

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

'11 OCT 17 A9:59

STATE PROCUREMENT OFFICE
STATE OF HAWAII

TO: Chief Procurement Officer

FROM: DBEDT / HHFDC
Name of Requesting Department

SUBJECT: Request for Exemption

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 be responsible for the interim operation, management, and maintenance of the Honokowai Kauhale affordable rental housing project in Lahaina, Maui for approximately six months. The rental property consists of 184 tenant units.	
2. Vendor/Contractor Name : Hawaii Affordable Properties, Inc. <i>3/31</i> <i>HR</i>	3. Amount of Request: \$ 450,000 <i>375,000</i> <i>HR</i>
4. Term of Contract: From: 10/17/2011 To: 4/30/2012	5. Prior Exemption Reference No.: N/A
6. Explain in detail, why it is not practicable or not advantageous for the department to procure by competitive means: SEE ATTACHED	
7. In selecting the vendor/contractor, explain in detail, the process the department will utilize to maximize fair and open competition:	

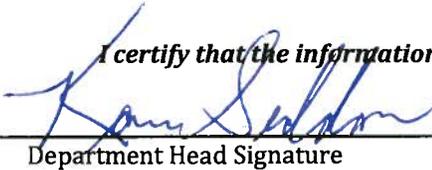
In the next six months, HHFDC will develop and issue a request for proposals (RFP) to solicit a new permanent property management contractor at the Honokowai Kauhale rental project. The RFP process will be conducted in accordance with HRS 103D and will therefore be publicly posted and made available to all interested parties. Once proposals have been submitted, an evaluation committee of at least three (3) qualified state employees will be appointed by the Executive Director of HHFDC to evaluate the proposals. A new contract will be awarded to the highest responsive, responsible proposer who provides the best value to the state in terms of price and other applicable criteria.

8. Identify the primary individual(s) who is knowledgeable about this request, who will conduct and manage this process and has completed mandatory training. (Type over "example" and delete cells not used)

Name of Department Personnel	Division/Agency	Phone Number	e-mail address
Karen Seddon, Executive Director and Procurement Officer	DBEDT/HHFDC	587-0641	karen.s.seddon@hawaii.gov
Krystal-Lee Tabangcura, Procurement Specialist	DBEDT/HHFDC	587-3179	krystal-lee.k.tabangcura@hawaii.gov

9. The department shall ensure adherence to applicable administrative and statutory requirements, and all requirements, approvals, and internal controls for this request are 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

OCT 17 2011

Date

For Chief Procurement Officer Use Only

Date Notice Posted

10-17-11

Submit written objections to this notice to issue an exemption from Chapter 103D, HRS, within seven calendar days or as otherwise allowed from date notice posted to:

Chief Procurement Officer
 State Procurement Office P.O.
 Box 119 Honolulu, Hawaii
 96810-0119

10. Chief Procurement Officer (CPO) Comments:

REQUEST FOR EXEMPTION

PROPERTY MANAGEMENT SERVICES AT HHFDC RENTAL HOUSING PROJECT

6. Explain in detail why it is not practicable or not advantageous for the department to procure by competitive means:

A series of newspaper articles published from August 22, 2011 through October 4, 2011 raised concerns from residents, former employees, and state legislators about the property management staff ("Contractor") and site conditions at one of HHFDC's affordable rental housing projects. HHFDC therefore commissioned an external consultant to conduct an independent compliance audit of the management company overseeing the project. Based on the audit report dated September 23, 2011 that resulted from the compliance audit, HHFDC determined that the Contractor was not in compliance with its contract. On September 28, 2011, HHFDC gave the Contractor a 10-day Notice to Cure to take corrective action as prescribed by the contract. The Contractor failed to provide a satisfactory cure and HHFDC is therefore terminating the contract effective October 17, 2011.

Upon termination of the Contract, HHFDC will need a new property manager to immediately take over operation and management of the rental housing project. Management and maintenance staff need to be onsite daily at the housing complex to ensure proper care and maintenance of the project, and to ensure that vital services such as water, electricity, and sewage are not interrupted. The specialized scope and estimated dollar amount of the services involved require the use of a Request for Proposals (RFP) process to procure a new contract in accordance with HRS 103D. However, an RFP process will take HHFDC several months to complete due to administrative requirements and significant staffing changes in HHFDC's Asset and Property Management Branch, which procures and administers HHFDC's property management contracts.

To comply with HRS 103D, HHFDC would need to conduct an RFP process. However, given how quickly the situation has escalated, and the fact that some of the approvals and administrative channels HHFDC will need to navigate in order to complete the RFP process rely on external forces out of HHFDC's control, it would not be practicable or advantageous for HHFDC to begin an RFP for the services at this time because it would take months to complete and the housing project cannot go without such vital services on a daily basis. Furthermore, one of two key staff members responsible for procuring and administering the property management contracts for all of HHFDC's rental properties is no longer with the agency and the new Asset Manager now assuming the responsibility of procuring the new contract was only recently hired on September 1, 2011. The new Asset Manager needs additional time to reassess and redevelop the agency's specifications for property management services in light of the current situation.

Given the immediate need for property management services and the lengthy period required to solicit a new contract, it would not be practicable or advantageous for HHFDC to procure by competitive means ***at this time***. An RFP process in compliance with HRS 103D would take months to complete, but the housing project requires these vital services on a daily basis. HHFDC is therefore requesting a ***temporary*** exemption from the competitive procurement requirements in HRS 103D to hire an interim property management company with specialized knowledge of State affordable rental housing requirements to immediately take over management and operation of the project in the interim period HHFDC would need to adequately develop and conduct a formal solicitation process to award a new contract.