

DATE: OCTOBER 23, 2006

TO: PASADENA COMMUNITY DEVELOPMENT COMMISSION

FROM: CYNTHIA J. KURTZ, CHIEF EXECUTIVE OFFICER

**RE: REQUEST FOR PROPOSALS - HERITAGE SQUARE MIXED-INCOME,
MIXED-USE SENIOR HOUSING DEVELOPMENT; 25 E. ORANGE GROVE
BOULEVARD AND 710-790 N. FAIR OAKS AVENUE**

RECOMMENDATION:

It is recommended that the Pasadena Community Development Commission ("Commission") approve the issuance of the Heritage Square Request For Proposals (RFP) in accord with the design and development parameters identified in Exhibit A.

BACKGROUND:

In February, 2004, the Commission acquired the Heritage Square Site (Site A) located at 730-790 N. Fair Oaks Avenue (8 contiguous parcels totaling 2.08 acres), via purchase options secured by Simpson Housing Solutions, LLC. Following Simpson's inability to obtain financing for the proposed Heritage Square Mixed-use senior rental housing project in September, 2004, the Commission has continued to lease and manage Site A pending the implementation of a new development.

Beginning in January, 2005, staff, in conjunction with the Fair Oaks Project Area Committee, initiated a detailed design/development analysis of both Site A and the remaining properties on the block – 710-722 N. Fair Oaks Avenue & 25 E. Orange Gove Boulevard (Site B). Staff devised and presented to the Committee a range of development scenarios for consideration including a public workshop convened by the Committee on April 26, 2005 to solicit community input. Subsequently, at its meeting on May 31, 2005, following the community workshop, the Committee stated to staff its preference for the coterminous development of Site A & B as an integrated mixed-income, mixed-use senior housing development (ownership & rental) with commercial office/retail. The preferred elements were as follows:

- Senior housing preferred over family housing.
- Rental housing should dominate over ownership housing with a mix of 80% rental units and 20% ownership units.
- Mixture of affordable, workforce, and market rate housing units to achieve/enhance the financial feasibility of the development and provide units for workforce households.

- Expansion of the development site to include 710-722 N. Fair Oaks Avenue and 25 E. Orange Gove Boulevard.

REQUEST FOR PROPOSALS

Working with city staff, local planning and design consultants, staff prepared an RFP utilizing a building program reflective of the preferences which emerged from the community input process. Based on the preferences the proposed development concept consists of 3 on-site components: a) Ownership housing (lease-to-own); b) Mixed-use rental housing with ancillary commercial and community space and c) Mixed-use commercial which incorporates the Church's Chicken franchise and retail/office space. The housing component consist of no less than 110 newly constructed units which represents a mixture of affordable, workforce and market rate units (Exhibit B). Additionally, the existing Historic Decker House shall be relocated from Site A and renovated on an alternate site within the city.

Although, housing affordability was established to benefit all income groups the RFP requires the proposed development to restrict 65-80% of the units to senior citizens (55 years of age and above). The remaining units (20-35%) will be targeted to households who do not otherwise meet the senior citizen age requirements. The proposed mix was based on the increasing affordable housing needs of the city's aging population, the absence of housing for Pasadena workers who can no longer affordable market rate housing costs and a commitment to retaining mixed-income communities.

Assuming the proposed development includes both Site A and Site B, the residential component could contain a maximum of approximately 149 housing units (given the provision of a 35% density bonus), and must provide an acceptable unit mix. As presented below, the stated percentages are provided as a preferred range of housing affordability pursuant to the Committee's stated preference with the understanding that developers who respond to the RFP may exercise flexibility in their proposal for both the unit tenure and unit income mix:

Unit Tenure

- 65%± of the total units available for rental;
- 35%± of the total units available for homeownership;

Unit Income Mix

- 25%± of the rental units available for very low income households;
- 10%± of the ownership units available for low income households;
- 25%± of the rental units available for households with workforce and market rate incomes;
- 70%± of the ownership units available to households with workforce and market rate incomes.

The commercial component of the proposed development would include 20,000 square feet of commercial space (retail and/or office) and 2,000 square feet of community space. Preference for the occupancy of the commercial space will be provided to existing local businesses within the city.

Outreach for the RFP will be made to developers/contractors identified in Housing and Community Development's mailing lists; developers/contractors identified in the City's "First Source Hiring Program" mailing lists; the construction industry (Dodge Report); and the general public (public notice in local & jurisdictional newspapers). A pre-bid conference will also be scheduled. The deadline for developers to submit proposals in response to the RFP is December 15, 2006.

The developer selected through the RFP process would be required to enter into an Exclusive Negotiations Agreement with Commission, pursuant to which the terms and conditions of an affordable housing disposition and development agreement would be negotiated.

DEVELOPMENT COST AND PROJECT FINANCING

Estimated total development cost ranges between \$25 – 30 million subject to the approved project: Site A acquisition and relocation (\$5.6 million); Site B acquisition, tenant relocation, fixtures & equipment, and goodwill costs (\$3 million); Construction costs (\$17-22 million);

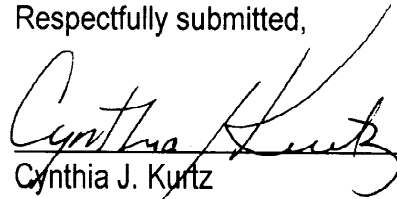
Proposed Commission loan assistance is approximately \$8.6 million. Other financing sources (\$17-22 million) include New Market Tax Credits, Low Income Housing Tax Credit Equity, Conventional Loan, County of Los Angeles "City of Industry" Funds, Federal Home Loan Bank "Affordable Housing Program" Funds, State HELP and Workforce Reward funds, Developer equity and conventional financing including retail/office space rental.

These funding sources have been/will be aggressively pursued by staff to address any potential financial gaps in the proposed development. A major component will be the use of New Market Tax Credits, which was an integral funding source for the Fair Oaks Court affordable housing ownership project located two blocks south of the Heritage Square site. Staff has discussed the proposed Heritage Square development with two New Market Tax Credits allocatees -- Affordable Housing Clearinghouse and Genesis L A, both of which expressed a high degree of interest in participating in the financing of the proposed development. Other financing sources have also been explored by staff, including State Low and Moderate Income Housing Tax Credits (4% tax credit) and Multi-family Housing Program, Los Angeles County City of Industry Housing Program, Affordable Housing Program and local conventional construction lenders. However, the financing and associated City/Commission assistance for the development remain subject to the selected design/development program and subsequent exclusive negotiations including a detailed financial analysis by the Commission's economist.

FISCAL IMPACT:

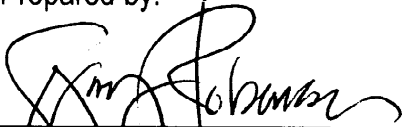
To date, the City/Commission has approved the expenditure of approximately \$8.6 million for the related acquisition, relocation and demolition costs associated with the purchase of both Site A and B. Approval of the subject recommendation to issue the Heritage Square RFP will have no immediate additional fiscal impact on City or Commission funds. However, the development financing and associated fiscal impact on City/Commission resources remain dependent on the preferred design/development program and resultant exclusive negotiations with the selected developer.

Respectfully submitted,



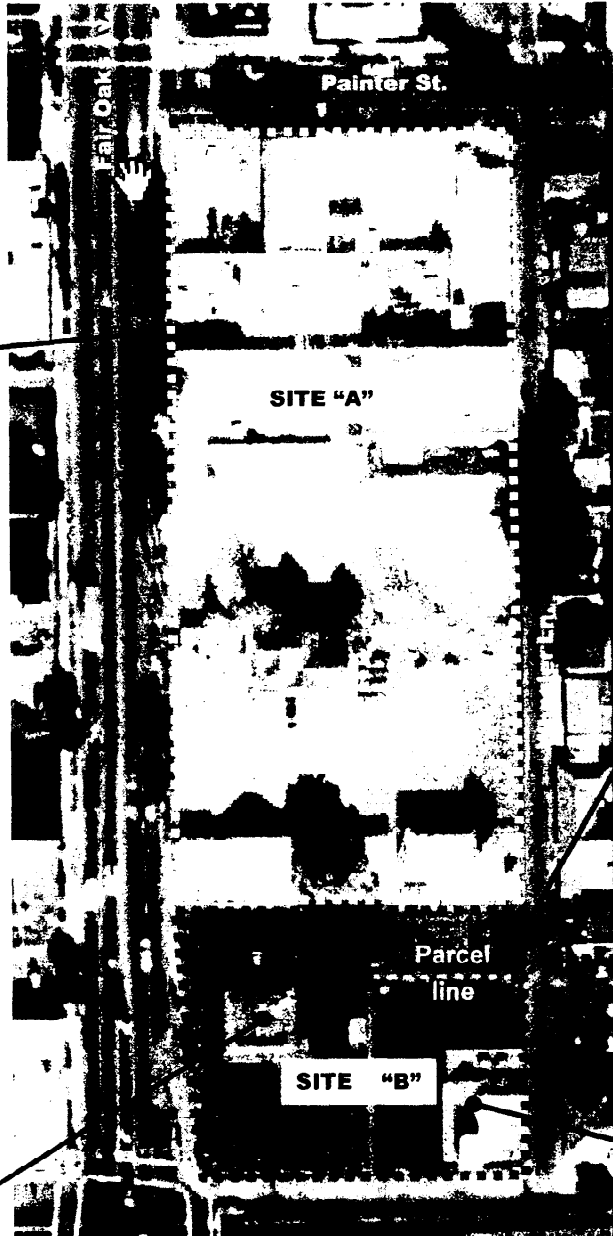
Cynthia J. Kurtz
Chief Executive Officer

Prepared by:



Gregory Robinson
Housing and Community
Development Administrator

EXHIBIT A



SITE "A"

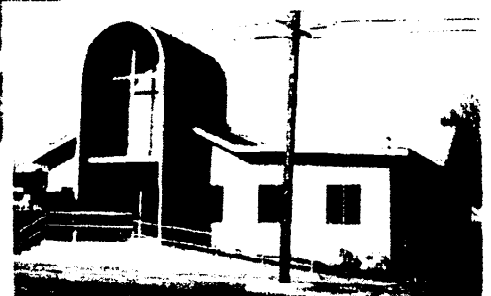
- Existing City owned property
- See Exhibit "A", Parcel Map
- See Exhibit "B", Parcel Information

SITE "B"

- Two privately owned properties
 - Church's Chicken
 - Brown AME Memorial Church
- Commission seeks to acquire these parcels
- See Exhibit "A", Parcel Map
- See Exhibit "B", Parcel Information

Existing Church's Chicken
Privately held, not owned by City

Existing Brown Memorial AME Church
Privately held, not owned by City

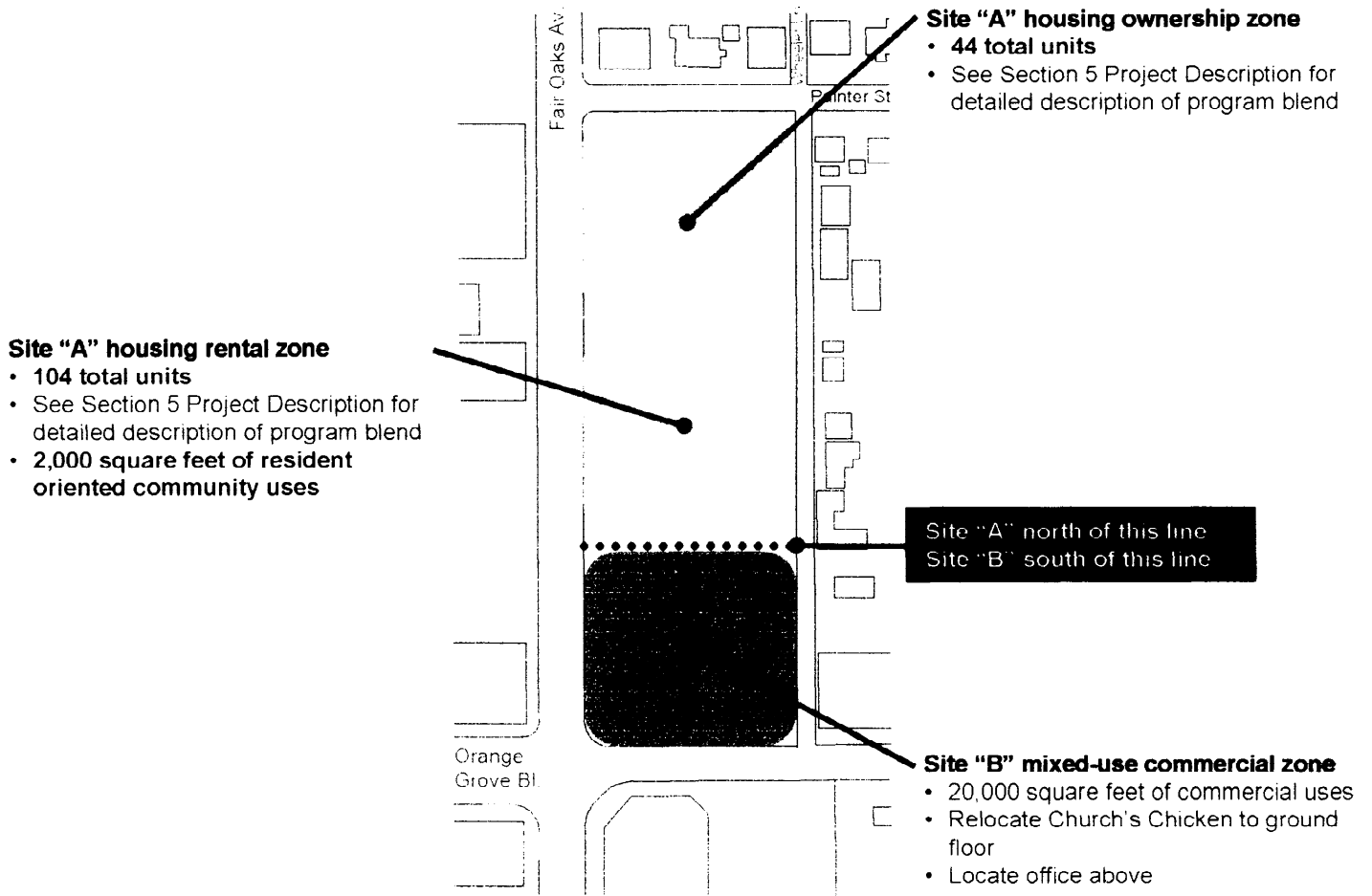


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N Not to scale

Planning and Design Guidelines

Heritage Square Request for Proposal
Office of the City Manager, Housing and Community Development, City of Pasadena
Suarez Architects, Inc. and Futterman and Associates, Inc.

Figure 1
Existing Ownership



Site organization principles

- Three zones organized north to south
- Northern two zones in Site "A" owned by the City
 - Ownership units in northern-most zone
 - Rental apartments mid-block with community oriented uses
- Southern zone in Site "B" has two privately owned parcels
 - Mixed-use commercial with retail at ground floor and office above

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N Not to scale

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Figure 6

Site Organizational Diagram

Site "A" residential corner feature

- Located at Fair Oaks Avenue and Painter Street intersection
- Feature may include landscape
- Feature should be smaller than the feature at Fair Oaks Avenue and Orange Grove Boulevard
- Mass the building to the street edge around corner feature

Site "A" unit entrances

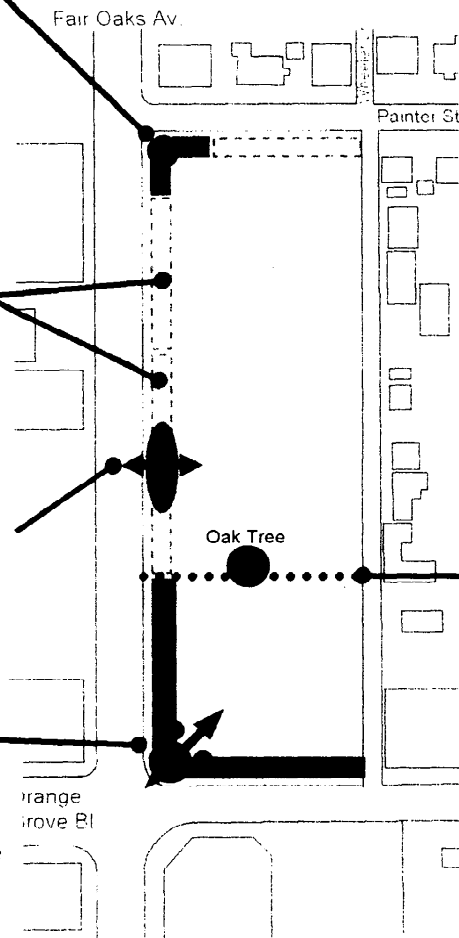
- Unit entrances in both ownership and rental housing should be oriented to Fair Oaks Avenue and Painter Street

Site "A" rental building features

- Building-scaled entrance feature, open space, and landscape elements oriented to Fair Oaks Avenue

Site "B" mixed-use commercial features

- Provide major building corner feature
- Provide open space and landscape elements oriented to Fair Oaks Avenue and Orange Grove Boulevard intersection
- Provide entrance to ground floor retail and possibly to offices above
- Mass the building to street edge around corner feature
- Provide see-through glass for view into ground floor use



Site "A" north of this line
Site "B" south of this line

Site design principles

- Building design should reflect urban design solutions
- Building design should integrate urban design solutions with considerations for residents (e.g., public spaces, landscape features)

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N Not to scale

Planning and Design Guidelines

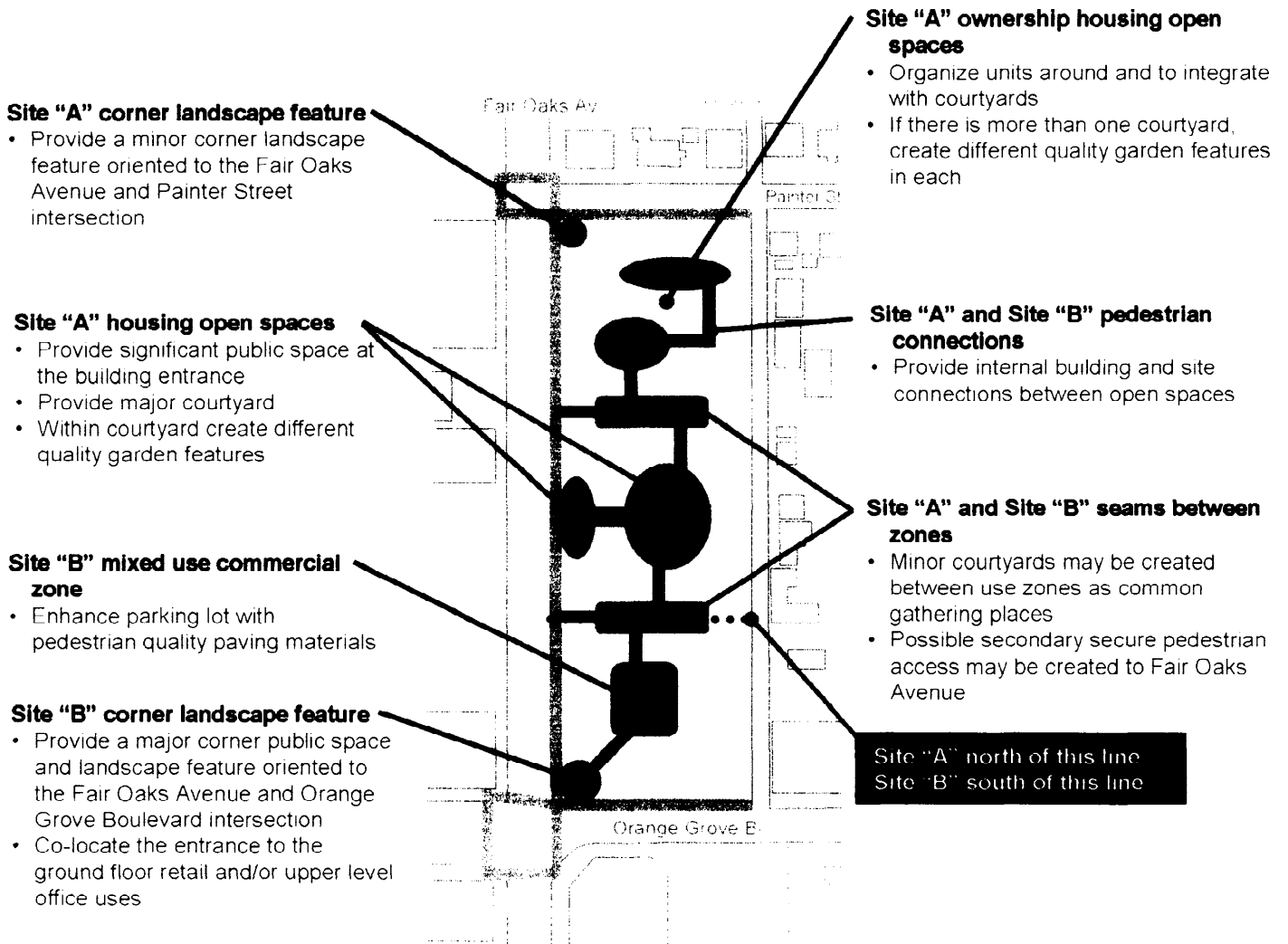
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Figure 8

Site Design Features Diagram



Open space design principles

- Create a hierarchy of open spaces for each of the two Site "A" residential zones
- Create pedestrian connections between the three use zones and between Site "A" and Site "B" to integrate the entire site, while protecting the security of residents

Note: the spaces and connections shown on this diagram are illustrative and not intended to necessarily represent actual locations, notwithstanding the corner landscape features at Fair Oaks Avenue/Orange Grove Boulevard, Fair Oaks Avenue/Painter Street, and Fair Oaks Avenue at the rental building entrance.

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N Not to scale

Planning and Design Guidelines

Heritage Square Request for Proposal

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Figure 11

Open Space Features Diagram

EXHIBIT B

TABLE 1

2006 INCOME RANGES AT VARYING HOUSEHOLD SIZES
HERITAGE SQUARE RFP
PASADENA, CALIFORNIA

Household Size	California Redevelopment Law				
	2006 HUD Median	2006 HCD Median	Very-Low Income ¹	Low Income ²	Moderate Income ³
1 Person	\$39,340	\$39,300	\$0 - \$24,250	\$24,250 - \$38,800	\$38,800 - \$47,200
2 Person	\$44,960	\$45,000	\$0 - \$27,700	\$27,700 - \$44,350	\$44,350 - \$53,900
3 Person	\$50,580	\$50,600	\$0 - \$31,200	\$31,200 - \$49,900	\$49,900 - \$60,700
4 Person	\$56,200	\$56,200	\$0 - \$34,650	\$34,650 - \$55,450	\$55,450 - \$67,400
5 Person	\$60,696	\$60,700	\$0 - \$37,400	\$37,400 - \$59,900	\$59,900 - \$72,800
6 Person	\$65,192	\$65,200	\$0 - \$40,200	\$40,200 - \$64,300	\$64,300 - \$78,200
7 Person	\$69,688	\$69,700	\$0 - \$42,950	\$42,950 - \$68,750	\$68,750 - \$83,600
8 Person	\$74,184	\$74,200	\$0 - \$45,750	\$45,750 - \$73,200	\$73,200 - \$89,000

Household Size	Inclusionary Housing Ordinance		
	Very-Low Income ¹	Low Income ²	Moderate Income ³
1 Person	\$0 - \$24,250	\$24,250 - \$38,800	\$38,800 - \$47,200
2 Person	\$0 - \$27,700	\$27,700 - \$44,350	\$44,350 - \$53,900
3 Person	\$0 - \$31,200	\$31,200 - \$49,900	\$49,900 - \$60,700
4 Person	\$0 - \$34,650	\$34,650 - \$55,450	\$55,450 - \$67,400
5 Person	\$0 - \$37,400	\$37,400 - \$59,900	\$59,900 - \$72,800
6 Person	\$0 - \$40,200	\$40,200 - \$64,300	\$64,300 - \$78,200
7 Person	\$0 - \$42,950	\$42,950 - \$68,750	\$68,750 - \$83,600
8 Person	\$0 - \$45,750	\$45,750 - \$73,200	\$73,200 - \$89,000

Household Size	Workforce Housing Ordinance ⁴			
	120% - 140% Median	140% - 160% Median	160% - 180% Median	180% - 200% Median
1 Person	\$47,200 - \$55,020	\$55,020 - \$62,880	\$62,880 - \$70,740	\$70,740 - \$78,600
2 Person	\$53,900 - \$63,000	\$63,000 - \$72,000	\$72,000 - \$81,000	\$81,000 - \$90,000
3 Person	\$60,700 - \$70,840	\$70,840 - \$80,960	\$80,960 - \$91,080	\$91,080 - \$101,200
4 Person	\$67,400 - \$78,680	\$78,680 - \$89,920	\$89,920 - \$101,160	\$101,160 - \$112,400
5 Person	\$72,800 - \$84,980	\$84,980 - \$97,120	\$97,120 - \$109,260	\$109,260 - \$121,400
6 Person	\$78,200 - \$91,280	\$91,280 - \$104,320	\$104,320 - \$117,360	\$117,360 - \$130,400
7 Person	\$83,600 - \$97,580	\$97,580 - \$111,520	\$111,520 - \$125,460	\$125,460 - \$139,400
8 Person	\$89,000 - \$103,880	\$103,880 - \$118,720	\$118,720 - \$133,560	\$133,560 - \$148,400

¹ The upper end is defined by HUD. In this year, the upper limit equals 62% of the HUD Median.
² The upper end is defined by HUD. In this year, the upper limit equals 99% of the HUD Median.
³ The upper end is defined by HCD. In this year, the upper limit equals 120% of the HUD Median and 120% of the HCD Median.
⁴ Based on the 2006 HCD Median.

TABLE 2

2006 MAXIMUM AFFORDABLE RENTS
HERITAGE SQUARE RFP
PASADENA, CALIFORNIA

California Redevelopment Law ¹			
	Very-Low Income	Low Income	Moderate Income
Studio	\$446	\$545	\$1,036
One-bedroom	\$510	\$622	\$1,185
Two-bedrooms	\$565	\$691	\$1,324
Three-bedrooms	\$624	\$764	\$1,467
Four-bedrooms	\$668	\$820	\$1,578

Inclusionary Housing Ordinance ²			
	Very-Low Income	Low Income	Moderate Income
Studio	\$446	\$741	\$1,134
One-bedroom	\$510	\$847	\$1,297
Two-bedrooms	\$565	\$944	\$1,450
Three-bedrooms	\$624	\$1,045	\$1,607
Four-bedrooms	\$668	\$1,123	\$1,730

Workforce Housing Ordinance ³				
	120% - 121%	121% - 140%	140% - 160%	160% - 180%
Studio	\$1,387	\$1,605	\$1,834	\$2,063
One-bedroom	\$1,588	\$1,838	\$2,100	\$2,363
Two-bedrooms	\$1,786	\$2,066	\$2,361	\$2,657
Three-bedrooms	\$1,983	\$2,295	\$2,623	\$2,951
Four-bedrooms	\$2,142	\$2,479	\$2,833	\$3,187

¹ See WORKSHEET A.

² See WORKSHEET C.

³ See WORKSHEET E.

TABLE 3

2006 MAXIMUM AFFORDABLE SALES PRICES
HERITAGE SQUARE RFP
PASADENA, CALIFORNIA

California Redevelopment Law & Density Bonus Ordinance ¹			
Unit Type	Very-Low Income	Low Income	Moderate Income
Studio	\$32,600	\$59,800	\$139,000
One-bedroom	\$38,800	\$69,900	\$160,500
Two-bedrooms	\$43,100	\$78,100	\$180,000
Three-bedrooms	\$48,900	\$87,800	\$201,000
Four-bedrooms	\$52,300	\$94,300	\$216,600

Inclusionary Housing Ordinance ²			
Unit Type	Very-Low Income	Low Income	Moderate Income
Studio	NA	\$73,300	\$163,800
One-bedroom	NA	\$85,400	\$189,000
Two-bedrooms	NA	\$95,500	\$212,100
Three-bedrooms	NA	\$107,200	\$236,600
Four-bedrooms	NA	\$115,200	\$255,000

Workforce Housing Ordinance ³			
Unit Type	121% - 140%	140% - 160%	160% - 180%
Studio	\$228,100	\$264,300	\$300,500
One-bedroom	\$262,500	\$304,000	\$345,500
Two-bedrooms	\$296,400	\$343,000	\$389,600
Three-bedrooms	\$330,200	\$381,900	\$433,700
Four-bedrooms	\$356,900	\$412,800	\$468,700

¹ See WORKSHEET B.

² See WORKSHEET D.

³ See WORKSHEET F.