

**APRIL 30, 2007**  
**AGENDA REPORT**

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TO: PASADENA COMMUNITY DEVELOPMENT COMMISSION  
FROM: CYNTHIA J. KURTZ, CHIEF EXECUTIVE OFFICER  
RE: HERITAGE SQUARE DEVELOPMENT PROJECT

**RECOMMENDATION:**

It is recommended that the Pasadena Community Development Commission ("Commission") approve the terms and conditions of an Exclusive Negotiation Agreement ("ENA") with The Bakewell Company/Century Housing Corporation (the "Developer") in connection with the proposed disposition and development of Commission-owned real property located at 19-25 E. Orange Grove Blvd. and 710-790 N. Fair Oaks Ave. (the "Heritage Square Site") and that a 60 day period of negotiations take place to agree upon the terms and conditions of the Development Agreement. If an agreement cannot be reached with the Developer, then staff shall notify Council and begin exclusive negotiations with Southern California Housing/Union Station (the "Alternate Developer"), for a period of 60 days. If no agreement can be reached with the Alternate Developer, then staff shall notify Council of the non agreement and seek further direction.

**ADVISORY BODY RECOMMENDATION**

At its meeting on March 31, 2007, the Developer Selection Committee selected the development team of Bakewell Company/Century Housing Corporation for staff recommendation to enter into an Exclusive Negotiation Agreement with the Commission.

The Fair Oaks Project Area Committee, at its regular meeting on April 24, 2007, unanimously approved the following Recommendation:

- a) Designate The Bakewell Company/Century Housing Corporation as the sole developer finalist to enter into an Exclusive Negotiation Agreement with the Pasadena Community Development Commission; and
- b) Do not direct staff to conduct any further evaluation of the two proposals.

The Northwest Commission supported the Fair Oaks Project Area Committee's recommendation of selecting The Bakewell Company/Century Housing Corp as the sole finalist.

The Community Development Committee, at its regular meeting on April 26, 2007 unanimously recommended that the Bakewell Company/Century Housing Corporation move forward as the sole preferred developer.

## **EXECUTIVE SUMMARY**

Pursuant to the terms and conditions of the Exclusive Negotiation Agreement, the Developer and Commission will enter into good faith negotiations during a 60-day period on the business and financing terms of a Disposition And Development Agreement for the proposed development of a mixed-use project at the Heritage Square Site. If at the end of that 60 day period no such agreement can be reached, staff will notify Council and begin negotiations with the Alternate Developer for a 60 day period. If no agreement can be reached with the Alternate Developer, staff will notify Council and seek further instructions.

## **BACKGROUND**

The Heritage Square Site is comprised of 10 contiguous parcels totaling 2.82 acres owned by the Commission. Eight of the parcels (2.08 acres) were acquired in February, 2004 and Commission authority to negotiate the acquisition of the remaining two parcels was provided to staff in July, 2006.

Beginning in January, 2005, staff, in conjunction with the Fair Oaks Project Area Committee, initiated a detailed design/development analysis of both the 2.08 acre site and the remaining two properties on the block: 710-722 N. Fair Oaks Avenue and 19-25 E. Orange Grove Boulevard. Staff devised and presented to the Committee a range of development scenarios for consideration. A public workshop was 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 the fully assembled 2.82 acre site as an integrated mixed-income, mixed-use senior housing development (ownership & rental) with commercial office/retail.

Working with city staff, local planning and design consultants, staff proceeded to prepare 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 three on-site components: a) Ownership housing; 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 consists of up to 148 newly constructed units which represents a mixture of affordable, workforce and market rate units. The non-residential component 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 would be provided to existing local businesses within the city. The development program also includes the relocation of the existing Historic Decker House to an alternate site within the city for renovation and adaptive reuse.

At its regular meeting on October 23, 2006, the Commission approved the release of the Heritage Square Request For Proposals (RFP) to solicit proposals for the development of the Heritage Square Site. The RFP was issued on November 8, 2007. Notices of the RFP were published in local newspapers and outreach was made to companies on a developer mailing list maintained by Housing & Community Development. Four (4) proposals were received by the RFP submission deadline of January 17, 2007 from the following development firms: a) The Bakewell Company and Century Housing Corporation; b) Heritage Housing Partners and Los Angeles Community Design Center; c) Renaissance Oak, LLC; and d) Southern California Housing Development Corporation, Union Station Foundation, and Triad Ventures. On February 23, 2007 the four candidates were

provided the opportunity by the City to amend portions of their proposals with respect to development mix and financial pro formas, as documented in letters dated February 26, 2007 from the Assistant City Manager (Exhibit "A"). All four developers submitted proposal addendum materials by the stipulated March 9, 2007 deadline. A summary of the developer proposals is shown in the following table:

	Bakewell Company & Century Housing	Heritage Housing Partners & LACDC	Renaissance Oak	So Cal Housing Devt, Union Station & Triad
Total Housing Units	134	100	145	148*
Rental Units	40 (30%)	68 (68%)	98 (68%)	99 (67%)
Ownership Units	94 (70%)	32 (32%)	47 (32%)	49 (33%)
Senior Units	61 (46%)	27 (27%)	105 (72%)	148 (100%)
Family Units	73 (54%)	73 (73%)	40 (28%)	0 (0%)
Affordable Units	52 (38%)	82 (82%)	98 (67%)	99 (67%)
Workforce Units	82 (62%)	12 (12%)	14 (10%)	0 (0%)
Market Rate Units	0 (0%)	6 (6%)	33 (23%)	49 (33%)
Commercial Space	20,000 sf	16,000 sf	20,000 sf	40,554 sf
Community Space	4,131 sf	2,200 sf	2,480 sf	4,691 sf
Dev't Cost Per Unit**	\$379,800	\$404,100	\$340,500	\$381,000

\* Developer also proposes an "alternative" 22 additional family rental units, which would increase the total units to 170.

### **DEVELOPER PROPOSAL EVALUATION AND SCORING**

The staff recommendation for the selection of the Developer was based upon the evaluation of the developer proposals (1/17/07 original submittals plus 3/9/07 addendum materials) performed by a Staff/Consultant Review Team ("Review Team")

#### **Developer Selection Committee (DSC)**

The DSC is a 15-member body comprised of representatives from City commissions and advisory bodies, and persons with specific professional expertise in the fields of development, design, financing, and planning. A member roster of the DSC is attached as Exhibit "B". As set forth in the DSC Statement Of Mission And Tasks (adopted at its meeting on March 23, 2007 and attached as Exhibit "C"), the mission of the DSC "is to select the development team that offers the most responsive program as defined in the RFP and has sufficient capacity to execute it and meets community needs to enter into exclusive negotiations with the Pasadena Community Development Commission for a Disposition And Development Agreement." Six meetings of the DSC were convened from December 2006 through April 2007.

At its meeting on March 31, 2007 the DSC, with 14 members in attendance, received scheduled in-person presentations from the four development teams. Each team was allotted 30 minutes for their presentation and 30 minutes for question-and-answer, followed with a period of closed discussion by the DSC. Each DSC member scored and ranked the proposers based on the Evaluation Criteria set forth in the RFP: 1) Administrative Capacity; 2) Financing; 3) Design; and 4) Local Business.

Among the four proposers, The Bakewell Company/Century Housing received the highest score. The Bakewell Company/Century Housing also received the most number of highest scores from DSC members with 9. Southern California Housing/Union Station/Triad received 3, Heritage Housing/LA Community Design Center received 1, and Renaissance Oak received 1. The results are summarized in the following tables:

**Developer Selection Committee -- Average Scores by Evaluation Criteria**

	Bakewell Company & Century Housing	Heritage Housing Partners & LACDC	Renaissance Oak	So Cal Housing Devt, Union Station & Triad
Capacity	24.3	19.5	22.2	21.9
Financials	24.0	17.6	19.8	20.2
Design	23.1	19.1	16.8	17.1
Local Business	8.8	6.5	4.9	4.5
Total Average Score	80.2	62.7	63.7	63.7

A letter dated April 5, 2007 from DSC communicating to the City its developer recommendation is attached as Exhibit "D".

**Review Team**

The Review Team is comprised of City staff (including staff from Housing & Community Development, Planning and Development, Northwest Programs and an Assistant City Manager), a design consultant (Futterman & Associates), and a financial consultant (Keyser Marston & Associates). The Review Team convened eight meetings from January 2007 through April 2007 to review, evaluate, and score the proposals. The Review Team also prepared and transmitted to the DSC for their review and consideration the Review Team Assessment, comprised of the design and financial analyses conducted by the consultants and staff comments (Exhibit "E").

The Review Team evaluated and scored the four proposals based on the Evaluation Criteria set forth in the RFP: 1) Administrative capacity, experience and background of the development team (30 points); 2) Project financials (30 points); 3) Project design and conformance with RFP guidelines, City development standards and neighborhood character (30 points); and 4) Local business preference (10 points). The average score by evaluation criteria for each developer, as well as the overall score results, are shown in the following tables:

**Staff/Consultant Review Team -- Average Scores by Evaluation Criteria**

	Bakewell Company & Century Housing	Heritage Housing Partners & LACDC	Renaissance Oak	So Cal Housing Devt, Union Station & Triad
Capacity	20.7	16.0	18.8	24.0
Financials	20.5	16.7	21.5	23.2
Design	19.8	18.3	19.5	13.5
Local Business	10.0	10.0	10.0	10.0
Total Average Score	71.0	61.0	69.8	70.7

Based upon the results of the Review Teams evaluation and the fact that the scores between the two top proposers were only 3/10<sup>th</sup>s of a point apart, staff initially recommended that the top two proposers -- The Bakewell Company/Century Housing Corporation and Southern California Housing/Union Station/Triad Ventures -- be designated as developer finalists in the Heritage Square Request For Proposals competition and undergo further evaluation. However, after considering the

evaluations of the Northwest Commission, Community Development Committee and Fair Oaks PAC, staff has reassessed its evaluation and now recommends a 60 day exclusive negotiation period with the highest ranked proposer, Bakewell/ Century Housing Corporation.

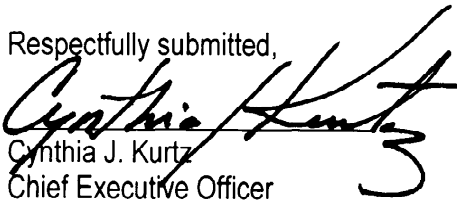
The terms to be negotiated will include defining the exact number of senior and non-senior units; the number of for sale versus rental housing; the amount of family housing; the location of the family housing; better defined proforma's; reemphasizing the total City contribution (the land or purchase price of the land only); and other areas of clarification as instructed by City Council.

If an acceptable agreement is not able to be reached with the Bakewell/Century Housing team, staff will notify Council and begin exclusive negotiations with the Alternate Developer, Southern California Housing/ Union Station for a period of 60 days. If no agreement can be reached with the Alternate Developer, staff will notify Council and seek further instructions.

**FISCAL IMPACT**

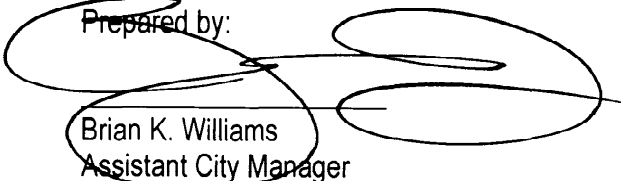
Council has approved a City Commission contribution to the project equal to the value of the purchase price of the land which was approximately \$9.0 million. The land is currently valued at approximately \$ 11 million. A new valuation of the land is currently being conducted and that information will be available during the week of April 30, 2007.

Respectfully submitted,



Cynthia J. Kurtz  
Chief Executive Officer

Prepared by:



Brian K. Williams  
Assistant City Manager

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