

Agenda Report

September 12, 2011

TO: Honorable Mayor and City Council

THROUGH: Economic Development & Technology Committee (September 7, 2011)

FROM: Housing Department

SUBJECT: **APPROVAL OF KEY TERMS AND CONDITIONS OF EXCLUSIVE NEGOTIATION AGREEMENT WITH BRIDGE HOUSING CORPORATION FOR THE HERITAGE SQUARE SENIOR HOUSING PROJECT AT 750-790 N. FAIR OAKS AVENUE**

RECOMMENDATION:

It is recommended that the City Council: 1) find that the action proposed herein is exempt from the California Environmental Quality Act pursuant to State CEQA Guidelines Section 15061(b)(3); and 2) approve certain key terms and conditions, as described in this agenda report, for an Exclusive Negotiation Agreement with BRIDGE Housing Corporation in connection with the proposed development of a senior affordable housing project at 750-790 N. Fair Oaks Avenue.

ADVISORY BODY RECOMMENDATION:

The subject recommendation was unanimously approved by the Community Development Committee at its regular meeting of August 25, 2011.

BACKGROUND:

The subject recommendation is the result of a process that began in May 2009 to identify and select a qualified developer, through a request for proposals ("RFP") competition, to develop an affordable rental housing project for very low income seniors on City-owned property located at 750-790 N. Fair Oaks Avenue, commonly referred to as the "Heritage Square" project. The process relied significantly on two bodies, the Heritage Square RFP Working Group (the "Working Group") and the Independent Review Panel (the "IRP").

The Working Group was comprised of four community representatives (Maria Isenberg,

Charles Nelson, Ralph Poole, Ishmael Trone) and two City Housing Department staff (Bill Huang and Jim Wong). The mission of the Working Group was "to prepare a low income senior rental housing RFP for the development of Phase I of the Heritage Square site. The RFP intends to produce a development that enhances and serves the area, attracts highly experienced low income senior rental housing developers, complies with City requirements, leverages a high degree of non-City funding, and is financially feasible." The Working Group convened 33 times between May 2009 and April 2011. In addition, four community meetings were held from July 2009 through October 2010 -- including a joint meeting on October 14, 2010 of the Community Development Committee, Fair Oaks Project Area Committee, and Northwest Commission -- to update the community on Working Group activities and provide opportunities for community input.

The IRP was comprised of five members, all local Pasadena residents, consisting of housing practitioners (Mark Billy, Maura Johnson, Aaron Wooler) and community representatives (Michele Richardson-Bailey and Ishmael Trone). The IRP was established to hear developer appeals of their RFP scores, conduct interviews with the top three ranking developers, and perform site visits of the developers' completed projects.

The Heritage Square RFP was issued on February 10, 2011. A pre-proposal conference was held on February 17, 2011. Three developers submitted proposal packages by the April 14, 2011 deadline: BRIDGE Housing Corporation ("BRIDGE Housing"), Mercy Housing, and National Community Renaissance ("National CORE"). Two professional housing consultants, LeSar Development and Ken Kurose Architects, were contracted by the City Housing Department to review the proposals for RFP threshold requirements and to score the proposals based on their technical review. The technical scoring categories consisted of financial leveraging experience; financial feasibility and City subsidy request; development team experience; supportive services plan; local benefit; and project design. The proposal submitted by Mercy Housing was disqualified from the competition because it was determined that it did not meet the RFP threshold requirements. The two remaining proposals were scored by the consultants, with BRIDGE Housing receiving 969 points and National CORE 815 points. The developers were provided an opportunity to appeal their scores. BRIDGE Housing appealed, resulting in the IRP (less Mark Billy who was unable to attend) approving an adjustment of 5 additional points for a total score of 974 points. National CORE did not appeal its score.

The spread of 159 points between the two finalists' RFP Adjusted Proposal Scores made it a mathematical certainty of BRIDGE Housing being the highest ranked developer. That is, even if hypothetically National CORE were to score more points than BRIDGE Housing in the IRP developer interviews and site visits, BRIDGE Housing would still have the highest Final Score as illustrated in the table below:

| | BRIDGE Housing | National CORE |
|-------------------------------|-----------------------|----------------------|
| Adjusted Proposal Score | 974 | 815 |
| Hypothetical Interview Score | 100 | 125 |
| Hypothetical Site Visit Score | 168 | 225 |
| Final Score | 1,242 | 1,165 |

For this reason, the IRP and Housing staff agreed to forgo the developer interviews and site visits and the scoring thereof. Not proceeding with these unnecessary steps also results in time and money savings for all participants in the process. Nonetheless, in lieu of a formal interview and site visit, BRIDGE Housing met with the IRP (less Mark Billy) and Housing staff on August 17, 2011 to introduce its development team, present its Heritage Square project proposal, and discuss a comparable project located in San Francisco that the developer financed and completed with HUD 202 and tax credit funding.

BRIDGE HOUSING – PROPOSAL SUMMARY

BRIDGE Housing is a California nonprofit housing corporation formed in San Francisco in 1982 for the purpose of creating quality affordable housing on a large scale for low and moderate-income families and senior citizens. They have since become one of the largest and most successful nonprofit housing developers in California, if not the United States. They have developed more than 13,000 multi-family and single-family homes in a wide variety of settings and configurations. BRIDGE Housing staff have deep capacity: multiple principals in the organization have decades of experience in affordable housing finance and development.

The other ten members of the development team that BRIDGE Housing assembled for the Heritage Square project consist of the following firms:

- Architectural: Steinberg Architects (firm of record in the design of 3,642 units)
- Structural engineering: Saiful/Bouquet (local Pasadena firm)
- Electrical engineering: TMAD Taylor Gaines (local Pasadena firm)
- Mechanical engineering: TMAD Taylor Gaines (local Pasadena firm)
- Civil engineering: Wheeler & Gray (local Pasadena firm)
- Landscape architectural: EPT Design (local Pasadena firm)
- Property management: John Stewart Co. (manages 2,728 senior housing units)
- General Contractor: Morley Builders (completed 3,882 multifamily units)
- Service coordinator: Huntington Hospital Sr. Care Network (Pasadena agency)
- Construction management: MasBuild (local Pasadena firm)

Of the 11 total professional categories comprising the development team, seven or 64% will be contracted to firms based locally in Pasadena. This project is subject to the City's First Source local hiring ordinance and BRIDGE Housing's proposal includes a commitment to spend not less than 20% of the respective budgets for local hiring, local subcontracting, and local purchasing.

The 70-unit senior housing project for the Heritage Square site that is proposed by BRIDGE Housing would cost approximately \$21.28 million to build. The permanent financing sources for the project would consist of HUD 202, City of Industry (County of Los Angeles), and tax credit and general partner equity. The City-owned development site would be ground leased to BRIDGE Housing with no lease payment to the City. As proposed, BRIDGE Housing's proposal does not anticipate any direct funding subsidy from the City, however, during the ENA period the financing proposal may be modified by BRIDGE Housing and the City to address evolving information concerning the project, funding assumptions, and requirements of outside funders.

BRIDGE Housing is also committed to conservation and sustainability in the construction and operation of their housing projects. While the City's "green" building requirements would not typically apply to a project such as the senior housing development proposed for the subject site, the Heritage Square RFP required developer proposals to comply with City "CALGreen Tier 1" standards. Of the 61 items that are specified under these standards, BRIDGE Housing proposes to exceed 22 of them.

KEY TERMS AND CONDITIONS OF EXCLUSIVE NEGOTIATION AGREEMENT

The key terms and conditions of the ENA between the City and BRIDGE Housing are summarized as follows:

The City of Pasadena ("City") and BRIDGE Housing Corporation ("Developer") shall negotiate in good faith the terms and conditions of a Development and Loan Agreement (the "DLA") for the development of an affordable rental housing project for very low income seniors (the "Project") located at 750-790 N. Fair Oaks Avenue (the "Property").

The negotiation period shall be 90 days which may be extended by 30 days if the two parties agree in writing.

Project-specific business points in the DLA to be negotiated include:

- Site disposition (including ground lease terms)
- Project concept and design
- Scope of development
- Financing plan
- Payment in-lieu of taxes ("PILOT")
- Development budget
- Operating pro forma
- Schedule of performance
- Community Benefits Agreement (hiring, subcontracting, purchase of materials)
- Marketing plan and tenant selection, including local preference
- Management plan

The DLA will not be finalized until the appropriate environmental review has been completed, as discussed in Environmental Analysis, below.

COUNCIL POLICY CONSIDERATION:

The proposed action is consistent with the City's General Plan - Housing Element and the Five-Year Consolidated Plan. It also supports and promotes the quality of life and the local economy -- a goal of the City Council's Strategic Objectives.

ENVIRONMENTAL ANALYSIS:

The ENA does not commit the City to undertaking the Heritage Square project, but instead is one step in the exploration of the proposed project. Therefore, the ENA is not a "project" and is exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15061(b)(3).

Entering into the DLA proposed herein, however, would commit the City as a practical matter to the Heritage Square project. Before the City can enter into the DLA, it will subject the proposed project to the appropriate environmental analysis. City staff will begin the CEQA analysis of the Heritage Square project during the ENA time period. The final CEQA analysis will be presented to the City Council for its consideration at the time the final DLA terms are presented to City Council.

FISCAL IMPACT:

There is no fiscal impact as a result of this action and will not have any indirect or support cost requirements. The anticipated impact to other operational programs or capital projects as a result of this action will be none. This action to enter into exclusive negotiations does not commit the City to undertake or provide financial assistance for the Heritage Square project. At the conclusion of the exclusive negotiations, staff will return to City Council with a recommendation on proposed DLA business points, including funding assistance if any, and provide a discussion on fiscal impact.

Respectfully submitted,


WILLIAM K. HUANG
Housing Director

Prepared by:


JAMES WONG
Senior Project Manager

Approved by:


MICHAEL J. BECK
City Manager

**Disclosure Pursuant to the
City of Pasadena Taxpayer Protection Act
Pasadena City Charter, Article XVII**

- I. Does the value of this application/project *have the potential* to exceed \$25,000? Yes No (Applicant *must* mark one)
- II. Is the application being made on behalf of a government entity? Yes No
- III. Is the application being made on behalf of a non-profit 501(c) organization? Yes No
If yes, please indicate the type of 501(c) organization: 501(c)(3) 501(c)(4) 501(c)(6)

Applicant's name: BRIDGE Housing Corporation Date of Application: April 14, 2011

Owner's name: BRIDGE Housing Corporation Contact phone number: 949-622-5510
(for questions regarding this form)

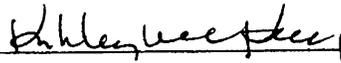
Project Address: N. Fair Oaks Avenue at Orange Grove Boulevard

Project Description: Heritage Square Senior Housing

IV. Applicant and Property Owner must disclose all joint owners, trustees, directors, partners, officers and those with more than a 10% equity, participation or revenue interest in owner and/or project. If any of these are an organization/entity, include the name of the organization/entity and the first and last names of all parties of interest of that organization/entity. (List all parties below and use additional sheets as necessary, or provide all parties on an attachment) Please print legibly.
Have any additional sheets or an attachment been provided? Yes No

| Names of Owner(s), Trustees, Directors, Partners, Officers of Owner/Project | Names of Owner(s), Trustees, Directors, Partners, Officers of Owner/Project (continued) | Those with more than a 10% equity, participation or revenue interest in Owner and/or project |
|---|---|--|
| List of BRIDGE Housing Corporation's Board of Directors is attached | | |
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| | | |

I hereby certify that I am the owner or designated agent and that the statements and answers contained herein, and the information attached, are in all respects true, accurate and complete to the best of my knowledge and belief.

Signature of Owner or Designated Agent:  Date: 4/13/11

For Office Use Only

Type of Application: Variance (all types) Adjustment Permit Sign Exception Temporary Use Permit Expressive Use Permit
 Conditional Use Permit (excluding Master Plan) Master Plan Amendment Planned Development Other

Assigned Planner: _____ PLN#: _____

Attached Address: _____ No Attached Address

Appealed: Yes No Appeal PLN# _____ Application Withdrawn

Final Decision: Approved Denied Decision Date: _____ Decision Maker: _____
(Name and Title, or Name of Commission/Committee)

Votes in favor (please print):

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