**Questions about the Honolulu Affordable Housing Preservation Initiative Sale**

Items to Consider:

* Due diligence was over December 16th, and as yet Honolulu Affordable Housing Preservation Initiative (HAHPI) has not applied to Hawaii Housing Finance and Development Corporation (HHFDC) for financing or made a formal proposal to HUD. Why did the city and HAHPI say they needed the council approval in October? Was it because they needed to get their application in to HHFDC before the new tax credit applications are submitted? Apparently, Council was misled. The other item discussed was that interest rates could go up, which has not happened.
* What extra items have been added that the City has to cure (Objection Notice) now that the due diligence inspection is over? And who has seen the list? If the City does not agree to extra items, the contract might be cancelled unless the buyer waives items. What is the additional cost to the city? Are any of the items so significant which could cause the deal to fall through?
* Based on Federal regulation, HUD cannot approve the payoff of the CDBG, so where does that leave HAHPI’s bid?
* HHFDC, even prior to receiving an application, already had a problem with the proposal (December Board meeting).
* If HHFDC were willing to eliminate workforce housing—which is doubtful, what are the chances HHFDC would agree to allocated bond authority and tax credit?
* Does the HAHPI proposal need additional state funds to close the finance gap? And are funds available?
* Assuming HHFDC agrees to do the deal, how long would it take to close the transaction and fund the City’s proceeds? Based on the closing of the last few projects, it has taken between one to two years from approval.
* The city official in charge of the sale has left, so who is accountable now?
* Did someone influence the selection committee by misrepresenting the facts? Were any instructions given to the selection committee, and if so, what were they?
* What did the summation of the bids by CBRE say? Did it skew the vote?
* Why was the scoring system kept private until *after* the bid was awarded?
* Has the Council seen the final scoring and the other bids yet?
* Why is there not a provision that would cancel the HAHPI contract in the event HHFDC does not approve financing?
* The Request for Proposal stated, “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.” Now, the buyer (HAHPI) can back out any time, up until right before the closing, if they can’t secure the financing with no penalty whatsoever. All the other qualified offers were required to put five million dollars up that became non-refundable after due diligence.
* In the scoring system used by the evaluation committee, how was the financial capacity scored?  The winning bid is conditional on their being able to secure financing, which should have disqualified their bid.
* Why were the timeframes (closing and deposit) dictated in the Request for Proposal (RFP) but then ignored in subsequent documents in selecting the winning offer?
* Under the proposed condominium regime structure, what happens if there is a default on one of the regimes that forces a default on the ground lease with City and County of Honolulu (CCH)?  Will CCH end up owning only a part of the building?
* Who will be the owners of each of the condominium regimes (HAHPI ownership structure)? Will each of the partners of the winning entity have similar ownership in each of the condominium regimes? Or is this a shell game?
* Who is at risk of displacement? Has the city come forward with an analysis? Whose rent will increase and by how much? This is a very simple analysis and the City has all the data. This was to be completed by end of due diligence (December 2012).
* What happened to the “Displacement of any tenant without cause is prohibited” that ended up being “Buyer shall have the right after closing to relocate current residents who occupy apartment units that are included in the Affordable Rental Housing Component, whose household income exceeds the applicable income limitation qualifications for apartment units in the Affordable Rental Housing Component, to comparable apartment units in the Market Rental Housing Components”? Both HUD and HHFDC have a displacement rule.
* Does anyone realize that the Rental Assistance Program is not able to help those that are displaced whose income exceed 80% AMI, and that the amount of assistance is only $170 per month? Some rents for eligible residents will increase over $700 per month. A financial analysis needs to be done to understand the limitations of the program and how it applies to current residents.
* As soon as the city council approves the current lease and purchase contract, no one over 60% Area Median Income (AMI) will be allowed to rent these units anymore. This means, long before the extended closing date, the population of these properties will have changed and it will be more difficult to sell the units or undo the mess that was created.
* If the current Mods and Gaps are now considered market rate units, their rent increases are only restricted to 5 years. Also, does the Council understand that students can live in market rate units as well as section 8 residents?
* The removal of workforce housing, especially in Chinatown, will cause the neighborhood to deteriorate and 30 years of work to upgrade the area will be wasted. The community is opposed to this concept and has made it clear that they do not want any more low and very low-income housing.
* What promises were made to the community when these properties were developed in Chinatown; and was there a special assessment district formed?
* What ordinance approved construction and what was said about the projects? Was the community promised to keep these units as mixed income housing 80-239-(3,4) and other Bills)?
* What did the CDBG application say for receiving the grants to help finance these properties? Where are copies of the applications?
* What follow-up by the new administration (and City Council since October) has been completed? Since nothing has happened with the sale and most likely won’t, what should be done? The city is losing $19,000 per day. Who is going to cover these losses? If the deposit had been nonrefundable as required in the RFP, it could offset some of the loss by the time it takes to close a new proposal.
* The elimination of the workforce housing is the problem with selling the City portfolio and trying to finance with HHFDC. A sale could still occur this year by either going to the second highest bidder (quickest) or re-bidding to a short list of the 3-5 bidders that had the top offers (2ND quickest). The leasing of these units does not follow any procurement laws, so an offer and sale could happen quickly.
* A copy of the Special City Council meeting in October that approved the sale to HAHPI is available online, and it is worth playing back to see all the promises and mistruths that were made.

**Hawaii Housing Alliance**

**Please go to our web for additional document regarding the sale: www.HawaiiHousingAlliance.org**