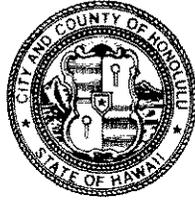


DEPARTMENT OF COMMUNITY SERVICES
CITY AND COUNTY OF HONOLULU

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MAYOR



May 13, 2009

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DEBORAH KIM MORIKAWA
DIRECTOR

CITY COUNCIL
HONOLULU, HAWAII

ERNEST Y. MARTIN
DEPUTY DIRECTOR

The Honorable Nestor Garcia, Chair
and Members of the Budget Committee
Honolulu City Council
530 South King Street, Room 202
Honolulu, Hawaii 96813

Dear Chair Garcia and Councilmembers:

Subject: Budget Communication 20
Council Budget Hearing Questions

This is in response to Budget Committee questions of April 28, 2009, regarding the River Street Residences project.

Question 1: In light of the present economic conditions and the projections for FY 2011, please provide the committee with an explanation of the feasibility and likelihood of a non-profit being able to leverage the estimated \$10.5 million investment by the City to construct and operate the department's planned River Street project.

Answer: The DCS believes that this project is even more feasible given the present economic conditions. In a peak market, the construction industry is able to command higher fees and can be very selective about the jobs they choose. The ability to develop this project at the most reasonable cost exists now. Furthermore, the City for a limited time, has Section 8 vouchers that could be allocated for a project based voucher program, which would make the operational costs of this project most feasible.

We further note that the cost to government of providing affordable housing and services to people experiencing homelessness is significantly less than the costs associated with the same individuals revolving in and out of the criminal justice system and our emergency rooms. The DCS has continued its dialogue with nonprofit agencies who could potentially develop and/or operate the River Street Residences. Support to move this project forward is still strong.

The DCS requested the appropriation of funds from the City's Affordable Housing Fund (AHF) as a necessary first step to demonstrate the City's commitment to the successful development of this much needed housing project that is intended to address the homelessness that has embedded itself in the downtown and Chinatown

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area. The ultimate feasibility test of the interest in this project will rest in the responses to a Request for Proposals for the development and operation of the River Street Residences.

The DCS appreciates the City Council's AHF appropriation for this project, as the appropriation signifies the City's commitment to the full and successful development of the project, and will encourage the submission of responsive proposals from non-profit agencies for the development and operation of the project.

Question 2: Has the Department conducted an RFI or RFQ as yet to determine outside interest in pursuing this project to completion? If not, are there plans to do so in the near future?

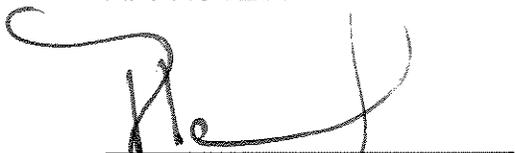
Answer: DCS conducted an informal request for information and took into consideration all comments and concerns expressed by the consulted parties in the draft RFP for the project. We are also continuing our dialogue with the community regarding the project and the forthcoming RFP. Our next community meeting has been scheduled for May 20, 2009 at 6:00 p.m. at Beretania Community Park. The purpose of the community meeting is to update the community on the status of the project, and to continue our conversation with the community regarding their issues, questions, and concerns. DCS hopes to issue the RFP for the development and operation of the River Street Residences at the conclusion of our community consultation process.

DCS appreciates the opportunity to provide these responses to your inquiry. Please do not hesitate to contact me should you have any further questions regarding this matter.

Sincerely,


Deborah Kim Morikawa, Director
Department of Community Services

APPROVED:


Rix Maurer III, Director
Budget and Fiscal Services

APPROVED:


Kirk W. Caldwell, Managing Director
Office of the Mayor