

# *City of Brisbane*

## *Agenda Report*

TO: Mayor and City Council

FROM: Clayton Holstine, City Manager

SUBJECT: Agreement with Keyser Marston to provide economic and financial analysis of various Baylands development proposals.

DATE: For Council Meeting on October 7, 2013.

### **RECOMMENDATION**

Approve the attached scope of work with Keyser Marston & Associates (KMA) to provide financial and economic analysis. This contract will be on a time and material basis and not exceed \$50,000. Authorize the City Manager to sign a contract as reviewed and/or prepared by the City Attorney.

### **BACKGROUND**

The City has been using Keyser Marston for economic analysis of Baylands related development for the past several years. The current contract takes into account the various development scenarios in the Draft Environmental Impact Report and will be used to inform future city surveys as well as the negotiation of potential development agreement(s).

Additionally, City staff and the Council Finance Subcommittee met with Tim Kelly and Debbie Kern of KMA and discussed conducting economic studies of Sustainability action plans such as the plan the city is currently developing. KMA will assist the City under this proposal in identifying firms or individuals who specialize in this area and can augment the work done by KMA.

There was also discussion of focused analysis on development of subareas of the Baylands as we know that the project site will develop over many years, if not decades and likely in subareas within the Baylands. This analysis will assist the City in focusing on feasibility and timing of various development scenarios.

### **FINANCIAL IMPACT**

The proposed work will be charged on a time and material basis according to the attached hourly rate sheet and not exceed \$50,000. The costs are the responsibility of Universal Paragon Corporation.

  
Clayton Holstine, City Manager



## KEYSER MARSTON ASSOCIATES

ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

October 3, 2013

Mr. John A. Swiecki  
Community Development Director  
City of Brisbane  
50 Park Place  
Brisbane, CA 94005

Re: Baylands

Dear John:

Keyser Marston Associates, Inc. (KMA) is pleased to have the opportunity to submit this proposal to continue to assist staff in the following:

1. Baylands development economics
2. Community survey and the relationship of land use, public benefits, fiscal impacts, infrastructure financing, and development economics
3. Sustainability and development economics

KMA's analysis will draw heavily from our experience as a financial advisor to public agencies with respect to structuring development agreements and with respect to project feasibility, land valuation, fiscal impacts, infrastructure financing, and public benefits. In these efforts for our public clients, we are called upon to evaluate the reasonableness of development proposal and financial aspects of the agreement between the public sector and the property owner/developer. This experience, we believe, enables KMA to respond quickly to the issues with practical and pragmatic advice. We are also able to identify key issues that, if identified early in the process, can be effectively addressed.

There are several tasks in this assignment. They include:

### 1. Baylands Development Economics

UPC and its consultants will be submitting an evaluation of the development economics for the overall project. The City would like KMA to review this analysis for

reasonableness and to identify clarifying questions. This effort is intended to be a "high level" review. By high level, we mean:

- Review for reasonableness the data provided by land use by UPC and its consultants, regarding construction costs, rents, financing assumptions, etc. In addition to information provided by UPC, KMA will use generally available industry data and data that KMA has obtained from assignments that we have done recently in the marketplace. It is not the intent of this assignment for KMA to undertake new surveys or data collection. KMA effort will not include a market study with respect to the timing of development by land use.
- Review the reasonableness of the financial feasibility methodology presented by UPC in the evaluation of feasibility. What are the key inputs and assumptions that affect feasibility?
- Review for reasonableness of the conclusions of the feasibility and timing based on development economics.
- At the City's direction, evaluate the development economics of the EIR alternatives and the various land use components of the alternatives.
- Identify the development costs of the public benefits.
- Estimate the capacity of the various land use components to support the cost of developing the public benefits.
- Goal is to provide decision makers and community with information on the economics of the alternatives to help craft an overall land use program for Baylands.

## **2. Community Survey**

The City has retained the survey research firm of FM3. In developing the survey, KMA sees several possible components to this task. One effort is to assist staff in the process prior to the circulation of the survey questions. One example might be: does there need to be any information available to the public prior to the survey being conducted (see task 3 below). The second effort is to assist staff in addressing (or framing) the potential policy issues and the relationships of land use, public benefits, fiscal impacts, and development economics in formulating survey questions.

## **3. Implementation by Sub Areas**

In evaluating how Baylands might be developed, subareas should be evaluated since development will certainly occur by subareas based on market conditions and

physical characteristics of the Baylands. By subarea, land use, public benefits, fiscal impacts and infrastructure financing (and the associated policy issues) can be better assessed. To start, KMA suggests that the process be structured around the characterization of the site, as outlined below, including an assessment of development constraints (physical and regulatory) and opportunities. Subareas should begin to emerge based on the site characterization. For example, site characterization should include the following and there would be a map for each:

- a. Geotechnical issues / soils characteristics
- b. Environmental remediation, timeline for receiving clearance, and cost estimates
- c. Flood plain
- d. Public Trust Lands (if any)
- e. Biological constraints (if any)
- f. Historical significance
- g. Geneva extension (reduced scope), timing, and cost estimate to UPC
- h. Roads, timing, and cost estimates
- i. Infrastructure, timing, and cost estimates
- j. Development Opportunities

This effort could be done concurrently with evaluating the development economics of the overall project, as submitted by UPC and its consultants.

#### **4. Sustainability and Development Economics**

KMA would assist staff in identifying professional firms specializing in the cost and feasibility of implementing a sustainability action plan modeled after Sonoma Mountain Village, a One Planet Community. KMA would assist staff in reviewing responses to ensure that goals identified by the City Council are being addressed.

#### **5. Revisions with Updated Information**

The Baylands is a complex project. With the many components of the project, we expect that new or updated information will be available after the above analysis has been prepared. In other cases, we may advise City staff that we believe existing data is insufficient and additional data needs to be obtained. As such information is made available, we will revise and update the analysis.

## 6. Meetings

Participation in meetings, at the direction of staff, is expected with the following groups:

- a. UPC and its consultants
- b. City staff
- c. City Council subcommittees
- d. Planning Commission and City Council
- e. Public meetings


We recommend proceeding on a time and materials basis. The level of effort is not predictable at this time. Therefore, we propose to proceed with a budget of \$50,000 that we will not exceed without your authorization. When we are at the point of nearing this budget, we would notify you and determine how you would like to proceed. The many complexities in an assignment of this type preclude us from being able to establish a fixed fee.

We look forward to continuing to work with you on this interesting assignment. Please feel free to call us if there are questions.

Sincerely,

KEYSER MARSTON ASSOCIATES, INC.

  
Timothy C. Kelly, CRE

  
Debbie M. Kern

cc: Clay Holstine  
Stuart Schillinger

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

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	<u>2013/2014</u>
A. JERRY KEYSER*	\$280.00
MANAGING PRINCIPALS*	\$280.00
SENIOR PRINCIPALS*	\$270.00
PRINCIPALS*	\$250.00
MANAGERS*	\$225.00
SENIOR ASSOCIATES	\$187.50
ASSOCIATES	\$167.50
SENIOR ANALYSTS	\$150.00
ANALYSTS	\$130.00
TECHNICAL STAFF	\$95.00
ADMINISTRATIVE STAFF	\$80.00

Directly related job expenses not included in the above rates are: auto mileage, parking, air fares, hotels and motels, meals, car rentals, taxies, 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.

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