



City of Menlo Park

Proposal to Provide

**Fiscal Impact Analysis:
Independence and
Constitution Sites**

Submitted to:

The City of Menlo Park

Submitted by:

Keyser Marston Associates, Inc.

March 2008



KEYSER MARSTON ASSOCIATES™
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

ADVISORS IN:

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REDEVELOPMENT
AFFORDABLE HOUSING
ECONOMIC DEVELOPMENT

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March 12, 2008

Mr. Thomas Rogers, Associate Planner
Community Development Department
City of Menlo Park
701 Laurel Street
Menlo Park, CA 94025

Re: Fiscal Impact Analysis of Proposed Zoning Ordinance and General Plan
Amendments to Independence and Constitution Drive Project sites

Dear Mr. Rogers:

Keyser Marston Associates, Inc. (KMA) is pleased to have the opportunity to submit the enclosed proposal to evaluate the construction and operational fiscal impacts to be generated by the proposed Project for the Independence and Constitution Drive sites as well as the five (5) alternatives that are being studied in the EIR. The purpose of the analysis is to assist the City Council of Menlo Park in understanding the fiscal implications of the proposed zoning and land use designation amendments. The findings of the fiscal analysis may also be used to inform the terms of a Development Agreement between the City and the applicant.

As the enclosed materials on our qualifications indicate, KMA is well qualified to undertake this assignment. KMA is a full-service land economics consulting firm specializing in real estate predevelopment evaluation and financial analyses. Within this practice, KMA has extensive experience in the area of assessing fiscal impacts. We have analyzed the fiscal impacts of numerous developments covering the full-range of land uses within the context of both specific development proposals and land use planning efforts. Additionally, KMA has been retained by the City of Menlo Park to evaluate the future housing needs associated with this Project. The findings of the Housing Needs Assessment will provide an important input to the fiscal analysis.

We concur with the general approach identified in the Request for Proposals and have included a draft proposed scope of services in this proposal. However, we find that it is

Mr. Thomas Rogers
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always helpful to meet to tailor the study's approach and scope to best meet your needs and are entirely amenable to modifying the draft scope. Please do not hesitate to call us with any questions or comments that you may have regarding this proposal. The terms of this proposal are effective for ninety days.

Sincerely,

KEYSER MARSTON ASSOCIATES, INC.


Debbie M. Kern

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I. Project Team and Firm Qualifications

Keyser Marston Associates has one of the largest real estate advisory practices on the West Coast. Founded in 1973, the firm has served over 600 clients on more than 3,000 projects. Public sector clients include nearly every major municipality in California, cities, counties, ports, and special districts, as well as public and private colleges and universities.

A unique strength of Keyser Marston is the depth, continuity and availability of our principals. Our principals bring an average of more than 20 years of practical experience in working with government and business. We are frequent speakers to industry groups such as the League of Cities and the California Community Redevelopment Association. For detailed information about the services provided by Keyser Marston, please refer to our website at www.keysermarston.com

Debbie M. Kern will serve as the principal in charge of this assignment. Debbie has over 20 years of experience at Keyser Marston in advising public sector clients regarding real estate and public finance issues. One of Debbie's areas of expertise is fiscal impact analysis and she manages all of the complex fiscal analyses prepared by the firm. David Doezema and Harriet Ragozin will assist Debbie. Debbie's, David's and Harriet's resumes are provided in Appendix A to this proposal.

Decision makers are increasingly becoming attuned to the importance of understanding the fiscal impacts of proposed land use changes and real estate projects. As a consequence, the demonstration that a project generates a fiscal benefit or, at a minimum, is fiscally neutral, is now a standard requirement for securing entitlements.

KMA has a very strong track record in evaluating the net fiscal impacts of a full range of real estate projects. Examples of recent engagements that are similar to this analysis include the following:

Fiscal Impacts of Evergreen East Hills Industrial Land Conversion in San Jose, CA

KMA evaluated the fiscal impacts of a range of development alternatives for a 542- acre area. The context of the evaluation was a proposed zoning and land use designation change for the area from industrial development to mixed-use development. The City was concerned about the fiscal implications of losing industrial development for residential development. The evaluated alternatives included: development permitted under the existing General Plan, a largely residential project, and a project comprised of a mix of residential, industrial, retail, and office uses. Separate analyses were undertaken for each of four sub-areas. The Council decided to evaluate the proposed conversion within the context of an overall update to the City's General Plan and denied the applicant's proposal.

Fiscal Impact Analysis and Financing Plan for University Villages in Marina

KMA recently completed a fiscal impact analysis and services plan for a large mixed use Specific Plan area to contain over 1,200 homes and over 1.2 million square feet of commercial development. In order to achieve fiscal neutrality, a landscaping and lighting district and a benefit assessment district will be established to fund the annual maintenance of all interior roadways, neighborhood parks and drainage systems. The large retail and commercial component of this project greatly improved the net fiscal impacts of this project and reduced the magnitude of service costs to be funded through homeowner exactions.

Fiscal Impact Analysis of General Plan Alternatives for the City of Beverly Hills

As a member of a consultant team led by PBS&J, KMA recently evaluated the fiscal impacts of General Plan alternatives for the City of Beverly Hills. The land use plan alternatives included luxury hotels, residential development, and additional retail and office development.

Fiscal Impact Analysis and Financing Plan for East Garrison in Monterey County

KMA recently completed the fiscal impact analysis of a proposed 1,400 home development at the former Fort Ord in Monterey County. The fiscal analysis determined that the Specific Plan would generate an approximate combined annual deficit of \$2.3 million to the County's General Fund, the Salinas Rural Fire District, and the Monterey Salinas Transit District. As a result, KMA is assisting in preparing a financing plan to fund the anticipated deficits. The proposed financing plan consists of the following components:

- A CFD Special Tax will be adopted to fund sheriff services and the maintenance of parks and public drainage systems;
- A fire suppression benefit district will be established for fund fire protection services; and
- A special tax will be sought for funding library and transit services.

An important element of developing the financing plan is assessing the impacts on the homeowners to ensure that the financing plan is feasible from a market perspective as well as meeting the objectives of the public agencies.

II. References

Listed below are client references for recent fiscal impact analyses described in this proposal. Additional references can be provided at your request.

Evergreen Fiscal Analysis for the City of San Jose

Laurel Prevetti, Assistant Director
Planning Services
City of San Jose
(408) 535-7901
Laurel.Prevetti@sanjoseca.gov

Multiple Fiscal Analyses for the City of Marina

Doug Yount, Director
Strategic Development Center
City of Marina
(831) 384-7324
dyount@ci.marina.ca.us

East Garrison Fiscal Impact Analysis for the County of Monterey

Jim Cook, Housing and Redevelopment Director
County of Monterey
(831) 755-5390
cookj@co.monterey.ca.us

III. Availability

While we have other clients and responsibilities, we are available and firmly committed to achieving the milestones and completing the analysis within the schedule identified in this proposal. We go to great lengths to meet our clients' needs and invite you to contact our references about their satisfaction with our work effort.

IV. Disclosure

In the early 1980s Keyser Marston engaged in a contract with the Bohannon Development Company regarding renovating the Hillsdale Mall. The contract was terminated by the mid 1980s and Keyser Marston has not provided any services to the Bohannon Development Company since then. Keyser Marston has not performed work for any of the other entities listed in the "Disclosure" section of the RFQ.

V. Approach

There are a number of issues to be addressed in this assignment, as follows:

- The fiscal impact analyses for multiple service agencies of six alternative programs, assuming three different scenarios regarding sales-tax generation by the office component (18 General Fund analyses + analyses for each of the other 11 service agencies);
- A review of the applicant's fiscal impact analysis;
- A review and assessment of the usability of the City's 2002 Fiscal Impact Analysis Model;
- A discussion and analysis of the potential for other rezoning applications to be submitted by nearby properties;

- A discussion and analysis of the potential fiscal impacts of meeting the housing needs associated with the proposal; and
- A discussion and analysis of other legal methods to secure ever-increasing revenues from the office component.

Different approaches will need to be taken to address each of these components and our first step will be to meet with you to discuss each item, our proposed approach, data needs, next steps, and schedule. We have found this to be the most effective process to ensure that there is a common understanding of our work-plan.

Fiscal Impact Approach – With respect to the fiscal analyses, our general approach will be to use the “marginal” approach and base our evaluation on the specifics of the project to the maximum extent possible. For example, in reviewing the applicant’ fiscal impact analysis, the evaluation of City service costs appears to have been based on an extrapolation of existing average per capita costs to the Project’s projected population. A more accurate approach is to look at the specific needs of the Project and estimate the cost of meeting those specific needs. Police protection costs, for example, can be best estimated by calculating the cost to respond to each call, reviewing actual police department call data for existing similar uses to determine the appropriate ratio of calls per 1,000 employees, and applying the cost factor to the projected employment base.

It is our understanding that there are eleven (11) service providers other than the City of Menlo Park, including the Menlo Park Fire District, the Mid-Peninsula Regional Open Space District, the County harbor District, the Bay Area AQMD, the Mosquito Abatement District, Sequoia Hospital District, County Education Dept., County of San Mateo, the Redwood City Elementary School District, Sequoia High School District, and the San Mateo Junior College. To analyze the fiscal impacts on these agencies, KMA will need to meet with each agency to discuss the extent to which they will be impacted by the Project. Fire District and School district impacts are typically the most complicated impacts to evaluate.

KMA will prepare a cash-flow model of annual revenue and cost impacts, from construction through a 20-year operating horizon.

Approach to Review of Applicant’s Analysis – KMA’s review will focus on a comparison of the approach taken by the applicant’s analysis to the approach that KMA has taken and a comparison of the conclusions.

Approach to Assessing Potential for Rezoning Applications – KMA will make a qualitative assessment based on a review of land values supported by permitted land uses versus amended land uses, the current assessed values of the properties, the date that the properties were acquired and any available information on the business plans of specific property owners.

Approach to Evaluating Fiscal Impacts of Meeting Housing Needs – The KMA fiscal team will work closely with Kate Funk of our office who is evaluating the housing needs of the Project. We will prepare a quantitative evaluation of the estimated cost to the City of developing the affordable housing needed by the Project and a quantitative analysis of the on-going fiscal impacts of the residential development.

VI. Proposed Scope of Work

Task 1: Refine Approach of Analysis and Collect Base Information

We propose to have an initial meeting with City staff to reaffirm objectives, and refine the study's approach and work plan. It is my understanding that the City desires the study to analyze the annual impacts on the City from the beginning of construction through a 20-year time operating horizon.

Task 2: Review and Assessment of the usability of the City's 2002 Fiscal Impact Analysis Model

Prior to commencing the fiscal impact analysis using our own proprietary model, we will review the City's 2002 Fiscal Impact Model to determine if the model is designed to evaluate the impacts of the subject analysis and, if so, would it be cost effective to use the model. We will summarize the findings of our review in a memorandum and will confer with the City regarding the selection of a model.

Task 3: Review Applicant's Fiscal Impact Analysis

KMA will initially review the applicant's fiscal analysis for the purpose of getting a better understanding the Project, reviewing PKF Consulting's projections for the hotel, and understanding the applicant's approach to evaluating the Project's fiscal impacts. Upon completing our independent analysis, KMA will prepare a written description of any key differences between the approach, assumptions, or findings of the Applicant's fiscal impact analysis and those used by KMA.

Task 4: Prepare Cash Flow Projections of Annual General Fund Revenues

KMA will estimate the gross annual tax revenues and subvention revenues to be generated by each of the six development alternatives as the project is developed and tax revenues are allocated to the City's General Fund. The major revenues that we anticipate to quantify include the following:

- City's share of annual property tax revenues to be generated by each development alternative;
- City's share of property transfer taxes to be generated;
- Property taxes in-lieu of motor vehicle fees;

- Transient occupancy tax revenues;
- City's share of sales tax revenues generated by the commercial and office portions of the Project;
- Business license revenues;
- Impact fees and building permit fees (during construction);
- Other applicable revenue sources, such as utility user fees, fines and forfeitures, etc.

Each revenue source has its own basis, such as valuation or economic performance level, which is based on KMA's research and judgment about the development. KMA will estimate the City's property tax (secured and unsecured) and property tax in-lieu of motor vehicle fee revenues for the development based on estimated construction costs, finished values, and the current unsecured assessments for each of the types of development. The valuation estimates will be based on information to be provided by the applicant as well as other available published data.

In accordance with the RFP, we will evaluate three sales-tax generating scenarios: 1) the office component is occupied by sales-tax generating uses; 2) the office component is occupied by non-sales tax generating uses; and 3) the office component is occupied by a mix of sales-tax generating uses and non-sale-tax generating uses. City sales tax revenues to be generated by the office component will be based on a review of the sales tax –generating capacity of other office complexes in Menlo Park. This evaluation will require the use of sales tax data to be provided by the City on the actual generation factors of other comparable uses. The magnitude of sales tax revenues from the retail and restaurant components will be based on information that KMA has on standard productivity levels as well as any tenant-specific information to be provided by the applicant.

Transient occupancy tax revenues will be based on the average daily room rate and occupancy rate information from the study prepared by PKF Consulting.

KMA will integrate impact fee and building permit fee revenue estimates to be provided by City staff. While these one-time revenues will be included in the analysis, it is important to note that the purpose of these revenues is to cover specific costs and expenses generated by the Project for infrastructure and processing costs. The companion costs will also be included, resulting in a net neutral impact.

Other revenues will be determined based on a review of the City's current budget and the amount of revenues that are typically generated by business employees.

Task 5: Prepare Cash Flow Projections of Annual General Fund Service Costs

The second focus of the analysis is the assessment of annual General Fund operating and maintenance costs related to providing services such as police protection, emergency medical, fire protection, and general City services for each of the six development alternatives.

KMA will meet with the fire, police, and public works departments to discuss any special service requirements of this Project. One issue to clarify is whether the internal streets will be privately owned and maintained, or will the maintenance be an obligation of the City's General Fund.

The major steps or tasks to identify costs are:

1. Prepare a set of basic cost factors derived from the City's budget;
2. Meet with representatives from the City's police, fire, finance, community services, and public works departments to discuss the City's service standards, the revenue and cost estimates derived from the budget, additional data needs, and any modifications that are needed to reflect the specific service requirements of the project; and
3. Prepare an estimate of recurring service costs to the City to be generated by each Project Alternative.

Task 6: Prepare Cash Flow Analyses of General Fund Revenues and Costs

KMA will combine the revenue and cost projections into a consolidated projection of net impacts on the City's General Fund for each of the six development alternatives under three different assumptions regarding the sales-tax generating capacity of the office component. There will be a total of 18 General Fund cash flow analyses prepared.

Task 7: Analyze Annual Impacts on other City Funds

Typically a Gas Tax Fund or Road Fund is the only other City Fund that is impacted by new development. Based on our meeting with City staff we will determine what other funds, if any, will be impacted by the Project, and we will prepare a 20-year cash flow projection for those non-General Fund City Funds.

Task 8: Analyze Annual Impacts on Other Service Districts

It is our understanding that there are eleven (11) service providers other than the City of Menlo Park, including the Menlo Park Fire District, the Mid-Peninsula Regional Open Space District, the County Harbor District, the Bay Area AQMD, the Mosquito Abatement

District, Sequoia Hospital District, County Education Dept., County of San Mateo, the Redwood City Elementary School District, Sequoia High School District, and the San Mateo Junior College. To analyze the fiscal impacts on these agencies, KMA will need to meet with each agency to discuss the extent to which they will be impacted by the Project. Fire District and School District impacts are typically the most complicated impacts to evaluate. KMA will also review the EIR to obtain information about significant impacts on each service provider.

For the Fire District, it will be important to understand if the Project's density will generate the need for new equipment (which has staffing implications). With respect to the School District, the impacts will be indirect and will be linked to the Housing Needs analysis to determine the number of households. Additionally, it appears that there is an issue about the Redwood City Elementary School District receiving property taxes from the area but area students actually attend a different district.

The findings of this analysis will be presented as part of the Fiscal Impact Report.

Task 9: Discussion and Analysis of the Potential for other Rezoning Applications by Nearby Properties

Property owners' interest in changing the zoning and land use designations to permit retail and other commercial development as well as an intensification of permitted office development is a function of the additional economic value afforded by the changes. KMA will make a qualitative assessment of the economic benefits associated with a zoning change to property owners based on a review of land values supported by the permitted amount of office development versus amended land uses, the current assessed values of the properties, the date that the properties were acquired and any available information on the business plans of specific property owners. KMA will also use the findings of the fiscal analysis to assess the general impacts to the City associated with land use changes.

The findings of this analysis will be presented in a technical memorandum.

Task 10: Discussion and Analysis of Potential Fiscal Impacts of Meeting the Housing Needs Associated with the Project

KMA has been retained by the City to evaluate the housing needs to be generated by the Project. This Housing Needs Assessment will determine the number of residential units at varying levels of affordability that will be needed to accommodate the new employees of the Project. Kate Funk is managing the Housing Needs Assessment.

For the subject task, we will calculate both the likely feasibility/affordability gap that will need to be funded by the City in order to develop the needed affordable units as well as

an estimate of the on-going net fiscal impacts of the needed residential development. To estimate the magnitude of the feasibility/affordability gaps, KMA will prepare financial pro formas for affordable rental developments as well as ownership projects. The fiscal costs associated with developing housing to accommodate the Project's employees are indirect/induced costs associated with the Project and will therefore be treated separately from the direct fiscal impacts.

The findings of this analysis will be presented in a technical memorandum.

Task 11: Discussion and Analysis of Options to Secure Ever-increasing Revenues from Office Development

KMA will explore with City staff revenue options, including additional tax levies, encouraging specific tenancies that generate more taxable sales, land uses that enable the City to capture a greater percentage of retail sales generated by office employees, etc. The findings of this analysis will be presented in a technical memorandum.

Task 12: Meetings

We will meet with staff at various points in the analysis to identify the 5th Program Alternative to be evaluated, discuss the preliminary technical findings and to make refinements to the analysis. A total of five meetings are contemplated and included in this scope of services.

Task 13: Preparation of Fiscal Impact Report

In accordance with the RFP, we will prepare an administrative draft, a screen check draft, a public review draft, and a final draft of the Fiscal Impact Analysis.

VII. Proposed Schedule

Products and Schedule

Product	Schedule
Task 1: Kick-off Meeting/refine approach and work plan/collect base information	Within two weeks of being selected (signing of contract to follow)
Task 2: Assessment of City's 2002 Fiscal Model	Within two weeks of signing contract
Task 3: Initial Review of Applicant's Fiscal Analysis	Within two weeks of signing contract
Task 4: Draft Cash Flow Projections of Annual General Fund Revenues	Within five weeks of signing contract and receipt of requested information.
Task 5: Draft Cash Flow Projections of Annual General Fund Service Costs	Within six weeks of signing contract and receipt of requested information

Task 6: Integrated General Fund Cash Flow Projection	Within six weeks of signing contract. Projection to be finalized within one week of receiving City comments on draft projection.
Task 7: Draft Assessment of Impacts on Other City Funds	Within eight weeks of signing contract and receipt of requested information.
Task 8: Assessment of Impacts on Other Service Districts	Within twelve weeks of signing contract and receipt of requested information.
Task 9: Assessment of Potential for Rezoning Applications	Within six weeks of signing contract
Task 10: Fiscal Impacts of Meeting Housing Needs	The latter of the following: Within two weeks of receiving housing needs information or within two weeks of completing Task 6
Task 11: Assessment of Options to Increase Revenues from Office Development	Within sixteen weeks of signing contract
Task 12: Meetings	On-going
Task 13:	Administrative draft within eighteen weeks of signing contract; Screen check draft within one week of receiving comments on Admin. draft; public review draft within one week of receiving comments on Screen check draft; final draft within two weeks of receiving comments on public review draft

VIII. Proposed Budget

KMA proposes to undertake the services described above and detailed in the attached Budget Table 1 on a time and materials basis with a total “not to exceed” budget estimate of \$155,665. This budget reflects the scope identified above and includes attendance at four meetings with City staff and attendance at one City Council meeting. Invoices will be submitted and payment due on a monthly basis. Attendance at any other meetings or the undertaking of additional work will be billed on a time and materials basis. A copy of our current billing rates is attached for your review.

We look forward to meeting with you to further discuss your needs and any changes that should be made to the scope and budget to more closely correspond to your needs.

Table 1
Keyser Marston Budget Estimate
Fiscal Impact Analysis - Independence and Constitution Sites
Menlo Park, CA

		KMA Hours					Budget Estimate
		Senior Principal	Manager	Senior Associate	Associate	Admin.	
<i>Billing Rate</i>		\$260	\$215	\$180	\$160	\$78	
Task 1	<i>Refine Approach of Analysis and Collect Base information</i>	12		12			\$5,280
Task 2	<i>Review 2002 Fiscal Impact Model</i>	4	10				\$3,190
Task 3	<i>Review Applicant's Fiscal Analysis</i>	4	10				\$3,190
Task 4	<i>Cash Flow Projections of General Fund Revenues (18 projections - 3 scenarios for 6 alternatives)</i>	30		100	20		\$29,000
Task 5	<i>Cash Flow Projection of General Fund Service Costs - (6 alternatives)</i>	30		60			\$18,600
Task 6	<i>Integrated General Fund Cash Flow Projection</i>	4		20		3	\$4,873
Task 7	<i>Assessment of Impacts on Other City Funds</i>	15		30		2	\$9,455
Task 8	<i>Assessment of Impacts on Other Service Districts (11 Districts)</i>	30		60		2	\$18,755
Task 9	<i>Assessment of Rezoning Applications</i>	20			40	2	\$11,755
Task 10	<i>Fiscal Impacts of Meeting Housing Needs</i>	30		30		2	\$13,355
Task 11	<i>Assessment of Options to Increase Tax Revenues from Office Developments</i>	15			8	1	\$5,258
Task 12	<i>Meetings -4 staff and 1 Council Meeting</i>	28		15			\$9,980
Task 13	<i>Prepare 3 Drafts and 1 Final Report</i>	30		80		10	\$22,975
Total		252	20	407	68	22	\$155,665

IX. Data Needed

In preparing a budget and time line, we presume that the following data are available from you at the commencement of the assignment:

1. The City's current budget;
2. Copy of the City's 2002 Fiscal Impact Model;
3. City staff liaison or contact information for representatives in the finance department, police department, recreation department, and public works departments;
4. Any staff memorandums or assessments of specific impacts of the Project;
5. Copy of the EIR;
6. Detailed description of the proposed Project and each Alternative, including configuration of development, parking, site plans, elevations, any available information on projected tenancies;
7. Development cost estimates for each component of the project, to the extent available from the applicant;
8. Anticipated construction period/absorption period for each component of the project for each alternative
9. Anticipated number of employees for each component;
10. Any off-site improvements required by the project and the source of funding of the improvements;
11. If the Project includes any interior streets or other public infrastructure to be maintained by the General Fund or other service providers, we will need to have the quantities of the improvements as well as maintenance cost estimates (to the extent available). Examples of improvements include streets, curbs, gutters, sidewalks, drainage facilities, street lights, landscaping, bike pathways, passive park areas, etc.

Information to be provided over the course of the assignment:

1. Estimate of impact fees and building permit fees to be generate by the Project and each alternative;
2. Sales tax generation data for existing office businesses in Menlo Park;
3. Police Dept. data:

- Police call data over the past year for similar hotels, mixed use areas, office development areas, etc.
 - Total number of police calls over the past year
4. Any specific information regarding adjacent property owners' interest in amending zoning and land use designations.

APPENDIX A: RÉSUMÉS and RATESHEET



DEBBIE KERN

Ms. Kern is a principal in Keyser Marston Associates' San Francisco office. She has over 20 years of experience in real estate consulting and specializes in affordable housing finance.

Key Role

Ms. Kern manages housing related services for Keyser Marston clients in San Francisco and specializes in the area of mixed-income and affordable housing. Her broad experience combined with strong technical skills provide her with unique ability to advise on conceptual issues as well as structuring complex public/private transactions.

Areas of Specialization

Fiscal and Economic Impact Analysis

Fiscal and economic impacts are becoming key factors in the approval process for new development and business expansion. Ms. Kern's expertise ranges from analyzing the impacts of specific businesses to helping municipalities establish standard approval policies and practices. Ms. Kern has analyzed the fiscal and economic impacts of businesses and real estate developments for both private and public sector clients. Ms. Kern is a leader in the field of structuring municipal service financing plans to ensure that new development generates sufficient revenues to fund needed services. Recent assignments include:

- Evaluated and prepared a presentation on the economic benefits generated by a large shipbuilder to the City of San Diego. Analysis resulted in an extension of the shipbuilder's lease.
- Evaluated and prepared a presentation on the fiscal and economic benefits to the City of Fresno to be generated by the Savemart Events Center. The Center has proven to be very successful and a key economic driver in the City.
- Assisted the City of Marina establish policies regarding the provision of municipal services to ensure that new large scale development within the City will generate sufficient tax revenue.

Affordable Housing

Ms. Kern manages housing related services for KMA clients in San Francisco. The development of affordable housing has become a primary objective of communities throughout California and Ms. Kern has been instrumental in assisting redevelopment agencies:

- Negotiate and structure business terms of public/private partnerships for the development of new affordable housing;



- Establish program and financial strategies for increasing the supply of affordable housing that maximize the leveraging of local public subsidies;
- Issue bonds secured by Housing Set-aside Funds to fund affordable housing developments; and
- Establish and update affordable housing inclusionary programs.

Additional Areas of Specialization:

Conversion of Former Military Bases

Ms. Kern is a specialist in the area of converting former military bases into civilian uses. She has been instrumental in negotiating the transfer of military bases to municipalities, developing reuse plans that meet the communities' objectives, assisting reuse authorities select private developer partners, structuring financing plans for successful redevelopment and the provision of affordable housing, and in successfully implementing new development. Major military base conversion assignments include Hamilton Air Force Base, Alameda Point, Fort Ord, Naval Medical Center at Oak Knoll, Oakland Army Base, and McClellan Air Force Base.

Professional Credentials

Ms. Kern is a regular speaker on affordable housing issues at California Redevelopment Association seminars and has also spoken at Urban Land Institute and National Association of Homebuilders national conferences. Ms. Kern holds a master's degree in economics from Columbia University and a bachelor's degree in economics from the University of California at Berkeley. She is a member of the Phi Beta Kappa honor society.



DAVID DOEZEMA

Mr. Doezema is a Manager in Keyser Marston Associates' San Francisco office. He joined KMA in 2002 and has participated in fiscal impact analysis, redevelopment finance, economic benefits assessment, and economic nexus analysis.

Areas of Specialization

Fiscal Impact Analysis

Assessment of the general fund revenue and expense impacts of development projects that have included master planned residential communities, military base reuse plans, medical facilities, and mixed-use projects in jurisdictions including Los Angeles, Santa Fe Springs, Modesto, Santee, Alameda, Dublin, Santa Paula, Marina, and Monterey County.

Recent fiscal analysis assignments have included military base reuse plans for the former Alameda Point Naval and the East Garrison and University Villages projects on the former Fort Ord. Each of these projects are large-scale mixed-use developments. Analyses were prepared in support of disposition and development agreement negotiations and for financial planning purposes. In each case, the resulting projection of fiscal impacts supported a financing plan for conversion of the base to civilian uses while satisfying the fiscal neutrality goals of our clients.

Redevelopment Finance and Tax Increment Projections

Projection and analysis of redevelopment agency finances including tax increment revenues, bonding capacity, debt service, and other obligations. Agency assignments include tax increment and cash flow projection in relation to disposition and development agreement negotiations, issuance of bonds, redevelopment plan adoption and redevelopment implementation plan amendment, and long term planning.

Recent experience includes the University Villages, East Garrison, and Cypress Knolls projects within the former Fort Ord. Projections of tax increment cash flow and bonding capacity were completed to support disposition and development agreement negotiations and financing plans for public facilities and affordable housing.

Mr. Doezema assisted with preparation of Fiscal Consultant Reports in relation to recent tax allocation bond sales by the Alameda Community Improvement Commission, and the San Ramon Redevelopment Agency.

Redevelopment plan adoption and Amendment financial feasibility analysis experience include assignments for Redevelopment Agencies in the Cities of West Sacramento, Santa Rosa, King City, Milpitas, San Ramon and Modesto.

Economic Benefits Assessments

Analysis of economic benefits including economic output, employment, payroll and local tax impacts. Assignments have included analyses for a medical center expansion, fixed-base operator, two tech companies, several master planned communities, a ship builder, and a liquid natural gas shipping terminal and power plant.



Economic Nexus Analysis

Mr. Doezema completed an update and restructuring of Keyser Marston's proprietary jobs housing nexus model. The model calculates the nexus between commercial and residential development and affordable housing demand by merging local and national data on occupations and wages by land use.

An assignment for the City of San Carlos involved application of the nexus model to the proposed Palo Alto Medical Foundation Hospital and East San Carlos Specific Plan to quantify demand for affordable housing generated by development of a 500,000 square foot hospital complex and 2.6 million square feet of commercial space. The analysis is currently being used by the City of San Carlos in support of entitlement negotiations.

Recent assignments for the cities of Seattle and San Francisco involved calculating the nexus between market rate residential development and affordable housing demand by accounting for employment growth associated with consumer expenditures. The analyses will be used to support fee programs in both cities.

Other Nexus assignments have included the cities of San Diego, St. Helena, Walnut Creek, and Napa County.

Professional Credentials

Mr. Doezema holds a master's degree in urban planning and a bachelor's degree in civil and environmental engineering from the University of Michigan, Ann Arbor.



HARRIET GREENWOOD RAGOZIN

Ms. Ragozin is a Senior Associate in Keyser Marston Associates' San Francisco office. She joined KMA in 2003 and has participated in economic nexus analyses, residential and commercial real estate feasibility analyses, inclusionary housing analyses, and market assessments.

Selected Project Experience

Sacramento Housing & Redevelopment Agency, Jobs-Housing Nexus Analysis Update

Conducted an economic nexus analysis quantifying the linkages between construction of new commercial buildings and affordable housing demand. Utilized KMA's proprietary jobs-housing nexus model. Demonstrated the past and future relationships among new buildings, jobs, and housing demand at the city and county level.

City of Cupertino, Jobs-Housing Nexus Analysis Update

Conducted an economic nexus analysis quantifying the linkages between construction of new commercial buildings and affordable housing demand. Demonstrated the past and future relationships among new buildings, jobs, and housing demand at the city level.

City of Walnut Creek Jobs-Housing Nexus Analysis

Assisted with the analysis supporting the creation of a new jobs-housing nexus fee program. Evaluated proposed fee levels in the context of local real estate economics.

City of San Mateo, Child Care Nexus Analysis

Conducted an economic nexus analysis quantifying the linkage between construction of residential and commercial buildings, demand for child care center spaces, and the cost of mitigating the increased demand through construction of new child care centers.

City of Elk Grove, Residential Nexus Analysis

Conducting an economic nexus analysis qualifying the links between market rate residential development and affordable housing demand by accounting for employment growth associated with consumer expenditures. The analysis will be used to support a fee program in the City.

City of San Francisco, Inclusionary Housing Program Sensitivity Analysis

Developed prototypical project pro forma for several different residential product types; analyzed the effect of proposed amendments to the City's Inclusionary housing program on the financial feasibility of projects.

City of Novato, Inclusionary Housing Program Update

Evaluated the City's existing Inclusionary Housing program, including the calculation of affordable rental rates and sales prices and in-lieu fees. Developed and analyzed proposed revisions to the existing program in order to increase affordable housing production by developers.

City of Palo Alto, Inclusionary Housing Program Update

Assessed and evaluated the City's existing Inclusionary Housing program, including the calculation of affordable rental rates and sales prices, the calculation of resale prices, and the calculation of in-lieu fees.



Determined affordability gaps between the cost of prototypical new housing construction and affordable rental rates or sales prices. Recommended revisions to several aspects of the program, including deed restrictions, resale formulas, special applications, and others.

City of Campbell, Inclusionary Housing Program Analysis

Evaluated the City's proposed inclusionary housing ordinance, including the calculation of affordability gaps, in-lieu fees, and the effect on development economics. Also evaluated the effect on development economic of applying the state density bonus law in addition to the inclusionary program.

City of Cupertino, Inclusionary Housing Program Analysis

Evaluated the City's existing Inclusionary Housing program, including the calculation of affordable rental rates and sales prices and the calculation of resale value for ownership units. Recommended a set of revisions to the existing program and analyzed the effect of the suggested changes.

City of Cupertino Inclusionary Housing Program In-Lieu Fees

Calculated full cost recovery in-lieu fees for ownership and rental projects under the City's inclusionary housing program based on affordability gaps.

City of Concord Inclusionary Housing Program In-Lieu Fees

Calculated full cost recovery in-lieu fees for ownership and rental projects under the City's proposed inclusionary housing program based on affordability gaps.

Residential Financial Analyses

Assessed the market and financial feasibility of several proposed residential developments. Projects include market rate housing proposals (ownership and rental), affordable housing development proposals (including projects utilizing tax exempt financing and low income housing tax credits), and mixed-use projects. Such services have been provided in the cities of Santa Rosa, San Jose, Walnut Creek, Lafayette, Redwood City, San Leandro, Union City, and others.

Professional Credentials

Ms. Ragozin holds a master's degree in public policy from the Goldman School of Public Policy at the University of California, Berkeley, and a bachelor's degree in economics from Williams College.



**KEYSER MARSTON ASSOCIATES, INC.
PUBLIC SECTOR HOURLY RATES**

	<u>2007/2008</u> (7/1/07 – 6/30/08)	<u>2008/2009</u> (7/1/08 – 6/30/09)
A. JERRY KEYSER*	\$270.00	\$280.00
MANAGING PRINCIPALS*	\$270.00	\$280.00
SENIOR PRINCIPALS*	\$260.00	\$270.00
PRINCIPALS*	\$240.00	\$250.00
MANAGERS*	\$215.00	\$225.00
SENIOR ASSOCIATES	\$180.00	\$187.50
ASSOCIATES	\$160.00	\$167.50
SENIOR ANALYSTS	\$145.00	\$150.00
ANALYSTS	\$125.00	\$130.00
TECHNICAL STAFF	\$92.50	\$95.00
ADMINISTRATIVE STAFF	\$77.50	\$80.00

Directly related job expenses not included in the above rates are: auto mileage, air fares, hotels and motels, meals, car rentals, taxis, telephone calls, delivery, electronic data processing, graphics and printing. Directly related job expenses will be billed at 110% of cost.

Monthly billings for staff time and expenses incurred during the period will be payable within thirty (30) days of invoice date.

* Rates for individuals in these categories will be increased by 50% for time spent in court testimony.