AGREEMENT WITH PROJECT SPONSOR

1020 Alma Street Office Development Project
Public Benefit Bonus Fiscal/Economic Review

This Agreement with Project Sponsor ("Agreement") is entered into this 21 day of January 2015, by and between the City of Menlo Park, a Municipal Corporation, hereinafter referred to as the "City", and Lane Partners, LLC hereinafter referred to as the "Project Sponsor".

WHEREAS, the Project Sponsor proposes to redevelop the properties at 1010-1026 Alma Street (Assessor’s Parcel Number 061-412-450), Menlo Park, into a new office development, hereinafter referred to as the "Project"; and

WHEREAS, the Project Sponsor proposes development at the Public Benefit Bonus level established by the El Camino Real/Downtown Specific Plan; and

WHEREAS, the City has determined that the Project requires the preparation of a fiscal/economic review to broadly quantify the benefits/costs of the bonus FAR/density and the proposed public benefit; and

WHEREAS, the City in its sole discretion has selected BAE Urban Economics (BAE), hereinafter referred to as the "Consultant" to complete the Public Benefit Bonus fiscal/economic review, as described in Exhibit A; and

WHEREAS, the City in its sole discretion has determined that the amount of compensation to be paid to the Consultant shall be the not-to-exceed sum of $15,000; and

WHEREAS, the amount of such compensation to be paid to the Consultant shall be the sole source of compensation to the Consultant from the Project for the work on the Public Benefit Bonus fiscal/economic review and therefore shall be paid solely from City funds by the City; and

WHEREAS, the Community Development Director is authorized to enter into an agreement with a consultant for consulting services up to a maximum of $25,000 per purchase requisition.

NOW, THEREFORE, the parties agree as follows:

1. The City shall monitor the Consultant’s performance of work on the Public Benefit Bonus fiscal/economic review. The City’s obligation shall be limited to normal contract monitoring as well as independent review of the adequacy of the Public Benefit Bonus fiscal/economic review. The Project Sponsor shall have no control or direction of the work of the Consultant.

2. The Project Sponsor agrees to (a) pay the City the sum of $15,000 for work on the applicant’s Public Benefit Bonus fiscal/economic review, (b) bear the sole financial responsibility for defending any lawsuit challenging the Project on any ground, and (c) defend
and indemnify the City against any such lawsuit, including attorneys' fees and costs incurred as a result thereof.

3. Upon completion or abandonment of the Project, all sums paid to the City by the Project Sponsor under the terms of this Agreement shall be refunded to the Project Sponsor if the sum has not been paid by the City and is not due or claimed by the Consultant or other claimant.

4. It is understood and agreed that the City has no responsibility for the legal adequacy of the Public Benefit Bonus fiscal/economic review and that the legal adequacy of this document is the sole responsibility of the Project Sponsor and its attorneys, and that the City may terminate this Agreement upon 10 days written notice.

5. If the Project Sponsor, in writing, withdraws all applications for discretionary land use entitlements for the Project or states its intent not to proceed with the Project (a "Withdrawal Notice"), then City agrees to give a 10-day termination notice to the Consultant after receipt of the Withdrawal Notice. The Project Sponsor shall remain responsible for all costs incurred by the Consultant prior to the effective date of the termination notice. All notices under this Agreement shall be given in writing by overnight mail or overnight private courier to the address below and shall be deemed received the next business day following delivery to the U.S. Postal Service or private courier.

Exhibit A: Proposal to Conduct an Economic Review, prepared by BAE Urban Economics (BAE), dated December 2, 2014

By ____________________________

for Lane Partners, LLC
(Project Sponsor)
Address for Notice:
644 Menlo Avenue, Second Floor
Menlo Park, CA 94025

Date 1/9/15

By Arlinda Heineck
Community Development Director
for the City of Menlo Park
Address for Notice:
Planning Division
701 Laurel Street
Menlo Park, CA 94025

Date 1/21/15
December 22, 2014

Ms. Jean P. Lin, Associate Planner
Community Development Department
City of Menlo Park
701 Laurel Street
Menlo Park, CA 94025

Dear Jean:

We appreciate the opportunity to submit this proposal to assist the City in its review of a proposed Public Benefit Bonus for the 1020 Alma Project (Project). Attached is BAE’s proposal to conduct an economic review of the proposed public benefit that the Applicant would propose for the Project in order to obtain the Public Benefit Bonus.

We understand that the timing of this work would be to start no later than the end of January, and complete our analysis by the end of February. We will work to move up the timing of the work if possible.

I will oversee the peer review as Principal-in-Charge and Project Manager, with support from a BAE Senior Associate Stephanie Hagar. The following pages detail our proposed work program, schedule, and budget. Please feel free to contact me at rongolem@bae1.com or 510.547.9380 for further information.

Sincerely,

Ron Golem
Principal
SCOPE OF SERVICES

This section outlines BAE’s proposed work program, including deliverables.

Task 1: Meet with City Staff and Applicant to Review Project and Proposed Benefit, and Review of Related Materials

BAE will attend a meeting with City staff and the Applicant to review the proposed public benefit, information that will be needed for our analysis, and relevant reports and other material to be reviewed. We will tour the site with City staff and the applicant to familiarize ourselves with the Project and its neighborhood context. This task includes review of all reports and background material provided to us.

Task 2: Conduct Economic and Other Analysis of Public Benefit

Depending on the nature of the proposed public benefit, it may involve both a qualitative and quantitative analysis. For projects that involve a qualitative basis, we will work with City staff and the Applicant to devise an appropriate methodology, which would then be used to conduct the qualitative analysis.

The quantitative analysis will answer the question of how much the value of the Project is increased as a result of the Public Benefit Bonus, relative to the cost to the Applicant to provide it. This will be done by preparing two pro formas for the Project based on build-out (i.e. after all phases of the project have been fully constructed) and stabilized operations (i.e. after full sale and/or leasing of all available units and leasable space), calculated on a Residual Land Value. One pro forma will be for the Project without the Public Benefit Bonus, and the other pro forma will be for the Project with the Public Benefit Bonus, so a direct comparison can be made. Residual Land Value is calculated by taking the market value of the completed project, and deducting total development costs including developer profit. This method provides an answer for what land value a project can support, and for this analysis it will identify the “extra value” created by the Public Benefit Bonus.

BAE will formulate pro forma assumptions based on our research on market rents and sales prices and development costs for comparable developments and the public benefit. We will also review all information on revenues, costs, or other assumptions provided to the City by the Applicant. We will identify items where we believe income, cost, or other assumptions by the Applicant cannot be supported, and will work with City Staff and the Applicant to resolve these differences, or alternatively we will prepare additional pro formas with alternative sets of assumptions.

Task 3: Prepare Report

BAE will prepare an Administrative Draft of its Public Benefit Bonus Evaluation Report, including a complete copy of the pro forma showing all assumptions. We would also review the findings with the Applicant, if desired by the City. Within one week of receipt of comments from the City, BAE will prepare a Final Public Benefit Bonus Evaluation Report.
DATA NEEDS

We expect to purchase market information from private data providers. Additional data may need to be purchased based on changes to the development program. All data purchase will be reimbursed to BAE at its cost.

BUDGET AND FEES

We propose to work on an hourly time and materials basis, at BAE standard rates as shown on the following page, against a total not-to-exceed budget, including data purchase, of $15,000. We will work with the City and the Applicant so that the cost of our analysis does not exceed this figure, as well as identify if additional analysis is needed that would require an addition to the budget.

All fees will be invoiced on the first day of each month for the duration of the contract. All BAE invoices are due and payable within 30 days of receipt, and BAE reserves the right to charge interest on all overdue balances.
BAE URBAN ECONOMICS
SCHEDULE OF HOURLY FEES

BAE contracts either on a fixed fee or time and material not to exceed basis. Contracts based on time and materials are subject to hourly fees for BAE professional staff.

Our hourly rates for calendar year 2015 are as follows:

- Managing Principal: $300/hour
- Principal: $275/hour
- Director: $225/hour
- Vice President: $195/hour
- Senior Associate: $160/hour
- Associate: $135/hour
- Analyst: $95/hour

Miscellaneous expenses such as data purchase, travel, document production, and conference calls are passed through to the client with no markup. Subconsultant contracts are subject to a charge of up to five percent for BAE’s administrative costs. These rates are subject to revision on or after January 1, 2016.