

**TO: PASADENA COMMUNITY  
DEVELOPMENT COMMISSION**

**DATE: October 1, 2007**

**FROM: CHIEF EXECUTIVE OFFICER**

**SUBJECT: HERITAGE SQUARE PROJECT**

**RECOMMENDATION:**

It is recommended that the Pasadena Community Development Commission (Commission):

- 1). Endorse the project concept shown in Attachment A and direct staff to present it to the community including the Fair Oaks PAC, the Northwest Commission and the Community Development Committee over the next 45 days and then return to City Council for final approval;
- 2). Agree that no affordable family housing will be included as a part of the Heritage Square Development;
- 3). Reaffirm the City's financial commitment to the development will be the value of the land purchased at \$8.6 million; and
- 4). Direct staff to release an Request for Qualifications (RFQ) inviting development teams that have an interest in working with the City on this project to submit qualifications. The submission requirements and selection process are in Attachments B and C.

**BACKGROUND:**

The development site for Heritage Square is located at the northeast corner of Fair Oaks Avenue and Orange Grove Boulevard, a major neighborhood commercial intersection in Northwest Pasadena. It is comprised of 10 contiguous parcels totaling 2.82 acres. Eight of the parcels were acquired by the Pasadena Community Development Commission in February 2004. Consistent with Commission direction, the site formerly occupied by Brown AME Church (19-25 E. Orange Grove Blvd.) was acquired in May 2007. Negotiations continue for the acquisition of the final remaining parcel located at 710-722 N. Fair Oaks Ave.

**Community Vision and Development Proposal Solicitation**

Beginning in early 2005, staff worked with the Fair Oaks Avenue Project Area Committee (PAC) to initiate a process to establish a vision and conceptual development concept for the Site. In May 2005, following several workshops and community meetings, the PAC communicated to staff its preference for the 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 uses.

On October 23, the City Council reviewed the RFP. Prior attempts to fund an all senior project were not able to acquire financing so City Council decided to open the project mix further to allow a mixed use, mixed income and mixed age project with the caveat that it must contain significant senior and affordable components.

The RFP was issued on November 8, 2006. Four proposals were received by the January 17, 2007 submission deadline, listed as follows:

1. Bakewell Company/Century Housing Corporation
2. Heritage Housing Partners/Los Angeles Community Design Center
3. Renaissance Oak, LLC
4. Southern California Housing Development Corporation/Union Station Found./Triad Ventures

Some of the proposals continued to be 100% senior, therefore on February 23, 2007; these four proposing teams were provided an additional opportunity to amend those portions of their proposals concerning development mix and financial pro formas.

#### **Proposal Evaluation & Recommendations**

The Developer Selection Committee (DSC) was established as a 15-member panel comprised of representatives of City commissions and advisory bodies, and individuals with specific professional expertise in the fields of development, design, financing, and planning. The DSC convened a total of six meetings from December 2006 through April 2007. On April 5, 2007, the DSC transmitted a letter to the City recommending the Bakewell Company/Century Housing proposal as the top scoring proposal/preferred development concept. Concurrently, a Staff/Consultant Review Team ("Review Team") comprised of City staff, and design & finance consultants, convened a total of eight meetings from January through April 2007 to review, evaluate and score the proposals.

At subsequent meetings of other community advisory bodies including the Fair Oaks PAC, Northwest Commission and Community Development Committee each concurred with the DSC recommendation.

#### **City Council/Community Development Commission Deliberations**

On April 30, 2007, the Commission considered a recommendation from the Chief Executive Officer of the Commission concerning the project (attachment D). Following discussion, and two separate motions by the Commission which failed, the matter was continued to the meeting of May 21, 2007.

On May 21, 2007, the Commission further considered the recommendation of the Chief Executive Officer of the Commission as well as a memorandum dated May 21, 2007 which provided additional background on the developer evaluation processes undertaken by the DSC and the Staff/Consultant Review Team (attachment E).

The Commission adopted a motion to approve the Chief Executive Officer's recommendation, as modified by the staff memorandum to begin a 60-day pre-exclusive negotiation period with the Bakewell Company/Century Housing Corporation, City staff and the developer would provide a detailed analysis regarding the feasibility of the project, and include information on the financing of the project, both direct and indirect subsidies, and a list of potential sources of funding.

On July 30, 2007, the Commission received a status report from staff. Following discussion, the Commission approved the Chief Executive Officer's recommendation (attachment F) dated July 30, 2007, with the understanding that staff would finalize a recommendation for the meeting of September 10, 2007, based upon the continued discussions with the Bakewell Company/Century Housing Corporation.

On August 6, 2007, the Commission considered two items relating to the project. The first proposed the establishment of a Council Ad Hoc Committee relating to the Heritage Square developer selection process, that would work with the City Manager to review the report on the Heritage Square developer selection process, with the opportunity for Council to submit additional follow-up questions and report back to the Council in 60 days. The second item the Commission considered was a report on the status of the selection process and consideration of alternatives to the process in light of changes in development team and development concept. The Commission received a joint statement issued by the Bakewell Company/Century Housing Corporation and delivered to the City Manager's office on August 1, 2007 (attachment G). In this statement, the City was notified of Century Housing Corporation's decision to withdraw from the Heritage Square project. The Council was further notified of communication received on August 6, 2007 from the Southern California Housing Development Corporation/Union Station Foundation team reiterating their interest in being considered for selection as the development team for the project.

Following receipt of this status report, the Council declared the then current developer selection process terminated, and that no further negotiations should be done pursuant to that process, and that staff be directed to study various options.

### **Current Status**

Between August 6, 2007, and the preparation of this report, the City Manager's Office communicated with the four original development teams (with the exception of Century Housing) to better understand their interest and capability of undertaking this project at this time.

The Heritage Housing Partners/ Los Angeles Community Design Center team has verbally communicated they are no longer interested in working with the city on this project. Renaissance Oaks, LLC and Southern California Housing Development Corp/Union Station/ Triad Ventures have communicated that they are still interested and available to work on this project. Renaissance Oaks communicated that they reviewed the staff concept and approve of the basic design. Southern California Housing has verbally indicated that they are only interested in building a project that includes affordable family transitional housing. Bakewell Company has communicated that they have a new partner, Simpson Housing Solutions, LLC, replacing Century Housing.

## **Next Steps**

There are three separate questions that need to be addressed by the Council in order for the City to move the Heritage Square project forward:

1. What is the project concept that the City wants to see built?
2. What is the financial commitment that the City is willing to make to this project?
3. Who will build this project and what process should be used to make this decision?

The prior process which tried to answer both, what is the project and who is the developer lead to confusion. This report separates the questions and allows Council to make the decisions separately to the extent it chooses to do so.

## **The Project Concept**

Regarding the project concept, staff has developed a concept that is a compromise between the community's desire for a mixed use, mixed income senior project and the City's desire for a substantial senior component but not a 100% senior project (attachment A). This is the concept that was presented to the City Council on July 30, 2007 for information only. At that time there was still a funding gap of \$1.2 million. Several potential options for closing this gap were identified including:

1. Reduce hard construction cost (\$170 per sq ft assumed)
2. Change the mix of units to add more moderate, workforce or market rental
3. Assume a higher rental rate for retail (\$2 per sq ft per month assumed)
4. Waive some City fees

This financial analysis was being developed with Century Housing. Century Housing was the financing partner for the Bakewell Team. Their decision to withdraw did not allow staff to conclude this work. However, working with Paul Silvern, the City financial advisor, staff has continued to look for savings. The Art Fee which was mistakenly included in the project costs and other city fees totaling over \$1.6 million dollars. Therefore, even without any other changes, some which are still possible, this project concept appears to be financially feasible.

This concept will develop 136 housing units on the site. It includes 89 units of rental affordable senior housing, 32 units of for sale market senior housings, 15 family townhouses, 20,000 sq ft of commercial property and 2,000 sq ft of community space. All development standards from the General Plan and the Fair Oaks /Orange Grove Specific Plan are met with the exception of the need for a six foot height variance over a small portion of the site.

Staff recommends that the City Council endorse this concept and direct staff to present it to the community, including meeting with the Fair Oaks PAC and the Northwest Commission, over the next 45 days to receive their comments. At that time staff will return to the City Council with a recommendation for a final approval of this or an amended project concept. Further staff recommends the City Council concur with the community's desire that no affordable family housing be made a part of this development.

Options:

1. Continue the process for the selection of the project and the developer to be made simultaneously.
2. Make no decisions on a project until a developer has been selected.
3. Give staff new direction on what age and income mix the City Council would like to see included on the site.

### **City's Financial Commitment**

City Council has stated their intent to contribute the site in return for a fair number of covenanted affordable housing units. The actual cost of the acquisition of the three properties was \$8.6 million. The appraised land value for the assembled site is \$13.4 million. While other affordable housing funds are available, this is a substantial commitment from the City and is believed to be sufficient to build the project concept described in this report. As geographic dispersal of affordable housing is a primary goal of the City, other affordable housing dollars should be reserved for other projects citywide and staff recommends the City reaffirm its commitment of the land as the City's financial contribution.

Options:

1. Support additional affordable housing funds being made available for the project which would allow for more of the units on the site to be affordable.
2. Require that the City receive some portion of its \$8.6 investment back which would require that fewer units on the site could be affordable and could reduce the chances of the project qualifying for 4% housing tax credits.

### **Developer Selection**

The range of project concepts received demonstrated the difficulty of trying to select the developer and determine the project in the same process. When a city knows the project it wants to build, an RFP that allows each developer to respond to the same project works well. If, however, the project concept is not developed sufficiently, then starting with an RFQ and selecting a developer based on qualifications and then working with them to develop the project works well.

The staff has developed a project concept that includes substantial components of senior and affordable housing, meets all but one development standard, and appears to be financially feasible with a city contribution of the land. This concept has received total community vetting and final City Council approval. There are three development teams that are still interested in working with the City but only the Bakewell Company has been involved in developing and reviewing the costs of the new concept. Furthermore, the Bakewell Company has a new partner who was not reviewed or interviewed by staff or any of the community groups during the selection process described earlier.

The City finds itself in a situation where neither process is totally appropriate. Therefore the staff recommends a blended process in this case. First the selection of the project concept would continue during the next 45 days as previously outlined. At the same time the City would issue an RFQ to determine which of the prior teams continue to be

interested in this project and if new teams are now interested with a more defined project concept under consideration. This process should also be concluded in 45 days.

Attached is a draft of submission requirements for the RFQ that would be further developed to reflect the specifics of the Heritage Square Project. Also attached is the recommended process to review the RFQ's (attachments B and C).

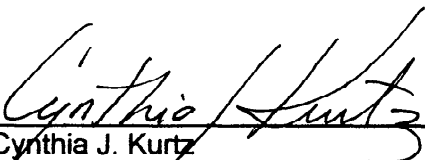
#### Options

1. Direct staff to begin an RFQ process that is open only to the prior four teams.
2. Do no further work on the selection of the developer until a project concept has been reviewed by the community and approved by the Council. Then proceed with an RFP.
3. Direct staff to review the qualification of Simpson Housing and if deemed to be qualified, continue sole discussions with the Bakewell/Simpson team
4. Select Southern Cal Housing/Union Station/Triad Ventures or Renaissance Oaks to begin negotiations.

Finally, the City Council requested information related to the disposition requirements for the sale or lease of City or Commission property. Attachment H summarizes these processes.

#### **FISCAL IMPACT:**

The Commission has made an investment of \$8.6 million to purchase property for the Heritage Square project. If staff's recommendation is accepted, this investment would remain in the project as the City's contribution in exchange for 89 affordable rental housing unit covenances.

  
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Cynthia J. Kurtz  
Chief Executive Officer

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