

Council Meeting of
May 24, 2011

Honorable Mayor and Members
of the City Council
City Hall
Torrance, California

SUBJECT: Executive Summary to Item 12D – Authorize approval to enter into an Exclusive Negotiation period with Meta Housing Group for the development of mixed-use workforce housing at 1640 Cabrillo Avenue.

RECOMMENDATION

Recommendation of the Community Development Director that the City Council authorize and approve the City of Torrance to enter into an Exclusive Negotiation period with Meta Housing Group for the development of mixed-use workforce housing at 1640 Cabrillo Avenue in accordance with the 5-Year Implementation Plan for the Downtown Redevelopment Project area.

SUMMARY

A Request for Proposals was mailed out to interested prospective developers on November 10, 2010 for the development of mixed-use workforce housing on City-owned property located at 1640 Cabrillo Avenue.

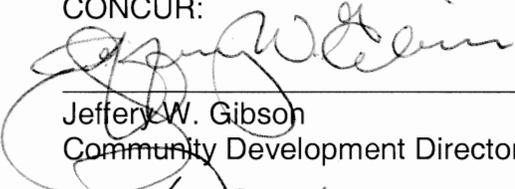
A selection committee made up of five members of City staff from various departments was formed to review, interview, and score all submitted proposals. The selection of a top-rated proposal to begin Exclusive Negotiations with the City of Torrance comes as the next step in the RFP process. The selection committee identified the proposal submitted by Meta Housing Corporation (Meta) as the most compatible with the needs and development goals of the City.

Community Development staff recommends that the City Council authorize the approval for the City of Torrance to enter into Exclusive Negotiations with Meta Housing Corporation for the development of mixed-use workforce housing at 1640 Cabrillo Avenue.

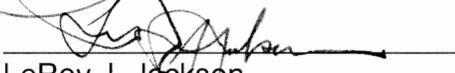
Respectfully submitted,

Jeffery W. Gibson
Community Development Director

CONCUR:



Jeffery W. Gibson
Community Development Director



LeRoy J. Jackson
City Manager

By 

Ted Semaan
Manager
Redevelopment & General Plan Division

City Meeting of
May 24, 2011

Honorable Mayor and Members
of the City Council of the City of Torrance
City Hall
Torrance, California

SUBJECT: Community Development – Authorize approval to enter into an Exclusive Negotiation period with Meta Housing Group for the development of mixed-use workforce housing at 1640 Cabrillo Avenue.

Expenditure: Not Applicable

RECOMMENDATION

Recommendation of the Community Development Director that the City Council authorize and approve the City of Torrance to enter into an Exclusive Negotiation period with Meta Housing Group for the development of mixed-use workforce housing at 1640 Cabrillo Avenue in accordance with the 5-Year Implementation Plan for the Downtown Redevelopment Project area.

BACKGROUND AND ANALYSIS

In October 2009, the City of Torrance Redevelopment Agency acquired the property located at 1640 Cabrillo Avenue in the Downtown Redevelopment Project Area using Low-Moderate Income Housing Set-Aside funds. The purpose of the acquisition was for the development of a mixed-use workforce housing project. The 0.85 acre site currently serves as the base of operations for Class Termite and Pest Control, Inc., and was selected for its importance in the revitalization of the Downtown. On November 9, 2010, the Redevelopment Agency released the Request for Proposals (RFP) that would ensure the highest quality outcome while maintaining compatibility with the City's redevelopment and housing goals (Attachment A). The selection of a top-rated proposal to begin Exclusive Negotiations with the City of Torrance comes as the next step in the RFP process. A version of this item was originally scheduled to come before the City Council on May 10th, 2011, but was continued until May 24, 2011.

The Request for Proposals was mailed out to interested prospective developers on November 10, 2010, and subsequently posted online and in the Daily Breeze. A pre-submission meeting was held with prospective development teams on Monday, December 6th, and proposals were collected 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 City staff was formed to review and score all eligible proposals. Participants in the selection committee were chosen to represent a diverse skill set with the goal of selecting the proposal most responsive to the needs of the City.

The committee was comprised of five (5) members:

- Brian Sunshine, Assistant to the City Manager
- Felipe Segovia, Building Regulations Administrator
- Ken Flewellyn, Assistant Finance Director
- Carolyn Chun, Senior Planning Associate, Redevelopment
- Marina Martos, Planning Assistant, Redevelopment

Following an internal review period where the team had an opportunity to review the proposals, interviews with each development team were conducted February 28th and March 1st. A second round of interviews was held on March 15th in an effort to obtain more details from a select group of proposers who best met the goals of the proposed project site.

Each of the proposals offered a unique development proposal in response to the Request for Proposals. The selection committee ranked each submittal using a point based on the criteria outlined in the RFP to evaluate each proposal:

• Development Entity Experience	30 pts.
• Financial Capability and Stability	25 pts.
• Development Program and Project Management	20 pts.
• Design & Aesthetics	20 pts.
• Responsiveness to the RFP	5 pts.
• Sustainability (Bonus)	max. 10 pts.
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Points Possible	110 pts. total

Many of the proposals indicated that current financial statements and other documents would be provided prior to entering a Disposition and Development Agreement. As a result, the selection committee struck that category from the ranking criteria, bringing the total to 85 points possible. In addition to this numeric ranking system (Attachment B), the committee also developed a proposal summary comparison table (Attachment C), highlighting the basic unit type and mix, development costs, cost per unit, and City contribution required.

As some proposals provided two development scenarios, the committee analyzed the scenario most compatible with the development standards for the Downtown Redevelopment Project Area. Proposals received are assumed to be the “best and final” response to the RFP by each proposing party. As such, the committee evaluated each proposal based on the information provided. Actual project costs, monetary contribution by the City, tax credit awards, development details, and other variables are solidified during the Exclusive Negotiation period.

FEDERAL TAX CREDIT INFORMATION

The federal low-income housing tax credit program was established by section 252 of the Tax Reform Act of 1986 and was codified as section 42 of the Internal Revenue Code (IRC) in 1986. The Revenue Reconciliation Act of 1989 amended IRC 42 by adding section 42(m) that requires allocating agencies to allocate low income housing tax credits pursuant to a Qualified Allocation Plan (QAP). California Health and Safety Code section 50199.10 designates the California Tax Credit Allocation Committee (CTCAC or Committee) as the state agency responsible for implementing the federal and state low income housing tax credit programs in California.

Two types of federal tax credits are available and are generally referred to as nine (9%) and four percent (4%) credits. Tax credits are allocated to the State based on population and are disbursed to the different geographical regions based on a complex formula. Developers apply for the credits and use the credits to entice interested investors or partners in the project. The developer can use or sell ten times the credit allocation amount at a discount to investors who can take the annual tax credit each year for a ten year period (i.e., if credit allocation is \$1 million, developer can use or sell \$10 million of credit allocation upfront to be taken over a 10 year period for tax purposes). Although the credits are taken over a ten-year period, the IRC requires that the project remain in compliance for at least 30 years. Only rental/affordable housing projects are eligible for the tax credits. The tax credits are available for allocation twice a year in early spring and in the summer.

With limited tax credits available per region, obtaining tax credits is extremely competitive. Competition for the tax credits requires that applications for affordable housing developments meet all of the extensive CTCAC criteria. In addition to the comprehensive application, a tiebreaker exist where the developer's application score can be enhanced by submitting projects that have a high ratio of committed public permanent funds (city) such as land and committed public loans to total project cost.

PROPOSAL SUMMARIES

The seven eligible submittals provided to the City of Torrance in response to the Request for Proposals are described below. As is the case with many RFP's of similar kind, figures listed in the proposals are not binding contracts and are considered to be the “best estimates” by the proposing party. The selection committee judged each

submittal based on the assumptions and values described therein. Potential variables, such as the assessed value of the land at the time a contract is reached, are finalized during the Exclusive Negotiation Period. Additional details on each of the proposals are attached (Attachment D).

AMCAL MULTI-HOUSING

AMCAL Multi-Housing (AMCAL) is a vertically-integrated real estate development and investment firm based in Agoura Hills, California. Since 1978, AMCAL has completed a wide range of projects, including affordable and market-rate housing of various sizes. In AMCAL's response to the RFP, two development scenarios were presented. The first development scheme describes a 30-unit residential project with 3,500 S.F. of commercial space. Standing three stories tall, this scenario includes two stories of residential over ground-floor commercial and at-grade parking. A total of 27,950 S.F. of residential space comprised of two (2) one-bedroom units at 700 S.F. each, seventeen (17) two-bedroom units, and eleven (11) three-bedroom units at 1,100 S.F. each. For the ground-floor retail component, AMCAL included letters of interest from quick-serve restaurants Subway Sandwiches and Elbows Mac 'n Cheese. The total estimated cost necessary to implement this scenario is \$13,644,264, with a City contribution of \$5,225,000. The City contribution includes an estimated land value of \$2,830,000 for the land donation.

The second scenario in AMCAL's proposal is for a 45-unit structure with a total of 41,700 S.F. of residential and 3500 S.F. of retail. The 45 units described feature two (2) one-bedroom units at 700 S.F. each, twenty eight (28) two-bedroom units at 850 S.F., and fifteen (15) three-bedroom units at 1100 S.F. each. The selection committee found this development scenario to be the more appealing of the two, given the unit count and cost to the City. Under this scenario, the total development costs are estimated at \$18,040,680, including a combination of 9% tax credits at \$8,592,968, a Permanent Loan/1stTrust Deed at \$2,082,115, a commercial loan for \$230,597, and a Deferred Developer Fee of \$350,000 and the remaining gap of \$6,785,000 to become the City contribution. This scenario assumes the same land value as above, at \$2,830,000. The value of the project in relation to the total number of residential units results in a cost of \$400,904 per unit, resulting in a City contribution of approximately \$150,777 per unit. AMCAL would seek LEED Platinum Level for this development.

AMERICAN COMMUNITIES

American Communities (American) is a Los Angeles based firm that has developed over 700 units in California since its inception in 2000.

The proposal submitted by American describes a 34-unit Spanish Mediterranean style building with 8,000 S.F. of divisible ground-floor commercial. The proposal also includes one level of subterranean residential parking with access off the alley,

ground floor commercial, parking, and courtyard space, and three stories of residential on a 24,800 S.F. lot. (the actual lot is 37,260 S.F.). The 30,278 S.F. of residential space is divided into seventeen (17) one-bedroom units at 654 S.F. each, three (3) two-bedroom units at 941 S.F. each, and fourteen (14) three-bedroom units varying between 1,178 S.F. and 1,147 S.F. each. This proposal also anticipates achieving a LEED Silver Level rating on the building.

American's estimate for the total development cost of this project to be \$12,804,979. Of that, \$5,615,889 would come from the Federal 9% tax credit award, \$1,692,000 in a Permanent Loan/First-Trust Deed, the donation of land valued at \$2.22 million, and the remaining \$2,900,000 gap to be covered by the City for a total City contribution of \$5,120,000. The estimated cost per unit in this proposal is \$376,617, with approximately \$150,588 of which assumed by the City. This proposal also includes an option that could potentially decrease the overall City contribution after the project is completed. The 8,000 S.F. of ground-floor commercial space could be converted into a commercial condominium and sold at an estimated market value of \$1.3 Million. The funds leveraged from that sale would then be paid back to the City, thereby decreasing the total City contribution by that same amount.

LINC HOUSING CORPORATION

LINC Housing (LINC) is a non-profit affordable housing developer/operator based in Long Beach, California. Since it was founded in 1984, LINC has developed over 6,000 housing units, of which 4,000 are under its management.

LINC's response to the RFP proposes a 39 unit development with 32,304 SF of residential, 4,358 SF of commercial space and 19,500 SF of private and common open space. The building will be representative of Irving Gill Architecture and stand three stories tall, with the residential units above ground floor retail and surface parking. The 39 units will consist of thirteen (13) one-bedroom units at 524 SF, twelve (12) two-bedroom units at 810 SF, ten (10) three-bedroom units and four (4) four-bedroom units at 1,408 SF.

The total funds necessary for this development are estimated at \$14,699,912. LINC foresees a Federal 9% tax credit allocation of \$3,497,600 as well as a total City contribution of \$8,509,921. The City's contribution includes the donation of the land; however, LINC placed the land value at \$1,742,000, which is much lower than what the City paid and any other proposal estimate. The remaining funding gap will be covered by a \$1,492,391 permanent loan/1st Trust Deed and a Mental Health Service Act (MHSA) grant of \$1,200,000. The MHSA grant requires that a number of units be set aside for residents suffering from mental disabilities. The value of the project in relation to the number of units results in a cost of \$376,921 per unit, with the City paying \$218,203 of each unit cost. LINC also prioritizes sustainability in its proposal, and describes how it will use strategies such as low energy fixtures,

natural lighting, recycled materials, a green roof, and other techniques to maximize the efficiency of the building; however, no official certification was proposed.

META HOUSING CORPORATION

Meta Housing Corporation (Meta) is based in the City of Los Angeles and has one of the industry's most successful track records for the development of affordable and market-rate housing. Since 1969, Meta has developed over 10,000 housing units, including single and multi-family residential units.

Meta Housing Corporation's proposal for 1640 Cabrillo describes a three-story building consisting of 45 units (37,200 SF of residential space), approx. 4,500 SF of commercial space, 11,110 SF of open space and approx. 3,500 SF of community space. The ground floor of the building will be reserved for commercial space and parking areas, while the upper two floors will consist of the residential units, open space and community space. The design of the building will be inspired by Irving Gill's architectural style and be built to a LEED Gold Standard level. Of the 45 proposed units, there will be fifteen (15) one-bedroom units at 600 SF a piece, sixteen (16) two-bedroom units at 800 SF a piece, and fourteen (14) three-bedroom units at 1,100 SF a piece.

The total cost of the project is expected to be \$15,448,783. The majority of the funding for the project will come from 9% Federal Tax Credits award of \$7,276,790. Meta foresees the need for a City contribution of \$4,500,000 for the residential portion of the project (which includes the purchase value of the land at \$2,220,000 that can be loaned back to the project), as well as a \$500,000 commercial subsidy. The additional funding will come from a \$2,347,114 permanent/1st Trust Deed loan from Citibank, a \$440,000 grant from the Affordable Housing Program (AHP), a \$200,000 commercial loan and \$184,879 in deferred developer fees/costs. The value of the project in relation to the number of units results in a cost of \$343,306 per unit, with the City paying a cost of approximately \$100,000 per unit.

NATIONAL COMMUNITY RENNAISSANCE

National Community Renaissance (National Core) is a non-profit housing development organization established in 1991 in Rancho Cucamonga. Since its inception, National Core has developed over 6,700 rental units that are currently under its ownership.

National Core's proposal put forward two development schemes for a LEED Silver Certified building, a 40-unit or 52-unit scenario. The 52-unit development would be four stories with one level of subterranean parking and would include 50,780 SF of residential, 4,000 SF of retail space, 4,000 SF of office/residential amenities, and open space (though the square footage of open space was not provided). The 52 units include four (4) one-bedroom units at 592 SF, twenty-eight (28) two-bedroom units at 884 SF, and twenty (20) three-bedroom units at 1,183 SF. The total project

cost of this proposal would be \$26,349,127. While the financing structure proposes City assistance of \$8,492,386 in the form of a loan or cash donation, the proposal does not account for the cost of land as part of this donation. Including the value of the land would bring the total City assistance for this scenario up to \$10,692,386; however the total cost of development does not change. Upon review of the two scenarios, the committee felt that the 40-unit proposal would be more successful for the Cabrillo site, and therefore pursued the 40-unit scenario for further analysis and review.

The 40-unit scenario proposes the same square footage of retail space, office/residential amenities and open space, however there is only 38,976 SF of residential area. Under this scenario, the building would be three stories and include one level of subterranean parking. The 40 units will include four (4) one-bedroom units at 592 SF, twenty (20) two-bedroom units at 884 SF, and sixteen (16) units at 1,183 SF. The total project cost for this development scheme is \$20,563,528. Again, while the proposal seeks \$6,326,761 in City assistance, it does not include the land as part of its costs or as included in this figure. Again, while the total development cost remains unchanged, the additional \$2,200,000 value of the land would bring the total City assistance for this scheme up to \$8,526,761. National Core anticipates a 9% Federal Tax Credit allocation of \$11,921,767 with the remaining gap in funding to be filled with a \$1,915,000 permanent loan/1st Trust Deed, a \$200,000 AHP grant, and a deferred developer fee of \$200,000. The value of the project in relation to the number of units results in a cost of \$545,932 per unit, with the City paying \$213,169 of each unit cost.

RELATED CA & MAR VENTURES, INC

Related and Mar Ventures, Inc have partnered together for the development of the 1640 Cabrillo site. Related California is a full-service real estate firm based in Irvine, CA and established in 1989. Since then, the firm has developed over 8,000 units of affordable and market-rate multifamily and mixed-use residential properties in California. Mar Ventures, Inc. will act as the Development Manager for the Master Development Team. Mar Ventures is a real estate development and asset-management company that has been active since the early 1990's and is based in Torrance. In that time period, Mar Ventures has undertaken over 600,000 SF of commercial office projects in the City of Torrance and been active in the redevelopment of projects in Downtown Torrance.

Related/Mar Venture's response to the RFP presents two scenarios for the development of a three-story, LEED Gold certified building: a 30-unit and a 39-unit scheme. Both schemes will have ground floor parking, commercial and community space with residential units above. In addition, both schemes have five different unit layouts and unit sizes vary between the two proposals. The 39-unit proposal has 33,005 SF of residential, 2,200 SF of commercial/retail, 1,650 SF of community space, 3,588 of common open space and 4,376 of private open space. The unit mix

for the 39 units consists of eight (8) one-bedroom units at 582 SF, eight (8) one-bedroom/den units at 644 SF, eleven (11) two-bedroom units at 935 SF, four (4) three-bedroom units with a smaller balcony at 1,076 SF, and eight (8) three-bedroom units with larger balconies at 1,076 SF. The eleven (11) two-bedroom units in the scheme also allow for 322 SF of ground-floor workspace each.

The 30-unit proposal has 23,560 SF of residential, 2,400 SF of commercial/retail, 2,200 SF of community space and the open space calculations were not provided. Of the 30 units, there will be ten (10) one-bedroom units at 550 SF, four (4) one-bedroom/den at 580 SF, four (4) two-bedroom units at 935 SF, three (3) two-bedroom units at 700 SF, and nine (9) three-bedroom units at 1,100 SF. The committee felt that further evaluation of the proposals should continue only with the more viable of the two options. Upon review of the two scenarios, the committee felt that the 39-unit proposal would be more successful for the Cabrillo site.

The total project cost for the 39-unit proposal is \$12,206,343. Related/Mar Ventures estimates a 9% Federal Tax Credit award of \$6,837,432 that will go towards funding the project. In order to secure this funding, the proposal requires a City contribution of \$4,063,220 in addition to the donation of the land, valued at \$2,200,000. This would result in a total City contribution of \$6,263,220; however, as the proposal treated the land donation as \$0 cost, the value of the land was excluded from the total development cost, but not from the total City contribution. The remaining funding gap will be covered by a \$1,305,691 Permanent loan/1st Trust Deed. The value of the project in relation to the number of units results in a cost of \$369,393 per unit, with the City paying \$160,595 of each unit cost.

ROEM CORPORATION

ROEM Development Corporation (ROEM) is a full-service construction and development organization that has specialized in construction and renovation of affordable housing for families and seniors for the past 30 years. Since its inception, ROEM has developed over 10,000 housing units throughout California.

ROEM's proposal is for a four-story building consisting of 37 units of workforce housing over 3,750 SF of ground floor retail and a surface parking lot. The project will seek LEED and/or Build It Green Certification; however the level of certification and types of sustainable amenities were not included in the proposal. The unit floor areas were also not provided with the proposal resulting in the inability to calculate parking space and open space requirements; however the proposal did provide a breakdown of the unit mix. Of the 37 units, there will be six (6) one-bedroom units, nineteen (19) two-bedroom units, and twelve (12) three-bedroom units.

The total project cost of ROEM's proposal is \$15,832,408. In order to fund the project, ROEM expects to receive \$6,821,856 in 9% Federal Tax Credits. In addition, ROEM suggests the need for a total City contribution of \$5,850,000, which

includes the \$2,200,000 value of the land as well as a City loan of \$3,650,000. The remaining funding gap will be covered with a \$2,749,388 permanent loan/1st Trust Deed, a commercial loan of \$111,557, and a deferred developer fee of \$299,607. The value of the project in relation to the number of units results in a cost of \$427,903 per unit, with the City paying \$158,108 of each unit cost.

RECOMMENDATION & SELECTION OF TOP PROPOSAL

The Exclusive Negotiation serves to establish the exact development parameters before a binding contract for the Disposition and Development Agreement (DDA) is finalized. Necessary contingencies can be included as a part of the DDA contractual agreement. Assumptions, such as the current assessed value of the land to be contributed to the project, could also potentially influence the amount of funds needed to complete the project.

The City of Torrance General Plan anticipates a maximum density of 45 dwelling units to the acre for properties with a land use designation of Commercial Center. As this is a workforce housing development, it is eligible for CA State Density Bonus to exceed up to 35% the maximum allowable density. Mixed-use buildings with ground-floor commercial and residential units above is compatible with, and complimentary to, the existing character of the Downtown

The selection committee identified the proposal submitted by Meta Housing Corporation (Meta) as the most compatible with the needs and development goals of the City. Meta has an extensive portfolio with experience in multi-family, affordable, and mixed-use developments similar in kind and scale to the development parameters for 1640 Cabrillo Avenue. Meta's proposal describes an aesthetically pleasing project that is appropriate in scale and density for Downtown Torrance. Because of Meta's extensive experience in developing other Redevelopment projects, including mixed-use multi-tenant workforce housing, the Committee is confident that the proposal will be competitive in securing 9% tax credit funds as projected in the proposal's budget. It is the opinion of the selection committee that Meta's extensive experience positions this proposal to be highly competitive for tax credit funds. Exact budget, design, and specifics will be solidified during the Exclusive Negotiation period.

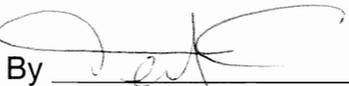
Meta's proposal also provides one of the more cost-effective scenarios presented in the RFP responses. The proposal anticipates a total City contribution not to exceed of \$5 Million from Low-Moderate Income Housing Set-Aside funds, inclusive of the land value and a \$500,000 to subsidize the commercial development portion of the project. This is the second-most affordable proposal that was submitted to the City for review. For a 45-unit project, Meta's proposal comes in at a value relative to other proposals based on the project offered. The next highest ranking proposal comes in at a cost to the City of approximately \$6.26 Million for a 39-unit product, which is over \$1.2 Million more than Meta's proposal.

Staff estimates negotiations to last no longer than 90 days. If an agreement is reached upon the close of the Exclusive Negotiation Period, a development contract will come before the Agency and Council for final approval. Meta's proposal estimates 26 months are needed from the time the RFP is awarded until the development is completed.

Community Development staff recommends that the City Council authorize the approval for the City of Torrance to enter into Exclusive Negotiations with Meta Housing Corporation for the development of mixed-use workforce housing at 1640 Cabrillo Avenue.

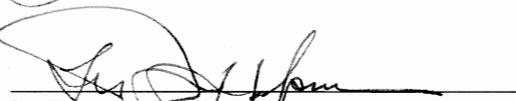
Respectfully submitted,

Jeffery W. Gibson
Community Development Director

By 
Ted Semaan
Planning Manager
Redevelopment & General Plan

CONCUR:


Jeffery W. Gibson
Community Development Director


LeRoy J. Jackson
City Manager

Attachments:

- A) Redevelopment Agency Agenda Item 4A from 11/09/2010
- B) Selection Committee Rating
- C) Project Comparison Table
- D) Summarized Proposals
- E) Correspondence
- F) Presentation Slides (Limited Distribution)

Redevelopment Agency Meeting of
November 09, 2010

Agency Agenda Item 4A

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

Members of the Agency:

SUBJECT: Redevelopment Agency - Review for release of the Request for Proposals document for the development of the property located at 1640 Cabrillo Avenue.

RECOMMENDATION

Recommendation of the Deputy Executive Director that the Redevelopment Agency approve the release of the Request for Proposals document in order to proceed with the development of a mixed-use workforce housing building on the property located at 1640 Cabrillo Avenue.

BACKGROUND AND ANALYSIS

The Request for Proposals (RFP) discussed herein pertains to the site purchased by the Redevelopment Agency in October of 2009, and the release of the RFP is the next step necessary in the development of the site. The property, located at 1640 Cabrillo Avenue, is located within the Commercial Sector of the Downtown Redevelopment Project Area and was acquired using Low-Moderate Income Housing Set-Aside funds. Class Termite and Pest Control, Inc., currently occupies the site and is on a month-to-month lease with the Agency. The Downtown Redevelopment Project Area (DRP) Development Standards Commercial Sector allows residential uses as part of mixed-use development projects. In accordance with the 2008-2012 City of Torrance Redevelopment Agency Five-Year Implementation Plan, the subject property has been identified as a potential site for the development of approximately 30-40 workforce housing units utilizing Housing Set-Aside funds.

Agency staff believes that the release of an RFP for the development of the site will help ensure a high-quality end-product that is consistent with the development standards and architectural character of the Downtown. The attached RFP describes the characteristics of the site, detailed development parameters, as well as the evaluation criteria that will be used to rank and select the proposal that best meets the needs of the City. Completed proposals will be due by Tuesday, January 11, 2011, giving

developers ample time to prepare a highly responsive proposal. The submitted proposals will then be reviewed by a committee according to the evaluation criteria set forth in the RFP. The proposals will be given points for responsiveness in each of the categories, and will be ranked in order before final selections are made. The RFP process will culminate in an Exclusive Negotiation Agreement with the approved developer with the goal of entering in to a Disposition and Development Agreement to develop the property. Following the review and selection process, City Staff will present the top-ranked proposal to the Redevelopment Agency for their consideration and approval, where the selected developer will be present to respond to questions and commentary.

Redevelopment Agency Staff recommends that the Agency agree to the release of the RFP in order to solicit proposals for a mixed-use workforce housing project at 1640 Cabrillo Ave.

Respectfully submitted,

Jeffery W. Gibson
Deputy Executive Director

By 

Ted Semaan
Planning Manager
Redevelopment & General Plan

CONCUR:



Jeffery W. Gibson
Deputy Executive Director



LeRoy J. Jackson
Executive Director

Attachment:

- 1. Request for Proposal

CITY OF TORRANCE
3031 Torrance Blvd.
Torrance, CA 90503

RFP NO. RFP2010-***

Request for Proposal for Cabrillo Mixed-Use Workforce Housing Development

PROPOSAL SUBMITTAL INFORMATION

PLACE: CITY OF TORRANCE
Office of the City Clerk
3031 Torrance Blvd.
Torrance, CA 90503

DEADLINE: 5:00 PM

DATE: Tuesday, Jan. 11, 2011

The **ORIGINAL, PLUS FIVE (5) PRINT COPIES** of the PROPOSAL as well as one (1) digital version on a cd must be submitted in a sealed envelope and marked with the RFP number and title

PROPOSALS MAY BE MAILED OR HAND DELIVERED. NO FAXED PROPOSALS WILL BE ACCEPTED. LATE PROPOSALS WILL NOT BE ACCEPTED.

All responses must include the following components:

- Proposer's Response (Section III of this document). You must submit your response on the forms provided. (If additional space is required, please attach additional pages.)
- Proposer's Affidavit (Attachment 1)

Any questions regarding this proposal should be directed to:

Jeffery W. Gibson
Community Development Department
(310) 618-5990

CITY OF TORRANCE
3031 Torrance Blvd.
Torrance, CA 90503

RFP NO. RFP2010-***

Request for Proposal for Cabrillo Mixed-Use Workforce Housing Development

SECTION I RFP INSTRUCTIONS AND INFORMATION

Notice is hereby given that sealed proposals will be received in the office of the City Clerk, City Hall, 3031 Torrance Boulevard, Torrance, CA, until 5:00 p.m. on Tuesday, Jan. 11, 2011. An original and five copies of each proposal as well as one digital version on a cd must be submitted in a sealed envelope and clearly marked: "PROPOSAL FOR 1640 Cabrillo Mixed-Use, RFP2010-***."

Proposal Form:

The proposal must be made on the form provided for that purpose, enclosed in a sealed envelope, and marked "Proposal for 1640 Cabrillo Mixed-Use RFP2010-****") and addressed to the City Clerk, City of Torrance, 3031 Torrance Blvd. Torrance CA. 90503. If the proposal is made by an individual, it must be signed by that individual, and an address, telephone (and fax number if available) must be given. If made by a business entity, it must be signed by the person(s) authorized to execute agreements and bind the entity to contracts. A full business address, telephone (and fax number if available) must be given. No telegraphic, fax or telephonic proposal will be considered.

Blank spaces in the proposal form must be filled in, using ink, indelible pencil, or typewriter, and the text of the proposal form must not be changed. No additions to the form may be made. Any unauthorized conditions, limitations, or provisos attached to a proposal will render it informal and may cause its rejection. Alterations by erasure or interlineations must be explained or noted in the proposal form over the signature of the Proposer.

Reservation:

The City reserves the right to revise or amend these specifications prior to the date set for opening proposals. Revisions and amendments, if any, will be announced by an addendum to this RFP. If the revisions require additional time to enable Proposers to respond, the City may postpone the opening date accordingly. In such case, the addendum will include an announcement of the new opening date.

All addenda must be attached to the proposal. Failure to attach any addendum may render the proposal non-responsive and cause it to be rejected.

The City Council reserves the right to reject any and all proposals received, to take all proposals under advisement for a period not to exceed ninety (90) days after the date of the opening, to waive any informality on any proposal, and to be the sole judge of the relative merits of the material and or service mentioned in the respective proposals received. The City reserves the right to reject any proposal not accompanied with all data or information required.

This Request for Proposal (RFP) does not commit the City to award a contract or to pay any cost incurred in the preparation of a proposal. All responses to this RFP document become the property of the City of Torrance.

Affidavit:

An affidavit form is enclosed. It must be completed signifying that the proposal is genuine and not collusive or made in the interest or on behalf of any person not named in the proposal, that the Proposer has not directly or indirectly induced or solicited any other Proposer to put in a sham proposal or any other person, firm, or corporation to refrain from proposing, and that the Proposer has not in any manner sought by collusion to secure for itself an advantage over any other Proposer. Any proposal submitted without an affidavit or in violation of this requirement will be rejected.

The Contract:

The Proposer to whom the award is made will be required to enter into a written contract with the City of Torrance, in the form attached. A copy of this RFP will be attached to and become a part of the contract.

Standards for Evaluation of Proposals:

The City staff will use the following priorities, as well as pricing, in determining which proposal best meets the needs of the City. The City must be the sole determiner of suitability to the City's needs.

Proposals will be rated according to their completeness and understanding of the City's needs, conformance to the requirements of the technical specifications, prior experience with comparable proposals, financial capabilities, delivery, and cost.

CITY OF TORRANCE
3031 Torrance Blvd.
Torrance, CA 90503

RFP NO. RFP2010-***

Request for Proposal for Cabrillo Mixed-Use Workforce Housing Development

SECTION II TECHNICAL REQUIREMENTS

Introduction:

The following technical requirements describe the purpose and scope of development sought by the City of Torrance Redevelopment Agency.

This RFP is intended to be as descriptive as possible. However, Proposers may not take advantage of omissions or oversights in this document. Proposers must supply products and services that meet or exceed the requirements of this RFP. In the event of a dispute over installation or performance, the needs of the City of Torrance will govern.

Table of Contents

Section	Page
Summary of Offering.....	1
1. Introduction and Background.....	2
2. Site Background.....	2
3. Development Parameters.....	4
4. Financial Terms.....	6
5. Submission Format and Content.....	6
6. Submission Requirements.....	9
7. Evaluation Criteria and Selection Process	10
8. Conditions of Request.....	11

Request for Proposals
Mixed Use Workforce Housing Development Site
Torrance Redevelopment Agency

Summary of Offering

- | | |
|-------------------------------------|---|
| Site Description | <ul style="list-style-type: none"> • 1640 Cabrillo Ave. – between Double St. and Carson St. • Approximately 34,800 sq. ft. in size (0.8 acres) |
| Development Objective | <ul style="list-style-type: none"> • Development of a mixed use workforce housing complex that compliments the surrounding uses and architectural styles. |
| Entitlements | <ul style="list-style-type: none"> • Site is zoned as Downtown Redevelopment Project (DRP) • General Plan designation is Commercial Center (C-CTR) |
| Requested Developer Services | <ul style="list-style-type: none"> • Plan, design, finance, construct and operate/manage the mixed use development. |
| Developer Selection Process | <ul style="list-style-type: none"> • Submission of proposals • City Staff reviews proposals • City Staff presents selection to Agency Board with selected developer present. |
| Exclusive Negotiation | <ul style="list-style-type: none"> • Exclusive Negotiation Agreement (ENA). |
| Proposals Due | <ul style="list-style-type: none"> • Tuesday, Jan. 11, 2011 by 5:00 pm
Office of the City Clerk
3031 Torrance Boulevard
Torrance, CA 90503. |
| Agency Contact | <ul style="list-style-type: none"> • Jeffery W. Gibson,
Community Development Director,
Jgibson@torranceCA.gov
310-618-5990 |

[FINAL RFP FOR 1640 CABRILLO]

1: INTRODUCTION AND BACKGROUND

Overview

The Redevelopment Agency (the "Agency") of the City of Torrance (The "City") is seeking proposals from qualified and experienced developers for the development of a mixed-use workforce housing project on an Agency-owned lot (The "Site"). The Site is 0.8 acres and is located at 1640 Cabrillo Avenue in the City's Downtown Redevelopment Area.

The intent of this Request for Proposals (RFP) is to select a single corporate entity or partnership for the construction and management of a mixed-use workforce housing development. Successful proposals will demonstrate developer's experience, creativity and the financial capability necessary to work with the Agency and the City in order to develop the Site. The use of the Site shall be a mixed-use development that provides units of Low- and Very Low-income rental housing with retail uses on the ground-floor. This RFP describes the site background, a more detailed description of the general type of development sought by the Agency, the process and criteria that will be used to select a developer, and the submission requirements to be followed by those responding to this request.

Once the proposals have been reviewed and evaluated based on the criteria described under Section 7, the Agency intends to enter into an Exclusive Negotiation Agreement (ENA) with the developer whose proposal is most responsive. The terms established during the time of the ENA will be included in a Disposition and Development Agreement (DDA) which will govern the dynamics of the relationship between the Agency, the developer and the development of the property.

2. SITE BACKGROUND

Site Context

The City of Torrance has a population of approximately 150,000 people and an area of 20.5 square miles. Located south of Downtown Los Angeles in the South Bay region, Torrance is bordered by Lawndale and Gardena to the North, Carson to the East, Lomita, Palos Verdes Estates and Rolling Hills Estates to the South, and Redondo Beach and the Pacific Ocean to the West. The City of Torrance is served by two major freeways, the San Diego Freeway (I-405) which runs through the North Eastern portion of the City and the Harbor Freeway (I-110), located just South East of the City borders. In addition, Torrance is conveniently located between the Ports of Los Angeles and Long Beach approximately 8 miles to the South and the Los Angeles International Airport ("LAX") approximately 7.5 miles to the North.

The City of Torrance has three current Redevelopment Areas within its borders: the Skypark Project Area, the Downtown Project Area and the Industrial Project Area. The proposed development site lies within the Downtown Redevelopment Project Area ("DRP") which was established in 1979. The DRP encompasses 88.5 acres and includes the original commercial core of the City, which was designed in 1912 by Frederick Law Olmsted, Jr. of the Olmsted Brothers. Currently, the area is experiencing a renaissance

with the development of and reinvestment in the Downtown Commercial area. In 1986, the Agency allocated \$200,000 in bond revenues to establish the Commercial Rehabilitation Program to help property owners and businesses make needed improvements to the exterior of their buildings. Numerous buildings have been renovated in Downtown and the additional \$40,000/year budgeted towards the Program will continue to encourage property owners and businesses to upgrade deteriorating structures.

Major Developments in the Downtown Redevelopment Project Area include the rehabilitation of the El Prado Apartments, which contained 26 aged and deteriorated rental housing units, and the Historic Downtown Torrance Mixed Use Project. The Mixed Use Project consists of the Brisas Del Prado market rate housing (85 DU/acre), the Brisas Del Sol affordable housing (96 DU/acre), which both offer for-sale condo units, the Plaza Del Prado which is 2 stories (29,873 sq. ft.) of retail and a subterranean parking garage that includes 75 spaces of Public Parking.

The Site

The Site is located at 1640 Cabrillo Avenue in Torrance, CA. The property consists of approximately 0.8 acres of land with about 10,000 square feet of office, maintenance and storage building space, and the remaining areas used for storage and surface parking. The Site grounds are predominantly paved with either concrete or asphalt. The current use of the property is as the base of operations for Class Termite and Pest Control, Inc. which dates back to approximately 1980. Prior to 1980, the property was used as a car dealership.

The elevation of the site is approximately 75-feet above average sea level. The topography of the Site slopes slightly towards the east and surrounding properties are of a relatively similar elevation.

Soil Conditions

The soil consists of light brown to brown sandy clay down to approximately 30 feet below ground surface (bgs). The Gage Aquifer is located approximately 50 to 85 feet bgs in the Site area. Based on the local topography, groundwater flow in the area is estimated to be to the Southeast.

A Phase I report commissioned by the Agency found two recognized environmental conditions in connection with the subject property. The first is the existence of two abandoned underground storage tanks which could potentially contaminate the soil and groundwater. The second is the existence of an inactive hydraulic lift in the service bay of the property. While the lift has not been used in over 30 years, the use of Polychlorinated biphenyls (PCBs) in hydraulic fluid prior to its ban in the 1970s allows for the potential that the hydraulic lift may be "PCB containing."

A Limited Phase II Environmental Site Assessment was done to assess the potential for subsurface contamination in the areas of one undocumented hydraulic lift and two undocumented underground storage tanks. Soils samples were collected and analyzed for Polychlorinated Biphenyl's (PCBs), Hydraulic Oil, CAM 17 Metals, Volatile Organic Compounds (VOCs), Total Petroleum Hydrocarbons (TPH) full carbon chain (CC) and Total Recoverable Petroleum Hydrocarbons. The study found that there was no trace of

PCBs in the soil above laboratory detection levels. The soil samples did find a concentration of hydraulic oil in one of the soil samples at a shallow level, which would be associated with minor staining of the top soil. Trace amounts of Title 22 metals were detected, however concentrations were well below allowable limits for State and Federal requirements. Tetrachloroethen (PCE) was reported in one soil sample. According to the Phase II Assessment, PCE in shallow soil may be associated with a minor release to the surface.

These reports are available upon request from the City of Torrance Community Development Department. The Agency intends to negotiate the ENA with the site "as is" with respect to the physical, environmental and regulatory condition of the Site, including but not limited to any liabilities for remediation of toxic materials that may be found on the Site. The selected developer will be responsible for satisfying itself as to the level of the Site's environmental condition and suitability for the proposed development.

Zoning/Land Use Restrictions

The Site is zoned as DRP (Downtown Redevelopment Project) with a General Plan Designation of C-CTR (Commercial Center) and a density designation of 43 units to the acre. The maximum building height shall be regulated by the Building Code of the City of Torrance; however the buildings in the general vicinity do not exceed 45 feet for wood frame construction. Land uses typically allowed in commercial sectors are permissible in the Downtown Redevelopment Project Area. Prohibited Uses include: Adult book stores, adult motion picture theaters, adult mini-motion picture theaters, sexual paraphernalia stores, junk yards, used auto parts yard/auto repair shops, and manufacturing uses excluding custom manufacturing. Additional detail on the types of allowable/prohibited land uses can be found in the Development Standards and Review Procedures for the DRP.

The Development Standards and Review Procedures for the Downtown Redevelopment Project can be found at: http://www.torranceca.gov/PDF/DRP_Standards_2.pdf and http://www.torranceca.gov/Documents/Downtown_Torrance_Redevelopment_Project_Plan%281%29.pdf

3: DEVELOPMENT PARAMETERS

The Agency's intended use of the site is for a mixed-use development that provides units of Low- and Very Low-income workforce rental housing based on the Los Angeles County Area Median Income (AMI). Projects should strive for a high-quality, mixed use commercial and residential development that is compatible with the surrounding uses and architectural styles of the Downtown Area. Ideally, proposals should aim to provide 30 to 40 units and ground floor retail that covers no more than 25% of the Site's square footage and no less than 10%.

The Agency will evaluate the scope and appropriateness of each proposed development. However, developments shall meet all requirements of the State of California Community Redevelopment Law, Local City Ordinances, Agency Affordable Housing Development, and the Development Standards and Review Procedures for the Downtown Redevelopment Project.

The following are the parameters for development of the Site. However, strong proposals that demonstrate merit but exceed or deviate from the standards discussed below may still be considered:

1. **Site Control.** The Agency currently owns the Site. Developers should address in their proposals the dynamics and interaction they foresee between the developer and the Agency.
 2. **Project Size.** The General Plan describes a density of 43 units to the acre.
 3. **Unit Type.** Proposals should provide a range of unit types from one (1) to three (3) bedrooms. Agency staff will carefully review unit size and layout for livability.
- A. **Affordability Requirements.** The Agency is requiring that the project be 100% affordable.
1. **Affordable Units.** Proposals should provide a mix of Low- and Very Low-Income housing based on the Los Angeles County AMI. It is up to the Developer to determine the ratio of Low- and Very Low- units to allow for the most competitive proposals for State and Federal Tax Credit Programs and to ensure project feasibility.
 2. **Affordable Monthly Rents.** Affordable monthly rents are calculated by multiplying the (Los Angeles County) area income level by 30%, adjusting for household size, and dividing by 12. A household size of 3 is used to calculate the affordable housing cost for a 2 bedroom unit and a household size of 4.5 is used to calculate the affordable housing cost of a 3 bedroom unit.
 3. **Term of Affordability.** The acquisition of the Site was funded through the Agency's Low and Moderate Income Housing Fund. Therefore, pursuant to the State of California Community Redevelopment Law, covenants to maintain the affordability of the units will be provided to the City/Agency by the developer. These covenants will be in effect for a term of ninety-nine (99) years.
- B. **Occupancy Requirements.** All occupancy requirements shall be subject to provisions of the State of California Community Redevelopment Law and local housing regulations.
1. **Occupancy Limits per Unit.** Occupancy is set at a maximum of two persons per bedroom plus one.
 2. **Income Levels.** Very Low-Income households are those that earn up to 50% of the Los Angeles County AMI, based upon family size. Low-Income households are those that earn between 50% and 80% of the Los Angeles County AMI, based upon family size.
- C. **Design.** Architectural Design will be reviewed and approved by Agency staff in order to ensure that the project complies with the Agency's design and material guidelines and that the project both complements and enhances the surrounding area. In addition, design should provide linkages to the downtown commercial district with features that compliment the historic architecture found there and those that orient pedestrians

towards the commercial area. Site design will also be considered to ensure adjacent neighbors are not negatively impacted.

- D. **Sustainability.** Sustainable design and construction is not required, but is desirable. Wherever possible, proposals should integrate sustainable approaches and technologies that will reduce the ecological footprint of the buildings and overall development. In addition, energy efficient fixtures and appliances should be utilized to reduce the long-term operational costs of the development. Proposals that include sustainable design in their development program will be given up to 10 bonus points for the purpose of evaluation.
- E. **Planning and Zoning.** The Site is currently zoned consistent with the General Plan. The Agency will partner with the selected developer to seek appropriate entitlements from the City.

4. FINANCIAL TERMS

The Agency has used its Low- and Moderate-Income Housing Fund to acquire this property and will utilize the site with the selected developer for the provision of affordable housing under a 99-year covenant to maintain affordability levels. The terms established during the time of the Exclusive Negotiating Agreement will be included in a Disposition and Development Agreement which will govern the development of the property.

Financial assistance from the Agency will be determined based on the proposals submitted. Those proposals that maximize private financing and minimize public financial assistance will be considered more favorably.

5. SUBMISSION FORMAT AND CONTENT

Proposals submitted in response to this RFP shall include the information and materials listed below in the following format. Proposals that do not address all topic areas sufficiently will be deemed less responsive than those that do. Incomplete applications will not be considered for evaluation. It is the responsibility of the applicant to ensure completeness of their proposal.

Cover Letter

Include a cover letter indicating the nature and concept of the proposed project. The letter must include the company name, address, and name, telephone, fax and e-mail address of the person authorized to represent the proposing party.

Developer Information

- Provide a description of the development entity's business and length of operation.
- Describe the type of legal entity (corporation, joint venture, partnership, sole proprietor or other).

- List the officers, partners or owners of the development entity and percent ownership. Indicate the individuals in charge of negotiations as well as those in decision making roles.
- Provide resumes for all principals, project team members, and key individuals who would be involved in the project.
- Describe organization structure and management approach to the development entity, which includes lines of responsibility.

Relevant Experience

- Describe at least two projects completed by the development entity that most closely resemble the proposed project. For each project, include:
 - Project name, address and type of development
 - Size of project, cost of construction and development time line.
 - Type of involvement (owner, joint venture, manager, etc) and ownership pattern.
 - Description of entitlement process.
 - List of the project team members and their roles, including key consultants. Cite references for each project.
 - Photographs of the completed project which illustrate the quality of the development.
- Describe previous experience in management operations and ownership of facilities similar to that of the project proposed.
- Describe previous project marketing and leasing experience.

Financial Capability

Prior to entering into a DDA, the selected Developer will be required to submit their current financial statements, and any necessary information, in order to demonstrate the Development entity's financial soundness and the developer's ability to complete the project as described. If the Applicant wishes to keep financial information confidential, please indicate at the top of each "confidential" page.

Development Program

- Describe in no more than one page, the developer's view of the opportunities and constraints that the Site presents for development.
- Describe in no more than three pages the development concept and approach for the site. Include a clear description of the product type.
- Along with the narrative description, provide a graphic depiction of the proposed project consisting of a preliminary site plan and elevation. Overly detailed architectural renderings or glossy materials are not necessary for responses to this RFP.

- Provide a Business Plan and preliminary project proforma including:
 - Development cost budget for each component of the project, including estimates of site preparation costs, direct and indirect construction costs, and financing costs.
 - If Agency assistance is requested, please provide a detailed discussion and financial assessment as to why the assistance is necessary in order for the project to be feasible.
 - An estimate of projected income and operating expenses for each land use component, including rents for each unit type, vacancy rate, operating expenses, debt service and all distributions of remaining cash flow. Include any assumptions made regarding rents, vacancy rates, etc.
 - A twenty-year operating projection.
 - A complete sources and uses of funds table for both construction and permanent financing for each component of the project. The table should clearly indicate the amount of Agency financial assistance and the proposed repayment terms of such assistance.
 - This project may be subject to prevailing wages. Developers should keep this in mind when calculating development costs in their project proformas.
- Provide a detailed project development time line beginning with the execution of a DDA with the Agency and ending with the completion of the project. The project development timeline should clearly identify an estimated schedule for the following:
 - Completion of negotiations with the Agency under a DDA.
 - Receipt of Agency Board approval
 - Application for and receipt of entitlements
 - Start and completion of construction
 - Attainment of financing
 - Lease up schedule.
- Provide documentation of the proposed tenant mix.
- Provide evidence of interest from at least one bona fide commercial tenant.

Project Management

- State the time and personnel commitment developer proposes to commit to the implementation of the project.
- Identify the anticipated long-term management structure of the proposed project.
- Identify the architectural and engineering team proposed for use on the proposed project. Include their resumes and experience on similar projects, as well as at least two references for each firm.
- Provide at least three current references that have relevant knowledge concerning developer's ability to manage such a project. Relevant knowledge includes information

regarding: project management, community outreach, planning, marketing, and the ability to deliver projects and financing in established time frame.

Contingencies

Identify any major contingencies upon which the proposal is based. For example, receipt of funding from tax credits, extent of tenant pre-commitments, minimum rate of return required, etc.

6. SUBMISSION REQUIREMENTS

Registration

Parties interested in submitting a proposal are encouraged to contact Mr. Jeffery W. Gibson via email at: jgibson@torranceCA.gov or by phone at: 310-618-5990 to officially register as a Proposer for this specific project. While registration is not required, failure to officially register may result in Proposing Parties not receiving addenda or other related communication regarding the RFP. Failure to acknowledge addenda to the RFP may cause a proposal to be considered as "non-responsive." Registration information includes company name, address, phone, fax, contact person and email address.

Pre-Submission Meeting

A pre-submission meeting will be held at the Community Development Department, located at 3031 Torrance Blvd. Torrance, CA 90503 on Monday Dec. 6, 2010 from 10:30am -12:00pm. The purpose of the meeting is to ensure that all teams understand the Agency's intent for the development of the Site and the guidelines outlined in this RFP, to summarize the proposal procedures, requirements and project selection process, and to define the responsibility of the agency and the applicants. Questions raised at this meeting may be answered orally. If any substantive new information is provided in response to questions raised, the information will be documented in a written addendum to this RFP and distributed to all parties either at the meeting or to those that have officially registered. Although attendance is not mandatory, it is highly recommended.

Time and Place of Submission

Proposals physically due by: Tuesday, Jan. 11, 2011 by 5:00 pm
(Postmark Dates will not be accepted.)

Please include one (1) original and five (5) print copies as well as one (1) digital version on a CD clearly labeled with the Proposing Party's name and other identifying information. Proposals should be marked "PROPOSAL FOR 1640 Cabrillo Mixed-Use, RFP2010-****" in a sealed envelope or box and addressed to:

City of Torrance
Office of the City Clerk
3031 Torrance Blvd.
Torrance, CA 90503

Questions regarding the RFP should be directed to Mr. Jeffery W. Gibson via email at: Jgibson@TorranceCA.gov or by phone at: 310-618-5990. All questions and requests for additional information must be received in writing by mail, overnight delivery, fax, or e-mail on or before Thursday, Dec. 16, 2010.

Submissions are Final

No corrections or modifications to the proposal may be made after the due date.

Addenda

Changes to the RFP requirements will be made by written addendum. The Agency will not be bound by any oral explanations or instructions given at any time during the review process. Oral explanations become binding only when confirmed in writing by an authorized Agency official. Written responses to questions asked by one responder will be shared with the other responding parties.

Confidentiality of Submissions

All proposals, including all drawings, plans, photos, and narrative material, shall become the property of the Agency upon receipt by the Agency. The Agency shall have the right to copy, reproduce, publicize, or otherwise dispose of each proposal in any way that the Agency selects, subject to that portion of the proposal containing Confidential Material.

7. EVALUATION CRITERIA AND SELECTION PROCESS

Evaluation Criteria

The following criteria will be used to evaluate and rank proposals based on the information submitted in each of the categories listed in the SUBMISSION FORMAT AND CONTENT section of this RFP. Consideration will also be given to the overall responsiveness of the developer's proposal. Responses will be evaluated to choose either a single Selected Party for negotiations based on its proposal, or to select multiple Proposing Parties to further refine their proposals.

• Development Entity Experience:	30 pts.
• Financial Capability/ Strength	25 pts.
• Development Program/ Project Mgmt.	20 pts.
• Design/Aesthetics	20 pts.
• Responsiveness/Presentation	5 pts.
• <u>Sustainability Bonus</u>	<u>max. 10 pts.</u>
• Total	110 pts

Selection Process

A developer will be selected to enter into an Exclusive Negotiation Agreement with the goal of developing a Disposition and Development Agreement for the development of the Site based on the submittals received in connection with this RFP.

Agency staff will evaluate the Proposals to identify the most suitable project and the most responsive and best qualified developer. During the evaluation process, developers may be asked to respond to questions posed by the evaluation team. Following the selection of a developer, City staff will make a recommendation and presentation to the Agency for the selected Proposal. During this presentation, representatives from the developer should be available to field any questions the Agency may have regarding their proposal.

8. CONDITIONS OF REQUEST

Permits, Approvals and Licenses

The necessary approvals to develop the Site may be subject to discretionary actions. The Selected Party will be responsible for processing and paying for all required permit applications and any related fees in connection with the entitlement approvals or occupancy. The Selected Party shall, at their sole expense, obtain and maintain all appropriate permits, certificates and licenses.

CITY OF TORRANCE
3031 Torrance Blvd.
Torrance, CA 90503

RFP NO. RFP2010-***

Request for Proposal for Cabrillo Mixed-Use Workforce Housing Development

SECTION III PROPOSAL

FAILURE TO COMPLETE ALL ITEMS IN THIS SECTION MAY INVALIDATE PROPOSAL.

In accordance with your "Request for Proposal," the following proposal is submitted to the City of Torrance.

Proposal Submitted By:

Name of Company

Address

City/State/Zip Code

Printed Name/Title

Telephone Number/Fax Number

Form of Business Organization:

Please indicate the following (check one);

Corporation _____ Partnership _____ Sole Proprietorship _____

Other: _____

Business History:

How long have you been in business under your current name and form of business organization?

_____ years

If less than three (3) years and your company was in business under a different name, what was that name?

Contact for Additional Information:

Please provide the name of the individual at your company to contact for any additional information

Name

Title

Telephone Number/Fax Number

Addenda Received:

Please indicate addenda information you have received regarding this proposal:

Addendum No. _____ Date Received: _____

_____ No Addenda received regarding this proposal.

Payment Terms:

Are you proposing any discounts for early payments?

Yes _____ No _____

If yes, what are your discounted invoice terms? _____

Delivery:

What is the lead time for delivery? _____ days/weeks

References:

Please supply the names of companies/agencies for whom you recently supplied comparable goods or services as requested in this RFP.

Name of Company/Agency Address Person to contact/Telephone No.

Name of Company/Agency Address Person to contact/Telephone No.

Name of Company/Agency Address Person to contact/Telephone No.

Costs: \$ _____

Additional costs (please specify) \$ _____

Grand Total \$ _____

Proposer must complete each item with either a check mark to indicate that the item being proposed is exactly as specified, or enter a description in the Proposer's comments column to indicate any deviation from the specifications of the item being proposed.

SERVICE SPECIFICATION COLUMN	PROPOSER'S COMMENTS COLUMN

Submittals: Please indicate that the following are included with your proposal:

Submittal Requirements	Check here if included:

STATE OF CALIFORNIA

PROPOSER'S AFFIDAVIT

COUNTY OF LOS ANGELES

_____ being first duly sworn, deposes and says:

1. That he/she is the _____ of _____
 (Title of Office) (Name of Company)

hereinafter called "Proposer", who has submitted to the City of Torrance a proposal for

 (Title of RFP);

2. That the proposal is genuine; that all statements of fact in the proposal are true;
3. That the proposal was not made in the interest or behalf of any person, partnership, company, association, organization or corporation not named or disclosed;
4. That the Proposer did not, directly or indirectly, induce solicit or agree with anyone else to submit a false or sham proposal, to refrain from proposing, or to withdraw his proposal, to raise or fix the proposal price of the Proposer or of anyone else, or to raise or fix any overhead, profit or cost element of the Proposer's price or the price of anyone else; and did not attempt to induce action prejudicial to the interest of the City of Torrance, or of any other Proposer, or anyone else interested in the proposed contract;
5. That the Proposer has not in any other manner sought by collusion to secure for itself an advantage over the other Proposer or to induce action prejudicial to the interests of the City of Torrance, or of any other Proposer or of anyone else interested in the proposed contract;
6. That the Proposer has not accepted any proposal from any subcontractor or materialman through any proposal depository, the bylaws, rules or regulations of which prohibit or prevent the Proposer from considering any proposal from any subcontractor or materialman, which is not processed through that proposal depository, or which prevent any subcontractor or materialman from proposing to any contractor who does not use the facilities of or accept proposals from or through such proposal depository;
7. That the Proposer did not, directly or indirectly, submit the Proposer's proposal price or any breakdown thereof, or the contents thereof, or divulge information or data relative thereto, to any corporation, partnership, company, association, organization, proposal depository, or to any member or agent thereof, or to any individual or group of individuals, except to the City of Torrance, or to any person or persons who have a partnership or other financial interest with said Proposer in its business.
8. That the Proposer has not been debarred from participation in any State or Federal works project.

Dated this ____ day of _____, 20_____.

 (Proposer Signature)

 (Title)

Cabrillo Mixed-Use Workforce Housing Development Selection Committee Rating

	Rater 1	Rater 2	Rater 3	Rater 4	Rater 5	Total
RELATED/MAR	81	78	83	81	79	80.3
ROEM	71	61	69	73	58	66.4
LINC	69	70	68	69	61	67.3
META	80	83	81	82	68	78.7
AMERICAN	76	72	73	72	70	72.5
AMCAL	70	79	80	74	72	75.3
NAT'L	71	66	71	76	62	69.2

Cabrillo Mixed-Use Workforce Housing Development Request For Proposal Project Proposal Comparison

	American Communities				National Community Renaissance				Roem Corporation	
	Amcal Multi-Housing	Linc Housing	Meta Housing	Related / Mar Ventures Inc.	Roem Corporation					
Total Units	30	34	45	30	37					
1-bedroom	2	17	15	14	6					
2-bedroom	17	3	16	7	19					
3-bedroom	11	14	14	9	12					
4-bedroom	0	0	0	0	0					
Total Residential Floor Area (s.f.)	27,950	30,278	37,200	23,560	*					
Commercial Space (s.f.)	3,500	7,920	4,480	2,400	3,750					
Community Room/Space (s.f.)	1,700	1,200	3,462	2,200	*					
Total Open Space (s.f.)	9,500	10,313	11,100	*	*					
Parking Spaces Provided	73	66	89	55	91					
Stories above grade	3	4	3	3	4					

Project Funding

Federal 9% Tax Credit Equity	6,513,051	8,592,968	7,276,790	11,921,767	14,874,741	6,837,432	6,821,856
Permanent Loan (1st Trust Deed)	1,318,492	2,082,115	2,347,114	1,915,000	2,582,000	1,305,691	2,749,388
Commercial loan	237,721	230,597	200,000	0	0	0	111,557
Mental Health Service Act Grant	0	0	0	1,200,000	0	0	0
Deferred Developer Fee	350,000	350,000	184,879	200,000	200,000	0	299,607
AHP Grant ^^	0	0	440,000	200,000	200,000	0	0

City Contribution Requested by Developer:

Land-assumed value	2,830,000	2,830,000	2,220,000	1,742,000 ^	2,200,000 **	2,200,000 **	2,200,000 **
Subsidy/loan	2,395,000	3,955,000	2,760,000	6,767,921	2,760,000	8,492,386	4,063,220
Total City Contribution	5,225,000	6,785,000	5,000,000	8,509,921	5,000,000	10,692,386	6,263,220
Total Development Cost	\$13,644,264	\$18,040,680	\$15,448,783	\$14,699,912	\$20,563,528	\$26,349,127	\$12,206,343
Cost per Unit	\$454,809	\$400,904	\$376,617	\$376,921	\$514,088	\$506,714	\$312,983

* = no data provided ** = Land value was treated as zero cost & excluded from Total Development Cost

^ = Proposal set the land value at \$1.7 million which is less than all other proposals ^^ = Affordable Housing Program Grant \$10,000 per unit

= The proposal include a provision of selling the commercial retail area for \$1,300,000 which reduces the city's cost note: each project contains one market rate manager's unit

Semaan, Ted

From: Allan W. Mackenzie [allan.mackenzie@marventures.com]
Sent: Monday, May 16, 2011 5:04 PM
To: Sunshine, Brian
Cc: Chun, Carolyn; Martos, Marina; Semaan, Ted; Joe, Kevin; Gibson, Jeff; Giordano, Mary; Witte, Bill; Lionel Uhry; Sarah Chionis
Subject: Cabrillo Workforce Housing Letter
Attachments: Cabrillo_Workforce_Housing_Letter_5_16_11.pdf

Brian

After review of the staff reports and our submittal, we prepared the attached letter, and would be happy to discuss it with you and your team.

Allan

ALLAN W. MACKENZIE | PRESIDENT
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Mar
Ventures,
Inc.

May 16, 2011

Mr. Brian Sunshine
Assistant to the City Manager
City of Torrance
3031 Torrance Blvd.
Torrance, CA 90503

Re: Cabrillo Mixed Use Workforce Housing RFP

Dear Mr. Sunshine,

On behalf of The Related Companies and Mar Ventures, Inc., as well as our architects Withee Malcolm, we have appreciated the opportunity to respond to the RFP for the Cabrillo Mixed Use Workforce Housing Project.

Since our leadership of the Downtown Torrance redevelopment project 15 years ago, and also because of our ongoing leasehold and operation of the El Prado Apartments and retail space since then, we have remained vitally interested in the success of the area. Equally, however, we recognize the challenges, and the very complex Downtown Torrance project made us aware of the need to involve the highest quality team and utilize conservative and achievable financial assumptions.

Taking advantage of these lessons learned, we have teamed up with the most experienced affordable housing builder in the region, The Related Companies, with a track record of obtaining tax credits for and building approximately 8000 units. Torrance based architects Withee Malcolm, who have worked with both Related and Mar Ventures on numerous past projects, rounds out our team.

As your highest scoring team, clearly we have met the qualitative objectives of the City in our RFP response, and we greatly appreciate Staff's vote of confidence in us. However, since we were not selected, we assume that for quantitative reasons, Meta Housing's proposal was deemed more attractive, presumably in the areas of required City subsidy, unit count and retail space provided. Whereas in many cities, the Exclusive Negotiating Period would be used to test the financial assumptions of the highest rated bidder, in this case we assume the selection was made based on the numbers presented, even though the RFP is not clear on this selection criterion.



Clearly, the financial projections are only as good as the assumptions used, and we believe that Staff needs to vigorously test the assumptions used by all teams to ensure they are realistic and avoid falling into a project which requires much more funding than originally projected to even get off the ground. Our team took a conservative approach to financing, design and leasing assumptions to minimize the risk of future additional City funding requests. Please find below a summary and explanation of some of these key assumptions as they relate to the analysis of each RFP response.

1. Total City Contribution:

The main area for comparison between the various responses is the total City contribution that is required to make the proposed development financially feasible. Special attention should be paid to the components that determine this contribution and the assumptions that drive those components. Assumptions that have a low probability of success or are not conservative should be carefully scrutinized to determine if they improperly represent or skew the total City contribution calculations. Aggressive assumptions which could significantly skew the total City contribution include those related to the tax credit tiebreaker, AHP Grant, permanent financing, deferred developer fee, and commercial space rental rates and financing.

a) Affordable Housing Tax Credit Tiebreaker:

Securing an allocation of affordable housing tax credit is a highly competitive process. The competition depends largely on a complex tie breaker calculation which in turn hinges on the amount of local funds committed to the project to enable a reduction in the tax credit allocation request. In practice, this requires local agencies to contribute more subsidy than would otherwise be required for financial feasibility. In essence, proposers are foregoing tax credits to achieve a higher tiebreaker, and additional local funds fill the "gap." In fact, we indicated in our written response to the RFP that "the 'natural' gap on the project if we were able to raise credits on the full amount of eligible basis *without* a tiebreaker competition would be around \$400,000. However, the 'competitive' gap...is estimated at \$4.06 million." Our proposal is based on achieving a score of 100% in the tiebreaker competition, which is the highest score possible, but based on current demand for tax credits, such a level is deemed prudent to assure success. Given the highly competitive nature of the competition it is very important for the City to understand what each respondent's competitive score in the tie breaker would be, and that information is currently omitted from the current analysis. For example, we would estimate that Meta Housing's score in the tiebreaker analysis would be approximately 91%, given its current subsidy proposal; to reach the same 100% level we are at, we estimate they would need to obtain an additional \$691,000 in Agency contributions. Making a decision on which respondent to select without knowing how each respondent's proposal would score on this key indicator of competitiveness could put the City at greater risk of not winning the affordable housing tax credit competition; in other jurisdictions (including a recent successful Related/Withee Malcolm project in Carson), the evaluation is based on a standardized cost and contribution structure, and the winning bidder and the Agency jointly decide what tie breaker score to aim for and therefore what level of city subsidy is necessary.



b) AHP Grant:

AHP (Affordable Housing Program) is a competitive program run by the Federal Home Loan Bank which can sometimes provide \$5,000-\$10,000 per unit in subsidy to a project. In addition to being highly competitive, it is also entirely speculative, which is to say that a developer would not typically know whether it won this subsidy until after obtaining the tax credit allocation from the State, so the best that could happen is that the City would get reimbursed by this amount. In either case, the more prudent accounting of these funds would have the City budget for funding the amount of the AHP Grant in the event the AHP Grant application was rejected. All RFP respondents could apply for the AHP Grant, but it would be presumptuous to assume it would for certain be awarded as was done in the City's comparative chart. To do so would be akin to our claiming \$440,000 in funding from a federal earmark which had not yet been obtained. Thus, the requested City subsidy in the Meta proposal should be increased by \$440,000.

c) Permanent Financing:

The amount of permanent financing that is available to the project is largely based on assumptions such as interest rate, debt coverage ratio, and operating expenses that could change significantly in even a few months time during this period of financial market instability. The permanent financing amount of \$1,305,691 that was included in our response was based on the conservative assumption of a 1.20 debt coverage ratio, a 7.5% interest rate, and \$6.09 per square foot in operating expenses. If we were to be more aggressive in our assumptions with a 1.15 debt coverage ratio and a 6.00% interest rate, \$1,599,943 in permanent financing could be obtained thus reducing the City's contribution by \$283,252; although this would also reduce the cash flow available for sharing with the City. In an "apples to apples" comparison of the respondents, no team will be able to obtain better financing terms than what the financing markets will bear, so it is important to analyze the financing assumptions of all respondents using a common interest rate and debt coverage ratio so the City can determine what is the most likely amount to actually be financed. Similarly, expenses should be standardized across the bidders, to avoid low quality operations which detract from the long term maintenance and depreciation of the property.

d) Deferred Developer Fee:

Some of the developers proposed deferring part of their developer fees, as a means of slightly reducing the City's contribution. The amount of developer fees is typically negotiated during the DDA process; it should not be used as a competitive criterion at this stage in the process.

2. Rental Rates and Total Size for the Commercial Component:

We have based our assumptions on 2,200 SF of retail/commercial rented at \$1.00/SF/Month NNN, which we think is realistic based on our 15 years of experience in managing retail space in the immediate downtown core through our leasehold ownership of the El Prado Apartments. In addition to projecting market retail rents, we were extra conservative in assuming a 50% vacancy factor on the retail in order to protect the City from any unforeseen



funding shortfalls from vacating or non-rent paying tenants and allow a preference for retail as opposed to office uses. Unfortunately, businesses in Downtown Torrance continue to struggle in the face of both national macroeconomic conditions and local microeconomic factors. The commercial market in the immediate Downtown Torrance area is disadvantaged by poor location identification with a lack of monument signage at key entry points to create a gateway to the core of downtown and an overall identifiable theme. There is minimal parking to support both the businesses and patrons where existing stalls are overused by daytime employees and residents. There continue to be numerous vacancies in the core downtown area for retail space which adversely affect the success of long term tenancy as well as resulting in aggressive rental rates. In our experience, rental rates have consistently been in the \$1.00-\$1.15/SF/Month NNN range. Factors mentioned above have negatively impacted this marketplace as being a draw to new businesses. The 1640 Cabrillo Avenue site is located on a perimeter street removed from the core of downtown which is commonly used as a thoroughfare for traffic from Torrance Boulevard and 190th Street to south of Carson Street. There is a large landscaped median with minimal crosswalks requiring pedestrians to cross four lanes of traffic to reach the core of downtown.

Taking into consideration these physical challenges along with the existing market we do feel that although it is imperative to activate the front of the project with retail along Cabrillo Avenue it would be inappropriate to include too much retail space, and project a rental rate higher than what is currently being achieved in the core downtown area. Consequently our assumed 2,200 SF of retail space activates the entire street frontage while minimizes the leasing risk. In addition, the proposed market rental rate of \$1.00/SF/Month NNN takes into consideration the abovementioned factors and is conservative enough to attract quality tenants to this new project location. Others have projected \$1.85/SF/Month NNN; this is very unlikely to be achievable or sustainable and financing based on this rate is unrealistic

3. Commercial Space Financing

It is very difficult in this environment to assume that there will be commercial debt or equity financing available for a new commercial construction project that is limited in size and scope, in a very weak leasing market. Any project funding that is reliant on commercial loans or equity would be entirely speculative at this stage in the project, and the prudent approach would be to not factor them in as a source of project funding this early. In fact the commercial viability of this project is largely dependent on a delicate balancing act of rent and vacancy in the significantly challenged retail environment noted above.

4. Architectural Design:

During the design process several concepts were evaluated including higher densities. We found that although 45 units were achievable, the quality of the project was compromised especially in terms of usable open space. The significant reduction (31%) of open space would affect the overall quality of life for the residents and their children who are living in smaller units and are highly dependent on those community spaces. The additional units would also affect the quality of the building design by eliminating the openness between the buildings, eliminating natural light and appearing unnecessarily massive in the context of the fabric of Downtown Torrance and as compared to the proposed design. We felt it was



important to design something of the highest quality, for both the community at large and the project residents alike.

5. Conclusion:

In order to perform a comprehensive analysis of all the responses to the Cabrillo project, it is imperative that all respondents' assumptions are carefully scrutinized in order to create a level playing field in which normalizing adjustments are made overly aggressive or overly conservative assumptions. We believe that such a comprehensive analysis and standardization of assumptions as outlined in this letter could, for example, result in decreasing our total requested City contribution by \$283,252 or more and increasing Meta Housing's requested City contribution by \$1,515,879 or more. This would obviously impact the quantitative ranking. More fundamentally, placing too much emphasis on financial projections which are speculative and subject to almost certain change can lead to a City contribution that ultimately varies significantly from what is being presented to Council today. This is particularly concerning on affordable housing projects, with small margins for error.

We greatly appreciate the opportunity to make these observations and would be happy to discuss them further with you or your staff.

Yours very truly,

Allan W. Mackenzie
President

cc: Jeffery W. Gibson, Deputy Executive Director
City of Torrance

Ted Semaan, Manager - General Plan and Redevelopment Division
City of Torrance

Carolyn Chun – Senior Planning Associate – General Plan and Redevelopment Division
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