



Information Item

Date: July 10, 2013

To: Mayor and City Council
From: Andy Agle, Director of Housing and Economic Development
Subject: 4th/5th and Arizona Proposals and Selection Panel Recommendations

Introduction

This report summarizes the proposals received in response to the Request for Proposals (RFP) issued for the City-owned 4th/5th and Arizona development site, and presents the results of the selection panel's evaluation. Following a thorough review and due diligence process, the selection panel recommends the development team led by Metropolitan Pacific Capital. The selection panel found that their proposal best addresses the evaluation criteria outlined in the RFP, which identified Council and community priorities for the site. Staff will prepare a report with a formal recommendation to enter into exclusive negotiations for consideration at the August 27, 2013 City Council meeting. Staff is making the information and recommendation regarding the proposals available and is soliciting public input in advance of Council consideration.

Background

On November 13, 2012, Council directed staff to issue an RFP to the top three teams that were selected through the Request for Qualifications (RFQ) process conducted earlier in 2012. On February 1, 2013, staff issued the RFP to solicit proposals from development teams led by Forest City Development, Metropolitan Pacific Capital, and Related California. At that time, Council adopted project objectives that were incorporated into the RFP. Key project objectives included the development of programmable gathering space; ground-floor retail, restaurant and cultural space; a mix

of uses such as retail, cultural, office, hotel and residential; exceptional architecture and sustainable design; public access to views; a minimum of 339 public parking spaces; a highly flexible development approach; and the incorporation of concepts identified in the Downtown Specific Plan process. Staff received proposals from the three development teams on May 1, 2013. The proposals are available in their entirety, as is the RFP, online at www.smgov.net/4thandarizona. Staff also prepared one-page summary sheets of each proposal for public information purposes (Attachment A).

Discussion

Selection Process

After receiving the proposals, staff completed a thorough review and due diligence process. A selection panel comprised of eight City staff members from Planning and Community Development, Community and Cultural Services, Public Works, and Housing and Economic Development, as well as two financial consultants from Keyser Marston Associates (KMA), reviewed the proposals and conducted interviews with the three development teams. Teams responded to questions from the selection panel regarding their proposals and their flexibility to modify certain aspects of proposals to better meet public objectives or address community concerns.

The selection panel felt that each of the proposals was thoughtful, creative, well prepared and capable of achieving the public objectives for the site. The selection panel reviewed the proposals according to the selection criteria outlined in the RFP, as follows:

- Development strategy – understanding of the potential market demand, the existing context, and the development review process; preliminary selection of land uses and product types; integration of public benefits; creation of an iconic, compelling and synergistic development.

- Design approach - architectural excellence; responsiveness to the City's design, sustainability, and circulation objectives.
- Community approach – how the development team would promote community involvement in the project development stages; community/cultural events programming; open/event space programming.
- Financial analysis and capacity – project's economic vitality; anticipated ability to get financing; financial benefit to the City as the property owner.

These four broad selection criteria encompass more specific public objectives and priorities gleaned from community input prior to issuing the RFP. The selection panel was also attentive to the flexibility of the development teams and proposals to respond to community priorities as they evolve through further community input in the development process.

Selection Panel Review and Recommendation

The following outlines the selection panel's review of the three proposals relative to the selection criteria.

Metropolitan Pacific Capital / Clarett West / DLJ West Capital Proposal

Development Strategy: The proposed development encompasses multiple uses, including hotel, office, cultural space, ground-level retail, significant public open space, and flex space that could be used for office or residential. As the flex space was designed to accommodate office or housing, the development team indicated a willingness to incorporate affordable housing into the development, though it would be expected to affect the proposed economics of the project. The hotel use would serve as an activity generator to support nearby restaurants and retail in the downtown district, and would allow hotel guests to help activate the open space day and night. The ground-level public plaza, which opens to the corner of 4th Street and Arizona Avenue, provides the strongest connection to adjacent downtown activities. The project's tiered design creates another large public open space on the second level, as

well as additional programmable open spaces on the upper rooftop levels. The proposed 580 public parking spaces exceed the amount of public parking in the other two proposals.

Design Approach: The selection panel found the design approach in this proposal the most compelling. The proposed design delivers iconic architecture from all elevations, as well as a highly flexible interior space design that could most easily accommodate potential design modifications and adjust to market demand changes in the future. The design is conducive to activating all areas of the site and providing public access to multiple portions of the site. Additionally, the site design maximizes the public view corridor toward the open plaza areas and integrates within the framework of downtown and adjacent properties. The development team indicated flexibility with respect to the height of the proposed development, though project economics are expected to be impacted with height modifications.

Community Approach: The selection panel viewed the community approach proposed by this team favorably. The development team demonstrated a commitment to a high level of community involvement in the project's design development, in the form of a series of community workshops, online resources, and mailings. The community open space would be managed by Biederman Redevelopment Ventures, a special purpose entity that manages well-known public spaces such as Bryant Park in Manhattan. The open space would be managed in conjunction with several local partners. The budget allocated to open space management is the highest proposed at an annual amount of \$831,000 by year three of the development's operation.

Financial Analysis and Capacity: The development team is well financed and has the capacity and access to capital to finance the development. It is estimated that the project would cost over \$330 million to build, representing the largest proposed investment in the site. The development team is proposing an annual ground lease payment of approximately \$1.3 million.

Forest City Development West Proposal

Development Strategy: Forest City's proposal includes one office building and one residential building with non-traditional activating uses on the ground level, including making and fabrication space and food incubator space. Forest City proposes building ten percent of residential units as affordable housing, which would equate to approximately 18 units. Two separate buildings provides for phasing flexibility as one building could move forward if the other were delayed. The ground-level plaza opens primarily toward 4th Street. The selection panel felt that the ground-level uses were innovative, though there were questions about the uses' ability to activate all portions of the site and whether the uses are appropriate for the ground-floor of a central downtown location. The amount of public parking proposed is the lowest quantity of the three proposals at 339 spaces, and the parking for the project is proposed to be constructed in two separate garages, which could limit operational flexibility in the future.

Design Approach: The proposal's design is less developed than the project designs for the other two proposals, which made it difficult for the selection panel to judge the design in the comparison to the other proposals. Based on the preliminary design work, the selection panel questioned whether the architecture achieved the iconic design that the community is expecting at the site.

Community Approach: The community approach in the proposal is the most unique and creative, drawing upon the Open City model that Forest City is currently implementing at the 5M project in San Francisco. The team describes the development concept as evolving significantly as a part of the community involvement process. While the selection panel appreciated the approach and considered it an ideal option for a site where the project objectives are less defined, the panel was concerned that such an open-ended approach may not be appropriate for a site where many objectives have already been identified through a comprehensive community process. The proposed open space management budget is \$732,000 annually, which is the second highest of the three proposed budgets.

Financial Analysis and Capacity: The development team is well financed and has the capacity and access to capital to finance the development. While the capital investment of \$226.2 million is the lowest of the three proposals, the proposed annual ground lease is \$1.75 million plus a percentage rent if the development's cash flow reaches a certain threshold.

Related California, Inc. Proposal

Development Strategy: The development strategy in this proposal is the most aggressive of the three in terms of height and FAR. The proposed uses include an office building draped by residential uses and anchored with ground-level retail. The public plaza is proposed in the center of the site, located behind a proposed three-story building with retail, food, and arts-related uses on the corner of 4th Street and Arizona Ave. The selection committee expressed concern that the open space could feel detached from central parts of the downtown and therefore be experienced as privatized space. The proposal includes 52 affordable apartments. The proposed amount of public parking was in the middle of the three proposals; 339 public parking spaces plus over 500 shared parking spaces.

Design Approach: The selection panel felt that the design approach was creative and potentially iconic, though there were concerns about whether the proposed architecture would fit with its surroundings. In response to the selection panel's expressed concerns about height, the development team indicated that alternative scenarios could be pursued, albeit with negative economic and architectural impacts.

Community Approach: The selection panel valued the applicant's strong team with current experience developing in Santa Monica. However, the proposed community involvement plan was the least defined of the three and the annual budget for the open space management is the lowest of the three proposals, ranging from \$302,473 in year one to \$397,517 in year three of project operation.

Financial Analysis and Capacity: The development team is well financed and has the capacity and access to capital to finance the development. The development is estimated to involve a \$270 million investment in the local economy. The developer proposes an up-front capitalized ground rent of \$33.2 million, which would be the highest of the three if the other two proposed annual lease payments were capitalized. An intangible factor that favors the development team's financial capacity was their ability to finance the Civic Center Village at a time when condominium financing was extraordinarily difficult.

Selection Panel Recommendation

Through its review as outlined above, the selection panel concluded that the team led by Metropolitan Pacific Capital best responded to the RFP selection criteria. Staff recommends that Council proceed with the Metropolitan Pacific Capital team, which also includes Clarett West Development, DLJ West Capital Partners, and their designers and consultants. At the August 27, 2013 Council meeting, staff will provide a formal recommendation for Council to authorize exclusive negotiations with the team.

The proposal offered a development strategy that provides a diverse mix of uses for both the ground floor and upper levels that responded to Council's adopted project objectives. The placement of the ground floor public plaza connects the development effectively to adjacent downtown uses, and the tiered buildings offer expanded public space opportunities. The design approach offers iconic architecture, sustainable design and construction, and plentiful public views. The community approach is robust and includes the highest proposed budget for open space management. Finally, the proposal represents the greatest economic investment in the site and the local economy.

In recommending this proposal, staff urges the development team and Council to pursue affordable housing as an element of the project. Affordable housing would augment the other public objectives achieved through this proposal, recognizing that the

need is especially critical in light of the recent elimination of redevelopment as the City's primary funding source for affordable housing.

Feedback on Proposals

Given the significance of this site and the high level of community interest, staff is making the proposals available publicly in advance of making a formal recommendation to Council on August 27, 2013. Feedback regarding the proposals may be submitted to Econdevel.Mailbox@smgov.net. The staff report submitted to Council will include any feedback received by August 8, 2013. Feedback may also be submitted directly to the City Council at or before the August 27, 2013 Council meeting. There will be ongoing opportunities for community input throughout all stages of site development.

Anticipated Timeline and Next Steps

Staff anticipates providing Council with a recommendation to enter into exclusive negotiations with the Metropolitan Pacific Capital team on August 27, 2013. Once a team is selected by Council, opportunities for community input on the proposed project will be extensive. During the exclusive negotiating period, the development team would begin community outreach efforts on the project design and open space programming, and incorporate feedback from the community and from City Council, boards, and commissions gleaned during initial float-up presentations. A disposition and development agreement and environmental analysis would follow. This project will proceed in tandem with the Downtown Specific Plan process, and the two efforts will continue to be coordinated. This site will be studied as part of the Downtown Specific Plan Program EIR but the project may require additional review, particularly with regard to shade, shadow, parking, and circulation impacts. In particular, shared parking as proposed for the site is an important commodity in the downtown and enables the "park once" strategy that is crucial to continued success for the district. The impacts of this commodity on circulation around the site, specifically ingress and egress from the garage and vehicle-pedestrian interaction, will be studied. A development agreement application would not likely be submitted until sometime in 2014.

Summary

After reviewing the proposals submitted in response to the RFP for the 4th/5th and Arizona development site, the selection panel concluded that the proposal submitted by Metropolitan Pacific Capital, Clarett West Development, and DLJ Real Estate Capital Partners best addresses the evaluation criteria outlined in the RFP. Staff will present a formal recommendation at the August 27, 2013 Council meeting.

Prepared By: Sarah Johnson, Principal Analyst, Housing and Economic Development

Attachment A: Proposal Summary Sheets

Metro Pacific & Team - The Plaza at Santa Monica

Proposal Summary

Key Facts and Figures:

Total Building Gross Sq Ft 448,182

Hotel	127,308
Office	172,293
Office/Residential Flex	85,511
Retail	40,271
Cultural	12,046
Service/Back of House	10,753

Public Open Space Sq Ft 56,574

Main ground level plaza	20,756
Corner plaza AZ & 5th	2,558
Pocket park on 5th	4,292
Pocket park on 4th	3,933
Hotel entrance/drive	5,050
Paseo and bike lane	7,206
2nd level terrace	12,969

Total Parking 1,220

Public	580
Private	640

Elevation and Massing

Maximum Height	148'
Maximum Stories	12
FAR	3.75

Development Team:

Metropolitan Pacific Capital, *lead development partner*; Clarett West Development, *co-developer*; DLJ Real Estate Capital Partners, *financial equity partner*; Office for Metropolitan Architecture, *lead design architect*; Van Tilburg, Banvard & Soderbergh, AIA, *local architect*; Olin, *landscape architect*; Biederman Redevelopment Venture Corp, *community space management*; Armbruster Goldsmith & Delvac LLP, *entitlements*; Boomerang Automated Parking System Inc., *parking*; Arup, IPD, and Crain & Assoc., *other consultant services*.



Proposal Summary:

Metropolitan Pacific Capital, DLJ Real Estate Capital Partners, and Clarett West Development are proposing a hotel and office development with ground level retail and cultural space, as well as some flex space that could be used for office or residential. The public plaza is at the corner of 4th St. and Arizona Ave. A series of rectangular, block-length bars step up from the middle of the site toward the southern edge, reaching a height of 148 feet. The diagonal placement of the building's blocks creates four elevated terraces, the lowest of which is public space. Floors 2-4 are proposed as office space, floors 5-7 are flex space for office or residential, and floors 8-12 are hotel. The rooftop contains a hotel pool and bar with public access for viewing. A 1,220 space underground parking garage is proposed; 580 of the spaces would be public. A special purpose entity would manage public open space and ensure active year-round programming, including a seasonal ice skating rink.

Public Objectives and Economics:

As proposed, the project would provide several public gathering spaces, pedestrian passages through the site, neighborhood serving retail, cultural facilities, a bicycle station and related facilities, public parking, iconic architecture, and possibly affordable housing or a financial contribution.

The development would cost \$331.3 million to build. The developer proposes providing an annual ground lease payment of \$1.3 million. The proposed annual open space management budget starts at \$704,000 in year one and reaches \$860,000 by year 4.

Proposal summary sheet prepared by City staff for informational purposes.

Forest City—4A

Proposal Summary

Key Facts and Figures:

Total Building Gross Sq Ft 398,500

Office	213,300
Residential	144,200
Retail, food, & cultural	21,700
Making & fabrication	19,300

Public Open Space Sq Ft 78,350

Main ground level plaza	47,400
Setback areas	7,150
Public terraces*	4,480
Public rooftop*	19,320

*restricted hours

Total Parking 847

Public	339
Private	508

Elevation and Massing

Maximum Height (office)	120'
Maximum Height (residential)	105'
Maximum Stories	8
FAR	3.56

Development Team:

Forest City, *developer and project lead*; RAMSA, *lead architect*; Brooks + Scarpa, *local architect*; SITELAB Urban Studio, *urban planning team*; West 8, *landscape architect*; Watry Design, Inc., *parking*; Morley Builders, *construction*; Paladino & Company, *sustainability*; Armbruster, Goldsmith, & Delvac LLP, *entitlements*; Industry Partners, *leasing*; 3rd Ward, *fabrication shop*; WeWork, *co-work*; Project for Public Spaces, *community outreach*; Wondros, *marketing*; Gershoni Creative, Inc., *branding*; various creative collaborators.



Proposal Summary:

Forest City Development West is proposing an office and residential development with ground level activating uses. The public plaza opens toward 4th Street, and is in between a proposed office building on Arizona Ave. and a proposed residential building on the southern portion of the site. Ground floor uses would include making and fabrication space comprised of workshop space, do-it-yourself classrooms, and showrooms. There would also be space for a food incubator and open kitchen, as well as a café and bike space. The office building would include cowork space as well as traditional office space, and would be 120 feet tall with public access to the rooftop. The 105-foot tall residential building would include 175 units, of which 10 percent would be affordable to very low-income households. A 508 space underground parking garage is proposed on the east side of the project for tenant parking, and a separate 339 space underground garage is proposed on the west side for the public. Forest City would manage public open space in collaboration with several place making partners, and would ensure active year-round programming, including a seasonal ice skating rink.

Public Objectives and Economics:

As proposed, the project would provide very low-income affordable housing, public parking, 1.5 acres of public and civic space, a creative core with local production and arts, 300-500 annual construction jobs, 750-1,000 permanent jobs, additional jobs/housing balance, public access to rooftops and views, and enhanced connections downtown.

The development would cost \$226.2 million to build. The developer proposes providing an annual ground lease payment of \$1.75 million plus 20 percent of cash flow after a 12 percent developer return. The proposed open space management budget is \$732,000 annually.

Proposal summary sheet prepared by City staff for informational purposes.



Related California - 4AZ

Proposal Summary

Key Facts and Figures:

<u>Total Building Sq Ft</u>	484,039
Office	146,534
Residential	248,021
(# Units: 260 total, 52 affordable)	
Residential Amenities	9,022
Retail/Food/Cultural	69,037
Service/Back of House	11,425

Total Public Space Sq Ft 39,735

Public plaza	29,235
Setbacks	2,000
Elevated Terraces	5,020
Elevated Gallery	3,480

Total Parking 1,213

Public	339
Shared (office/public)	507
Residential	367

Elevation and Massing

Maximum Height	194'
Maximum Stories	18
FAR	4.3

Development Team:

Related California, *developer*;
Bjarke Ingels Group, *lead design architect*; Koning Eizenberg Architecture, *local architect*;
Rios Clemente Hale Studios, *landscape architect*; RTKL, *executive architect*; Howard Elkus, *retail design*; Zinner Consultants, *sustainability*; Gibson Traffic Consultants, *parking and traffic*;
Walker Parking, *parking*; MJM Management, *open space management*; Cushman & Wakefield, *office brokerage*;
Strategic Property Economics, *residential*; Pankow Builders, *cost estimate*; Harding Larmore Kutcher & Kozal LLP, *CEQA/entitlements*.



Proposal Summary:

Related California, Inc. is proposing a residential and office development with ground level retail and a public plaza in the center of the block. Twenty percent of the residential units would be affordable for very low income residents. The primary building tiers upward toward the southeast corner of the site, reaching a proposed height of 194 feet or 19 stories at its tallest points (though only 11 percent of the building mass reaches that height). A three-story building on the corner of 4th St. and Arizona Ave. would include ground floor retail, a second level dining terrace, a third level community art space, and a seating terrace facing the plaza. The development would include 339 public parking spaces plus an additional 507 shared parking spaces; 367 additional spaces would be designated for private residential access. Related would manage public open space and ensure active year-round programming, including the seasonal ice skating rink.

Public Objectives and Economics:

As proposed, the project would provide 52 affordable housing units, 36,255 sq ft of public open space that can accommodate a seasonal ice rink, a 3,480 sq ft community art gallery, iconic architecture, a LEED Gold commitment, a transportation demand management and wayfinding program, 339 public parking spaces, 507 shared public-private parking spaces, and public access to views from the third floor community art gallery and the Skybar at the top of the office building.

The development would cost \$270 million to build and would create an estimated 2,000 construction jobs. The developer would provide an up-front capitalized ground lease of \$33.2 million. The proposed open space management budget starts at \$302,473 in year one and reaches \$397,571 by year 3.

Proposal summary sheet prepared by City staff for informational purposes.

