

**MEMORANDUM -- CITY OF PASADENA**

**DATE: MAY 21, 2007**  
**TO: CITY COUNCIL**  
**FROM: CYNTHIA J. KURTZ, CITY MANAGER**  
**RE: HERITAGE SQUARE DEVELOPER EVALUATION**

This memorandum is to provide additional background and clarity on the separate developer evaluation processes undertaken by the Developer Selection Committee and the Staff/Consultant Review Team with respect to the Heritage Square Request For Proposals (RFP) competition, as well as to respond to other related items as requested by the City Council.

The staff recommendation contained in the Heritage Square agenda report for the Commission meeting of April 30, 2007 indicated a 60 day exclusive negotiation period to reach a draft term sheet. At that meeting, staff modified this element of its recommendation to include a 120 day exclusive negotiation period with the following parameters; Staff would return to council on the 60<sup>th</sup> day with a progress report. On the 90<sup>th</sup> day, a term sheet would be negotiated with the developer and by the 120<sup>th</sup> day, a Disposition and Development Agreement would be reached. This timeline is consistent with the timeline prescribed within the RFP.

**What type of project was requested in the RFP and Subsequent Amendment?**

The RFP, as approved by the Pasadena Community Development Commission ("Commission") at its regular meeting on October 23, 2006, was issued on November 8, 2006 to solicit proposals for the construction of a mixed-use development on the Commission-owned 2.82 acre Heritage Square site. As set forth in the RFP and in a correspondence dated February 26, 2007 from Assistant City Manager Brian Williams, the development parameters include the following:

- a) rental/ownership housing mix of 67% / 33%;
- b) housing for a varied mix of income groups (affordable, workforce, market rate), with affordable units making up the majority of the housing component;
- c) senior housing shall be majority of the housing component, but a sizeable portion should be for non-seniors; the project should not be all senior.
- d) density not to exceed 148 units (which includes a maximum 35% density bonus);
- e) commercial space – 20,000 sq. ft.; and
- f) community space – 2,000 sq. ft.

05/21/2007  
Item 4.A.

**Generally, what is proposed by the two proposers?**

The Bakewell/Century Housing proposal includes a total of 134 senior rental, condominium, and family units, 40 of which are proposed in a senior apartment, and 94 of which are included in a condominium project consisting of 21 senior units and 73 family units. 100% of the units are income-restricted (very-low, low-income, and workforce). The unit mix is 30% rental and 70% ownership. The proposal includes 20,000 s.f. of ground level commercial space.

The Southern California Housing/Triad/Union Station Foundation proposal includes a total of 148 senior units, 99 of which are proposed in a senior apartment building, and 49 of which are proposed in a condominium component of the project. 100% of the units are income-restricted (very-low and moderate). The unit mix is 67% rental and 33% ownership. This proposal further includes a 22 unit (20 units are proposed to be very low income and 1 unit to be reserved for a resident manager), family rental add-option. 40,554 s.f. of commercial space is included in this proposal.

**Who was on the Developer Selection Committee and how did it operate?**

The Developer Selection Committee (DSC) was a 15-member body comprised of representatives from City commissions and advisory bodies, community members and persons with specific professional expertise in the fields of development, design, financing, and planning. A DSC member roster is attached to this memorandum as Exhibit "A".

Six meetings of the DSC were convened from December 2006 through April 2007, as shown in Exhibit "B". Housing staff was present at each of these meetings as a resource and administrative support. Generally, the support provided by Housing staff included preparation of the meeting agenda, taking action minutes of the meetings, preparation of documents as directed by the DSC (e.g., mission statement, member roster, evaluation instrument, Review Team Assessment, correspondence), and performing public outreach for the DSC 3/31/07 and City Council 4/2/07 meetings).

Presentations were made by the City's financial and design consultants at the Developer Selection Committee (DSC) meeting of January 24, 2007. The purpose of the presentations was to provide the DSC and staff with the general framework to be employed by the respective consultants in their analysis of the developer proposals. Design consultant Marc Futterman (Futterman & Associates), who assisted staff in the development of the RFP, discussed the various design and planning criteria specified in the RFP including site planning, building design, property configuration, residential and non-residential component, vehicular features, and massing and height features. Financial consultant Julie Romey (Keyser Marston Associates) summarized the four Heritage Square proposals, provided an overview on the basics of housing pro forma analysis, and described the various financial elements that KMA would be evaluating in the Heritage Square proposals (e.g., reasonableness of construction costs and market rents/sales prices; use of correct affordable and workforce rents/sales prices;

reasonableness of developer profit/return on investment; other funding sources proposed; amount and terms of land write-down and financial assistance requested from the City). Complete sets of developer proposals (original response to RFP plus subsequent response to City's February 23, 2007 request for modifications) were distributed to the Developer Selection Committee (DSC) at their meeting of March 23, 2007. At this meeting the DSC also approved the Evaluation Instrument used to evaluate and score each proposal. A form of the DSC Evaluation Instrument is attached as Exhibit "C". The evaluation criteria employed in the DSC Evaluation Instrument are consistent with those set forth in the Heritage Square Request For Proposals.

Also, on March 28, 2007, staff/consultant Review Team Assessment documents (Exhibit "E" of "Heritage Square" agenda report dated April 30, 2007 to Commission) were transmitted to DSC members to assist their evaluation of the proposals. At their March 31, 2007 meeting, the DSC 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. During the question-and-answer and closed discussion periods, a range of items were reviewed, including project economics and financing, design for seniors, unit density, and project management policies. At the end of the day-long meeting, DSC members individually completed and scored an Evaluation Instrument for each of the four proposers. Members of the Staff/Consultant Review team were present at this meeting as a resource, but did not evaluate or rank the developer proposals. Audio tapes of the March 31<sup>st</sup> proceedings were previously forwarded to members of the Council. A letter was transmitted by the Chair of the Developer Selection Committee, John Kennedy, indicating the results of the Developer Selection Committee evaluation.

### **How did the Staff / Consultant Review Team conduct its review?**

Subsequent to the DSC making its developer selection, the Staff/Consultant Review Team ("Review Team") finalized its evaluation of the development proposals during the week of April 16, 2007. The Review Team employed the evaluation criteria and scoring system as set forth in the Heritage Square Request For Proposals:

- Administrative Capacity (30 points total)
- Project Financing: Feasibility/Reasonableness (30 points total)
- Project Design and Neighborhood Impact/Sensitivity (30 points total)
- Local Business Preference (10 points total)

The Review Team's evaluation of the proposals in the Project Financing category included: a) extent to which proposer provides commitment of other funding sources; b) development costs per unit; c) amount of financing gap after the Commission land (or land value) contribution; and d) ability to repay Commission land contribution. These items were reviewed by Keyser Marston Associates and reported in their financial analyses of the four proposals. As KMA noted at the Commission's April 30, 2007 meeting, however, the comparability between proposals of these sub-criteria is difficult because they are based on variables and assumptions specific to the individual projects

(e.g., affordable-workforce-market mix, specific level of affordable units, rental-ownership mix, etc.). In this regard, the proposals encompass a wide range of housing mixes.

The Review Team's evaluation of the proposals in the Project Design category included an assessment of each proposed project's conformance with stated development mix parameters: a) total units not exceeding 148; b) senior units comprising a majority of the residential component (i.e., at least 51% but not 100%); c) 67% / 33% rental/ownership mix; d) commercial space – 20,000 s.f.; and e) community space – 2,000 s.f. Also part of the Project Design evaluation was the extent to which a project conforms to development standards set forth in the Zoning Code and the Fair Oaks/Orange Grove Specific Plan. Each proposed project was evaluated against a set of 48 City development standards (e.g., landscaping as integral part of design; density at 40 units per acre; compliance with setback, parking and open space standards: 20% ground floor frontage devoted to nonresidential uses).

**What is the membership of the Advisory Committees that reviewed the Staff recommendation?**

As requested, the current membership rosters of the Fair Oaks Project Area Committee, the Northwest Commission, and the Community Development Committee are attached as Exhibit "D".

**What is the current status of the property acquisition?**

In July 2006 the Commission granted authority to staff to negotiate the acquisition of the two southernmost parcels at the Heritage Square site. The escrow for the Commission's acquisition of the Brown AME Church parcel closed on May 8, 2007 and the structure has been boarded. It is anticipated that the purchase agreement for the Church's Chicken site will be finalized and transmitted to the property owner during the week of May 21, 2007.

**What is the current value of the land?**

Based on the recent appraisal performed by Valentine Appraisal & Associates, the concluded fair market value of the Heritage Square development site is \$13,440,000.

**What additional information would be gained by conducting a further review of the proposals?**

Should Council direct further review of more than one proposal, the additional information requested would be;

- a. Clarification of the role of each partner within each of the development teams

The clarification would also include the extent to which the various corporate entities have previously worked together as a development team.

- b. The extent of which the current proposals could be adjusted to meet the city's preferences in housing type and affordability.

The city preferred option is a mix of workforce, senior ownership and senior rental housing. While the majority of the senior housing should be affordable, the City is open to market rate units to assist with closing the gap. The preferred workforce housing would be two and three bedroom townhouses on the north portion of the site.

- c. The capacity of each proposer to build the proposed city project including the ability of the proposer to obtain necessary "gap" funding through the use of New Market Tax Credits and other non-Commission sources.
- d. The extent to which the proposer has previously met local hiring goals.

**HERITAGE SQUARE**  
**DEVELOPER SELECTION COMMITTEE**  
**(as of March 31, 2007)**

Committee Member	Community or Business Affiliation
1. Mike Balian	Balian Construction
2. Raphael Bostic	University of Southern California
3. Joel Bryant	Trademark Development
4. Harden Carter	Urban Planner
5. Abe Chorbajian	DMJM Design
6. Hortense Cooper	Community Development Committee
7. Maria Isenberg	Northwest Commission
8. Dora Leong-Gallo	A Community Of Friends
9. John Kennedy, Chair	Community Development Committee
10. Chris Peck	Peck, Inc.
11. Ralph Poole	Fair Oaks Project Area Committee
12. Tarik Ross	Northwest Commission
13. Sean Spear	City of Los Angeles – Housing Dept.
14. Hugo Suarez	Suarez Architects
15. Ishamel Trone, Vice Chair	Fair Oaks Project Area Committee

**MEETINGS OF THE HERITAGE SQUARE DEVELOPER SELECTION COMMITTEE**

	<b>General Purpose of Meeting; Key Actions Taken</b>	<b>Meeting Date</b>
1.	Introductory meeting; overview of project history and status; no action taken.	December 14, 2006
2.	Receive consultant presentations; no action taken.	January 24, 2007
3.	Organizational matters; election of DSC officers.	March 9, 2007
4.	Approval of DSC mission statement; approval of form of evaluation instrument; receive developer proposals.	March 23, 2007
5.	Receive public comment, receive developer presentations; score developer proposals and make developer selection.	March 31, 2007
6.	Finalize DSC letter to City on developer selection.	April 5, 2007

City of Pasadena  
**HERITAGE SQUARE**  
**DEVELOPER PROPOSAL EVALUATION INSTRUMENT**

PROPOSER: \_\_\_\_\_

PROJECT NAME: \_\_\_\_\_

REVIEWER: \_\_\_\_\_

TOTAL POINTS: [     ]

DATE: \_\_\_\_\_

EVALUATION CRITERIA -- 1. CAPACITY QUALIFICATIONS, EXPERIENCE (30 Points)	MAXIMUM POINTS	ALLOTTED POINTS	COMMENTS:
<b>Administrative capacity of Developer.</b> Qualifications, previous experience, and background to effectively undertake, design, develop, manage, and market the proposed mixed-use Project.	20		Strengths:



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PROPOSER: \_\_\_\_\_

PROJECT NAME: \_\_\_\_\_

REVIEWER: \_\_\_\_\_

TOTAL POINTS: [ ]

DATE: \_\_\_\_\_

Administrative capacity of Architect. Qualifications, previous experience, and background to effectively undertake, design, develop, manage, and market the proposed mixed-use Project.	10	Weaknesses:
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PROPOSER: \_\_\_\_\_ PROJECT NAME: \_\_\_\_\_

REVIEWER: \_\_\_\_\_ TOTAL POINTS: [    ] DATE: \_\_\_\_\_

EVALUATION CRITERIA -- 2. FINANCING (30 Points)	MAXIMUM POINTS	ALLOTTED POINTS	COMMENTS:
<p><b>Outside (Public/Private) Funding Sources</b>                      Measures the extent to which other financing sources are committed to the proposed project and the amount and terms of such financing.</p>	20		<p>Strengths:</p>
<p><b>Development Costs (Per Unit)</b></p>	5		<p>Weaknesses:</p>
<p><b>Commission Financial Assistance</b>                      Measures the amount and terms of Commission financial assistance requested for the project relative to Commission assistance provided to other similar affordable housing projects, and developers ability to repay Commission financial assistance.</p>	5		

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PROPOSER: \_\_\_\_\_

PROJECT NAME: \_\_\_\_\_

REVIEWER: \_\_\_\_\_

TOTAL POINTS: [ ]

DATE: \_\_\_\_\_

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PROPOSER: \_\_\_\_\_ PROJECT NAME: \_\_\_\_\_

REVIEWER: \_\_\_\_\_ TOTAL POINTS: [      ] DATE: \_\_\_\_\_

EVALUATION CRITERIA -- 3. PROJECT DESIGN (30 Points)	MAXIMUM POINTS	ALLOTTED POINTS	COMMENTS:
<p>The site planning and proposed architectural design follow the guidelines set forth in the RFP.</p> <p><b>City wide design principles:</b> Fair Oaks/Orange Grove Specific Plan                      Site specific guidelines                      Site planning                      Building design                      Landscape</p> <p><b>Diagrams:</b> Site organizational principles                      Site modulation                      Site design features and views to the site                      Vehicular circulation                      Street edge and human scale                      Open space                      Massing and height</p>	9		<p><b>Strengths:</b></p>   <p><b>Weaknesses:</b></p>
<p>The proposed architectural design is compatible with the existing neighborhood character, appearance and scale.</p>	9		
<p>The Project incorporates other features which provide favorable contributions to the neighborhood</p>	4		
<p>Green Building Ordinance elements are incorporated into the Project.</p>	4		
<p>The Project meets other City ordinances and requirements relating to design and development standards.</p>	4		

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PROPOSER: \_\_\_\_\_ PROJECT NAME: \_\_\_\_\_

REVIEWER: \_\_\_\_\_ TOTAL POINTS: [ ] DATE: \_\_\_\_\_

EVALUATION CRITERIA -- 4. LOCAL BUSINESS PREFERENCE (10 Points)	MAXIMUM POINTS	ALLOTTED POINTS	COMMENTS:
<p>This criterion measures the extent to which Developer is a local Pasadena business.</p>	10		<p>Strengths:</p> <p>Weaknesses:</p>

## **Advisory Bodies Roster**

### **Community Development Committee**

Hortense Cooper (Tenant Commissioner)  
Matthew Devoll  
Daniel Estrada  
Lynne Hess  
John J. Kennedy  
Cranston Komuro  
Lainie Rose Miller  
Daniel Yen

### **Fair Oaks Project Area Committee**

Dr. Nicholas Benson  
Ronald Crockett  
Mary Freeman  
Georgia Holloway  
Pearline Johnson  
Nejuan Jones  
Bryant B. Lyles  
Ralph Poole  
Terry Reed  
Ishamel Trone  
Sonja L. Yates

### **Northwest Commission**

Robert Barber  
Raul Borbon  
Waleed Delawari  
Tahra Goraya  
Dante Hall  
Maria Isenberg  
Tarik Ross