

Agency Meeting
October 18, 2011
Agency Item 4A
(COMPANION TO COUNCIL ITEM 12B)

Honorable Chair and Members
of the Torrance Redevelopment Agency
City Hall
Torrance, California

Members of the Agency:

SUBJECT: Redevelopment Agency – Review report and recommendations submitted by consultant and authorize staff to collect information regarding the selection of a developer for mixed-use at 1640 Cabrillo Avenue.

RECOMMENDATION

Recommendation of the Redevelopment Agency Deputy Executive Director that the Redevelopment Agency:

- 1) Review and concur with the report and recommendations submitted by Keyser Marston & Associates regarding the requests for proposal received for mixed-use workforce housing development at 1640 Cabrillo Avenue (RFP B2011-01); and
- 2) Authorize staff to collect additional information from the two highest rated firms Meta Housing Corporation and Related California.

(COMPANION TO CITY COUNCIL ITEM 12B)

BACKGROUND AND ANALYSIS

The City of Torrance Redevelopment Agency acquired the property located at 1640 Cabrillo Avenue (“the Site”) in the Downtown Redevelopment Project Area in October of 2009. This site was purchased using Low-Moderate Income Housing Set-Aside funds with the intention to develop mixed-use workforce housing in accordance with the 5-Year Housing Implementation Plan. A Request for Proposals (RFP) was sent out to prospective development firms on November 10, 2010, and proposals were due at 2:00 P.M. on January 13, 2011. Seven eligible proposals were submitted from the following development teams:

- AMCAL Multi-Housing
- American Communities, LLC
- LINC Housing
- Meta Housing Corporation
- National Community Renaissance
- RELATED/ Mar Ventures, Inc.
- ROEM Corporation

A selection committee made up of five members of City staff was formed to review and score each proposal. The team reviewed the proposals based on several factors, including responsiveness to the RFP, design, layout, compatibility with the character of the Downtown, and financial feasibility. Two rounds of interviews were held during the months of February and March. Based on the findings of this review period and interviews, staff went before the City Council on May 24, 2011 to recommend Meta Housing Corporation be selected as the developer for the Site.

The selection committee identified the proposal submitted by Meta Housing Corporation (Meta) as the most compatible with the needs and development goals of the Agency. The committee determined that Meta's proposal was the best fit with the character of Downtown due to its attractive design, size, amenities, layout, and unit mix. The proposal includes approximately 4,480 square feet of ground floor commercial space, and 45 workforce housing units (fifteen (15) one-bedroom units, sixteen (16) two-bedroom units and fourteen (14) three-bedroom units). The cost of development per unit is also among the most conservative of all proposals received. In addition, the committee looked at Meta's extensive portfolio in developing similar multi-family, affordable, and mixed-use housing developments, and determined that Meta would be highly capable in the development of 1640 Cabrillo Avenue.

At the May 24th City Council meeting, staff was directed to contract with a consultant to further assist in the evaluation of the Request for Proposal submittals from a financial perspective. Following this direction, staff contracted with Keyser Marston Associates (KMA) to conduct a thorough financial analysis for each proposal. KMA specializes in public/private real estate development, and the consultant assigned to the review has expertise in tax credit financing deals. The consultant has met with City staff on multiple occasions to obtain all the necessary information required to conduct the analysis, and delivered a report with findings to the Community Development Department on August 12th, 2011.

KMA analyzed each proposal in its entirety, but particularly focused on the financial feasibility of the pro formas and whether the proposals would be able to secure the Tax Credit deals that the pro formas were based on. According to KMA's analysis (see Attachment A), several assumptions have changed since the time the proposals were collected. Since January 2011, the California Tax Credit Allocation Committee (TCAC) has modified the scoring standards by which federal low income housing tax credits are awarded. As such, none of the proposals received are still competitive based on the updated scoring rubric. In addition, TCAC increased the minimum general operating expenses per unit, as well as the annual budget for social services expenses, which impact the financial feasibility of each proposal. Finally, the Area Median Income was updated in late May, and slightly increased the restricted rent levels for workforce housing. Therefore, the pro formas for each of the proposals are not in compliance with the current TCAC underwriting standards.

Notwithstanding, KMA rated each of the proposals after accounting for the industry standard changes and ranked them based on the financial information provided. Below are the findings, ordered from highest to lowest performing.

Development Team	Rank
Meta Housing	1
Related Companies / Mar Ventures	2
AMCAL – Alternative 1	3
AMCAL – Alternative 2	4
ROEM Corporation	5
National CORE – Alternative 1	6
National CORE – Alternative 2	7
American Communities	8
LINC Housing	9

More information on how KMA arrived at its findings can be found in the detailed report dated August 12, 2011 (Attachment A).

While separate review processes were undertaken by the selection committee made up of City staff and KMA, both have arrived at the same conclusion as to the two most capable developers for this project, Meta Housing Corporation and Related Companies/ Mar Ventures. The five-member selection committee carefully reviewed each of the proposals for their design, architectural style, financial strength, services, and sustainability to determine the right fit for the character of Downtown. KMA's expertise honed in on the financial feasibility of each proposal and evaluated each proposal's ability to secure tax credits based on the information provided. As these reviews appear to confirm each other's assertions, Staff feels confident in moving forward with the next steps in the RFP process.

The KMA report proposes that the two highest rated firms resubmit updated pro formas to reflect the TCAC updates and standardized assumptions for the land value, permits, and demolition & remediation costs (See Page 3 of Attachment A). After the pro-formas are re-submitted with the updated information, staff recommends that the City allow KMA to evaluate the financial strength of the revised proposals. Following a brief review period, staff would then present a final recommendation to The Agency. The Agency may then make a final selection and proceed with the next step in the Request for Proposals Process and enter into a Disposition and Development Agreement with the chosen firm.

The status of Redevelopment is currently awaiting a ruling by the State Supreme Court on *CRA vs. Matosantos*, which challenges the constitutionality of ABX1-26 & 27. The Court has set forth an expedited processing schedule and anticipates making a decision before January 15, 2012, when the first of two payments for ABX1-27 would otherwise be due. As a result, Cities and Agencies are barred from entering into new contracts and/or agreements for the use of redevelopment funds until a ruling has been made. The City may proceed with the RFP review and selection process with the

understanding that any further action will be contingent upon the outcome of the lawsuit. If the Supreme Court issues a decision that continues redevelopment agencies to continue to exist and operate, the City will then be ready to complete the project process for the development of the Site.

Redevelopment staff has reviewed the Keyser Marston & Associates report and recommends that the Agency direct staff to request additional information from the two highest rated proposals and allow KMA to evaluate the revised proposals. Redevelopment staff will bring forward to Agency the final developer recommendation to construct a mixed-use workforce housing project located at 1640 Cabrillo Avenue.

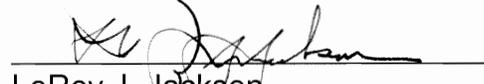
Respectfully submitted,

JEFFERY W. GIBSON
Deputy Executive Director

CONCUR:



Jeffery W. Gibson
Deputy Executive Director



LeRoy J. Jackson
Executive Director

By 

Gregg Lodan, AICP
Planning Manager

Attachment: A) Keyser Marston Associates Memorandum (8/12/2011)
(See Companion Item 12B for this attachment.)