

Email from MD Shinn to Honolulu City Council

EMLA Chair Menor, Council Chair Martin, Members:

This is to advise you that the Buyers of the HAHPI properties have terminated the transaction by letter dated January 23, 2014 (attached).

By way of background, the following describes the sequence of events leading up to the Buyer's decision to terminate the deal. After listening to comments made by council members during the EMLA meeting held on January 14, 2014, the City issued a letter on January 16, 2014 (attached) to the Buyers outlining the essential terms needed by the City in order to consider seller financing. That letter stated that among the terms deemed essential, the Buyer would be required to pay the City \$35 million at the March 31, 2014 closing which would be nonrefundable even if the Buyers failed to achieve permanent financing within six months. This amount was required after in depth review in which the City learned that the March 31, 2014 closing would trigger tax consequences due to defeasance of the City's bonds and the City would be unable to carry such costs in the absence of a minimum amount of cash payment on March 31, 2014. Upon receipt of the City's January 16th letter, the Buyers asked for an extension of time to respond to January 23, 2014, to which the City agreed.

The Buyer's response states: "...we have concluded that it is also not possible for HAHP LLC to satisfy the City and County's requirements for the seller-financing that the City and County has proposed in order for the transaction to close by March 31st of this year. .. HAHP LLC has no choice other than to advise the City and County that the transaction must be terminated."

The Buyer is entitled to a return of the \$5 million deposit held in escrow and has stated that it is open to discussions regarding the potential disputes between the parties relating to the transaction. The City is also open to an amicable resolution of this transaction.

Yesterday, the administration filed a proposed ordinance seeking approval to issue an RFP to lease the HAHPI properties. We asked the Council Chair to schedule this proposed bill for first reading on January 29, 2014. We intend to move forward as expeditiously as possible to secure a buyer for these properties. We will be advising other bidders that the RFP authorized by Ordinance 12-12 is cancelled and terminated pursuant to the terms of the RFP.

If you have any questions, please do not hesitate to contact me. A press release with a copy of this document will be issued in response to the media requests.

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