

CAPTAIN, HUTAPEA & ASSOCIATES

REAL ESTATE APPRAISAL & CONSULTING

September 8, 2008

Doris Flores Brooks, CPA
Office of the Public Auditor
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PROCUREMENT APPEALS

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Dear Ms. Brooks:

Subject: Final Letter Regarding Appeal on Notice of Protest Decision, RFP
GHURA - RP & E - 08 - 002 - Guam Comprehensive Housing Study
Award Appeal

We wish to thank the Office of the Public Auditor for its efforts in the matter of our appeal. We expect that this will be our final letter in this matter. As you know, we felt obligated to file the appeal, our first in over a decade in business on Guam, because the local environmental company selected over our real estate consulting firm has, to our knowledge, no real estate consulting experience and no real estate market data. We believe that the contract award involves significantly more than just a subjective grading issue and suggest that "Guam-only" related matters could have resulted in a flawed RFP or judging.

The local environmental company's lack of market data is particularly relevant considering that on Guam, there are no complete public or private sources available for housing market statistics. The selection of a firm with no market data and no access to a complete source of housing market data for Guam is fundamentally flawed. Our firm has completed over 150 real estate consulting, research and other studies (not appraisal) for private firms including Goldman Sachs, Arthur Anderson, Deutsche Bank, CB Richard Ellis, Citigroup, Standard & Poors and Moody's, as well as public institutions including the US Army Corps of Engineers, Federal Home Loan Bank, US Department of State and many others.

We believe that we are the only qualified firm to complete this study and the lack of proposals submitted to complete this work (other than the local environmental company selected) supports this opinion. The issue of qualifications however, is highly subjective and we recognize that it is especially relevant with respect to a real estate consulting assignment. Housing studies are by their very nature real estate consulting reports and the term "consulting" typically raises the nebulous and over-priced red flags. The basis of our appeal is entrenched in the fundamental composition of real estate consulting and what comprises adequate qualifications necessary to provide such services (in addition to the number and type of real estate consulting clients previously worked for).

The National Association of Realtors ("NAR") is the largest real estate organization in the United States with over 1,250,000 members. Under the NAR umbrella, only one-tenth of one percent of its members have been invited to call themselves Counselors of Real Estate ("CRE"). According to the Counselors of Real Estate, designated CRE's have shown that they provide meaningful professional real estate counseling services and that their counsel is sought and valued by clients/ employers; they are recognized for excellence as advisors and must be highly regarded for their integrity, judgment and knowledge; and they have practical experience in real estate for at least ten years, two of which must be in real estate counseling. Mr. Captain worked extremely hard to obtain the CRE designation and he remains the only individual based in Micronesia to hold this prestigious level of recognition. We are not aware of any professional real estate designations, CRE or otherwise, awarded to the individuals selected to complete this important housing study. Thank you for allowing us to provide these final comments.

Scope of Work - Our real estate consulting track record supports that GHURA's suggestion of a scope of work misunderstanding on our part is completely without basis. We agree with GHURA that the forecast and projections resulting from the proposed Housing Study must be valid for more than five years, which highlights the need for comprehensive, accurate and up-to-date market data. Guam is unique in that comprehensive real estate market data is not available from any public or private sources. The local environmental company was selected as best offeror even though they had no market data and no identified source of market data. Will HUD be satisfied with a Housing Study based on incomplete or flawed data? We believe that the market data issue alone suggests the need for serious questions in the RFP and selection process.

Experience/Expertise of Offerors - We agree with GHURA that the Housing Study is a detailed research and consulting project involving an analysis of the effect of population growth on future demand for housing. One must wonder how could adequate projections be provided without comprehensive market data for past demand for housing? In typical mainland markets, there are sources to obtain data on real estate transaction activity; however, that is not the case on Guam.

According to the Counselors of Real Estate, real estate counseling is not a specific discipline such as brokerage, management or appraisal. Rather, real estate counseling is a process - one that requires extensive knowledge, technical competency, thoughtful analysis and critical inquiry. It is illogical for GHURA to argue that real estate consulting experience is not required to conduct the housing study. Clearly there is a serious misconception of what real estate consulting is, and what experience comprises an adequate background to provide services as a real estate consultant. We suggest that professional qualifications, number and type of clients served, practical experience, along with market data and other factors would be relevant. This does not appear to have been the case in the selection process.

Although the local environmental company's Hawaii-based subcontractor offers some non-Guam real estate consulting experience, we have completed many of the same studies referenced here on Guam. We admit that we do not have 20 or 30 Hawaii-based experts lined up to assist us for this work; instead, we would hire 7 to 10 locals to assist, with up to 5 permanent jobs created at our firms. We can't help but to seriously question the selection of a firm with no real estate consulting experience, but relies entirely on the subcontractor which claims to have all of the real estate consulting experience necessary for the work.

Data Requirements - If a comprehensive source of complete and accurate real estate market data was not a requirement to complete this study, we suggest that the RFP process was flawed. Although a 100 percent capture may not be essential, one must wonder what percentage rate is required. Is the 40 percent of sales provided under Multiple Listing Service adequate? GHURA's reference to "Existing, published data will provide the major basis for the community housing profile" again suggests that the RFP process may be flawed because no sources of published housing transaction data (other than ours) are available on Guam.

Qualifications of Team Members - Our qualifications with respect to real estate consulting are unmatched in the region. We believe that the lack of responses to the RFP was directly related to our recognition as the leading real estate consultants in the Western Pacific. Our team members hold real estate related professional designations (CRE, FRICS, MAI), education credentials (Master of Real Estate), expert witness, publication, public recognition and other qualifications that the local environmental company representatives do not offer. The local environmental company's real estate experience, to our knowledge, is limited to aircraft noise related needs, a far cry from the depth of our experience necessary to complete a housing study. Our experience on Guam related social issues also far exceeds that of the selected firm.

The subject of personal bias was mentioned previously only because this was brought to our attention by a reliable source and we believe that all relevant issues should be disclosed to the OPA. Personally, I do not believe that personal bias occurred and the matter could be dismissed easily by a review of the scoring.

The premise of our appeal is that the award of a housing study to a local environmental company with no real estate consulting experience and no real estate market data is so completely outrageous and flawed that GHURA's award must be vacated. We do not believe that GHURA has adequately proved that PCR Environmental is more qualified than our firm to provide the RFP's services. We await your decision.

Sincerely,

CAPTAIN, HUTAPEA & ASSOCIATES



W. Nicholas Captain, MAI, CRE, FRICS
President



Siska S. Hutapea, MAI, MRE
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cc: Ronald S. De Guzman
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