



COMMUNITY DEVELOPMENT DEPARTMENT

Council Meeting Date: April 22, 2008
Staff Report #: 08-052

Agenda Item #: D1

CONSENT CALENDAR: Authorize the City Manager to Enter into a Contract with Bay Area Economics (BAE) for a Fiscal and Economic Impact Analysis of a Mixed-Use Office, Research and Development (R&D), Hotel, and Health Club Project at 101 to 155 Constitution Drive and 100 to 190 Independence Drive.

RECOMMENDATION

Staff recommends that the City Council authorize the City Manager to enter into a contract with Bay Area Economics (BAE) for a Fiscal and Economic Impact Analysis of a proposed mixed-use development incorporating office, research and development (R&D), hotel, and health club elements located at 101 to 155 Constitution Drive and 100 to 190 Independence Drive.

BACKGROUND

On January 15, 2008, the City Council reviewed a draft Request for Proposal (RFP) for a fiscal impact analysis of the proposal by Bohannon Development Company for a mixed-use development incorporating office, research and development (R&D), hotel, and health club elements located at 101 to 155 Constitution Drive and 100 to 190 Independence Drive. At this meeting, the Council approved the general outlines of the RFP and established a Council Subcommittee comprised of Mayor Cohen and Council Member Fergusson to work with staff to finalize certain modifications to the RFP, in particular with regard to the potential for development-related pressures in the project area, as well as the potential fiscal impact of any housing needs associated with the proposal. In addition, the Council authorized the Subcommittee to review any resulting proposals and to make a recommendation to the full Council.

The Subcommittee subsequently met and provided input to staff regarding revisions to the RFP. On February 14, 2008, the final RFP was issued to seven economic consulting firms. Four firms submitted proposals by the deadline of March 13, 2008: Bay Area Economics (BAE), Keyser Marston Associates, Inc., MuniFinancial, and Seifel Consulting, Inc. The proposals and the RFP are available on the project web site (http://www.menlopark.org/projects/comdev_iac.htm), and are also available for review at City offices.

On March 21 and April 3, 2008, the Subcommittee interviewed representatives of all four firms, assisted by the Finance Director, Community Development Director, Business Development Manager, Development Services Manager, and City Manager.

After the April 3 interview session, the Subcommittee requested additional information, including work samples and potential modifications to the scopes, from BAE and Seifel, which the Subcommittee rated highest with regard to the quality of their proposals and interview sessions. In addition, the Subcommittee directed staff to conduct reference checks for both of the finalist firms. After reviewing this additional information, the Subcommittee is recommending the selection of BAE.

ANALYSIS

The BAE proposal for fiscal and economic impact analysis services is included as Attachment A, and a supplementary memorandum describing revisions to the scope and budget is included as Attachment B.

The following is a summary of the key components of the proposed scope of work:

- Review the fiscal impact assumptions provided by the applicant to determine reasonableness and then submit findings and modified assumptions for City review.
- Review the City's 2002 Fiscal Impact Model for context.
- Analyze the fiscal impact of the project and each of the five alternatives approved by the Council in the EIR scope. With regard to the potential retail sales/use tax revenue from the office buildings, the analysis will include three scenarios that compare to the high and low ranges of sales/use tax revenues of the vicinity over the prior 10-year period:
 - The office component is occupied by sales-tax-generating uses (corporate sales offices, e.g.);
 - The office component is occupied by non-sales-tax-generating uses (law offices, e.g.);
 - The office component is occupied by a mixture of sales-tax-generating uses and non-sales-tax-generating uses, with the projected balance based on market comparables.
- Discuss and analyze the potential for owners of other parcels in the vicinity (in particular, the twelve parcels between the two project sites) to pursue and receive General Plan Amendment, rezoning, and project approval actions for office-only developments at a similar scale as the proposed project, and the potential fiscal impact of such developments.
- Discuss and analyze the potential fiscal impact of future housing needs associated with the proposal, using as its basis the results of a housing needs analysis that is being conducted as part of the project Environmental Impact Report (EIR).

- Discuss and analyze other legal methods equivalent to sales-tax-in-lieu mechanisms that would allow the City to secure ever-increasing revenue benefits from the office development.
- Prepare three drafts of the FIA, including modifications in response to staff and public comments.
- Hold two public workshops to help explain the work in more detail and to solicit and consider input about the draft analysis.

BAE is proposing to complete the majority of the work in 16 weeks (between three and four months) from the signing of the contract. The proposed budget is \$85,725, the cost of which would be borne by the applicant, although the applicant would have no control or direction over the work of the consultant.

The Subcommittee and staff believe that the BAE proposal best meets the goal of including both a “traditional” fiscal impact analysis of direct costs and benefits as well as a broader economic analysis of potential indirect costs and benefits (related development pressures and associated housing impacts, e.g.). BAE has a strong amount of experience in both types of work, with positive reviews from their references regarding their ability to work independently and impartially under tight time frames. In addition, the BAE work samples display a skill at writing for a general audience as well as fiscal professionals. The Subcommittee and staff believe that the resulting product will provide an important source of information for the City Council and public to consider when discussing the merits of the applicant’s overall development proposal.

IMPACT ON CITY RESOURCES

The applicant is required to pay planning permit fees, based on the Master Fee Schedule, to fully cover the cost of staff time spent on the review of the project. The applicant is also required to bear the cost of the associated environmental review and fiscal and economic impact analysis. For the environmental review and fiscal and economic impact analysis, the applicant deposits money with the City and the City pays the consultants.

POLICY ISSUES

The proposed project will ultimately require the Council to consider a policy decision whether to change the General Plan land use designation and the zoning classification for the property. The fiscal and economic impact analysis will provide information that will ultimately inform the Council’s decision, along with the EIR, public comment and other information sources. The fiscal and economic impact analysis may also be used to inform the negotiation of the Development Agreement.

ENVIRONMENTAL REVIEW

The preparation of a fiscal and economic impact analysis is not considered a project under the California Environmental Quality Act (CEQA). An Environmental Impact Report (EIR) is being prepared for the development proposal itself.

Thomas Rogers
Associate Planner
Report Author

Justin Murphy
Development Services Manager

PUBLIC NOTICE

Public notification was achieved by posting the agenda, at least 72 hours prior to the meeting, with this agenda item being listed.

In addition, the City has prepared a project page for the proposal, which is available at the following address: http://www.menlopark.org/projects/comdev_iac.htm. This page provides up-to-date information about the project, allowing interested parties to stay informed of its progress. The page allows users to sign up for automatic email bulletins, notifying them when content is updated.

ATTACHMENTS

- A. BAE Proposal to Provide Fiscal Impact Analysis, dated March 13, 2008
- B. BAE Summary of Revisions to Scope and Budget, dated April 9, 2008

bae



Proposal to Provide Fiscal Impact Analysis

Submitted by:
Bay Area Economics (BAE)

Submitted to:
City of Menlo Park

March 13, 2008

Bay Area Economics

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Emeryville, CA 94608 bae1@bae1.com
bayareaeconomics.com



March 13, 2008

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

Dear Mr. Rogers:

It is our pleasure to submit this proposal to prepare a Fiscal Impact Analysis for a development project proposed on key sites in the City of Menlo Park. Per our understanding, the project, which has been proposed by the Bohannon Development Company, would require amendments to the General Plan and Zoning Ordinance. Specifically, it would entail the redevelopment of sites currently occupied by low-density office/R&D uses with a substantially higher-density mixture of office/R&D, restaurant, health club, hotel, and retail uses.

BAE is an award-winning real estate economics and development advisory firm with a distinguished record of achievement over its 20-year history. Headquartered in Emeryville, CA, BAE also has branch offices in Sacramento, New York City, and Washington DC, enabling our 30 staff people 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, as well as assisting local governments to negotiate for community benefits from proposed new development.

The following pages detail our proposed work program, schedule, and budget. Also included is information regarding key personnel, firm qualifications, and references. This proposal remains effective for 180 days from the date of submittal, March 13, 2008. Please feel free to call me at 510.547.9380 if you have any questions or comments regarding our submittal.

Sincerely,

A handwritten signature in black ink that reads "Ron Golem".

Ron Golem
Principal

Bay Area Economics

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Project Understanding

In order to allow a proposed development program for two sites within the City of Menlo Park, the Bohannon Development Company has proposed amendments to the City of Menlo Park General Plan and Zoning Ordinance. Currently these parcels contain 15.9 acres and house approximately 219,000 square feet of office/R&D space at a floor-to-area ratio (FAR) of 0.31. The proposed project would substantially increase the intensity of development at the sites, resulting in a project that totals approximately 962,000 square feet, built at an FAR of 1.38. A summary of the development program is listed below:

- Three office and R&D buildings (694,726 square feet)
- Hotel (173,682 square feet; 245 rooms)
- Health club, serving hotel guests and the public (76,420 square feet)
- Cafe/restaurant (6,947 square feet)
- Neighborhood-serving retail and community facilities (10,420 square feet)
- Three parking structures

As part of its process to evaluate these amendments and to inform negotiation of a development agreement, the City has requested proposals from qualified firms to evaluate the fiscal and economic impact of the proposed project and five alternate uses for the site.

Scope of Services

This section outlines BAE's proposed work program, including deliverables. BAE considers this work scope flexible and can adjust it to meet the City's needs.

Task 1: Meet with City Staff and Review Background Materials

Task 1A: Meet with City staff and tour project sites. BAE will meet with City staff to review the scope of services, proposed schedule, and deliverables. BAE will also tour the site and area.

Task 1B: Review key financial, planning, and environmental documents. This task will include a review of relevant documents and plans pertaining to the proposed project, including the General Plan, the Zoning Ordinance, the project Environmental Impact Report, and City staff reports. 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, sanitation, and school districts.

Task 1C: Review project sponsor's fiscal and economic impact analysis. Bohannon Development Company commissioned a fiscal and economic impact analysis, which considers impacts of the proposed project and two alternative development programs. BAE will review the project sponsor's analysis including methodologies, assumptions, and data. In particular, the review will involve an evaluation of market data, including market studies of hotel and fitness uses, and other data underlying cost and revenue-generation assumptions.

Task 1D: Review the City's existing fiscal impact analysis model. This task will involve a review of the existing model to determine whether portions of it are appropriate for use in a fiscal impact analysis of the proposed project. Relevant factors to consider will include the range of land uses addressed by the model, the level of specificity provided by the model, and the age of the model, which was last updated in 2002.

Task 1E: Prepare Background Memorandum. This deliverable will include two components:

- **Summarize key issues regarding the project sponsor's fiscal and economic impact analysis and existing City fiscal impact analysis model.** The first part of the Background Memorandum will summarize key findings from BAE's review of the project sponsor's fiscal and economic impact analysis and the City's existing fiscal impact analysis model. Where relevant, the memorandum will indicate and explain why alternative methodologies, data, or assumptions may be more appropriate and lead to different findings.
- **Describe intended methodologies/assumptions for the fiscal and economic**

impact analysis. The second part of the Background Memorandum will describe intended methodologies, data, and assumptions for use in analyzing the fiscal and economic impacts of the proposed project. The memorandum will be provided to City staff and a Council subcommittee for review and approval prior to commencing the fiscal and economic impact analysis.

Task 1F: Meet with City Staff to Review Fiscal Impact Methodology. BAE will meet with City staff and to review the Background Memorandum and agree on methodologies, data, and assumptions for use in the fiscal and economic impact analysis.

Task 2: Analyze Fiscal and Economic Impacts

Task 2A: Analyze the fiscal impact of the proposed project and alternatives. This analysis will consider revenue and cost implications for City and affected districts of the proposed project and the five alternatives identified in the EIR.

Revenue items considered will include sales tax, property tax, property transfer tax, transient occupancy tax, business license revenue, franchise fees, and any other applicable taxes. Also considered will be one-time revenue sources including impact fees, construction period sales taxes. As an important component of this analysis, BAE will conduct a sensitivity analysis focused on the sales-tax revenue generating potential of the proposed office uses. This analysis will evaluate the high and low ranges of sales tax generation from various potential office uses in the proposed development. As the City is well aware, there are distinct differences in the revenue generating potential of office uses depending on whether the space is occupied by a sales-tax generating use.

Cost items considered will include police, fire, public works, recreation and library services, and general government services. The cost analysis will, whenever feasible, study the marginal cost of providing additional service. As part of this process, BAE will contact local public service providers including the police department and fire district 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 determine how this may need to be altered to serve the new development. Any new patrol officers and/or equipment would also be analyzed on a marginal basis. For fire, BAE will study existing capacity at the station that would serve the proposed project, assess any additional labor or equipment costs that the station would incur, and whether a new station would be necessary. Cost impacts for other city departments and districts would also be analyzed, to the extent possible, on a marginal, rather than average, cost basis.

Fiscal impacts will be presented in current dollars on a net annual and cumulative basis over a 20-year period present in constant 2008 dollars. To determine an appropriate absorption rate for the various proposed land uses, BAE will review the project applicant's anticipated absorption schedule and refine it based on a review of market conditions.

Task 2B: Analyze the economic impact of the proposed project and alternates. This

analysis will consider the economic impact of the proposed project and each alternate in terms of job generation and dollar impact within the local economy. Both construction period and permanent economic impacts will be modeled. To estimate impacts, BAE will utilize the IMPLAN input-out model, the industry standard for modeling economic impacts within the planning field.¹

Task 3: Analyze Off-Site Impacts and Alternate Revenue Generating Mechanisms

Task 3A: Analyze the potential for land use changes on nearby sites. This analysis will examine the potential for land use changes on parcels in the vicinity of the project sites, focusing particularly on 12 parcels between the project sites. Relying on qualitative and quantitative factors, the analysis will assess the readiness of nearby parcels for redevelopment, including an identification of key obstacles to their redevelopment. Factors considered will include the size of parcels and other physical constraints, the extent to which parcels are in separate ownership, the economic value of existing development on the sites, and market demand for additional space similar to the proposed development. BAE will also qualitatively assess the potential fiscal impacts of development on nearby sites, based on its findings from Task 2.

Task 3B: Analyze the fiscal impact of housing need generated by the proposed project. Based on results of the housing needs analysis conducted for the project EIR, this analysis will summarize the housing need generated by the proposed project and address revenue generation and service costs associated with any such new housing. This analysis will be less detailed than the main fiscal impact analysis, but will nonetheless provide a meaningful estimate of the net fiscal impact of providing public services to required new housing development.

Task 3C: Describe and analyze alternate methodologies for revenue generation. BAE will describe and analyze alternative mechanisms to generate revenues for the City from the proposed development. This analysis will include a comparison to adjacent cities, examining in-lieu payments, impact fees, and construction taxes. Based on this analysis, the City may wish to negotiate for one-time and/or ongoing payments as a condition entering into a development agreement.

Task 4: Prepare Fiscal and Economic Impact Report

Task 4A: Prepare Administrative Draft Fiscal and Economic Impact Analysis report. BAE will prepare and submit an Administrative Draft Fiscal and Economic Impact report to City staff. The report will include a concise and accessible executive summary, including a summary of the methodology and key findings from Tasks 1, 2 and 3. The body of the report will include the following:

¹ The economic impact analysis will use the most recently available economic multipliers for San Mateo County.

- A detailed fiscal impact analysis;
- A detailed economic impact analysis; and
- A detailed discussion of the analyses conducted for Task 3

Task 4B: Prepare Public Review and Final Draft report. Staff will provide one round of consolidated comments to BAE regarding the Administrative Draft. BAE will address all comments and make modifications as needed. BAE will then submit a Screen Check Draft for staff to review. Staff will note any minor corrections and BAE will submit a Public Review Draft. After closure of the public review period, Staff will provide BAE with a written record of comments regarding the Public Review Draft. BAE will discuss comments with City staff and make changes as necessary. BAE will then submit a Final Draft.

Data Needs

In order to complete this analysis, BAE will require access to various City and District staff to conduct brief interviews and confirm methodologies and assumptions. In particular, BAE would intend to speak with most department/district heads, or their designees, as well as the City finance director.

BAE has extensive experience using confidential sales tax data to perform fiscal and other economic analyses. In order to complete this analysis BAE would require access to this data from the City, which may require City Council approval. If this data cannot be made available, BAE would need for City staff to analyze sales tax data in order to establish the possible range of sales tax revenue generation from various types of office users.

BAE would also require an electronic copy of the City's existing fiscal impact analysis model and accompanying documentation and hard copies of the City Budget and Comprehensive Annual Financial Report.

From the project sponsor, BAE will need development proformas, market studies, and marketing plans. BAE will also require updated information from the EIR consultant, including results of the housing impact analysis and detailed information regarding the development program for fifth alternate.

In addition to data from the City and project sponsor, BAE will need to acquire market, demographic, and other data from vendors. A budget for these materials is included below.

Schedule

BAE proposes the following schedule for project completion, which is open to discussion with the City.

Task	Week Completed (a)
Task 1: Start-Up Meeting and Review of Background Materials	
Task 1A: Meet with City staff and tour project sites.	1
Task 1B: Review key financial, planning, and environmental documents.	1
Task 1C: Review project sponsor's fiscal and economic impact analysis.	2
Task 1D: Review the City's existing fiscal impact analysis model.	2
Task 1E: Prepare Background Memorandum.	3
Task 1F: Meet with City Staff to Review Fiscal Impact Methodology.	4
Task 2: Fiscal and Economic Impact Analysis	
Task 2A: Analyze the fiscal impact of the proposed project and alternates.	8
Task 2B: Analyze the economic impact of the proposed project and alternates.	8
Task 3: Analysis of Off-Site Impacts and Alternate Revenue Generating Mechanisms	
Task 3A: Analyze potential for land use change on nearby sites.	10
Task 3B: Analyze the fiscal impact of housing need generated by the proposed project.	10
Task 3C: Describe and analyze alternate methodologies for revenue generation.	10
Task 4: Prepare Fiscal and Economic Impact report	
Task 4A. Prepare Administrative Draft Report.	12
Task 4B. Prepare Screen Check Draft Report	15
Prepare Public Review Draft Report	16
Prepare a Final Draft Report	TBD (b)

Notes:

- (a) BAE will complete task by the end of each week listed, based on the date the City signs the contract.
- (b) BAE will provide a Final Draft within two weeks of receipt of Public Review comments.

Budget and Fees

BAE will perform all tasks as outlined in the above Scope of Services on a fixed fee basis for a not-to-exceed budget of \$66,300. A detailed breakdown of the project budget by task and person is presented below.

Task	Hours by Person				Budget (a)
	Principal	Vice	Senior	Analyst	
		President	Associate		
Task 1: Start-Up Meeting and Review of Background Materials					
Task 1A: Meet with City staff and tour project sites.	0	4	4	0	\$1,500
Task 1B: Review key financial, planning, and environmental documents.	0	4	4	0	\$1,500
Task 1C: Review project sponsor's fiscal and economic impact analysis.	0	2	10	0	\$2,150
Task 1D: Review the City's existing fiscal impact analysis model.	0	2	4	0	\$1,100
Task 1E: Prepare Background Memorandum.	0	4	16	0	\$3,600
Task 1F: Meet with City Staff to Review Fiscal Impact Methodology.	0	4	4	0	\$1,500
Task 2: Fiscal and Economic Impact Analysis					
Task 2A: Analyze the fiscal impact of the proposed project/alts.	2	18	40	30	\$13,770
Task 2B: Analyze the economic impact of the proposed project/alts.	2	4	24	12	\$6,550
Task 3: Analysis of Off-Site Impacts and Alt. Revenue Generation					
Task 3A: Analyze potential for land use change on nearby sites.	0	4	20	4	\$4,660
Task 3B: Analyze the fiscal impact of housing need.	0	4	20	0	\$4,300
Task 3C: Describe and analyze alt. methods for revenue generation.	2	4	20	8	\$5,490
Task 4: Prepare Fiscal and Economic Impact report					
Task 4A: Prepare Administrative Draft Report.	4	12	45	12	\$12,295
Task 4B: Prepare Screen Check, Public Review, and Final Draft Report.	2	4	29	6	\$6,885
Subtotal Labor	12	70	240	72	\$65,300
Expenses (data, travel, etc.) (b)					\$1,000
Grand Total					\$66,300
Notes:	Principal	Vice President	Senior Associate	Analyst	
(a) Based on BAE 2008 hourly rates:	\$235	\$200	\$175	\$90	
(b) Includes travel expenses to two meetings for Tasks 1A and 1F and data purchase from vendors.					

BAE will invoice on a "percent complete" basis on the first day of each month, for the duration of the contract. All invoices are due and payable within 30 days of receipt by the City. Any additional meetings, not outlined above, will be charged on a time and materials basis.

For 2008, BAE's hourly professional rates are as follows:

Managing Principal	\$275/hour
Principal	\$235/hour
Vice President	\$200/hour
Senior Associate	\$175/hour
Associate	\$115/hour
Analyst	\$90/hour

About BAE

Since 1986, BAE has focused on creating sustainable communities by providing real estate economics and development advisory services to clients throughout the U.S. BAE's experience ranges from statewide policy studies to strategic planning to development projects. Our work reflects our commitment to excellence and dedication to the future of our places.

BAE's services include feasibility studies, strategic planning, revitalization, public-private transactions, public financing, fiscal and economic impacts analyses, and development advisory services. We have extensive work experience in:

- Smart Growth
- Revitalization
- TOD & Mixed-Use Development
- Economic Development
- Affordable and Workforce Housing
- Parks and Community Facilities
- Sustainable Agriculture and Food Systems
- Child Care and Social Services

We have also developed unique expertise in non-place aspects of urban development including sustainability, technology transfer, targeted industry studies, child care, and social services.

Our key asset is our highly-skilled core team of staff members who have worked together for many years. Collectively, we bring our training in real estate development, city planning, geography, economic development, marketing, and public policy to every engagement. We pioneered the use of survey research to target urban housing products, created innovative GIS tools for smart growth planning, and provided real estate advisory services to some of the largest revitalization and sustainable development efforts in the U.S. The outstanding quality of our work has been recognized by the American Planning Association (APA), the Congress for New Urbanism, and other organizations through numerous awards for excellence. The San Francisco Business Times has recognized BAE as one of the 100 Largest Women-Owned Bay Area Businesses each year since 2000.

Key Personnel

BAE's project team will be led by Ron Golem, Principal of BAE. Ron will ensure overall quality control and direction of the work. He will be assisted by Steve Murphy, Senior Associate, who will serve as day-to-day Project Manager. Steve will facilitate communications and work flow, and be directly responsible for drafting all work products. Simon Alejandrino, Vice President, will also play a vital role in this project, offering ongoing technical support on the fiscal impact analysis.

Ron Golem, M.C.P., Principal



Ron specializes in strategic business planning, sustainable development, TOD, and public-private projects. His experience spans affordable housing, recreational facilities, conference centers, office and retail projects, urban parks, and non-profit facilities. Ron leads projects for both the Bay Area and New York offices of BAE.

One of Ron's unique specializations is business planning for community facilities with an enterprise component. For the Port of Oakland, he prepared a business plan for a waterfront park and meeting/education facility adjacent to a multicultural neighborhood, including formulating program and operating partnerships, financing, and new management structures for implementation. For NASA Ames, he conducted a feasibility study and led a private developer solicitation for a major conference facility serving the Silicon Valley scientific and education/research community.

Ron has also worked on numerous urban park assignments, helping to fund and develop world-class destinations. He managed BAE's operating study work for the New York City Economic Development Corporation on the East River Waterfront Esplanade and High Line Park, as well as analysis of developer proposals for Governors Island.

Ron has deep expertise in transit-oriented development, including work on the Baltimore State Center (MD), the downtown San Leandro BRT TOD Plan (CA), the West Hyattsville station (MD), the New Carrollton station (MD), the Southeast Seattle light rail corridor (WA), the Interstate MAX (OR), and major TOD studies for Caltrans and the National Transportation Research Board. He has interviewed numerous lenders and developers on TOD issues, and conducted feasibility analysis on mixed-use projects throughout the U.S. Ron has also led several key affordable housing projects, including the analysis of workforce inclusionary housing requirements for the Fort Ord Reuse Authority. He managed a HOPE VI revitalization strategy and application process, and led several BAE engagements with KB Home, one of the nation's largest home builder.

Prior to joining BAE, Ron served as Real Estate Specialist at the Presidio of San Francisco for the National Park Service, where he negotiated agreements generating over \$18 million in new revenues. He also formulated the business plan for reuse of Fort Baker as a unique public-private conference center, including creating a new non-profit organization to leverage private investment and fund programs for public education. Ron has also served as Asset Manager for private real estate companies, managing the renovation and leasing of two million square feet of commercial

space.

Ron holds two degrees from University of California, Berkeley: an M.C.P. with a specialization in Project Development and a B.A. in Economics. He is a member of the Urban Land Institute (ULI) and the American Planning Association, and has served as a ULI Advisory Panel Member for projects involving large mixed-use redevelopment and transportation corridor improvements.

Steve Murphy, M.C.P., Senior Associate



Steve Murphy specializes in economic development, fiscal impact analysis, financial feasibility analysis, affordable housing policy, and transit-oriented development. Since joining BAE in 2003, he has worked on a wide variety of assignments, often pioneering innovative uses of GIS to analyze complex real estate and urban planning questions. Examples of Steve's work include overseeing development of a Retail Strategic Plan for the City of Pinole, CA. For this assignment, he analyzed confidential sales tax data and performance trends for local and national retailers. He also utilized GIS to analyze trade area demographics and competitive supply. This work culminated in a detailed plan to improve the tenant mix at existing centers and to expand retail offerings in downtown. For the City of Columbus, OH, Steve contributed to a citywide Economic Development Strategy, using GIS to help identify underutilized parcels and understand their development potential and to model the value of payroll taxes associated with various job creation strategies under consideration.

Steve's other recent work includes in-depth research for a national affordable housing advocacy group to compare the costs to produce affordable and market-rate housing; an extensive affordable housing policy study for Pinellas County, in Florida's Tampa Bay Area, including the preparation of nexus analyses to support inclusionary housing requirements and linkage fees for commercial development; and economic and fiscal impacts analyses of proposed growth management initiatives in Monterey County and Cupertino, CA. Steve has supported various TOD station area planning efforts by evaluating the financial feasibility of developing different real estate product types near existing and proposed transit stations. He also co-authored a report, *Transit-Oriented Development in America*, which provides a nationwide perspective on TOD experiences and best practices.

Prior to joining BAE, Steve worked with a land use and environmental planning consulting firm in Portland, OR. Steve holds a B.A. in Economics from Stanford University and an M.C.P. from the University of California, Berkeley.

Simon Alejandrino, M.C.P., Vice President



Simon Alejandrino specializes in affordable housing, economic and community development, and fiscal impact analyses. During his tenure at BAE, he has completed inclusionary housing studies for the Cities of San José, Sunnyvale, Thousand Oaks, Livermore, and Salinas, as well as Santa Barbara County. He also supported the establishment of the City of Bozeman’s inclusionary housing program, Montana’s first. Simon’s housing expertise also includes an assessment of faculty housing needs for California State University campuses, and a quantitative housing impact analysis of the Presidio Trust Implementation Plan and the UC Berkeley and UC Santa Cruz Long Range Development Plans. Other assignments include research on national “best practices” to encourage housing production for the King County Regional Housing Toolkit, an economic impact analysis of supportive housing in Florida, and feasibility studies for market rate and affordable housing projects throughout California.

Simon’s economic development work includes Economic Development Strategies for the Cities of Richmond, San Ramon, and Belmont, CA. As part of these projects, Simon led extensive public planning processes to craft comprehensive approaches to economic development. Simon has also conducted retail market analyses for communities throughout the region, including the Cities of Burlingame, Vallejo, Benicia, and San Ramon. For each of these cities, he assessed the potential for new retail space based on a detailed leakage analysis and an evaluation of current store performance. At the neighborhood scale, Simon supported the Nystrom United Revitalization Effort by examining the potential for new commercial space, housing, and community facilities in a low-income district of Richmond, CA. He is also currently evaluating the local and regional economic benefits of the Port of San Francisco.

Simon has also cultivated a strong background in fiscal impact analyses. For example, he has analyzed the fiscal impacts of major mixed-use developments in the City of Vallejo, Burlingame’s Bayshore district, and the City of San Mateo. His projects also include detailed fiscal impact analyses of the NASA Research Park and the West Bench project in Salt Lake County, UT, a 200,000-unit master planned community with a 75+ year buildout, considered the largest real estate project in the U.S.

Simon holds a B.A. in Environmental Studies from Brown University, and an M.C.P. with a focus in Housing and Community Development from the University of California, Berkeley.

Availability

All staff listed in this proposal are expected to be available for the full duration of the project, to complete work according to the hours indicated in the budget. With 21 professional staff members in four offices, BAE has the capability to quickly respond to urgent needs that arise on short notice or which are complex in nature. If necessary, additional staff can be assigned to the project in order to assure it is delivered on-time, in accordance with the agreed upon schedule.

Relevant Experience

BAE has conducted fiscal impact analyses for a numerous Bay Area jurisdictions, including several cities in San Mateo County.

Fiscal Impact Analysis of Proposed Growth Control Measures

City of Cupertino

The City of Cupertino engaged BAE to analyze the economic and fiscal impacts of three growth control ballot measures. The measures would limit residential densities, cap building heights, and increase setbacks in the city. BAE's analysis had three components. First, BAE formulated prototypical residential and commercial pro-formas for six key development sites in Cupertino. The pro-formas modeled residential, commercial, and mixed-use projects under the "standard" and "low density" scenarios, and compared developer returns under each. Based on these findings and interviews with key stakeholders in the local development community, BAE described the effects of the proposed measures on development feasibility. Second, BAE conducted fiscal impact analyses of prototypical projects at the six key sites, estimating net revenue to the City's General Fund under the low and standard density scenarios. Finally, BAE evaluated the measures' fiscal and capacity impacts on the local elementary and high school districts by comparing the revenue and number of students that would be generated under the low and standard density scenarios.

North Livermore Master Planned Development Fiscal Impact Analysis

City of Livermore

The City of Livermore, upon receiving a ballot initiative annexing the North Livermore within the urban limit line and creating a series of entitlement for the area, contracted BAE to analyze the economic impacts of the initiative. BAE analyzed the fiscal impacts of two buildout scenarios including year-by-year fiscal shortfalls throughout the development period. Additionally, BAE analyzed fiscal impacts of the proposed initiative on the Livermore Area Recreation and Park District and the Livermore Valley Joint Unified School District, and the financial feasibility of development allowable in the initiative to assure that the proposed development would fund the needed infrastructure and other financial obligations created by the initiative. BAE performed the analysis on a shortened timeline to support the City's Election code 9212 requirements and presented findings to the City Council.

Bay Meadows Redevelopment Plan Fiscal Impact Analysis

City of San Mateo, CA

This assignment was part of a larger planning process for reusing the practice track property adjacent to the Bay Meadows horse racing facility in San Mateo. BAE analyzed the fiscal impact of three alternative development scenarios, including costs for providing public services, potential City revenue from new development, and the impacts of lost racing revenues to the City if the entire facility were closed.

North End/Rollins Road Industrial Corridor Specific Plan

City of Burlingame, CA

As part an ongoing Specific Plan process, BAE prepared an in-depth analysis of the existing

economic conditions in Burlingame’s North End and the Rollins Road Industrial Corridor. The study included a market analysis of retail, housing, industrial, and office uses, and a detailed description of the study area’s existing economic base. Taxable sales, business license, employment, and land use data were analyzed to determine the economic sustainability of Burlingame’s aging industrial corridor, its role in the City’s economy, and the potential for development of other uses. As a next step, BAE conducted a fiscal analysis of three Specific Plan alternatives developed by a land use planning firm, and evaluated the fiscal costs and benefits associated with each plan.

Burlingame Bayfront Specific Plan

City of Burlingame, CA

BAE recently conducted a market analysis of lodging, retail, housing, office, and industrial uses in Burlingame’s Bayfront area to support an update of the Burlingame Bayfront Specific Plan. The findings were used to develop two Specific Plan alternatives that called for new development on a number of opportunity sites in Burlingame’s Bayfront. BAE then conducted a fiscal analysis of each alternatives, and evaluated the fiscal costs and benefits associated with each plan to assist the City in its land use planning process.

Colma BART Specific Plan

San Mateo County, CA

This project involved extensive market analysis, fiscal impact analysis, and related economic analysis to support the Colma BART Specific Plan for a 100-acre site surrounding a planned BART station. BAE work included full market studies for residential, office, and retail uses for northern San Mateo County. The plan, which included land use alternatives in a “pedestrian pocket” configuration, is currently being implemented.

Fiscal Impact Analysis for Quarry Reuse

City of Brisbane, CA

For this community with a small residential and large industrial economic base, BAE conducted a fiscal impact analysis of a proposed development project on the City’s General Fund. BAE analyzed the impact of three development alternatives, including a residential subdivision, an industrial park, and continued use of the property as a quarry. Work included assessment of municipal services such as fire protection, police, parks and recreation, and general government.

Sky Valley/Lake Herman Specific Plan EIR

City of Benicia, CA

BAE completed a full fiscal impact analysis for a proposed 6,000-acre residential development north of Benicia. Our work provided a detailed analysis of on-going fiscal impacts to the City of Benicia over a 16-year buildout period, included impacts on schools, police, fire, parks and recreation, public works, and general government services. BAE also assessed the match between existing developer fee levels and the projected capital costs for new public infrastructure and facilities needed to serve the Specific Plan Area.

Hillside Area Plan Fiscal Analysis

City of Union City, CA

BAE prepared a fiscal impact analysis for a 3,900-unit development in the hillside area straddling the boundary between Union City and Fremont as part of an Area Plan. This study involved assessing the net fiscal impacts to both Union City and Fremont under several project alternatives. The analysis included consideration of changes in costs and revenues for the two jurisdictions due to potential jurisdictional boundary adjustments.

Fiscal Impact Modeling & Economic Impact Evaluation Services

City of Pleasanton, CA

BAE designed a comprehensive fiscal impact model to analyze proposed new development projects. The model incorporated citywide cost assumptions based on anticipated needs for service expansion through General Plan buildout. City and BAE staff also collaborated to calibrate the model's revenue assumptions, including the effects of Proposition 13 on property tax assessments over time. To date, BAE has used the model to analyze several development proposals including annexation of an area that would include 1,600 housing units; 597,000 square feet of commercial space, a golf course and clubhouse, parks, and open space; a luxury 540-unit apartment project; and a 300-unit single-family home subdivision. For each project, BAE also assessed potential impacts on the local economy.

References

Fiscal Impact Analysis of Proposed Growth Control Measures

Colin Jung
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City of Cupertino
(408) 777-3257

North Livermore Master Planned Development Fiscal Impact Analysis

Mark Roberts
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Bay Meadows Redevelopment Plan Fiscal Impact Analysis

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D i s c l o s u r e

BAE worked for the Bohannon organization in the late 1980's during its expansion planning for the Hillside Shopping Center in San Mateo. BAE has not worked for Bohannon since that time. The work that we previously did would not hinder our ability to provide the independent and impartial analysis sought by the City of Menlo Park.



April 9, 2008

Thomas Rogers
Associate Planner
City of Menlo Park
701 Laurel Street
Menlo Park, CA 94025

Dear Thomas:

It was a pleasure to meet you and other City representatives last week during our interview for the Fiscal Impact Analysis (FIA). We have learned more about the project and its needs for a thorough review and analysis, including more formal public outreach and discussion. This letter provides a summary of our revised scope and budget, with the actual revisions also provided as an attachment.

Summary of Revisions to Scope and Budget

Per your feedback after our interview last week, we suggest the following:

- **Change in BAE staffing and budget to incorporate more direct leadership/involvement by Ron Golem, BAE Principal.** Please note that our original proposal envisioned assigning much of this role to Simon Alejandrino, Vice President, who is also very strong in these issues; however, since he was not able to attend the interview due to another work commitment, your panel was not able to meet him or experience the full compliment of BAE staff. Thus, we have eliminated Simon Alejandrino from the project team, enabling a more direct and extensive role for Ron Golem, Principal. Ron will lead the project and provide direct authorship to reports as well as make all presentations to the public and City Council. He will also provide background advisement on potential other development issues, to shape the best possible project considerations for Menlo Park. These changes are reflected in the attached revised budget.
- **Addition of two public workshops during the process, including (if desired) participation by the City Council FIA Subcommittee.**

Workshop #1: We envision the first workshop to occur at the end of Task 1, so that the public can see and hear a brief graphic (power point with graphs and flow charts) presentation about prior analysis and a summary of fiscal and economic issues impacting the project and the City's budget, and then interact with us and City staff on these issues prior to launching the new analysis. In this way, we hope to gain the trust and

Bay Area Economics

understanding from the public about the neutrality of our work, and obtain maximum public input to the study. We recommend also that the materials we present at this workshop, and a summary of its notes be posted on the City's Project Page on the website, along with an email link to obtain additional feedback for those not able to attend.

We should note that we understand how sometimes the debates over the specifics of a major new development project can obscure the reasons for focusing on fiscal impacts; this we envision that a key portion of our presentation at this initial workshop be structured to provide an overview of the City's General Fund budget, as well as special service districts, to ensure that the focus is on a full view of the reasons underlying consideration of this topic.

Workshop #2: We envision the second public workshop occurring after we have completed the draft analysis, and it has been reviewed by City staff. In this way, we will have generated the analysis, findings, and conclusions, including the key comparisons among alternatives (and sensitivity analysis of Alternative 5 as well as TOT sensitivity analysis), and can cover the full gamut of questions and concerns expressed by the public. It will be key to present these findings as draft, with the express purpose of obtaining input to incorporate as appropriate during the following revisions to the draft report. In this way, the work is not considered a "done deal," and concerns can be addressed.

The format of this workshop will be similar to the first one, with a brief visual / graphic power point presentation summarizing the assumptions, methods, and findings, along with an recommendations for additional analysis. The workshop attendees will then be guided in a facilitated discussion, by Ron Golem, about the analysis and community concerns.

- **Sensitivity Analysis for TOT Revenues.** We had suggested this approach during the interview, and believe it is an important aspect of seeking a full understanding of the project's alternatives and outcomes under varying economic conditions. We will include this work for no additional cost.
- **Enhanced Report Review Process.** We envision a process that allows for the fullest receipt of public comments, although we recommend continuing to separate the FIA from the EIR process. Thus, our revised budget envisions the following:
 - Preparation of Administrative Draft
 - Review by City Staff, BAE Revisions to Create Draft FIA Report
 - Public Workshop on Draft Report
 - BAE Revisions to Create Public Review Draft
 - Web posting of Public Review Draft (and summary power point) + ability to email

comments to city

- BAE Revisions to Create Final Draft Report
- Presentation of Final Draft Report to City Council for Review and Comment
- BAE Revisions as needed per Council to Create Final Report (and web posting)

- **Related Project Advisement Services.** We have extensive experience working with public sector clients beyond the technical skills of fiscal impact and fiscal revenue generation, to shape a project which provides maximum public benefits. For example, we are considered one of the top affordable and workforce housing experts in the country, and while not engaged on that component by the City, would be available to suggest Development Agreement terms and language that may solidify the City's interests on this topic. In addition, for example, we have worked for many years behind the scenes for the Port of San Francisco on Piers 27-31, which has substantial privately-funded sports/recreation component, but has always also had conditions on the table to create a sliding scale for public use of private facilities (and have analyzed these models across the U.S.). We are also very involved in green and sustainable development, in the broadest sense of the movement, and continuously suggest improvements to projects and plans to reduce GHGs and maximize integration of new development with a zero-carbon future. We have structured "deal terms" in this regard for the pending Google project at NASA Ames, as well as numerous agreements at the Presidio of San Francisco, one of the world's largest existing sustainable urban projects. Two BAE staff are LEED-AP accredited professionals.

We have not included specific tasks related to these ongoing project advisement services, but suggest that if the City desires our involvement in this broader way, we can add an on-call (as needed) task to be billed at time and materials at our hourly rates, to support the City in negotiations or other work.

- **Changes to Schedule.** We do not anticipate substantial changes to our proposed schedule. If these additional services and workshops are desired by the City and BAE is selected for the work, we will work closely with city staff to prepare a final FIA schedule.

We hope this letter assists you with project planning. Please let me know if you have any questions or comments.

Sincerely,

Ron Golem, Principal

Budget 4-10-08

Task	Hours by Person			Budget (a)
	Principal	Associate	Analyst	
Task 1: Start-Up Meeting and Review of Background Materials				
Task 1A: Meet with City staff and tour project sites	5	4	0	\$1,875
Task 1B: Review key financial, planning, and environmental documents	8	8	0	\$3,280
Task 1C: Review project sponsor's fiscal and economic impact analysis	5	8	0	\$2,575
Task 1D: Review the City's existing fiscal impact analysis model	5	8	0	\$2,575
Task 1E: Prepare Background Memorandum	10	10	0	\$4,100
Task 1F: Meet with City Staff to Review Fiscal Impact Methodology	5	4	0	\$1,875
Task 1G: Workshop with Council Subcommittee/Public	8	8	0	\$3,280
Task 2: Fiscal and Economic Impact Analysis				
Task 2A: Analyze the fiscal impact of the proposed project/alts	20	50	30	\$16,150
Task 2B: Analyze the economic impact of the proposed project/alts	5	25	0	\$5,550
Task 3: Analysis of Off-Site Impacts and Alt. Revenue Generation				
Task 3A: Analyze potential for land use change on nearby sites.	10	10	0	\$4,100
Task 3B: Analyze the fiscal impact of housing need.	8	12	0	\$3,980
Task 3C: Describe/ analyze alternative or additional methods of revenue	20	5	0	\$5,575
Task 4: Prepare and Present FIA Report & Power Point Summary				
Task 4A: Prepare Administrative Draft Report.	20	35	5	\$11,275
Task 4B: Review Admin Draft with Staff, Respond to Comments	10	20	5	\$6,300
Task 4C: Workshop w/Council Subcommittee/Public to Review FIA Report	5	5	0	\$2,050
Task 4D: Prepare Public Review Draft Report	8	20	0	\$5,380
Task 4E: Respond to Comments, Revise Draft Report	8	10	0	\$3,630
Task 4F: Present Final Draft Report to City Council	5	0	0	\$1,175
Subtotal Labor	165	242	40	\$ 84,725
Expenses (data, travel, etc.) (b)				\$1,000
Grand Total				\$85,725

(a) Based on BAE 2008 hourly rates:

	Principal	Associate	Analyst
	\$235	\$175	\$90