

**STATE PROCUREMENT OFFICE  
NOTICE OF REQUEST FOR EXEMPTION  
FROM HRS CHAPTER 103D**

15 OCT 30 P12:28

ADMINISTRATION  
STATE PROCUREMENT OFFICE  
STATE OF HAWAII

TO: Chief Procurement Officer

FROM: DBEDT / Hawaii Housing Finance and Development Corporation  
Name of Requesting Department

Pursuant to HRS § 103D-102(b)(4) and HAR chapter 3-120, the Department requests a procurement exemption for the following:

1. Describe the goods, services or construction:  
Contractor will provide real estate consulting services relating to a restructuring and preservation (via the issuance of long-term ground leases) of HHFDC's Rental Housing System (RHS) portfolio. The portfolio comprises six affordable rental housing and mixed-use properties with 1,221 residential units plus over 100,000 square feet of commercial space. The scope of services includes: 1) updating property due diligence; 2) updating property financial models and related leasehold valuation scenarios; 3) leasing of newly vacant commercial space to maximize leasehold value to HHFDC; 4) assistance with the preparation of HHFDC's RFP for long-term leasehold interests in the portfolio; 5) preparation of an industry-standard Offering Memorandum to be incorporated as an exhibit to the RFP; 6) assistance throughout the RFP process; 7) assistance with the successful offeror's due diligence; 8) assistance with negotiations of transaction documents; and 9) assistance with transaction closing.

2. Vendor/Contractor/Service Provider:	CBRE, Inc.	3. Amount of Request:
		\$ 192,000
4. Term of Contract From: 12/1/2015 To: 11/30/2017	5. Prior SPO-007, Procurement Exemption (PE):	

6. Explain in detail, why it is not practicable or not advantageous for the department to procure by competitive means:  
See attached Exhibit "A".

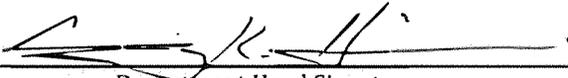
7. Explain in detail, the process that will be or was utilized in selecting the vendor/contractor/service provider:  
HHFDC conducted an RFP in 2012 and awarded a contract to the sole respondent, CBRE. CBRE has completed Phase I of the current contract, which expires on November 30, 2015. HHFDC is seeking this exemption in order to execute a new contract with CBRE that will allow CBRE to complete the second and final phase of the current contract, which contemplates marketing the RHS portfolio and its various components for sale via leasehold interests.

8. Identify the primary responsible staff person(s) conducting and managing this procurement. (Appropriate delegated procurement authority and completion of mandatory training required).

\*Point of contact (Place asterisk after name of person to contact for additional information).

Name	Division/Agency	Phone Number	e-mail address
Krystal-Lee Tabangcura*	DBEDT/HHFDC	587-3179	krystal-lee.k.tabangcura@hawaii.gov

*All requirements/approvals and internal controls for this expenditure is the responsibility of the department. I certify that the information provided above is, to the best of my knowledge, true and correct.*

  
\_\_\_\_\_  
Department Head Signature

10/28/2015  
Date

**For Chief Procurement Officer Use Only**

Date Notice Posted: 11.2.15

Inquiries about this request shall be directed to the contact named in No. 8. Submit written objection to this notice to issue an exempt contract within seven calendar days or as otherwise allowed from date notice posted to:

[state.procurement.office@hawaii.gov](mailto:state.procurement.office@hawaii.gov)

Chief Procurement Officer (CPO) Comments:

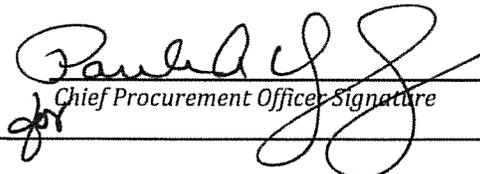
This request is returned with no action required by the CPO as the department has requested to withdraw its request and will conduct a competitive procurement for the services needed.

If there are any questions, please contact Donn Tsuruda-Kashiwabara at 586-0565 or [donna.tsuruda-kashiwabara@hawaii.gov](mailto:donna.tsuruda-kashiwabara@hawaii.gov).

Approved

Disapproved

No Action Required

  
\_\_\_\_\_  
Chief Procurement Officer Signature

1.12.2016  
Date

**Form SPO-007**  
**Notice of Request for Exemption from HRS Chapter 103D**  
**Real Estate Consulting Services Relating to HHFDC's Rental Housing System Portfolio**

**Exhibit "A"**

The current real estate consulting services contract for HHFDC's Rental Housing System (RHS) portfolio expires on November 30, 2015. The contract was awarded to CBRE in 2012 through the Competitive Sealed Proposals procurement method. CBRE was the sole respondent to HHFDC's Request for Proposals (RFP).

Under Phase I of the current contract, CBRE completed extensive due diligence on the RHS portfolio, including site inspections; market analyses; and a review of property financial statements, budgets, rent rolls, operational documents, and various third-party reports. CBRE also prepared financial models to generate various valuation scenarios and restructuring/preservation strategies for HHFDC. Phase II of the current contract, which contemplated marketing the portfolio for leasehold sale via RFP, was delayed due to significant changes in the composition of HHFDC's Board of Directors and other externalities. The scope of services for the proposed new contract with CBRE entails an update only of the current contract's Phase I work plus proceeding with the Phase II work.

To comply with HRS Chapter 103D, HHFDC would have to conduct an RFP process. However, an RFP is neither practicable nor advantageous to the State at this point due to the following reasons:

- (1) The State has already invested a significant amount of time and resources in the current contract with CBRE.** Should the State conduct a new RFP and an offeror other than CBRE be selected, many of the services already completed in Phase I of the current contract will need to be duplicated. Such duplication of previously completed services will present a financial burden to the State. (Phase I of the current contract cost the State \$396,229.)
- (2) CBRE has developed deep institutional knowledge of the RHS portfolio over its three-year involvement with the HHFDC contract.** CBRE was the sole respondent to HHFDC's 2012 RFP for real estate consulting services and has developed deep institutional knowledge of the RHS portfolio over its three-year involvement with HHFDC, having completed Phase I of the current contract. CBRE has conducted extensive due diligence into the properties, having gathered and analyzed vast amounts of data which have been input into CBRE's proprietary valuation system to determine sales scenarios and strategies specific to HHFDC's RHS portfolio.
- (3) An RFP will also cause a significant delay in HHFDC's execution of its planned RHS portfolio restructuring and preservation.** Conducting the RFP would take approximately three months, and duplication of the Phase I work should an offeror other than CBRE be selected is estimated to take between three and six months. Such delays would subject HHFDC to unnecessary capital market and transaction execution risk. Interest rates are near historical lows, and equity capital to invest in affordable housing is currently abundant. Should capital market conditions materially weaken, RHS portfolio transaction proceeds to HHFDC could decrease by up to \$25 million under the current base-case scenario. Should there be a materially adverse change in capital market conditions, HHFDC may be unable to execute its RHS portfolio restructuring and preservation strategy.

PE16-024D

HHFDC's inability to execute a transaction would negatively impact necessary repairs and planned upgrades at its six affordable housing properties, affecting over 1,200 affordable housing units.

In summary, an RFP for RHS real estate consulting services is not practicable, as the outcome will not be useful to the State. An RFP is also not advantageous, as it will present financial burden and risk to the State.

PE16-024D