

# PROJECT SPONSOR AGREEMENT

City Manager's Office  
701 Laurel St., Menlo Park, CA 94025  
tel 650-330-6620



**Agreement #:** 2986

## AGREEMENT BETWEEN THE CITY OF MENLO PARK AND SP MENLO, LLC

THIS AGREEMENT made and entered into at Menlo Park, California, this 7/10/2020,  
by and between the CITY OF MENLO PARK, a Municipal Corporation, hereinafter referred to as "CITY,"  
and SP MENLO, LLC, hereinafter referred to as "FIRST PARTY."

### WITNESSETH:

WHEREAS, SP Menlo, LLC, proposes to redevelop the property addressed 111 Independence Drive (Assessor's Parcel Number 055-236-120), Menlo Park, with approximately 93,379 square foot, eight-story multi-family apartment building with 105 dwelling units. The site is currently developed with a 15,000 square-foot single-story office building, which would be demolished as part of the proposed project. The proposal includes a request for an increase in height, density, and FAR under the bonus level development allowance in exchange for community amenities and a density bonus under the City's BMR Ordinance in exchange for onsite BMR units. The site is located within the City's Residential Mixed Use-Bonus (R-MU-B) zoning district, hereinafter referred to as the "Project"; and

WHEREAS, the City has determined that the preparation of a Fiscal Impact Analysis, hereinafter referred to as the "FIA" is required;

WHEREAS, the Consultant is licensed to perform said services and desires to undertake to perform said services in accordance with the terms set forth in Exhibit A-1.

NOW, THEREFORE, IN CONSIDERATION OF THE MUTUAL COVENANTS, PROMISES AND CONDITIONS of each of the parties hereto, it is hereby agreed as follows:

### 1. SCOPE OF WORK

The City in its sole discretion has selected BAE Urban Economics, (the "Consultant") to prepare the Fiscal Impact Analysis (FIA), as described in Exhibit A-1.

## 2. COMPENSATION AND PAYMENT

The City in its sole discretion has determined that the amount of compensation to be paid to the Consultant shall not exceed the sum of \$19,000 for the preparation of the FIA; and

The amount of such compensation to be paid to the Consultant by the Project Sponsor shall be the sole sources of compensation to the Consultant for the work on the FIA and, therefore, shall be paid solely from City funds by the City; and

The Project Sponsor agrees (a) to pay the City the sum up to \$19,000 for the preparation of the FIA, (b) to bear the sole financial responsibility for defending any lawsuit challenging the Project on any ground, and (c) to defend and indemnify the City against any such lawsuit, including attorney's fees and costs incurred as a result thereof; and

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, pro-ratably, if the sum has not been paid by the City and is not due to the Consultant.

## 3. SCHEDULE OF WORK

Upon receipt of a fully executed Project Sponsor Agreement by SP Menlo, LLC, and receipt of payment, the City shall enter into the contract with Consultant and shall monitor the performance by the Consultant of the contract for the preparation of the FIA, which shall be prepared in accordance with the industry standards. The City's obligation shall be limited to normal contract monitoring and shall not include City Attorney or other review of the legal adequacy of the FIA. The Consultant shall conduct research and arrive at conclusions independently of the control and direction of the City or any City official other than normal contract monitoring. The Project Sponsor shall have no control or direction of the work of the Consultant.

## 4. NOTICE

All notices hereby required under this Agreement shall be in writing and delivered in person or sent as set forth in Section 6 below. Notices required to be given to CITY shall be addressed as follows:

Kyle Perata  
Community Development  
701 Laurel Street  
Menlo Park, CA 94025  
650-330-6721  
ktperata@menlopark.org

Notices required to be given to FIRST PARTY shall be addressed as follows:

Sateez Kadivar  
SP Menlo LLC  
111 Independence Drive  
Menlo Park, CA 94025  
(650) 906-0448  
sateez@yahoo.com

Provided that any party may change such address by notice, in writing, to the other party and thereafter notices shall be addressed and transmitted to the new address

**5. OWNERSHIP OF WORK PRODUCT**

Work products for this project, which are delivered under this Agreement or which are developed, produced and paid for under this Agreement, shall become the property of CITY and the FIRST PARTY.

**6. TERMINATION OF AGREEMENT**

It is understood and agreed that the City has no responsibility for the legal adequacy of the FIA and that the legal adequacy of the FIA is the sole responsibility of the Project Sponsor and its attorneys, and that the City may terminate this Agreement upon 10 days written notice.

If the FIRST PARTY, 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 in Section 4 "Notice" and shall be deemed received the next business day following delivery to the U.S. Postal Service or private courier.

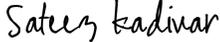
**7. ENTIRE AGREEMENT**

This document constitutes the sole agreement of the parties hereto relating to said project and states the rights, duties, and obligations of each party as of the document's date. Any prior agreement, promises, negotiations, or representations between parties not expressly stated in this document are not binding. All modifications, amendments, or waivers of the terms of this agreement must be in writing and signed by the appropriate representatives of the parties to this agreement.

(Signatures on the following page)

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

**FOR FIRST PARTY:**

DocuSigned by:  
  
GBEA4633B6A24A1...  
\_\_\_\_\_  
Signature

7/3/2020  
\_\_\_\_\_  
Date

Sateez Kadivar  
\_\_\_\_\_  
Printed name

Owner Representative  
\_\_\_\_\_  
Title

81-4269027  
\_\_\_\_\_  
Tax ID#

**APPROVED AS TO FORM:**

DocuSigned by:  
  
CD6C53C794F6491...  
\_\_\_\_\_  
Cara E. Silver, Interim City Attorney

7/3/2020  
\_\_\_\_\_  
Date

**FOR CITY OF MENLO PARK:**

DocuSigned by:  
  
90F0FBEB3BDA496...  
\_\_\_\_\_  
Deanna Chow, Interim Community Deveopment Director

7/10/2020  
\_\_\_\_\_  
Date

**ATTEST:**

DocuSigned by:  
  
39280A20D0BE491...  
\_\_\_\_\_  
Judi A. Herren, City Clerk

7/10/2020  
\_\_\_\_\_  
Date

# bae urban economics

June 2, 2020

Kaitie M. Meador,  
Senior Planner  
City of Menlo Park  
701 Laurel St., 1st Floor  
Menlo Park, CA 94025

Dear Ms. Meador:

We appreciate the opportunity to submit this revised proposal to prepare a Fiscal Impact Analysis for the proposed residential project at 111 Independence Drive (“Project”). Our understanding is that the Project would consist of demolition of a 15,000-square-foot office building to construct a 105-unit residential building in the R-MU-B District of the City’s Bayfront area. The Project applicant plans to include 14 below-market rate (BMR) units in the project to address the requirements of the City’s BMR Housing Program, though the affordability mix among the BMR units that the applicant has proposed does not meet the City’s BMR Housing Program requirements. The Project would be required to provide community amenities in compliance with the City’s community amenities requirement for bonus-level development in the R-MU-B District. The applicant has proposed incorporating a 712-square-foot community-serving commercial space as the community amenity. The City is currently in the process of reviewing the Project and is interested in understanding the likely fiscal impact that the Project will have on the City as well as the special districts that would serve the Project.

BAE is an award-winning real estate economics and development advisory firm with a distinguished record of achievement over its 30+-year history. Headquartered in Berkeley, CA, BAE also has branch offices in Los Angeles, Sacramento, New York City, and Washington DC, enabling our 18 staff to contribute to and learn from best practices in urban sustainable development around the U.S. Our practice spans national and state policy studies to local strategic plans and public-private development projects. BAE has extensive experience assessing the fiscal impacts and economic impacts of proposed new development, including our previous work for the City of Menlo Park, as well as assisting local governments to negotiate for community benefits from proposed new development. To expedite this proposal, we have not included general information about BAE or our staff and qualifications. An overview of BAE, our work, and our staff is available at: [www.bae1.com](http://www.bae1.com) and we can also provide more information upon request.

The following pages detail our proposed work program, schedule, and budget. The following scope of work is based on the scope of work that BAE has conducted for several other

#### San Francisco

2600 10<sup>th</sup> St., Suite 300  
Berkeley, CA 94710  
510.547.9380

#### Sacramento

803 2<sup>nd</sup> St., Suite A  
Davis, CA 95616  
530.750.2195

#### Los Angeles

448 South Hill St., Suite 701  
Los Angeles, CA 90013  
213.471.2666

#### Washington DC

700 Pennsylvania Ave. SE, 2<sup>nd</sup> Floor  
Washington, DC 20003  
202.588.8945

#### New York City

234 5<sup>th</sup> Ave.  
New York, NY 10001  
212.683.4486

development projects in Menlo Park. We are able to work with City staff to adjust this scope of work to meet the City's needs for this analysis. Please feel free to contact me at [stephaniehagar@bae1.com](mailto:stephaniehagar@bae1.com) or 510.547.9380 if you have any questions or would like to further discuss this proposal.

Sincerely,

A handwritten signature in black ink, appearing to read 'Stephanie Hagar', written in a cursive style.

Stephanie Hagar  
Associate Principal

## SCOPE OF SERVICES

This section outlines BAE's proposed work program.

### ***Task 1: Kick-off Meeting and Review of Background Materials***

BAE will conduct a phone or video conference with City staff to discuss the goals and objectives of the study, review the scope of services and schedule, and discuss data and information needs. As a part of this task, BAE will review relevant documents and plans pertaining to the proposed Project, including City staff reports, the project Environmental Impact Report (if applicable), and any recent appraisals of the Project or the Project site. BAE will also review the City budget, the Comprehensive Annual Financial Report, City fee ordinances, and other financial documents from the City and affected special districts including fire and school districts.

### ***Task 2: Analyze Fiscal Impacts***

BAE will conduct a fiscal impact analysis that will provide a detailed estimate of the Project's net fiscal impacts to the City of Menlo Park as well as key special districts that serve the Project site. This analysis will evaluate the revenue and cost implications of the Project and up to two Project Alternatives for the City, the Menlo Park Fire Protection District, the school districts that serve the Project site, the San Mateo Community College District, the Midpeninsula Regional Open Space District, and the Sequoia Healthcare District.

BAE will estimate the General Fund revenues that the Project will generate for the City of Menlo Park on an annual basis, including property tax, sales tax from residents' spending in Menlo Park, franchise fees, and any other applicable revenues. BAE will also estimate the property tax revenue and other revenue sources that the Project will generate for the special districts that serve the Project site. In addition, BAE will estimate one-time revenue from the impact fees that will apply to the project.

BAE will estimate annual General Fund expense items, including police, public works, recreation and library services, and general government services, as well as services provided by special districts. The cost analysis will, whenever feasible, study the marginal cost of providing additional service. As part of this process, BAE will request to hold phone consultations with City staff in key departments and/or prepare written surveys for key departments, including the Police, Finance, Community Services, and Library Departments, to confirm methodology and assumptions as well as to assess existing service capacity and the potential impact of the proposed project. For police, BAE will work with the local department to examine the current beat structure and discuss whether this may need to be altered to serve the new development. Any new patrol officers and/or equipment would be analyzed on a marginal basis. For the school districts, BAE will estimate the cost to serve new elementary, middle, and high school students that will live in the Project, based on each school district's estimated student generation estimates.

BAE will also contact representatives from the Menlo Park Fire Protection District and the school districts that will serve the project to assess existing capacity, potential facility and equipment needs, and the potential impact of the Project. Information obtained during these interviews would supplement information that BAE will obtain from published budget documents for the Fire Protection and school districts as well as published school district enrollment projection reports and student generation estimates. BAE's budget for this task assumes that the analysis of fiscal impacts to special districts other than the school districts and Menlo Park Fire Protection District will be based on published budgets and BAE's property tax calculations for each special district and will not require interviews with district staff.

Fiscal impacts will be presented in current dollars on a net annual and cumulative basis over a 20-year period presented in constant 2019 dollars.

***Task 3: Prepare Fiscal Impact Report***

BAE will prepare and submit an Administrative Draft Fiscal Impact Analysis report to City staff. The report will include a concise and highly-accessible executive summary, including a summary of the methodology and key findings from Tasks 1 and 2. After submitting the Administrative Draft, BAE will hold a teleconference with City staff to provide an overview of the report and respond to questions.

Following receipt of a single set of consolidated comments on the Administrative Draft from City staff, BAE will address all comments with City staff and make modifications to the draft report as needed. BAE will then submit a draft Public Review Draft for staff to review. Staff will note any minor corrections and BAE will submit a Public Review Draft.

***Optional Task 4: Public Hearings***

If requested by City staff, BAE will attend up to two public meetings (e.g., one Planning Commission meeting and one City Council Meeting) to present the findings from the Fiscal Impact Analysis, respond to questions, and receive comments and input. BAE will prepare presentation materials for meetings as necessary and will review all presentation materials with City staff prior to meetings to obtain input and make refinements.

## **PROPOSED BUDGET**

BAE will complete the work described above for a fixed-fee budget of \$19,000, or \$22,200 with the optional public meetings task, as shown in the budget provided below. The budget shown below will include all consultant costs, including personnel, overhead, and miscellaneous reimbursable expenses. Miscellaneous expenses such as data purchase and travel are passed through to the client with no markup. BAE reserves the right to re-allocate budget among authorized tasks to best serve project needs; however, in no event shall the

total cost exceed the fixed-fee amount, unless the City requests additional work beyond the agreed-upon scope. Due to the date when BAE submitted the original proposal for this scope of work, the budget below is based on BAE's 2019 billing rates. While BAE does not currently intend to update the billing rates for this proposal to match 2020 billing rates, we reserve the right to revise our proposed budget if authorization to proceed with this work is issued more than 180 calendar days from the date of this revised proposal.

	Hours by Staff				Budget
	Hourly Rate	Vice	Senior		
		Principal	President		
	\$300	\$210	\$185	\$95	
Task 1: Kick-off Meeting & Review of Background Materials	0	4	8	0	\$2,320
Task 2: Analyze Fiscal Impacts	2	10	32	16	\$10,140
Task 3: Prepare Fiscal Impact Report	2	8	20	0	\$5,980
<b>Subtotal Labor</b>	4	22	60	16	<b>\$18,440</b>
Expenses (mileage and data purchase)					\$560
<b>Total (Labor + Expenses) without Optional Task</b>					<b>\$19,000</b>
Optional Task 4: Public Hearings (2)	6	6	0	0	\$3,060
Optional Task 4 Expenses					\$140
<b>Optional Task 4 Total</b>					<b>\$3,200</b>
<b>Total (Labor + Expenses) with Optional Task</b>					<b>\$22,200</b>
<b>BAE Attendance at Additional Public Meetings/Hearings - Each</b>					<b>\$1,600</b>

Costs for any additional work authorized by the client will be billed on an hourly time-and-materials basis, in accordance with BAE's standard hourly billing rates:

Principal	\$310/hour
Associate Principal	\$270/hour
Director	\$260/hour
Vice President	\$260/hour
Senior Associate	\$195/hour
Associate	\$150/hour
Sr. Analyst	\$110/hour
Analyst	\$100/hour

These rates are subject to revision on or after January 1, 2021.

## PROPOSED SCHEDULE

Assuming that BAE receives all requested data within the first two weeks following project start up, BAE will complete the Administrative Draft within eight weeks following project start up.

BAE will prepare a Public Review Draft within two weeks of receiving a single set of combined written comments on the Administrative Draft. BAE will prepare a Final report within one week of receiving a single set of combined written comments on the Public Review Draft.