

PROJECT SPONSOR AGREEMENT

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



Agreement #: 002491

AGREEMENT BETWEEN THE CITY OF MENLO PARK AND HUHAN TWO LLC

THIS AGREEMENT made and entered into at Menlo Park, California, this 17 day of Dec., 2018, by and between the CITY OF MENLO PARK, a Municipal Corporation, hereinafter referred to as "CITY," and HUHAN TWO LLC, hereinafter referred to as "PROJECT SPONSOR."

WITNESSETH:

WHEREAS, HuHan Two LLC, request for architectural control for the demolition of an existing commercial building and the construction of a new three-story mixed use building with a below ground parking lot in the SP-ECR/D (El Camino Real Downtown/Specific Plan) on the property addressed 201 El Camino Real (Assessor's Parcel Number 071-413-200) and 612 Cambridge Avenue (Assessor's Parcel Number 071-413-380), Menlo Park. The building would consist of retail, office, and parking on the first floor and residential units on the second and third floor, hereinafter referred to as the "Project"; and

WHEREAS, the City has determined under its applicable guidelines that said Project requires to conduct an economic review of the potential public benefit bonus, hereinafter referred to as the "Public Benefit Bonus"; and

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 Economic, (the Consultant) to conduct an economic review of the Public Benefit Bonus for the Project, as described in Exhibit A.

2. COMPENSATION AND PAYMENT

The City in its sole discretion has determined that the amount of compensation to be paid to the Consultant shall be the sum of up to \$24,340; and

The amount of such compensation to be paid to the Consultant shall be the sole source of compensation to the Consultant from the Project and the preparation of the "Public Benefit Bonus", and therefore shall be paid solely from City funds by the City; and

The Project Sponsor agrees (a) to pay the City the sum of \$24,340 to conduct the economic review of the public benefit bonus, (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 attorneys 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 if the sum has not been paid by the City and is not due or claimed by the Consultant or other claimant.

3. SCHEDULE OF WORK

The City shall monitor the performance by the Consultant of the contract for the preparation of the public benefit bonus review. 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 public benefit bonus analysis. The Consultant shall conduct research and arrive at the 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 by certified mail, postage prepaid or by overnight courier service. Notices required to be given to CITY shall be addressed as follows:

Kaitie Meador
 Community Development
 City of Menlo Park
 701 Laurel St.
 Menlo Park, CA 94025
 (650) 330-6731
kmmeador@menlopark.org

Notices required to be given to PROJECT SPONSOR shall be addressed as follows:

Yihan Hu
 c/o HuHan Two LLC
 86 Michaels Way
 Atherton, CA 94027
 (202) 550-0045
yihanhu@stanford.edu

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 applicant.

6. TERMINATION OF AGREEMENT

It is understood and agreed that the City has no responsibility for the legal adequacy of the public benefit bonus analysis and that the legal adequacy of the public benefit bonus analysis 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 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 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 PROJECT SPONSOR:



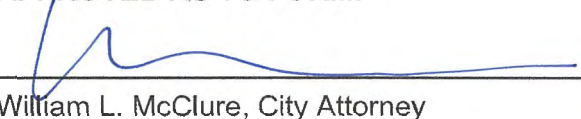
Signature

Yihan Hu

Printed name

Tax ID#

APPROVED AS TO FORM:



William L. McClure, City Attorney

FOR CITY OF MENLO PARK:



Mark E. Muenzer, Community Development Director

ATTEST:



Judi A. Herren, City Clerk

10/30/2018

Date

Manager

Title

1/8/19

Date

12/17/18

Date

1/8/19

Date

bae urban economics

July 10, 2018

Ms. Kaitie M. Meador, Associate Planner
City of Menlo Park
City Hall - 1st Floor
701 Laurel Street
Menlo Park, CA 94025

Dear Ms. Meador:

We appreciate the opportunity to submit this proposal to assist the City in its review of a mixed-used development located at 201 El Camino Real and 612 Cambridge Avenue in Menlo Park, for analysis of both the base project as allowed by the Specific Plan and the proposed public benefit bonus as requested by the applicant (Project). Attached is BAE's proposal to conduct an economic review of the potential public benefit bonus.

Our proposed scope of work is based on our typical approach to public benefit analysis, and is consistent with prior public benefit analyses that BAE has conducted for projects in Menlo Park's Downtown / El Camino Real Specific Plan Area. For the pro forma analysis, we will conduct research on current pricing and construction costs as well as vet any assumptions provided by the applicant. However, we will not conduct an independent evaluation of potential market support for the Project.

The following proposal describes BAE's proposed scope of work, budget, and schedule for the public benefit analysis. 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 and we can also provide more information upon request. Please feel free to contact me at stephaniehagar@bae1.com or 510.547.9380 if you have any questions or would like to further discuss this proposal.

Sincerely,



Stephanie Hagar
Vice President

San Francisco
2600 10th St., Suite 300
Berkeley, CA 94710
510.547.9380

Sacramento
803 2nd 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, 2nd Floor
Washington, DC 20003
202.588.8945

New York City
215 Park Ave. S, 6th Floor
New York, NY 10003
212.683.4486

SCOPE OF SERVICES

This section outlines BAE's proposed work program.

Task 1: Start-up Meeting and Review of Related Materials

BAE will attend a meeting with City staff and the applicant to review the proposed project, discuss the methodology for the public benefit analysis, determine what data and materials are available for BAE's review, and visit the project site. BAE has included a list of information needs in this proposal for review and discussion prior to and during the start-up meeting. This task includes review of all reports and background material provided to us.

Task 2: Conduct Public Benefits Value Analysis

The value analysis will determine the additional value of the Project resulting from the Public Benefit Bonus, relative to the potential value of a similar project at the base level density. BAE will prepare 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. One pro forma will model the Project without the Public Benefit Bonus, and the other pro forma will model the Project with the Public Benefit Bonus, to provide a direct comparison between the value at the base level density and the value at the bonus level density. Residual Land Value is calculated by determining 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 review and research of market rents and sale prices and development costs for comparable developments. 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.

Task 3: Evaluate Public Benefit Proposal

The description of the proposed project includes the proposed public benefits that the project would provide at the public benefit level density. The primary proposed public benefit is a cash payment to the City of Menlo Park based on 50 percent of the difference between the project profit at the public benefit density and the project profit from a potential development at the baseline density. Secondary public benefits cited in the project description potentially include additional BMR units and/or open space.

BAE will evaluate the public benefit contribution proposed by the project sponsor by comparing the applicant's proposed contribution to a set of benchmarks based on public benefit contributions from prior projects in Menlo Park and other jurisdictions. The evaluation will include a calculation of the proposed cash payment based on the findings from Task 2 and will focus on whether the amount of the proposed cash payment is comparable to cash payments provided as public benefits from prior projects. However, the evaluation will also consider other public benefits from the proposed project in a qualitative manner.

Task 4: Prepare Draft and Final Memorandum

BAE will prepare an Administrative Draft Memorandum documenting the findings and methodology for the analysis, including a complete copy of the pro formas showing all assumptions. If requested by City staff, we will also review the findings with the applicant. Within one week of receipt of comments from the City, BAE will prepare a final memorandum.

Task 5: BAE Attendance at Public Meeting

BAE will attend one public meeting of the Planning Commission or City Council. BAE will be available to present an overview of the methodology and findings and respond to questions from the Planning Commission or City Council.

BAE will be available to attend additional public meetings for an additional cost of \$1,500 per meeting, subject to approval by City staff.

BUDGET

BAE will complete the work described above for a fixed-fee budget of \$24,340. This will include all consultant costs, including personnel, overhead, and miscellaneous reimbursable expenses. In no event shall the total project cost exceed the fixed-fee budget, unless the client requests work beyond the agreed-upon scope. Miscellaneous expenses such as data purchase and travel are passed through to the client with no markup.

	Hours by Staff			Budget	
	Principal Shiver	Vice President Hagar	Associate Guerrero		
	Hourly Rate	\$300	\$210	\$140	
Task 1: Start-up Meeting and Review of Related Materials	4	6	8	\$3,580	
Task 2: Conduct Public Benefits Value Analysis	4	10	36	\$8,340	
Task 3: Evaluate Public Benefit Proposal	1	6	10	\$2,960	
Task 4: Prepare Draft and Final Memorandum	2	10	30	\$6,900	
Task 5: BAE Attendance at Public Meeting (1) (a)	1	6	0	\$1,560	
Subtotal Labor	12	38	84	\$23,340	
Expenses				\$1,000	
Total (Labor + Expenses)				\$24,340	
Optional Task: BAE Attendance at Additional Public Meetings/Hearings - Each (a)				\$1,500	

Notes:

(a) Includes travel to Menlo Park for meetings.

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	\$300/hour
Director	\$230/hour
Vice President	\$210/hour
Senior Associate	\$185/hour
Associate	\$140/hour
Analyst	\$95/hour

These rates are subject to revision on or after January 1, 2019.

SCHEDULE

We propose to prepare an administrative draft memorandum within six weeks of receiving a contract or notice to proceed and receiving all available information from the project sponsor. BAE will prepare a final memorandum within one week of receiving comments from City staff on the administrative draft. We are able to work with the City to adjust the schedule as needed to meet project deadlines.

INFORMATION REQUEST

The following constitutes BAE's request for information from the project sponsor to facilitate the analysis described in this proposal. Please note that the list below reflects remaining information needs not addressed in the project description provided to BAE by City staff.

Development Program:

- Gross building square footage and net rentable building square footage by use (e.g., residential, medical, etc.)
- Planned unit size (by number of bedrooms) for BMR units

Construction Costs:

- Demolition/site development costs
- Hard construction costs – broken out by each use (residential, in-vitro fertilization clinic, etc.)
- Hard construction costs – parking
- Hard construction costs – site improvements
- Soft construction costs

Revenues:

- Projected revenues by use with sale price and/or rental assumptions, including any parking revenue

Operating Costs:

- Projected operating cost by use

Market/Pro forma:

- Copy of any market analysis or market assessment that has been prepared for the proposed project
- Pro forma for the proposed project

Ownership Structure:

- What is current and planned ownership structure for the land (e.g. does the project sponsor currently own the land, have an option to purchase, ground lease)? What is the acquisition cost or terms of the option/ground lease (if applicable)?
- The project description states that the residential units will be mapped as condominiums, but that units could be rented. Does the project sponsor plan to sell or rent the residential units?
- What is the planned ownership structure for the in-vitro fertilization clinic and wellness center (e.g., will the project sponsor retain ownership of these portions of the development)?