
Three Bedroom – \$2,634
Four Bedroom – \$2,938