RD:SSG:RPH
07/22/2013

ORIGINAL

AGREEMENT FOR CONSULTANT SERVICES
BETWEEN
THE CITY OF SAN JOSE
AND
KEYSER MARSTON ASSOCIATES, INC.
FOR A
HOUSING IMPACT FEE NEXUS STUDY

THIS AGREEMENT is made and entered into as of this 27th day of August, 2013 by and between the CITY OF SAN JOSE, a municipal corporation ("CITY" or "City"), and KEYSER MARSTON ASSOCIATES, INC., a California corporation ("CONSULTANT").

THE PARTIES HEREBY AGREE AS FOLLOWS:

SECTION 1. SCOPE OF SERVICES.
CONSULTANT shall perform those services specified in detail in EXHIBIT A, entitled "SCOPE OF SERVICES", which is attached hereto and incorporated herein.

SECTION 2. TERM OF AGREEMENT.
The term of this AGREEMENT shall be retroactive from July 15, 2013 and shall extend through June 30, 2014, inclusive, subject to the provisions in SECTION 11 of this AGREEMENT.

SECTION 3. SCHEDULE OF PERFORMANCE.
The services of CONSULTANT are to be completed according to the schedule set out in EXHIBIT B, entitled "SCHEDULE OF PERFORMANCE", which is attached hereto and incorporated herein. Time is of the essence in this AGREEMENT.

SECTION 4. COMPENSATION.

A. The compensation to be paid to CONSULTANT, including both payment for professional services and reimbursable expenses, shall not exceed One Hundred and Six Thousand and Five Hundred Dollars ($106,500). The rate and schedule of payment is set out in EXHIBIT C, entitled "COMPENSATION," which is attached hereto and incorporated herein.

B. CONSULTANT agrees that in the performance of this AGREEMENT, CONSULTANT shall adhere to City Council Policy 1-19, the following provisions of which are made applicable to this AGREEMENT:

1. It is the policy of the CITY that CITY's funds should not be used for the purchase of single-serving bottled water.

2. The following circumstances shall constitute exceptions to City Council Policy 1-19:

   a. Public safety emergencies, investigations, and extended deployments or activation of the Office of Emergency Services.

   b. High risk of cross-contamination with non-potable water.

   c. Situations where there are no reasonable alternatives to bottled water, such as large public events and when large quantities of water may need to be distributed for health and safety reasons.

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3. CONSULTANT acknowledges and agrees that an invoice seeking reimbursement from CITY for the cost of single-serving bottled water under the exception referenced above in Subsection 2 (c) must be accompanied by a waiver form provided by CITY and signed by the department head of the CITY department administering this AGREEMENT.

SECTION 5. METHOD OF PAYMENT.
Each month, CONSULTANT shall furnish to the CITY a statement of the work performed for compensation during the preceding month. Such statement shall also include a detailed record of the month's actual reimbursable expenditures.

SECTION 6. INDEPENDENT CONTRACTOR.
It is understood and agreed that CONSULTANT, in the performance of the work and services agreed to be performed by CONSULTANT, shall act as and be an independent contractor and not an agent or employee of CITY; and as an independent contractor, CONSULTANT shall obtain no rights to retirement benefits or other benefits which accrue to CITY's employees, and CONSULTANT hereby expressly waives any claim it may have to any such rights.

SECTION 7. ASSIGNABILITY.
The parties agree that the expertise and experience of CONSULTANT are material considerations for this AGREEMENT. CONSULTANT shall not assign or transfer any interest in this AGREEMENT nor the performance of any of CONSULTANT's obligations hereunder, without the prior written consent of CITY, and any attempt by CONSULTANT to so assign this AGREEMENT or any rights, duties or obligations arising hereunder shall be void and of no effect.

SECTION 8. INDEMNIFICATION.
CONSULTANT shall defend, indemnify and hold harmless CITY, its officers, employees and agents against any claim, loss or liability arising out of or resulting in any way from work performed under this AGREEMENT due to the willful or negligent acts (active or passive) or omissions by CONSULTANT's officers, employees or agents. The acceptance of said services and duties by CITY shall not operate as a waiver of such right of indemnification.

SECTION 9. INSURANCE REQUIREMENTS.
CONSULTANT agrees to have and maintain the policies set forth in EXHIBIT D, entitled "INSURANCE," which is attached hereto and incorporated herein. All policies, endorsements, certificates and/or binders shall be subject to approval by the Director of Finance or the Director's authorized designee ("Risk Manager") of the City of San Jose as to form and content. These requirements are subject to amendment or waiver if so approved in writing by the Risk Manager. CONSULTANT agrees to provide CITY with a copy of said policies, certificates and/or endorsements before work commences under this AGREEMENT.

SECTION 10. NONDISCRIMINATION.
CONSULTANT shall not discriminate, in any way, against any person on the basis of race, sex, color, age, religion, sexual orientation, actual or perceived gender identity, disability, ethnicity, or national origin, in connection with or related to the performance of this AGREEMENT.

SECTION 11. TERMINATION.
A. CITY shall have the right to terminate this AGREEMENT, without cause, by giving not less than seven (7) days' written notice of termination.

B. If CONSULTANT fails to perform any of its material obligations under this AGREEMENT, in addition to all other remedies provided by law, CITY may terminate this AGREEMENT immediately upon written notice.

C. CITY's Director of Housing is empowered to terminate this AGREEMENT on behalf of CITY.

D. In the event of termination, CONSULTANT shall deliver to CITY copies of all reports, documents, and other work performed by CONSULTANT under this AGREEMENT, and upon receipt thereof, CITY shall pay CONSULTANT for services performed and reimbursable expenses incurred to the date of termination.

SECTION 12. GOVERNING LAW.
CITY and CONSULTANT agree that the law governing this AGREEMENT shall be that of the State of California.

SECTION 13. COMPLIANCE WITH LAWS.
CONSULTANT shall comply with all applicable laws, ordinances, codes and regulations of the federal, state and local governments. Without limiting the generality of the preceding sentence, CONSULTANT shall comply with the provisions of CITY's Business Tax Ordinance in Chapter 4.76 of the San José Municipal Code.

SECTION 14. ENVIRONMENTALLY PREFERABLE PROCUREMENT POLICY.
CONSULTANT agrees that, in the performance of this AGREEMENT, CONSULTANT shall perform its obligations under the agreement in conformance with City Council Policy 4-6, Environmentally Preferable Procurement Policy. A description for environmentally preferable procurement and the Policy can be found on the CITY's website at the following link: http://www.sanjoseca.gov/esd/natural-energy-resources/epp.htm

Environmental procurement policies and activities related to the completion of work will include wherever practicable, but are not limited to:

A. Use of recycled and/or recyclable products in daily operations (i.e. 30, 50, 100% PCW paper, chlorine process free; triclosan free hand cleaner, etc.).
B. Use of Energy Star Compliance equipment.

C. Vehicles and vehicle operations (i.e. Alternative Fuel, Hybrid, etc.).
D. Internal waste reduction and reuse protocol(s).
E. Water and resource conservation activities within facilities, including bans on individual serving bottled water and the use of compostable food service products, etc.

SECTION 15. CONFIDENTIAL INFORMATION.
All data, documents, discussions or other information developed or received by or for CONSULTANT in performance of this AGREEMENT are confidential and not to be disclosed to any person except as authorized by CITY, or as required by law.

SECTION 16. OWNERSHIP OF MATERIALS.
All reports, documents or other materials developed or discovered by CONSULTANT or any other person engaged directly or indirectly by CONSULTANT to perform the services required

hereunder, with the exception of CONSULTANT's proprietary computer models, shall be and remain the property of CITY without restriction or limitation upon their use.

SECTION 17. WAIVER.
CONSULTANT agrees that waiver by CITY of any breach or violation of any term or condition of this AGREEMENT shall not be deemed to be a waiver of any other term or condition contained herein or a waiver of any subsequent breach or violation of the same or any other term or condition. The acceptance by CITY of the performance of any work or services by CONSULTANT shall not be deemed to be a waiver of any term or condition of this AGREEMENT.

SECTION 18. CONSULTANT'S BOOKS AND RECORDS.

A. CONSULTANT shall maintain any and all ledgers, books of account, invoices, vouchers, cancelled checks, and other records or documents evidencing or relating to charges for services, or expenditures and disbursements charged to CITY for a minimum period of three (3) years, or for any longer period required by law, from the date of final payment to CONSULTANT pursuant to this AGREEMENT.

B. CONSULTANT shall maintain all documents and records which demonstrate performance under this AGREEMENT for a minimum period of three (3) years, or for any longer period required by law, from the date of termination or completion of this AGREEMENT.

C. Any records or documents required to be maintained pursuant to this AGREEMENT shall be made available for inspection or audit at no cost to CITY, at any time during regular business hours, upon written request by the City Attorney, City Auditor, City Manager, or a designated representative of any of these officers. Copies of such documents shall be provided to CITY for inspection at City Hall when it is practical to do so. Otherwise, unless an alternative is mutually agreed upon, the records shall be available at CONSULTANT's address indicated for receipt of notices in this AGREEMENT. CONSULTANT acknowledges that under certain circumstances specified in California Government Code Section 8546.7, this AGREEMENT (if it involves an expenditure of $10,000 or more of public funds) may be subject to examination and audit by the Auditor of the State of California pursuant to California Government Code Section 8546.7.

D. Where CITY has reason to believe that such records or documents may be lost or discarded due to dissolution, disbandment or termination of CONSULTANT's business, CITY may, by written request by any of the above-named officers, require that custody of the records be given to CITY and that the records and documents be maintained in City Hall. Access to such records and documents shall be granted to any party authorized by CONSULTANT, CONSULTANT's representatives, or CONSULTANT's successor-in-interest.

SECTION 19. CONFLICT OF INTEREST.
CONSULTANT shall avoid all conflict of interest or appearance of conflict of interest in performance of this AGREEMENT. CONSULTANT's employees assigned to perform services (other than clerical tasks)as specified in EXHIBIT A of this AGREEMENT ("CONSULTANT's Assigned Employees") shall file an Assuming Office Disclosure Statement of Economic Interests (Form 700) as specified in EXHIBIT E, entitled "DISCLOSURE STATEMENT", which is attached hereto and incorporated herein. Such statement shall be filed within thirty (30) days of the date of this AGREEMENT and annually thereafter by the first of April. Upon termination of this AGREEMENT, CONSULTANT shall file a Leaving Office Disclosure Statement of Economic Interest (Form 700). CONSULTANT's Assigned Employees shall file the Form 700 with the City

Clerk and submit a copy to Mark Gerhardt. In addition to disclosure of financial interests, each employee is also subject to disqualification under the conflicts of interest prohibitions in the Political Reform Act §§ 87100 et seq. and Government Code Section 1090.

SECTION 20. GIFTS.

A. CONSULTANT is familiar with CITY's prohibition against the acceptance of any gift by a CITY officer or designated employee, which prohibition is found in Chapter 12.08 of the San Jose Municipal Code.

B. CONSULTANT agrees not to offer any CITY officer or designated employee any gift prohibited by said Chapter.

C. The offer or giving of any gift prohibited by Chapter 12.08 shall constitute a material breach of this AGREEMENT by CONSULTANT. In addition to any other remedies CITY may have in law or equity, CITY may terminate this AGREEMENT for such breach as provided in SECTION 11 of this AGREEMENT.

SECTION 21. DISQUALIFICATION OF FORMER EMPLOYEES.

CONSULTANT is familiar with the provisions relating to the disqualification of former officers and employees of CITY in matters which are connected with former duties or official responsibilities as set forth in Chapter 12.10 of the San Jose Municipal Code ("Revolving Door Ordinance"). CONSULTANT shall not utilize either directly or indirectly any officer, employee, or agent of CONSULTANT to perform services under this AGREEMENT, if in the performance of such services, the officer, employee, or agent would be in violation of the Revolving Door Ordinance.

SECTION 22. SPECIAL PROVISIONS.

Special provisions, if any, to this AGREEMENT are specified in EXHIBIT F, entitled, "SPECIAL PROVISIONS", which is attached hereto and incorporated herein.

SECTION 23. NOTICES.

All notices and other communications required or permitted to be given under this AGREEMENT shall be in writing and shall be personally served or mailed, postage prepaid and return receipt requested, addressed to the respective parties as follows:

To CITY: Mark Gerhardt, Administrative Officer
City of San José, Housing Department
200 E. Santa Clara Street, 12th Floor Tower
San Jose, CA 95113-1905

To CONSULTANT: David Doezema
Keyser Marston Associates, Inc.
160 Pacific Avenue, Suite 204
San Francisco, CA 94111

Notice shall be deemed effective on the date personally delivered or, if mailed, three (3) days after deposit in the mail.

SECTION 24. VENUE.

In the event that suit shall be brought by either party to this contract, the parties agree that venue shall be exclusively vested in the state courts of the County of Santa Clara, or if federal

jurisdiction is appropriate, exclusively in the United States District Court, Northern District of California, San Jose, California.

SECTION 25. PRIOR AGREEMENTS AND AMENDMENTS.
This AGREEMENT, including all Exhibits attached hereto, represents the entire understanding of the parties as to those matters contained herein. No prior oral or written understanding shall be of any force or effect with respect to those matters covered hereunder. This AGREEMENT may be modified only by a written amendment duly executed by the parties to this AGREEMENT.

Signatures appear on the following page.

RD:SSG:RPH
07/22/2013

WITNESS THE EXECUTION HEREOF on the day and year first hereinabove written.

"CITY"

APPROVED AS TO FORM:

S. Shasta Greene
Senior Deputy City Attorney

CITY OF SAN JOSE, a municipal corporation

By _____

Norberto Duenas
Deputy City Manager

"CONSULTANT"

Keyser Marston Associates, Inc., a California corporation

By _____

Name: David Doezema
Title: Principal

EXHIBIT A

SCOPE OF SERVICES

CONSULTANT shall perform the services and produce the deliverables listed in this Exhibit. Additional detail regarding the scope is provided in the CONSULTANT's proposal attached as Exhibit G, in event of an express conflict between this AGREEMENT and the Proposal, the AGREEMENT shall control.

SECTION 1. GENERAL TASKS

Task 1 - Project Initiation and Data Collection

a) Current Affordable Housing Fees. CONSULTANT shall review the City's current policies and ordinances related to affordable housing fees, and/or impact fees, including the decision in the City's Inclusionary Housing lawsuit, *California Building Industry Association v. City of San José, et al.,* Case No. 1-10-CV167289 (2013), now under appeal, and other relevant materials.

b) Data Collection. CONSULTANT shall identify all available data sources that it plans to use for the nexus analysis and identify any additional data that may be needed to provide additional support for the nexus analysis, which could include data regarding the current conditions in the affordable housing market in San José. CONSULTANT shall incorporate data specific to San José whenever possible. As further described on page 16 of CONSULTANT's proposal.

c) Kick off Meeting with City Staff. CONSULTANT shall meet with a group of City staff to explain its proposed approach to the nexus analysis, data sets, analysis and fee analysis and to ask staff any clarifying questions regarding the City's policy objectives and priorities for the nexus analysis and fee, to refine the schedule, and to discuss other related topics. CONSULTANT shall prepare a suggested agenda for the meeting, provide any supporting information and/or questions for City staff to address, and request any City documents or data in advance of the meeting, so that the pertinent information can be reviewed at the meeting.

Task 2 – Nexus Analysis

CONSULTANT shall prepare a residential nexus analysis including the following sub-tasks:

a) Prototype Development, Market Survey, Market Prices and Rent Levels.

CONSULTANT shall complete a market survey to establish market values for various types of residential housing products in San José. CONSULTANT shall review materials provided by the City and survey additional materials as necessary on recently developed rental and ownership housing to establish a recommended set of prototypical product types. Product types shall include, at a minimum, apartments, condominiums, townhomes, and single-family types. Low rise and high rise variations should also be considered where applicable. For each product type, CONSULTANT shall survey the market and determine the average and range for the product type's main characteristics including number of bedrooms, square footage, market rate sales prices, market rate rent levels, etc. In addition, CONSULTANT shall survey the projects in the

pipeline to ensure that the recommended set of product types include the types of projects that are likely to be constructed in San José over the next several years. After completing the above described survey, CONSULTANT shall consult with City regarding the selection of prototypes for the nexus analysis.

b) Establish Affordable Sales Price, Rent Levels and Affordability Gaps

For each product type, CONSULTANT shall use the City's data and calculations to determine current affordable sales prices and affordable rent limits, affordability levels, income limits, number of bedrooms, and square footage, if available.

CONSULTANT will confer with City staff to establish development costs and affordability gaps for affordable projects typically assisted by the City. Models would be any projects, recently developed or in the pipeline that are all affordable. The CONSULTANT shall evaluate affordability gaps for various affordable housing product types by comparing the cost of development, construction and operation of the various types of affordable housing and the affordable sales price/ affordable rent generated by those affordable housing product types.

c) Residential Nexus Analysis and Maximum Supported Fee Calculation

CONSULTANT shall prepare a residential nexus analysis that demonstrates and quantifies the relationship between market rate and affordable housing:

i. **Establish Demand for Goods and Services and Resulting Jobs** CONSULTANT shall use data developed in Task 2(a) including household incomes of new residents to model/estimate jobs based on the new demands for goods and services. The CONSULTANT plans to use the IMPLAN model for this analysis. The CONSULTANT shall utilize CITY's data wherever possible to check and confirm modeling output. The CONSULTANT shall review results with City staff prior to finalizing this step.

ii. **Establish Need for Affordable Housing Based on New Jobs** CONSULTANT shall use new job data developed in Task 2(c)(i) with available local and regional data, as well as Employment Development Department and American Community Service data to estimate incomes and number of new employee households and the affordability levels of housing required to house such households. The CONSULTANT plans to use their proprietary model ("KMA model") for this analysis. Multiple earner households shall be incorporated in this analysis. The CONSULTANT shall utilize CITY's data wherever possible to check and confirm modeling output. The CONSULTANT shall review results with City staff prior to finalizing this step. CONSULTANT shall as a product of this analysis establish the number of households and the necessary affordability levels for housing needed in connection with the various product types.

iii. **Establish Mitigation Cost.** CONSULTANT shall establish mitigation costs to provide affordable housing at the various affordability levels based on the affordability gaps determined in Task 2(b) and for each market rate product type, apply the mitigation costs to the number of households and necessary affordability levels determined in Task 2(c)(ii). This product type specific mitigation cost shall be presented to City for review on a per square foot, per unit and percentage basis.

iv. **Prepare Findings.** Prepare findings pursuant to the Mitigation Fee Act. Include findings needed to determine whether an excess supply of affordable housing exists in San Jose. Submit preliminary findings to City Staff for review.

Task 3 – Additional Considerations Analyses

CONSULTANT shall also analyze the following:

a. Existing Fees and Comparison to Other Jurisdictions

CONSULTANT shall compare existing impact fees (affordable housing and otherwise) which are in place in San José and up to six nearby cities selected by City Staff and CONSULTANT. The comparison is limited to existing secondary sources such as the Bay Area Cost of Development Survey or equivalent sources. CONSULTANT shall produce chart(s) and a narrative summarizing the comparison.

b. Compare On-site Mitigation Cost.

CONSULTANT will compute the cost of providing affordable units on-site as additional context information for the City which may be helpful in considering potential impact fee levels.

c. Total Development Cost and Financial Feasibility Analysis

CONSULTANT shall show the project specific mitigation cost determined in Task 2(b)(iii) and potential fee levels (to be selected jointly with the City) as a percentage of sales price or for rental projects, capitalized net operating income, for the various market rate product types.

CONSULTANT shall analyze the project specific mitigation costs, and the potential for various impact fees, at various levels, if adopted would have on the financial feasibility of residential development in San Jose. CONSULTANT shall prepare budgets, with and without the mitigation costs, modeling the development economics of four selected prototypes.

CONSULTANT shall estimate the cost to develop four selected prototypes. Key cost components shall include: land acquisition, on-site land improvements, vertical construction costs, parking costs, architectural and engineering fees, impact and planning fees, financing costs, overhead costs, and all other "indirect" costs of construction.

CONSULTANT shall compare development costs to San Jose's home prices and apartment values to show the impact a potential fee may have on the cost of development. As further described on page 20 of CONSULTANT's proposal.

d. General Plan and Urban Village Plan

CONSULTANT shall review the City's 2040 General Plan and the City's strategy for promoting Urban Villages and shall discuss ways in which the findings of the nexus study could be coordinated with the Urban Villages framework. CONSULTANT shall identify General Plan policies that support the imposition of an impact fee for affordable housing (including transportation and environmental policies) and make suggestions to City staff regarding General Plan policies that would help ensure the development of affordable housing, if and to the extent identified in the course of the review.

Task 4 – Meetings and presentations

CONSULTANT shall attend up to 10 meetings. The meetings will be with City staff, developers, land-use consultants, the general public and before the City Council. The City and CONSULTANT may mutually agree to increase the number of meetings in the event additional meetings are needed. As further described on page 22 of CONSULTANT's proposal.

SECTION 2. DELIVERABLES

a. Interim Deliverables

To facilitate feedback and fine tuning at various stages of the analysis, CONSULTANT shall provide the following interim deliverables:

- Market Rate Residential Prototypes – a set of tables articulating the market rate residential prototypes that will be used as the starting point of the analysis and including market survey materials and a narrative summarizing the findings.
- Draft Nexus Analysis Tables
- Draft Financial Feasibility Analysis Tables

b. Nexus Report

CONSULTANT shall prepare a report that will provide an overview summary of the analysis and documentation of the methodology and assumptions in Tasks 1 and 2 ("Nexus Study Report"). In the report, CONSULTANT shall draw conclusions from the analyses and provide recommendations based on discussion with City staff. Documentation of Task 3 shall be provided in a separate appendix to the Report, except to the extent such Tasks produce data or findings to support the nexus, need for mitigation or impact fee. CONSULTANT shall submit both an administrative draft report and final report.

The Report shall incorporate the following:

- Executive Summary summarizing recommendations and Key findings.
- Nexus Analysis and Documentation.
- Recommendations regarding impact fees and structure (i.e. on a square footage basis, by product type, etc.).
- A discussion regarding the current baseline condition of affordable housing in San Jose and assumption that there is no excess supply of affordable housing and documentation related to the validity of that assumption for San José.
- Compliance with Mitigation Fee Act – The report shall incorporate findings needed to meet the applicable requirements of the Mitigation Fee Act California Code (66000 *et seq.*) and will document the study's compliance with the code requirements.
- Findings of the affordability gap, on-site mitigation cost, and nexus analyses, including a description of the methodology and all support tables.
- Presentation of the market survey, complete with survey tables and other materials.
- In an Appendix, presentation of the findings from the comparison to other cities, total development cost context, and the financial feasibility analysis.

EXHIBIT B

SCHEDULE OF PERFORMANCE

CITY and CONSULTANT acknowledge that CONSULTANT commenced the work described in this AGREEMENT on July 15, 2013. The estimated date for completion of all CONSULTANT's work under this AGREEMENT is January 31, 2014. In completing the Scope of Services under this AGREEMENT, CONSULTANT shall adhere to the schedule set forth below. Changes to the Schedule of Performance can only occur with the mutual agreement of the CITY and CONSULTANT.

Description	Due Dates
1. Completion of all items described in Task #1 above	August 9, 2013
2. Completion of Task #2, the Nexus Analysis	August 30, 2013
3. Completion of Administrative Draft Report	September 3, 2013
4. Completion of Financial Feasibility Analysis	September 27, 2013
5. Completion of the Final Draft Report	October 11, 2013
6. Completion of edits and modifications to the Final Report	November 1, 2013
7. Completion City Council meetings (unless delayed by City)	January 31, 2014

EXHIBIT C

COMPENSATION

A. CITY agrees to compensate CONSULTANT at the following hourly rates for professional services timely performed in accordance with the terms and conditions of this AGREEMENT provided.

Professional	Hourly Billing Rate
Managing Principals	$280.00
Senior Principals	$270.00
Principals	$250.00
Managers	$225.00
Senior Associates	$187.00
Associates	$167.50
Senior Analysts	$150.00
Analysts	$130.00
Technical Staff	$95.00
Administrative Staff	$80.00

B. CONSULTANT agrees that the not to exceed costs below for each of the tasks identified in EXHIBIT "B" are as shown below, provided however, CITY may shift amounts that are not needed for one Task to another:

Description	Cost
Completion of Task 1 –	$4,000
Completion of Task 2 –	$29,500
Completion of Task 3 (including Feasibility Analysis) –	$45,000
Completion of Task 4 –	$19,500
Completion of Admin Draft, Public Review Draft, Final	$7,500
Maximum Services Cost	$105,500

CONSULTANT agrees that the not to exceed costs for reimbursables billed at 100% of Consultant's Cost is $1,000.

Maximum Contract Cost $106,500

C. The maximum amount of compensation to be paid to CONSULTANT under this AGREEMENT for professional services for preparation of fiscal impact and retail market analyses shall not exceed One Hundred and Six Thousand and Five Hundred Dollars ($106,500). Any hours worked, or services provided by or on behalf of CONSULTANT pursuant

to this AGREEMENT for which payment would result in a total exceeding the maximum amount of compensation set forth herein shall be at no cost to the CITY.

D. CONSULTANT shall provide CITY with an invoice for services timely and fully performed by CONSULTANT under this AGREEMENT. The Invoice shall include the following: (a) description of the services performed for the invoicing period, (b) the associated Task for those services, (c) the title of each person performing the listed services, (d) the hours billed by each person, rounded to the nearest one-half (½) hour. CITY shall, provided the services covered by the invoice have been completed in accordance with the provisions of this AGREEMENT, pay CONSULTANT the amount shown on the invoice within thirty (30) days of receipt of the invoice, subject to the not to exceed amounts.

E. The City shall reimburse CONSULTANT for actual out-of-pocket costs and expenses reasonably incurred in connection with providing to CITY the services specified in this AGREEMENT, including but not limited to long distance phone calls, photocopy expenses, mileage and travel related expenses at **100% of cost**.

F. The parties agree that the anticipated costs for individual tasks set forth herein may be changed by CITY without formal amendment to this AGREEMENT as long as the total compensation owed to CONSULTANT is not increased thereby.

EXHIBIT D

INSURANCE

CONSULTANT, at CONSULTANT's sole cost and expense, shall procure and maintain for the duration of this AGREEMENT insurance against claims for injuries to persons or damages to property which may arise from, or in connection with, the performance of the services hereunder by CONSULTANT, its agents, representatives, employees or subcontractors.

A. **Minimum Scope of Insurance**

Coverage shall be at least as broad as:

1. The coverage described in Insurance Services Office Commercial General Liability coverage ("occurrence") Form Number CG 0001 including products and completed operations; and

2. The coverage described in Insurance Services Office Form Number CA 0001 covering Automobile Liability, Code 1 "any auto", or Code 2 "owned autos" and Endorsement CA 0025. Coverage shall also include Code 8 "hired autos" and Code 9 "non-owned autos"; and

3. Workers' Compensation insurance as required by the California Labor Code and Employers Liability insurance.

4. Professional Liability Errors & Omissions for all professional services.

B. **Minimum Limits of Insurance**

CONSULTANT shall maintain limits no less than:

1. Commercial General Liability: $1,000,000 per occurrence for bodily injury, personal injury and property damage. If Commercial Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit; and

2. Automobile Liability: $1,000,000 combined single limit per accident for bodily injury and property damage; and

3. Workers' Compensation and Employers' Liability: Workers' Compensation limits as required by the California Labor and Employers Liability limits of $1,000,000 per accident; and

4. Professional Liability Errors & Omissions $1,000,000 Aggregate Limit. The CONSULTANT shall cause its sub-consultant(s) to maintain Professional Liability/Errors and Omissions Insurance.

C. **Deductibles and Self-Insured Retentions**

Any deductibles or self-insured retentions must be declared to, and approved by CITY's Risk Manager. At the option of CITY, either; the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects CITY, its officer, employees, agents and contractors; or CONSULTANT shall procure a bond guaranteeing payment of losses and related investigations, claim administration and defense expenses in an amount specified by the CITY's Risk Manager.

D. **Other Insurance Provisions**

The policies are to contain, or be endorsed to contain, the following provisions:

1. Commercial General Liability and Automobile Liability Coverages

a. The City of San Jose, its officers, employees, agents and contractors are to be covered as additional insureds as respects: Liability arising out of activities performed by or on behalf of, CONSULTANT; products and completed operations of CONSULTANT; premises owned, leased or used by CONSULTANT; and automobiles owned, leased, hired or borrowed by CONSULTANT. The coverage shall contain no special limitations on the scope of protection afforded to CITY, its officers, employees, agents and contractors.

b. CONSULTANT's insurance coverage shall be primary insurance as respects CITY, its officers, employees, agents and contractors. Any insurance or self-insurance maintained by CITY, its officers, employees, agents or contractors shall be excess of CONSULTANT's insurance and shall not contribute with it.

c. Any failure to comply with reporting provisions of the policies by CONSULTANT shall not affect coverage provided CITY, its officers, employees, agents, or contractors.

d. Coverage shall state that CONSULTANT's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.

2. Worker's Compensation and Employers Liability

Coverage shall be endorsed to state carrier waives its rights of subrogation against the City, its officials, employees, agents and contractors.

3. All Coverages

Each insurance policy required by this AGREEMENT shall be endorsed to state that coverage shall not be suspended, voided, canceled, or reduced in limits except after thirty (30) days' prior written notice has been given to CITY's Risk Manager, ten (10) day's prior written notice for non-payment of premium.

E. **Acceptability of Insurers**

Insurance is to be placed with insurers acceptable to CITY's Risk Manager.

F. **Verification of Coverage**

CONSULTANT shall furnish CITY with certificates of insurance and with original endorsements affecting coverage required by this AGREEMENT. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf.

Copies of all the required Endorsements shall be attached to the Certificate of Insurance which shall be provided by CONSULTANT's insurance company as evidence of the stipulated coverages.

Proof of insurance shall be emailed in pdf format to: Riskmgmt@sanjose.ca.gov, or mailed to the following address or any subsequent address as may be directed in writing by the Risk Manager:

City of San Jose – Finance Department
Risk & Insurance
200 East Santa Clara St., 14th Floor
San Jose, California 95113-1905

G. **Subcontractors**

CONSULTANT shall include all subcontractors as insured under its policies or shall obtain separate certificates and endorsements for each subcontractor.

EXHIBIT E

DISCLOSURE STATEMENT

CONSULTANT's project manager and/or employee(s) principally responsible for providing the work is required shall file with City Clerk a disclosure statement (Statement of Economic Interests – Form 700) which includes disclosure of the following:

1. Schedule A – 1 -- Investments
2. Schedule A-2 – Investments, Income and Assets of Business Entities/Trusts
3. Schedule B – Interests in Real Property
4. Schedule C – Income and Business Positions
5. Schedule D – Income -- Loans
6. Schedule E – Income -- Gifts
7. Schedule F – Income – Gifts; Travel Payments, Advances, and Reimbursements

EXHIBIT F

SPECIAL PROVISIONS

A. Retroactive Services

It is understood and agreed that CONSULTANT has provided services prior to the execution of this AGREEMENT in anticipation of its execution. If CITY accepts and approves the services provided by CONSULTANT prior to the date of execution of this AGREEMENT by the parties, CITY agrees to compensate CONSULTANT for those services in accordance with the terms of this AGREEMENT. However, in no event shall CONSULTANT be compensated for work performed for CITY under this AGREEMENT prior to July 15, 2013.

B. Specific Staff to be Utilized

CITY requires that Kathe Head be involved in and sufficiently familiar with the scope of services, and underlying methodology to be able to provide testimony.

C. Litigation.

In the event the CITY requires the Consultant's staff to provide courtroom testimony regarding the Nexus Analysis, the CONSULTANT shall cooperate fully with CITY and make the designated staff available. CITY agrees that time spent in court testimony may be billed at 150% of normal rates.

EXHIBIT G

Consultant Proposal

KEYSER MARSTON ASSOCIATES

Proposal to Prepare:

Housing Impact Fee Nexus Study

Submitted to:
City of San Jose

Submitted by:
Keyser Marston Associates, Inc.

July 2013

KEYSER MARSTON ASSOCIATES
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

July 3, 2013

ADVISORS IN:
REAL ESTATE
REDEVELOPMENT
AFFORDABLE HOUSING
ECONOMIC DEVELOPMENT

SAN FRANCISCO
A. JERRY KEYSER
TIMOTHY C. KELLY
KATE EARLE FUNK
DEBBIE M. KERN
REED T. KAWAHARA
DAVID DOEZEMA

LOS ANGELES
KATHLEEN H. HEAD
JAMES A. RABE
GREGORY D. SOO-HOO
KEVIN E. ENGSTROM
JULIE L. ROMEY

SAN DIEGO
GERALD M. TRIMBLE
PAUL C. MARRA

City of San Jose Housing Department
Attention: Housing Nexus Study Manager
200 East Santa Clara Street, 12th Floor
San Jose, CA 95113

Re: Response to RFQual for preparation of a Housing Impact Fee Nexus Study

Dear Reviewer:

Keyser Marston Associates, Inc. is pleased to submit this response to the City's Request for Qualifications to prepare a Housing Impact Fee Nexus Study.

We think you will find Keyser Marston, or KMA, uniquely qualified to undertake this assignment. KMA has been pioneering the design of nexus analyses for affordable housing for over twenty years now; KMA has had the experience of close involvement with the defense of a legal challenge to the City of Sacramento's initial adoption of an affordable housing impact fee; and KMA has been preparing market rate residential nexus analyses both before and after *Palmer* and *Patterson* court rulings. KMA has now prepared or has in process market rate nexus analyses for over 18 jurisdictions, including several large cities – San Francisco, San Diego, Seattle and Sacramento. In most cases, KMA principals have presented these analyses to councils and commissions and defended them in the public forum, where support has been predictably mixed. We would be most pleased to undertake the challenge of an analysis and fee program adoption for San Jose as well.

Our understanding is that the City has been actively implementing an inclusionary type program, including an in lieu fee option, in its redevelopment areas for many years now, and in 2010 adopted an ordinance to apply a program citywide. The City's adopted program was challenged in court and while the City very recently prevailed upon appeal, a citywide program has not yet been implemented. In addition to the evolving legal climate suggesting the advisability of nexus support for inclusionary programs (and the necessity of the impact fee approach on rental units), there have been other changes in recent years compelling cities to look to enhanced fee revenues in the future. Specifically the end of California Redevelopment has meant the end of the most

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WWW.KEYSERMARSTON.COM

substantial revenue source cities like San Jose have had for affordable housing. As a result many cities are reconfiguring their inclusionary and impact fee programs to apply more broadly and place more emphasis on fee revenues, as well as or instead of on-site units, for a resource to continue to deliver affordable housing in their communities.

Keyser Marston has reviewed the San Jose court cases, the 2010 ordinance and other relevant materials and believes it is possible to deliver nexus documentation to meet the City's objectives in an efficient and timely manner. The City's requested timeline we view as aggressive and ambitious but possible given our firm's extensive experience and familiarity with San Jose and our well established methodologies and models for performing and documenting the analyses rapidly. We would welcome some reprieve in the schedule but are willing to commit to the City's timeline if necessary.

We hope you will review our proposal favorably. Please feel free to contact us about any concerns or questions on this submittal.

Very truly yours,

KEYSER MARSTON ASSOCIATES, INC.

Kate Earle Funk
Consulting Principal

David Doezema
Principal in Charge

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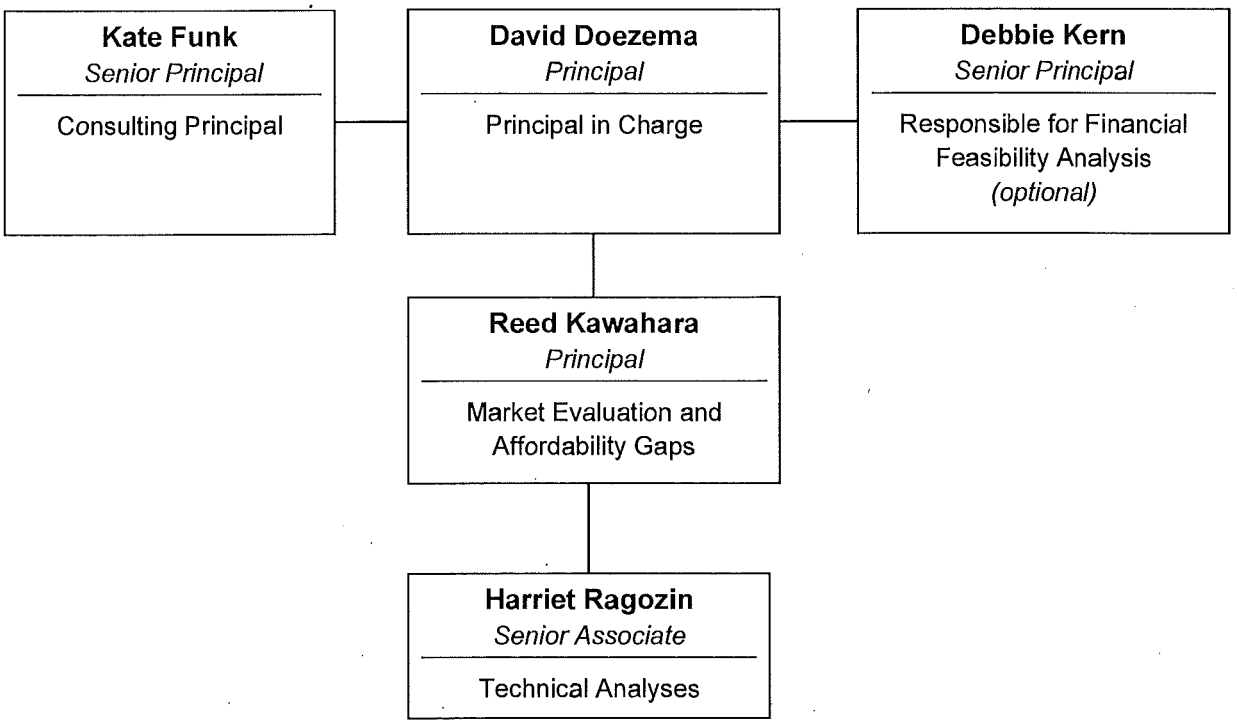
C. QUALIFICATIONS

1. Organizational Narrative

The following chart illustrates KMA's San Francisco-based affordable housing nexus/ inclusionary housing team and its organization. With this team, or slight variations thereof, KMA has undertaken 18 separate residential nexus assignments, numerous jobs housing nexus assignments, and several project-specific housing analyses over the past decade. Since the *Palmer* decision, KMA has frequently had several active residential nexus assignments at any one time and has developed the capacity within the organization to respond to the need. Ms. Funk, Senior Principal, who pioneered KMA's practice in this area, brings an unparalleled depth of experience, knowledge of best practices, and trial experience in a case tried through the U.S. Ninth Circuit Court of Appeals. For a description of the experience of each team member, please refer to the Team Member experience later in this section, and the resumes included in Section H.



2. Firm Experience

Keyser Marston Associates, Inc. (KMA) has been a leading pioneer of affordable housing nexus analyses for over twenty years. KMA was first approached by a joint City and County of Sacramento task force in the late 1980's to design an analysis in support of a fee on commercial and industrial development to fund expanding the supply of Affordable Housing in Sacramento. KMA developed an analysis methodology and produced a memorandum report to meet the requirement. Both the City and County proceeded to adopt fees on virtually all non-residential development. The City was sued and KMA assisted in the defense as described in Section 3 of the Qualifications section of this submittal.

Following Sacramento, KMA then performed jobs housing nexus analyses for affordable housing impact fees on non-residential development in many other jurisdictions. During the 1990's we did analyses for San Diego, San Francisco, and Los Angeles as well as numerous small jurisdictions with varied economic conditions. KMA has continued to conduct these analyses to this day, using the initial concept and methodology incorporated into a propriety model that KMA developed for the purpose. This model enables the analyses to be performed at a modest cost.

Examples of KMA analyses and fee programs in Santa Clara County include Palo Alto, Mountain View., and Cupertino. KMA has also produced similar analyses for specific projects such as the Facebook campus for Menlo Park, the Stanford Medical Center rebuilding program for Palo Alto and luxury resorts in Napa County.

a. Residential Nexus Experience

KMA's first market rate residential nexus analysis was prepared for the City of Seattle in 2005. KMA had previously completed an affordable housing nexus analysis on office and hotel projects in Downtown Seattle; a few years later the City approached us to undertake an analysis that would allow the City to also charge market rate residential projects a fee for affordable housing impacts. For Seattle, KMA designed an analysis that used the IMPLAN model to quantify jobs generated by new household expenditures associated with new residential units and then KMA then linked the IMPLAN results to the KMA jobs housing nexus model to quantify new lower income households and housing demand (see methodology description in Exhibit B).

Following the Seattle analysis, KMA performed additional market rate residential nexus analyses for San Francisco to support its inclusionary program and for three small cities. Altogether, KMA prepared five assignments pre-*Palmer*. Since *Palmer* and *Patterson*, KMA has now prepared or has under preparation an additional thirteen similar analyses. Post-*Palmer* clients have included the City of San Diego, the City of Sacramento, the County of Sacramento, and many smaller cities throughout the Bay Area and San Diego County.

KMA has also developed nexus analyses in support of fees for condominium conversion (San Francisco), child care for about six cities, open space and a few other nexus type analyses.

b. Selected Assignments

We have selected six nexus analysis assignments to highlight in our proposal as relevant to the San Jose assignment.

1. City of Sacramento (2013)

KMA is currently engaged by the City of Sacramento to prepare a residential nexus analysis and assist in updating the City's Mixed Income Housing Ordinance. As the City of Sacramento is now in the early stages of a housing recovery, KMA is assisting the City in updating its inclusionary program with a strong focus on market and financial feasibility considerations. KMA's work effort has consisted of:

- Preparing a nexus analysis in support of inclusionary requirements for ownership projects and fees for rental projects;
- Evaluating the development economics of eight residential prototypes in both infill and greenfield locations, to determine the feasibility of 100% market rate developments, a range of inclusionary requirements, and impact fees;
- Participating in a work sessions with local developers to discuss development economics and potential program revisions;
- Preparing recommendations for updating the Mixed Income Housing Ordinance;
- Addressing residential and non-residential affordable housing fee overlap issues; and
- Preparing presentation materials for public outreach.

To date, KMA has completed the nexus study and completed the market assessment and financial feasibility analysis. We are currently working on specific implementation recommendations that help best address the City's policy objectives.

Contact: Tom Pace
City of Sacramento Long Range Planning Manager
(916) 808-6848; tpace@cityofsacramento.org
300 Richards Boulevard, 3rd Floor, Sacramento, CA 95811

2. City of San Francisco (2007)

Keyser Marston Associates prepared financial analyses of the existing inclusionary program plus alternative update options, working intensely for several months with a task force consisting of developers, housing advocates and non-profit developers. The result was a negotiated agreement that was adopted by the Board of Supervisors with minimal debate; the updated program raised the on-site requirement to 15% and offsite and in-lieu equivalents to 20%.

KMA's work included analyzing costs, sales prices, impacts on land values and profit level on prototypical residential buildings ranging from low rise structures to two types of high rise towers. KMA advised on a range of other modifications to the ordinance and program to tailor it to the wide range of conditions in San Francisco. The update was successfully adopted in the summer of 2006.

As a follow on task, KMA worked in 2007 with the City Attorney's office to prepare a residential nexus study to support the inclusionary program. The analysis was developed to support on-site requirements, the higher off-site/in lieu requirements, and even higher requirements for special zones anticipated to be the beneficiaries of rezoning to higher density levels. Report adopted by Board of Supervisors.

Contacts: Susan Cleveland Knowles, Office of the City Attorney
(415) 554-6797; susan.cleveland@sfgov.org
City Hall, Room 234, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102

3. City of San Diego (2011)

Keyser Marston Associates prepared a residential nexus in support of the City of San Diego's inclusionary program which KMA had originally helped design and adopt in 2003. The update analysis included six different residential development prototypes to represent a diversity of residential projects across this large City with its diverse sub-markets. A significant factor addressed in the analysis was the decline in residential values since the peak in approximately 2006. KMA prepared a separate nexus analysis addendum to address condominium conversions and support a fee on that activity. Program was adopted in 2011 following an extensive public hearing process.

KMA is currently preparing a non-residential jobs-housing nexus analysis for San Diego (now in draft) to update prior KMA analyses prepared in the early 1990s, 2004, and 2010. The jobs-housing nexus analysis in 2010 included KMA participation in several stakeholder meetings during the conduct of the work.

Contact: Wendy G. DeWitt, Director, Business & Program Development
Real Estate Division
619-578-7590 Wendyd@sdhc.org
1122 Broadway, Suite 300, San Diego, CA 92101

4. City of Walnut Creek (2010)

KMA assisted the City with the design and adoption of both an inclusionary housing and jobs housing linkage program. The inclusionary program adopted requires all projects of 10 or more units to build affordable units on-site. Many program features were customized to meet specific concerns and opportunities in this city. Both programs were the subject of an extensive hearing process and careful deliberation of all features by the Planning Commission and Council.

In 2010, KMA prepared a residential nexus analysis to determine support for and to update the City's program, and to broaden the fee option for all projects.

Contact: Laura Simpson, Housing Division Manager
(925) 943.5899 ext 2236; simpson@walnut-creek.org
1666 North Main Street, Walnut Creek, CA 94596

5. City of Mountain View (2012) [Santa Clara County]

KMA prepared a nexus analysis for the City of Mountain View in support of an update to the City's jobs housing fee program adopted in late 2012. KMA services included an accompanying analysis of factors contributing to the high supported nexus fees such as the relatively stagnant incomes for workers on the lower end of pay scale over the past decade in the face of rising housing costs. KMA previously assisted with the initial adoption of the City's program in 2001.

Contact: City of Mountain View
Linda Lauzze, Neighborhood Services Manager
(650) 903-6462 linda.lauzze@mountainview.gov
500 Castro Street, Mountain View, CA 94039

6. City of Fremont (2010)

Keyser Marston Associates prepared a residential nexus analysis as a key component of an overall program revision to allow payment of fees as an alternative to on-site provision for ownership units and impact fees for rental projects. Program revision included fees per square foot of residential area to address the broad range of unit types developed within the city. Revised program was adopted in 2010.

Contact: May Lee, Housing Project Manager
(510) 494-4506; mlee@fremont.gov
39550 Liberty St., First Floor, Fremont, CA 94538

The following is a complete list of KMA's residential nexus experience:

- Seattle, Washington
- San Francisco, California
  - *nexus analysis in support of updated inclusionary program*
  - *nexus analysis in support of a fee on conversion of units to condominiums*
- San Diego, California
- County of Napa, California
- Fremont, California
- Elk Grove, California
- Bainbridge Island, Washington
- Hayward, California
- Walnut Creek, California
- Solana Beach, California
- Concord, California
- Daly City, California (in progress)
- Carlsbad, California (in progress)
- Livermore, California (in progress)
- City of Sacramento (in progress)
- County of Sacramento (in progress)
- City of Emeryville (in progress)

c. Inclusionary and Financial Feasibility Housing Experience

Keyser Marston has assisted over 25 cities and counties with their inclusionary housing programs. Keyser Marston services range from limited tasks such as analyses that support in-lieu fees to the full design of a new inclusionary program with all of its ordinance and implementation provisions.

KMA employs its real estate expertise to adapt new or revised programs to local market conditions and policy objectives. As part of our inclusionary work, it is our practice to evaluate the financial feasibility of on-site and in-lieu fee requirements. This approach ensures that the program parameters are feasible and are appropriate.

In addition to undertaking feasibility analysis as part of developing inclusionary programs, KMA has a robust practice in evaluating the development economics of individual projects in which the entitlement agreement entails public investment and the potential for an affordable housing contribution. From this practice, we understand construction costs, financing structures and the "feasibility gap" associated with developing affordable units.

Since the *Patterson and Palmer* court decisions, KMA has been working with clients to modify programs and prepare support materials in light of the new legal environment. We have been working with attorneys on new programs and major updates, jointly analyzing the various ways the ruling could affect fee levels and other aspects of affordable housing requirements placed on new residential projects.

d. Experience in San Jose

The City of San Jose has been a long standing and valued client for KMA. Tim Kelly, president of KMA, has served as lead principal for much of the work KMA has conducted for the City over the years and a number of other KMA staff, particularly Kathe Head and Debbie Kern, have contributed at various points as well. This prior work has allowed us to gain familiarity with San Jose and its market conditions which will provide a leg up with the market survey and prototype development aspects of the assignment. We also have Tim Kelly as an as-needed resource which could be of particular value should the City authorize the financial feasibility task.

3. KMA Experience with Legal Challenges

As noted previously, KMA's first nexus analysis was in support of a Housing Trust Fund fee on all non-residential construction in Sacramento. Following adoption by the City, the Commercial Builders of Northern California ("Builders"), joined by the Pacific Legal Foundation, sued the City on a host of issues, including the sufficiency of the Keyser Marston nexus analysis. The case was first heard in federal court and the City prevailed. The Builders then appealed and the case

was heard by the Ninth District Court of Appeals in San Francisco[1]. The City again prevailed and the Builders appealed to the U. S. Supreme Court. The U.S. Supreme Court reviewed lower court's decision and the supporting material, including the KMA nexus analysis, and refused to hear the case, issuing a Writ of Certeriori, letting stand the lower court's ruling.

Throughout the process KMA worked with attorneys, particularly the consulting attorney as well as the City Attorney, in framing the arguments for the defense. Many hours were spent brainstorming key conceptual issues surrounding nexus and its application. We played "devil's advocate" in anticipation of questions from the judges. We at KMA have always felt that the experience of going to court, which resulted in such a thorough exploration of nexus issues, has served us well in taking on future nexus assignments of all kinds.

The initial Sacramento challenge was immediately following the Nollan U. S. Supreme Court decision but before the passage of AB 1600 which articulated for California much of what we had determined was advisable for all nexus based impact fees.

Following the Sacramento court experience, we worked with the same consulting attorneys on other assignments and KMA had the benefit of much attorney input on the drafting of language for our reports covering key nexus concepts, how to frame disclaimers, and other aspects of the documentation. In more recent years, we have been fortunate to have the benefit of input from other attorneys in the drafting of our residential nexus documentation.

KMA has not been involved in other trials; however KMA has worked in many cities where legal threats have been made to City Councils in an effort to halt the adoption of proposed program. It has been our role to make City Councils comfortable that the subject has gone to court before and that, while not all issues associated with nexus have been tested in court, we believe the City is on solid ground with our nexus analyses.

As a rule, we always welcome working with attorneys, in house or consulting, on nexus assignments. We frequently urge clients to invite their attorneys to the work sessions with staff to familiarize them with the analysis methodology and to air concerns internally before entering the public arena.

[1] Decision by the U.S. Ninth Circuit Court of Appeals which references the KMA analysis may be obtained at the following address: https://bulk.resource.org/courts.gov/c/F2/941/941.F2d.872.89-16398.html

4. Team Member Experience

David Doezema will serve as the Principal-in-Charge and primary day-to-day contact. Kate Earle Funk will serve as Consulting Principal and will attend key meetings and public hearings. Reed Kawahara, Principal will be responsible for development of the market rate residential prototypes, market survey, and affordability gap analyses. Harriet Ragozin will prepare technical analyses and assist with report preparation. Debbie Kern, Senior Principal, will lead the optional financial feasibility scope of services, if the City elects to proceed with that task. Resumes for each of the proposed staff members are included in Section H.

David Doezema, Principal

David Doezema will serve as the Principal in Charge of this assignment and primary day to day contact. He will attend meetings and public hearings related to the nexus aspects of the job. David has been undertaking nexus analyses for over ten years and is conversant in all aspects of the nexus issues, technical and conceptual and was instrumental in the development of KMA's residential nexus methodology. His experience includes numerous jobs-housing and residential nexus analysis assignments including the large cities of San Diego, San Francisco, and Seattle. David served as co-lead principal responsible for the nexus on KMA's 2010 San Diego jobs housing assignment and for the update currently in progress.

Kate Earle Funk, Senior Principal

Ms. Funk will serve as Consulting Principal on this assignment. Ms. Funk was the lead consultant in the City of Sacramento assignment over twenty years ago and has been the lead in all the assignments up until recently when she has stepped aside to a consulting principal role. She will be involved in all tasks and will attend all key meetings and public hearings.

Over the past twenty years, Ms. Funk has pioneered the development of nexus studies to support affordable housing policy programs. Initially she developed a methodology for job housing studies to support fee programs on commercial and industrial development. Under her direction, a model to perform the analysis was developed and over 20 jurisdictions were assisted in the design of linkage fee programs, most of them successfully adopted. In recent years she has developed and refined residential nexus studies to link market rate housing development to the need for affordable housing, often working with attorneys to tailor the analyses and programs to the ever changing legal environment.

Reed Kawahara, Principal

Mr. Kawahara will be responsible for development of the market rate residential prototypes, market survey, and affordability gap analyses. During his tenure at Keyser Marston, Mr. Kawahara has developed in expertise in financial feasibility and pro forma modeling of a wide variety of land use projects including large land development/subdivisions, single family residential, multi-family residential, affordable housing, retail, and mixed use projects. He is experienced in inclusionary programs, structuring financing plans involving conventional debt instruments, tax increment, tax exempt housing bonds, tax credits, and other affordable housing

programs. Mr. Kawahara has also advised cities and agencies in the negotiation of public-private partnership agreements ranging from small residential and retail projects to large, multi-phased new communities.

Harriet Greenwood Ragozin, Senior Associate
Harriet Ragozin will assist with both the market survey and the nexus analysis and report preparation. Ms. Ragozin has worked on over ten housing nexus assignments since she joined KMA in 2003. She has also worked on many inclusionary programs and is well versed in the many inclusionary practices within California.

Debbie Kern, Sr. Principal
Debbie Kern will be the principal responsible for the financial feasibility analysis task, if that task is authorized. Ms. Kern has been a senior principal with the firm for over 25 years specializing in real estate consulting and affordable housing finance. Ms. Kern has worked extensively in San Jose, including work on inclusionary in lieu fees for the City of San Jose.

Kathe Head of the KMA Los Angeles office has provided analyses for inclusionary housing for the City of San Jose and Redevelopment Agency. Ms. Head was responsible for the 2007 analysis of in-lieu fees. While Ms. Head is not expected to participate in this work program directly, she is available to share the benefits of her experience and to assist us as needed.

NOTE: All of the above staff have vacations scheduled at some time over the course of the work program. As a result, some meetings may require stand in by another member of the team. Fortunately, the key principals on this assignment will not be gone at the same time.

5. References

Contact information for client references are as follows. Please refer to corresponding project descriptions for each of our references provided as part of the Firm Experience section above.

City of Sacramento
Tom Pace, Long Range Planning Manager
(916) 808-6848; tpace@cityofsacramento.org
300 Richards Boulevard, 3rd Floor, Sacramento, CA 95811

City of San Francisco
Susan Cleveland Knowles, Office of the City Attorney
(415) 554-6797; susan.cleveland@sfgov.org
City Hall, Room 234, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102

San Diego Housing Commission
Wendy G. DeWitt, Director, Business & Program Development
Real Estate Division
619-578-7590 Wendyd@sdhc.org
1122 Broadway, Suite 300, San Diego, CA 92101

City of Walnut Creek
Laura Simpson, Housing Division Manager
(925) 943-5899 ext 2236; simpson@walnut-creek.org
1666 North Main Street, Walnut Creek, CA 94596

City of Mountain View
Linda Lauzze, Neighborhood Services Manager
(650) 903-6462 linda.lauzze@mountainview.gov
500 Castro Street, Mountain View, CA 94039

D. RESPONSES TO ISSUES IDENTIFIED IN EXHIBIT B

1. Nexus Methodology and Data Sources

KMA will prepare the nexus analysis using a methodology initially developed nearly ten years ago as part of an assignment for the City of Seattle and since utilized for numerous residential nexus studies including several major cities as described in the qualifications section.

Residents of new market rate residential units generate demand for services ranging from retail and restaurants to health care, education, and government. KMA's methodology tracks and quantifies a series of steps commencing with the rent/ price/value of the new market rate unit, the income of the household that buys or rents it, the consumption of goods and services of the household, the new jobs generated by that consumption, and the fact that some of the jobs have lower paying compensation levels that result in new worker households needing affordable housing.

The steps used in KMA's analysis are as follows:

Step One: Household Income for Residents of New Market Rate Units - Household income and purchasing power of residents in new market rate residential units is estimated based upon the prices / rent levels of new market rate residential prototypes (single family, condos, rental, etc.). Pricing is established based on market research on residential projects selling or renting in the City of San Jose. Household income is then estimated based on the income needed to qualify for a mortgage or lease for the prototype units.

Step Two: Demand for Goods and Services and Resulting Jobs – Household incomes from step one are input into the commercially available IMPLAN model to estimate the jobs generated at establishments that serve new residents. All jobs serving new residents from restaurants, to retail, to schools, to healthcare are included. The IMPLAN model was developed roughly twenty-five years ago and has been refined over the years. It is widely used in planning applications throughout the U.S. Data sets specific to Santa Clara County are utilized in the model.

Step Three: Compensation Levels and Affordable Housing Demand of Workers - KMA's proprietary jobs-housing nexus model is used to estimate affordable housing demand of the retail, education, health care and other workers who provide goods and services to new residents. The KMA jobs housing nexus model was developed over 20 years ago for jobs housing impact fee programs and refined over the years. The model analyzes compensation levels of workers using detailed local data by occupation. Compensation levels for jobs are then converted to a distribution of household income that accounts for multiple-earner households. The output of the KMA model is the number of employee households at various income affordability levels.

Step Four: Maximum Supported Impact Fee / Nexus Result – In the final step of the analysis, the number of employee households at various affordability levels from Step Three is multiplied by an affordability gap to determine the maximum supported impact fee, or nexus result. The maximum fee level may be expressed either on a per market rate unit basis, on a per square foot basis, or both.

Data sources used in the analysis are the most up-to-date and localized available:

- **Current San Jose Prices and Rents:** KMA will access current market data to determine pricing and rents for market rate residential prototypes based on a market survey of new or recently developed projects in San Jose.

- **2013 Compensation Data for Santa Clara County:** California Employment Development Department Data (EDD) data for 2013 by detailed occupational category used in the model is the best, most up-to-date, localized compensation information available. The EDD data provides worker compensations at a granular level by detailed occupational category allowing the analysis to reflect the distribution of compensation levels within individual employers.

- **Current American Community Survey data**: We will access information on household sizes, number of workers per household and other data using the most recent American Community Survey data sets for San Jose and Santa Clara County.

While these are the standard sources we use, KMA's model is adaptable and has the capability to incorporate other types of data sources, where they can be obtained. For example, we imported compensation data specific to certain employers for housing analyses performed on the Stanford University Medical Center and Palo Alto Medical Foundation.

KMA's methodology and data sources are superior in several respects to other approaches we are aware of because:

- The approach is grounded in actual market data on pricing / rents as opposed to hypothetical ranges;
- Compensation data is the best, most current, localized, and fine-grained available. We don't rely on dated census information for this purpose;
- The distribution of compensation levels within individual employers is recognized as opposed to assuming uniform pay levels across broad categories of workers; and
- A range of household characteristics is acknowledged given not all households are the same size and some have multiple incomes while others rely on one income.

2. Impact Fees and the Mitigation Fee Act

KMA has been the leading consulting firm on the West Coast in the preparation of analyses in support of impact fees for affordable housing. See qualifications Section C for a full description of the firm's history in preparing nexus fees for both commercial and industrial development and also market rate residential.

To demonstrate our knowledge and breadth of expertise in the area of impact fees and the Mitigation Fee Act, the following describes some additional work related to impact fees in which we have been involved:

KMA was asked by the San Francisco Office of the City Attorney to develop analysis to support a fee on converting tenancy in common units to condominiums. The fee was to be an interim measure as an alternative to the lottery system for conversions. The Board of Supervisors recently took an action to proceed with the fee. KMA also prepared a condominium conversion fee analysis for the City of San Diego.

KMA has prepared nexus analyses to support impact fees for child care. Clients for child care impact fees include Santa Monica, San Mateo, Sacramento and several other jurisdictions. We are currently working for the City of San Francisco on a childcare impact question.

Another nexus assignment was an in-depth analysis of the potential to do a mitigation type fee to fund arts and culture. Santa Monica had a significant arts constituency that wanted such a fee. KMA explored the subject by overseeing a national survey of arts programs and their support analyses, analyzing the nexus studies that have been completed and providing written comments to the city attorney on our concerns and questions. Ultimately, we assisted the City in adapting the traditional percent of construction cost for art (which is not technically a fee) type approach to Santa Monica's objective for a program to fund both visual and performing arts.

KMA has primarily pursued nexus work that entails housing and community facility needs and has not pursued assignments related to traffic or other types of infrastructure. However, we have performed a limited cross section of additional impact fee work. For example we have, on two occasions done extensive work for the City of Chino Hills on a fee package, most particularly a fee to repay early developers of the city's infrastructure by charging later developers a fee to meet the obligations of a large package of developer reimbursement agreements. We have also done analyses for community services, parks, and drainage (Oroville and Placer County).

All of the KMA nexus studies to support impact fees have been written to comply with the specific requirement set forth in the Mitigation Fee Act and its amendments. Depending on the client's preference, we can include specific findings language that repeats the requirements of the act and what the analysis has demonstrated.

Finally, we try to stay abreast of the major court cases affecting mitigation fees and inclusionary housing. As we write, we are reading the opinions and monitoring the legal interpretations of the ruling last week on *Koontz v. St. John's River Water District* to see how much this might affect mitigation fees.

3. Public Process Experience

KMA's inclusionary housing and nexus assignments have usually included the public participation process, including stakeholder meetings and City Council workshops and public hearings. We are accustomed to making presentations, facilitated by PowerPoint in recent years, and answering questions from commissions, councils and the general public, including developers who are opposed to the proposed action.

Among the cities where we have made presentations and answered questions, we can list San Francisco, San Diego, Walnut Creek, Hayward, Mountain View, Palo Alto and many others.

When our work program includes a Financial Feasibility Analysis, our preference is to contact developers one on one in the initial phases of the work effort. In these conversations we seek information on construction, land and other development cost experience. Since the context of the call is for the city's inclusionary program, we lend a listening ear to opinions about the program. Being one on one, we find developers are often more candid about what they are willing to live with than their behavior tends to suggest in a more group setting. Sometimes later in the process, we meet with the same people in stakeholder type sessions.

We find stakeholder groups tend to be more even handed when they are comprised of a balanced mix of developers, housing advocates and others who are generally concerned about the future of the city but may not fall into either camp. Such meetings work best at the outset of the work program when consultants and City staff are mostly there to listen and then later after the analysis results and recommendations have been framed. In San Jose, it sounds like the sessions scheduled for July 25 and 26 will serve the former purpose.

As to the stakeholder meetings later in the work program, we would expect to explain the nexus analysis and results and the proposed fees. We are hopeful that this can all be done in the context of the program adopted three years ago and the fact there is nothing substantially new or additional being required. We say hopeful because we do not pretend to be fully educated at this time as to the experience with inclusionary housing in San Jose beyond the redevelopment areas. We see the stakeholder sessions as preparation and warm-up for the Council hearing.

4. and 5. Schedule of Performance

KMA has identified a schedule to achieve an Administrative Draft by August 30th and a Final Draft by October 4th. Please see Section G for the schedule and additional comments.

6. Staffing

Please refer to the Organizational Narrative and Team Member Experience section above.

7. Three References

Any of the references at the end of Section C, Qualifications, may be contacted regarding our experience completing nexus studies and ability to present outcomes to community stakeholders and elected bodies. Below are three additional/expanded references:

1. The public process with the City of San Francisco in 2006 was unusually successful given the contentious nature of the assignment. KMA met with a stakeholder group (Technical Advisory Committee) over a period of two months to hammer out the prototypes and financial pro formas and the nexus analysis (Kate Funk and David Doezema).

   Sarah Dennis Phillips, San Francisco Planning Department
   (415) 701-5500; sarah.dennis@sfgov.org

   Doug Shoemaker, Assistant Director, Mayor's Office of Housing (former);
   (currently President, Mercy Housing California)
   (415) 355-7100

2. KMA has advised the City of Santa Clara regarding the 49ers Stadium project since it was first proposed in 2007 and participated and made presentations at a number of public hearings during this process including two just recently (David Doezema).

   Contact: Ruth Shikada, City of Santa Clara
   (408) 615-2219; RShikada@SantaClaraCA.gov

3. Walnut Creek, Inclusionary and Linkage Fee adoption in 2004; update to inclusionary and residential nexus 2010 (Kate Funk and Harriet Ragozin).

   Contact: Laura Simpson, Housing Division Manager
   (925) 943.5899 ext 2236; simpson@walnut-creek.org

E. WORK PLAN

The following Work Plan is based on the Scope of Services as outlined in the Request for Qualifications (RFQual). KMA anticipates that, if selected, additional fine tuning of the proposed scope and budget may be necessary so as to best meet the City's needs.

Task 1: Project Initiation and Data Collection

The Project Initiation and Data Collection task will include:

a. Review of Current Affordable Housing Fees and Other Background. KMA will review information including the City's current inclusionary housing policies and ordinances, the decision in *California Building Industry Association v. City of San Jose, et al., Cal. App.6th, Case No. 1-10-CV167289* (2013), the City's Housing Element and any other existing materials relevant to the assignment.

b. Data Collection. KMA will prepare a data request list noting all materials that would be helpful for reasons of consistency or cost savings, etc. (This list will contain very few items that do not already exist, if any). Information on affordable projects assisted by the City (development profile, costs, etc.) is an example of information from the City that, if provided, can result in cost savings to enable more budget for other tasks of the work program. Any supplemental information the City is able to provide documenting existing conditions in the affordable housing market and/or existing availability of affordable housing in the City would also be useful. Most information required for preparation of the nexus and financial feasibility analyses will be obtained directly by KMA from published governmental sources, commercial data services, etc.

c. Kick off Meeting with City Staff. KMA will meet with a group of City staff to understand more clearly the City's policy objectives and priorities, discuss the approach to the analysis, refine the schedule, and other related topics. KMA will prepare a suggested agenda for the meeting and provide a data request list in advance of the meeting to review together.

Task 2: Nexus Analysis

KMA proposes to prepare the residential nexus analysis using a methodology initially developed nearly ten years ago as part of an assignment for the City of Seattle and since utilized for numerous residential nexus studies including several major cities as described in the qualifications section.

a. Prototype Development, Market Survey, Market Prices and Rent Levels

A market survey will be undertaken to establish market values for various residential types or products in San Jose. The rent levels and market values of the identified prototypes are the starting place of the nexus analysis and a key component of the in-lieu fee analysis.

KMA will first review any materials provided by the City and survey additional materials as necessary on recently developed rental and ownership housing to establish a recommended set of prototypical product types, including number of bedrooms, square footage, market rate sales prices, rent levels, etc. In addition, KMA will be particularly interested in projects in the pipeline to ensure that the prototypes represent projects that are likely to occur in San Jose over the next several years. Prototypes are anticipated to include, at a minimum, apartments, condominiums, townhomes, and single-family product types. After completing the market survey, KMA will consult with City staff regarding the final selection of the prototypes to be used in the analysis.

For each prototype, KMA will survey market data to estimate the market sales price or rent per unit and per square foot of the prototypical units.

b. Affordable Sales Prices, Rent Levels and Affordability Gaps

KMA will use the City's calculations for current affordable sales prices and rent levels by unit type and unit size, if available. Alternatively, KMA will perform the calculations.

KMA will confer with City staff to establish suitable affordable units and development costs for affordable projects typically assisted by the City. Models would be any projects, recently developed or in the pipeline that are all affordable. The affordability gaps will be computed based on the difference between the costs of development and the affordable unit values.

c. In-Lieu Fee Analysis

Based on the findings of the market survey and the affordability gaps, KMA will conduct the in-lieu equivalent cost analysis, or the cost to residential projects of the inclusionary requirement, assuming the inclusion of units within the project, per the current ordinance. The analysis produces the full-cost recovery in-lieu fee amounts for the different prototypes.

The results of this analysis will be helpful in selecting fee levels from the nexus results, even if not used in any other context.

d. Residential Nexus Analysis and Maximum Supported Fee Calculation

KMA will prepare a residential nexus analysis that demonstrates and quantifies the relationship between market rate and affordable housing. The analysis links the addition of new market

rental and ownership units in San Jose to increased demand for affordable housing, and the cost of mitigating the new demand. The analysis will track and quantify a series of steps commencing with the rent/ price/value of the new market rate unit (as developed in Task 2a), the income of the household that buys or rents it, the consumption of goods and services of the household, the new jobs generated by that consumption, and the fact that some of the jobs have lower paying compensation levels that result in new worker households needing affordable housing.

To conduct the analysis, KMA uses two models: the IMPLAN model, which is purchased, and KMA's proprietary jobs-housing nexus model. The IMPLAN model is a commercially available model that was developed roughly twenty-five years ago and has been refined over the years. It is widely used in planning applications throughout the U.S. The IMPLAN model uses data sets specific to Santa Clara County.

Starting with the price/rent level of the new unit, gross household income will be computed, the starting point of the IMPLAN model. The output of the IMPLAN model is the number of jobs in various industry categories in considerable detail that are associated with the consumer spending of new households.

The next portion of the nexus analysis uses the KMA jobs housing nexus model, developed over 20 years ago for jobs housing impact fee programs and refined over the years. This model analyzes the compensation levels of the new jobs generated and resulting household income.

The KMA model imports wage and salary data specific to San Jose and Santa Clara County from the California Employment Development Department (EDD). The EDD data is available at a granular level by individual occupational categories, allowing the analysis to capture the full range of employee compensation levels within particular types of businesses and services.

Employee income is translated into household income based on the distribution in number of workers for households of various sizes derived from census data which is specific to San Jose and Santa Clara County.

The output of the KMA model is the number of employee households at various income affordability levels.

The last step in the analysis establishes a mitigation cost, or cost to deliver housing to the lower income affordability levels, using the affordability gaps, developed in Task 2b. The mitigation cost establishes the maximum affordable housing fees supported by the nexus analysis by product type. The nexus results can be presented on a per square foot, per unit, and percentage basis.

Findings language to meet the requirements of the Mitigation Fee Act sections of the California Code (66000 et seq.) will be incorporated into the Report.

e. Existing Affordable Housing Supply in San Jose

The relationship documented in the nexus analysis between construction of new market rate housing and the need for affordable housing is based on the assumption that there is not already an excess supply of affordable housing in San Jose. KMA will examine existing documents on housing conditions in San Jose to make a determination as to whether this assumption holds for San Jose and present pertinent information from our review as part of the report.

Task 3: Additional Considerations Analyses

KMA will analyze several potential factors the City may wish to consider in determining an appropriate affordable housing fee level, as the fees may be set at any level below the maximums supported by the nexus.

a. Existing Fees and Comparison to Other Jurisdictions

KMA will summarize information on existing impact fees (affordable housing and otherwise) which are in place in San Jose and selected nearby and comparison cities. Up to six comparison cities will be selected by KMA in consultation with City staff. The review will be limited to secondary sources such the Bay Area Cost of Development Survey or other equivalent sources. The findings will be summarized in a comparison chart with accompanying narrative.

b. Total Development Cost Context

The objective of this task is to place the potential affordable housing fees into context relative to the total development costs or sales prices of new residential prototypes. For each of the residential prototypical project types addressed in the nexus analysis, KMA will convert the affordable housing fees levels into a percentage of sales price or development cost. This summary will provide a degree of context for the potential fees relative to development costs without completing the full financial feasibility analysis presented as an optional scope of services under Task 3c below.

c. Financial Feasibility Analysis (Optional)

A firm understanding of the residential real estate market and development economics of a community is recommended by KMA as an important element in the successful design of an inclusionary or affordable housing fee program, particularly with new adoptions. However, given our understanding that San Jose's primary objective at this juncture is to provide nexus support to the previously adopted program, the financial feasibility analysis has been presented here as an optional task.

As part of the financial feasibility analysis, KMA will analyze the impact that the adopted affordable housing requirements and/or potential modified requirements would have on the financial feasibility of residential development in San Jose. Pro formas modeling the development economics of three prototypes will be prepared, first assuming 100% market rate projects. KMA will collaborate with City staff to select prototypes that best reflect the types of new development being built in San Jose. The pro formas will then be used as a tool to evaluate and test the ability of new residential developments to absorb the cost of the affordable housing inclusionary/fee requirements.

Development Costs – KMA will estimate the cost to develop each prototype. Key cost components include: land acquisition, on-site land improvements, vertical construction costs, parking costs, architectural and engineering fees, impact and planning fees, financing costs, overhead costs, and all other "indirect" costs of construction. These estimates will be based on KMA's database of cost data from similar residential projects, third party data sources, as well as contacts with members of the development community (see further discussion below). Third party data sources we typically access for development cost data include CoStar land sale data, RS Means construction cost data, and Marshall Swift.

Home Prices and Apartment Values – KMA will use the data gathered in the market evaluation of Task 2a to estimate current price points for each ownership prototype and rental rates for rental apartment prototypes. Additionally, KMA will collect and evaluate the prices of recently sold apartment complexes and the capitalization rates reflected in the prices. We obtain market data from a variety of sources including Dataquick, CoStar, Real Facts, Hanley Wood, and current market listings for new homes and apartments on the market. Other data helpful in understanding market conditions includes building permit data and trends (Construction Industry Research Board), residential absorption rates and inventories, and residential pipeline projects.

Warranted Investment and Financial Feasibility – In order for a new development project to be financially feasible, the projected income/revenues must exceed the development costs enough to generate a return (profit) to the developer that adequately recognizes the development risks. As a function of the large volume of residential projects KMA evaluates at any given time, we are well attuned to the developer return thresholds that are required by the private marketplace. To supplement our own sources, we also utilize third party sources to adjust developer return thresholds and cap rates including Real Estate Research Corporation (RERC) and Korpacz Investor Survey, both of which provide regular updates on the housing market.

Testing – KMA will utilize the financial feasibility analysis to test the viability of potential affordable housing fee requirements across each of the residential prototype projects. If the analysis indicates the potential requirements are not currently viable, KMA will estimate the degree to which prices and rents would need to increase in order to render the requirements feasible.

d. Other Considerations

KMA will review and brainstorm the following list of potential impacts and considerations regarding the establishment of affordable housing fee levels appropriate to San Jose. If desired, KMA will provide a brief qualitative analysis as part of the nexus report.

Impact on Affordability of Entry-Level Homes in San Jose

KMA will evaluate the potential impacts on affordability of entry level homes in San Jose as a consequence of the potential affordable housing fee. The evaluation will be qualitative and based on KMA's experience with development economics and the results of the financial feasibility analysis, should the City proceed with that task.

Encouraging Development versus Maximizing Revenue for Affordable Housing

KMA will evaluate the tradeoffs between competing goals of encouraging development in San Jose and maximizing fee revenue available for affordability housing based on KMA's experience with development economics and the results of the financial feasibility analysis, should the City proceed with that task.

Urban Villages

KMA will review the City's 2040 General Plan's and the City's strategy for promoting Urban Villages and discuss ways in which the findings of the nexus study could be coordinated with the Urban Villages framework.

Task 4: Meetings and Presentations

The budget and schedule assume up to 10 meetings as outlined in the RFQ including related preparation of PowerPoint, handouts, or other materials. Meetings are expected to consist of the following:

a. Kickoff work session with City staff (per Task 1) to finalize the scope of work, and schedule, and discuss analysis parameters, methodology, available data sources for review and to reach agreement on a number of assumptions; an initial discussion of the process ahead would also be helpful.

b. Initial meetings with developer partners (the two scheduled for July 25 and 26). KMA will attend two meetings with developer partners at the outset of the assignment with the objective of obtaining early input.

c. Project status meetings and interim work sessions (up to four). KMA suggests the following as an outline for scheduling of interim work sessions:

    - Conference call once the residential development prototypes have been fully articulated in terms of project characteristics, price, and rent levels.
    - Meeting to review draft findings of the technical analyses to discuss findings and further options for fine tuning analysis assumptions.
    - Meeting or call to review Nexus Study findings and draft report.
    - Additional meeting or conference call as needed, such as to prepare for the stakeholder or Council meetings.

d. Public outreach (two). Stakeholder meetings for presentation of draft study findings and recommendations.

e. City Council meeting to present findings and recommendations. Includes PowerPoint preparation.

At any other time, KMA will be available by phone or e-mail to assist with questions related to the assignment.

Task 5. Deliverables

a. Interim Deliverables

To facilitate feedback and fine tuning at various stages of the analysis, KMA will provide the following interim deliverables:

1. Market Rate Residential Prototypes – a set of tables articulating the market rate residential prototypes that will be used as the starting point of the analysis. This package will also include the market survey materials and a brief narrative summarizing the findings.
2. Draft Nexus Analysis Tables
3. Draft Financial Feasibility Analysis Tables (if proceed with Optional Task 3c)

b. Nexus Report

KMA will prepare a Report that will provide an overview summary of the analysis and documentation of the methodology and assumptions. In the report, KMA will draw conclusions from the analyses and provide recommendations based on discussion with City staff. An administrative draft, public review draft, and final draft will be provided.

The Report will incorporate the following:

- Executive Summary summarizing recommendations and key findings.
- Nexus Analysis and Documentation– the report will be suitable to serve as a support document for establishing an affordable housing fee. The linkages between new market rate residential construction and the demand for affordable housing will be documented and explained. The analysis methodology and all sources will be explained and presented, supported by the analysis tables. The analysis will show the maximum affordable housing requirements supported by the nexus on per square foot, per unit, and percentage basis.
- Recommendations regarding impact fees and structure (i.e. on a square footage basis, by product type, etc.).
- A discussion of the nexus assumption that there is no excess supply of affordable housing and documentation related to the validity of that assumption for San Jose.
- Legal Compliance with Mitigation Fee Act - The report will incorporate findings language to meet the requirements of the Mitigation Fee Act sections of the California Code (66000 et seq.) and will document the study's compliance with the code requirements.
- Findings of the affordability gap and in-lieu fee analyses, including a description of the methodology and all support tables.

- Presentation of the market survey, complete with survey tables and other materials.
- Additional considerations analyses – KMA will present the findings from the comparison to other cities (Task 3a), total development cost context (Task 3b), and other considerations (Task 3d). If the City proceeds with Task 3c, Financial Feasibility analysis and testing, KMA will additionally present that analysis as part of the report. Alternatively, the analyses could be incorporated into a separate standalone memorandum.

F. BUDGET / PRICING

Analysis Tasks

Task 1. Project Initiation, Data Collection, Kickoff Meeting	$4,000
Task 2. Nexus Analysis	
a. Prototype Development, Market Survey, Market Prices and Rent Levels	$8,000
b. Affordable Sales Prices, Rent Levels and Affordability Gaps	$5,000
c. In Lieu Fee Analysis	$4,000
d. Residential Nexus Analysis and Maximum Supported Fee Calculation	$15,000
e. Existing Affordable Housing Supply in San Jose	$1,500
	$33,500
Task 3. Additional Considerations Analyses	
a. Existing Fees and Comparison to Other Jurisdictions	$4,000
b. Total Development Cost Context	$1,000
c. Financial Feasibility Analysis (Optional)	*$27,000*
d. Other Considerations	$4,000
	$36,000
Task 4. Meetings and Process Related Tasks (incl. all preparation and meeting materials)	
a. Kickoff Meeting (one)	see task one
b. Initial development partner meetings (two on July 25 and 26)	$5,000
c. Interim Work Sessions (up to four)	$7,000
d. Stakeholder Meetings (two, incl. prep and PowerPoint)	$5,000
e. City Council Meeting (one, incl. prep & PowerPoint)	$2,500
	$19,500
Task 5. Report (Admin Draft, Public Review Draft, Final)	$7,500
Reimbursables	
Allowance for purchase of IMPLAN data sets, market survey materials, travel related and other miscellaneous expenses.	$1,000
Total Basic Scope of Services *[Without Optional Financial Feasibility Analysis]*	**$74,500**
Optional Financial Feasibility Analysis (Task 3c)	*$27,000*
Total With Optional Financial Feasibility Analysis	*$101,500*

Hourly Fee Schedule

The KMA hourly fee schedule is provided below. This assignment will entail the following staff members: Kate E. Funk (Senior Principal), David Doezema (Principal), Reed Kawahara (Principal), Harriet Ragozin (Senior Associate), and assistance from the analyst, technical and administrative staff level. If the City authorizes the optional financial feasibility analysis task, Debbie Kern (Senior Principal) would lead that effort.

	2013/2014
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.

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

G. SCHEDULE

The following is a proposed schedule to provide an administrative draft by August 30 and final draft by October 4th, a schedule we would describe as very aggressive. Work would need to commence immediately from selection and quick turn-around of any comments and feedback from the City on draft analyses and reports would be necessary.

If the City proceeds with the optional financial feasibility analysis task, the draft technical analysis could be completed by August 30th; however, the report section addressing financial feasibility analysis would likely need to be incorporated after the initial draft.

Although the schedule can be achieved and KMA has conducted nexus analyses on similar aggressive timetables in the past, our recommendation would be to allow for an additional 3-4 weeks should the City have sufficient flexibility to do so. The prices and rent levels which are the starting point of the nexus analysis will be familiar to the public and subject to close scrutiny. The market survey takes lead time to assemble the information, development conclusions and get the City's concurrence on the prototypes and the concluding values. All this needs to be done prior to running the nexus model itself. Normally we seek a month to do the market survey and prototypes, especially for a large and complex city, and another month to run the nexus model and work through the results internally.

Task	Timeline
Task 1. Project Initiation ***Kick-off Work session with staff	Week of July 15th
***Development Community Meetings	July 25 and July 26
Task 2a. Prototype Development and Market Survey	1st Week August
***Conference call to review / finalize prototypes and market survey	1st Week August
Task 2 and 3 Nexus and Additional Considerations Draft Tables	2nd Week August
***Work session with staff to review draft technical analyses	2nd Week August
Task 5. Report **Administrative Draft Report** ***Call to review draft / all comments back to KMA Public Review Draft Report ***All comments back to KMA **Final Draft**	 **August 30th** 1st week September Mid-September September 26th **October 4th**
*** Stakeholder Meetings and Council Meeting	As scheduled by City

Note: Schedule assumes contract authorization by July 23rd.

H. SUPPORTING INFORMATION: RESUMES

Please see the following pages for resumes of all KMA staff proposed for this assignment.

KATE EARLE FUNK

Ms. Funk is a founder and Senior Principal in Keyser Marston's San Francisco office. Previously with Larry Smith and Company, she has over 30 years of experience in real estate and urban economics.

Key Role

With her broad experience, Ms. Funk has managed projects involving market and financial analyses, and urban economic analyses for policy planning.

Areas of Specialization

Affordable Housing Nexus Studies

Over the past twenty years, Ms. Funk has pioneered the development of nexus studies to support affordable housing policy programs. Initially she developed a methodology for job housing studies to support fee programs on commercial and industrial development. Under her direction, a model to perform the analysis was developed and over 20 jurisdictions were assisted in the design of linkage fee programs, most of them successfully adopted. In recent years she has developed and refined residential nexus studies to link market rate housing development to the need for affordable housing. Thus far, eight analyses have been completed, often working with attorneys to tailor the analyses and programs to the ever changing legal environment.

Other Nexus Work

In addition to the affordable housing nexus work, Ms. Funk has prepared other AB 1600 analyses, linking new development to demand for childcare, parks/open space, and the arts. Examples of cities that have adopted such programs are San Mateo, West Sacramento, Santa Monica, and Seattle.

Additional Areas of Specialization

Hotel and Conference Centers

Ms. Funk has focused on hotel and conference center market and financial feasibility analyses, particularly those involving an in-depth examination of demand generated by local firms and institutions. Assignments have been conducted for Santa Cruz and Mountain View where local firms were extensively interviewed to determine their role in supporting a new facility. She has also assisted numerous redevelopment agencies in hotel transactions negotiations including Santa Rosa, Sacramento, Oakland, Seaside, Fremont, and Milpitas.

Professional Credentials

In her professional career, Ms. Funk has been a speaker for organizations such as CRA, California League of Cities, CALED, CALALHFA, and classes at UC Berkeley and USC. She is a member of the Lambda Alpha Honorary Land Economics Society. Ms. Funk received her Bachelor of Arts degree from Smith College in Northampton, Massachusetts.

DAVID DOEZEMA

Mr. Doezema is a Principal in Keyser Marston Associates' San Francisco office. He joined KMA in 2002

Areas of Specialization

Economic Nexus Analysis

Mr. Doezema has experience with numerous jobs-housing and residential nexus analysis assignments including for the cities of San Diego, San Francisco, Seattle, Walnut Creek, Napa County, St. Helena, Bainbridge Island, WA. Assignments involving project-specific applications of KMA's nexus methodology have included the Menlo Gateway and Facebook Campus projects in Menlo Park, and the Stanford Medical Center expansion in Palo Alto, among others. Mr. Doezema was responsible for an update and restructuring of Keyser Marston's proprietary jobs housing nexus model and was involved in development of KMA's residential nexus methodology.

Fiscal Impact Analysis

Mr. Doezema has experience preparing fiscal impact analyses on projects throughout California, spanning a wide variety of land uses including master planned communities, military base reuse plans, medical facilities, and mixed-use projects in jurisdictions including Los Angeles, San Diego, Santa Fe Springs, Modesto, Santee, Alameda, Dublin, Santa Paula, Marina, Beverley Hills, San Leandro, Belmont, Inglewood, and Monterey County.

Redevelopment / Successor Agency Finance

Mr. Doezema has a key role in redevelopment finance services in KMA's San Francisco Office, recently focused on services related to redevelopment agency dissolution. His experience includes projection of tax increment revenues, bonding capacity, cash flow, fiscal consultant reports for issuance of bonds, preparation of recognized obligation payment schedules, and pass through calculations.

Public / Private Transactions

Mr. Doezema's experience with public / private transactions includes a key role in KMA's services to the City of Santa Clara through its five year negotiation with the San Francisco 49ers. Mr. Doezema analyzed numerous aspects of the project and related business terms including construction finance, funding of on-going operations of the Stadium Authority, public financing, fair market rent for the City's land, and fiscal and economic impacts.

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.

REED KAWAHARA

A Principal in Keyser Marston Associates' San Francisco office, Mr. Kawahara has 20 years experience in urban planning, financial feasibility, real estate development, and market analysis. Before joining KMA, Mr. Kawahara worked in affordable housing development with BRIDGE Housing Corporation.

Key Role

During his tenure at Keyser Marston, Mr. Kawahara has developed expertise in financial feasibility and pro forma modeling of a wide variety of projects. He is experienced in structuring financing plans involving conventional debt instruments, tax increment, tax exempt housing bonds, tax credits, and CFD financing. Mr. Kawahara is also an expert in affordable housing development, preparation of market studies, and public-private partnerships.

Areas of Specialization

Real Estate Financial Feasibility

Mr. Kawahara is experienced in pro forma modeling and financial feasibility analysis of development residential, commercial, and mixed-use projects including capital cost budgets, income and expenses, multi-year cash flow projections, sources of financing, and developer return analysis.

Affordable Housing

Mr. Kawahara has developed a specialty in evaluating the economics of affordable housing projects by both non-profit and for-profit developers and preparing affordable housing implementation plans. This area of specialization involves staying abreast of current subsidy sources and lending programs available for affordable housing.

Market Analysis

Mr. Kawahara is experienced in analyzing real estate markets for both residential and commercial land uses. This work has ranged from traditional market studies, to retail leakage analysis, to preparation of economic development strategies.

Public-Private Partnerships

Over the years, Mr. Kawahara has been instrumental in putting together successful public-private partnerships for a wide range of complex development projects including mixed-use, transit-oriented development (TOD), residential, and various retail/office projects.

Professional Credentials

Mr. Kawahara received a B.A. in political science from the University of California, Davis and a master's degree in political science and urban studies from San Francisco State University. He is a member of ICSC, the Non-Profit Housing Association of Northern California, San Francisco Planning and Research Association, and a former member of the San Francisco Redevelopment Agency South Beach-Rincon Point Citizens Advisory Committee. Mr. Kawahara is a frequent presenter to professional organizations including the California Redevelopment Association and American Planning Association.

DEBBIE KERN

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

Key Role

Ms. Kern specializes in the area of fiscal and economic impact analysis and manages housing related services for Keyser Marston clients in San Francisco. 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 the fiscal impacts of the land use alternatives for the Ravenswood Specific Plan and prepared an infrastructure financing plan for Ravenswood;

- Evaluated the fiscal impacts of the proposed 1.1 million Stanford at Redwood City campus and advised the City regarding mechanisms to mitigate the fiscal impacts to be generated by the campus;

- Developed a municipal services financing plan for a 250 acre site to be developed with approximately 1,400 homes. The municipal services plan included services to be funded by special taxes, the General Fund, and the homeowners' association.

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.

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.

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 affordable housing and child care nexus analyses, inclusionary housing analyses, residential and commercial real estate feasibility analyses, redevelopment tax increment projections, and market assessments.

Areas of Specialization

Affordable Housing Policy

Ms. Ragozin has worked extensively on affordable housing policy analyses, including inclusionary housing analyses, in-lieu fee studies, jobs-housing nexus analyses, and increasingly, residential nexus analyses. Former inclusionary housing and in-lieu fee work includes studies conducted for the cities of San Francisco, Palo Alto, Cupertino, Napa, Novato, and Campbell, among others. Typical tasks include the evaluation of development economics for prototypical market rate housing development, the calculation of affordable rental rates and sales prices, the calculation of full cost recovery in-lieu fees for ownership and rental projects, and the evaluation of alternative program structures.

She has conducted jobs-housing nexus analyses, which quantify the linkages between construction of new commercial buildings and affordable housing demand, for Napa, Walnut Creek, Sacramento, Cupertino and others. In addition to a quantitative nexus analysis, typical tasks also include evaluation of proposed fee levels in the context of local real estate economics, recommended fee levels, and surveys of similar fees in other jurisdictions.

She has also conducted residential nexus analyses, which quantify the linkages between new market rate residential development and the demand for affordable housing, for many jurisdictions including Fremont, Hayward, Napa County, San Francisco and others.

Residential Financial Analyses

Ms. Ragozin has assisted in the assessment of market and financial feasibility analyses for 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.

Child Care Nexus Analyses

Ms. Ragozin has conducted child care nexus analyses linking new real estate development to the demand for child care facilities in the jurisdiction. Examples include a citywide analysis conducted for the City of San Mateo and a project-specific analysis conducted for the City of Redwood City.

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.

I. CONSULTANT AGREEMENT STANDARD TERMS AND CONDITIONS

KMA accepts the City's standard Consultant Agreement with the following exceptions:

The firm will retain ownership of its proprietary computer models, and suggests the underlined modification to Section I) below to accomplish that.

(I) OWNERSHIP OF MATERIALS

All reports, documents or other materials developed or discovered by Consultant or any other person engaged directly or indirectly by Consultant to perform the services required hereunder, <u>with the exception of Consultant's proprietary computer models</u>, shall be and remain the property of City without restriction or limitation upon their use.

EXHIBIT A: RESPONSE FORM

EXHIBIT A

RESPONSE FORM

Consultant

Name: Keyser Marston Associates, Inc.

Address: 160 Pacific Avenue, Suite 204

San Francisco, CA 94111

Telephone: (415) 398-3050

Facsimile: (415) 397-5065

Contact Person Name and Title: Kate Earle Funk

Contact Person Telephone: (415) 398-3050 x228

Contact Person Fax: (415) 397-5065

E-Mail Address: kfunk@keysermarston.com

EXHIBIT A - RESPONSE FORM
(Continued)

CONSULTANT'S REPRESENTATIONS

Consultant understands, agrees, and warrants that:

1) Consultant has carefully read and fully understands the information that was provided by the Housing Department to serve as the basis for submission of this response to the Housing Department Program Evaluator RFQual.

2) Consultant has the capability to successfully undertake and complete the responsibilities and obligations of the response being submitted.

3) This response may be withdrawn by requesting such withdrawal in writing ten (10) calendar days prior to the date that the response is due.

4) All information contained in the response is true and correct to the best of consultant's knowledge.

5) Consultant did not, in any way, collude, conspire or agree, directly or indirectly, with any person, firm, corporation or other consultant in regard to the amount, terms, or conditions of this response.

6) Consultant did not receive unauthorized information from any City of San José staff member or consultant during the response period except as provided for in the Request for Qualifications package or addenda thereto.

7) Consultant can exhibit independence to complete the housing nexus study and is not affiliated in any way with the program administration or execution.

8) By submission of this response, consultant acknowledges that the City of San José has the right to make any inquiry it deems appropriate to substantiate or supplement information supplied by consultant, and consultant hereby grants the City of San José permission to make said inquiries, and agrees to provide any and all requested documentation in a timely manner.

EXHIBIT A - RESPONSE FORM
(Continued)

CONSULTANT'S SIGNATURE

No response shall be accepted which has not been signed in ink in the appropriate space below:

1. If Consultant is an INDIVIDUAL, sign here (include a notarized affidavit attesting to the authenticity of said signature):

Date_____ _____
Consultant's Signature

_____
Consultant's Typed Name and Title

2. If consultant is a PARTNERSHIP or JOINT VENTURE, at least two (2) Partners or each of the Joint Venturers shall sign here (include a notarized affidavit attesting to the authenticity of said signatures):

_____
Partnership or Joint Venture Name (type or print)

Date: _____
By: _____
Member of the Partnership or Joint Venture

Date: _____
By: _____
Member of the Partnership or Joint Venture

3. If consultant is a CORPORATION, the duly authorized officer(s) shall sign as follows: The undersigned certify that they are respectively:

Vice President (Title) and Secretary (Title)

of the corporation named below; that they are designated to sign this Response Cost Form by resolution (attach a certified copy, with corporate seal, if applicable, notarized as to its authenticity or Secretary's certificate of authorization) for and on behalf of the below named CORPORATION, and that they are authorized to execute same for and on behalf of said CORPORATION.

Keyser Marston Associates, Inc.
Corporation Name (type or print)

By: Kate Earle Funk Date: 7/2/2013

Title: Vice President

By: Diane Chambers Date: 7/2/2013

Title: Secretary

EXHIBIT C: COST FORM

Please refer to Section F in the body of the proposal which presents the total cost proposal and hourly billing rates. A sample monthly invoice is provided on the following page.

Invoice

Keyser Marston Associates, Inc.
160 Pacific Avenue, Suite 204
San Francisco, CA 94111
415-398-3050

June 13, 2013
Project No: 19081.011
Invoice No: 0026211

City of San Jose
Office of Economic Development
200 E. Santa Clara Street, 17th Floor
San Jose, CA 95113

Attn: John Lang

FOR PROFESSIONAL SERVICES RENDERED
RE: AGREEMENT FOR CONSULTANT SERVICES DATED 4/19/11, AS AMENDED
AS-REQUESTED ASSET MANAGEMENT ADVISORY SERVICES

Shark's Ice Rink - Coordination with client; telephone calls with client re business terms (5/9, 5/13, 5/30); sent Source and Use of Funds table; received revised business terms proposal.

Professional Services from May 1, 2013 to May 31, 2013

Task 013 Shark's Ice Rink

Professional Personnel

	Hours	Rate	Amount	
Managing Principal	8.75	280.00	2,450.00	
Totals	8.75		2,450.00	
Total Labor				**2,450.00**
		Total this Task		**$2,450.00**

Billing Limits	**Current**	**Prior**	**To-Date**
Total Billings	2,450.00	123,619.13	126,069.13
Limit			150,000.00
Remaining			23,930.87

Total this Invoice **$2,450.00**

Outstanding Invoices

Number	**Date**	**Balance**
0026115	5/9/13	3,780.00
Total		**3,780.00**

EXHIBIT E: INSURANCE ACKNOWLEDGEMENT

EXHIBIT E (Continued)

INSURANCE ACKNOWLEDGEMENT

REVIEW, EXECUTE AND RETURN WITH RFQual SUBMITTALS

It is imperative that you review the City's attached insurance requirements with your insurance agent(s) prior to submitting your quote / bid, as increase in your premium should be considered in your quote / bid.

Your firm may have already done business with the City and has insurance on file. However, it is important that you verify with your insurance agent(s) that the policy (ies) is/are still in effect and the coverage(s) are the same as in the attached insurance requirements.

If you or your agent has any questions, please contact the Risk Manager's Office at (408) 535-7061.

I have read the above and acknowledge that insurance is required; that I have the necessary coverage; and that these insurance requirements will be made a part of the Consultant Agreement.

DATE: 7/2/2013

SIGNATURE: Diane Chambers

NAME: Diane Chambers
(Type or Print)

COMPANY: Keyser Marston Associates, Inc.

ATTACHMENT 1: WORK SAMPLE

One copy each of the following reports has been bound under separate cover (see also electronic copies on the enclosed CD):

- Residential Nexus Analysis, City and County of San Francisco
- Residential Nexus, Inclusionary Housing Ordinance, San Diego, California

ATTACHMENT 2: FINANCIAL STATEMENTS

Keyser Marston Associates, Inc. is a privately held corporation providing consulting services to the real estate industry, primarily in California. The firm has been in business since January 1, 1973, has three offices and 26 employees. Keyser Marston has developed an excellent credit history with its vendors and has maintained the financial strength to undertake numerous projects at any given time. The company is not in the practice of releasing its financial statements to third parties; however, financial statements can be made available for review at our headquarters office in San Francisco, or at one of our branch offices. If you need further financial information, please contact our banker, Elise Wen, Executive Managing Director at First Republic Bank in San Francisco, 415-288-8080. Our Dun & Bradstreet number is DUNS #08-211-9389.

ATTACHMENT 3: LIST OF CURRENT PROJECTS

KMA has current nexus assignments at various stages of completion for the following clients:

- San Diego Housing Commission
- City of Sacramento
- County of Sacramento
- City of Carlsbad
- City of Livermore
- City of Emeryville
- City of Daly City

ATTACHMENT 4: NO CONFLICT OF INTEREST

KMA has no conflicts of interest or potential conflicts of interest to report. We note that San Jose has been a long-standing and valued client for KMA. Providing consulting services to public sector clients has been our firm's primary business for 40 years. KMA's Principals are committed to providing the highest level of service to our public sector clients. Maintaining a focus on public sector work also avoids conflicts of interest.

ACORD®

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY) 3/8/2013

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER
MOC Insurance Services
License No. 0589960
44 Montgomery St., 17th Fl.
San Francisco CA 94104

CONTACT NAME: Donna de Fabio
PHONE (A/C, No, Ext): (415) 957-0600 FAX (A/C, No): (415) 957-0577
E-MAIL ADDRESS: ddefabio@maroevich.com

INSURER(S) AFFORDING COVERAGE	NAIC #
INSURER A: Golden Eagle Insurance Corp	10836
INSURER B: Republic Indemnity Company of	22179
INSURER C: Evanston Insurance Co.	35378
INSURER D:	
INSURER E:	
INSURER F:	

INSURED
Keyser Marston Associates, Inc.
55 Pacific Avenue Mall
San Francisco CA 94111

COVERAGES CERTIFICATE NUMBER: MASTER 2012-13 REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	GENERAL LIABILITY X COMMERCIAL GENERAL LIABILITY CLAIMS-MADE X OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: POLICY X PRO-JECT LOC	X		CBP8932329 No Deductible applies	12/1/2012	12/1/2013	EACH OCCURRENCE DAMAGE TO RENTED PREMISES (Ea occurrence) MED EXP (Any one person) PERSONAL & ADV INJURY GENERAL AGGREGATE PRODUCTS - COMP/OP AGG	$ 1,000,000 $ 500,000 $ 10,000 $ 1,000,000 $ 2,000,000 $ 1,000,000 $
A	AUTOMOBILE LIABILITY X ANY AUTO ALL OWNED AUTOS SCHEDULED AUTOS X HIRED AUTOS X NON-OWNED AUTOS X Comp $500 X Coll $500	X		BA 8932429	12/1/2012	12/1/2013	COMBINED SINGLE LIMIT (Ea accident) BODILY INJURY (Per person) BODILY INJURY (Per accident) PROPERTY DAMAGE (Per accident) Uninsured Motorist Combined	$ 1,000,000 $ $ $ $ 1,000,000
A	X UMBRELLA LIAB X OCCUR EXCESS LIAB CLAIMS-MADE DED X RETENTION $ $10,000	X		CU 8932629	12/1/2012	12/1/2013	EACH OCCURRENCE AGGREGATE	$ 4,000,000 $ 4,000,000 $
B	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? Y/N (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	N/A		03954618	12/1/2012	12/1/2013	X WC STATU-TORY LIMITS OTH-ER E.L. EACH ACCIDENT E.L. DISEASE - EA EMPLOYEE E.L. DISEASE - POLICY LIMIT	 $ 1,000,000 $ 1,000,000 $ 1,000,000
C	Professional Liability Retention: $50,000			EO-852080 Retro Date 11/11/1976	12/1/2012	12/1/2013	Each Wrongfull Act AGGREGATE LIMIT	$1,000,000 $2,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)
The City of San Jose, its officers, employees, agents and contractors are Additional Insureds as respects per written contract. Liability arising out of activities performed by or on behalf of, Keyser Marston Associates, Inc.; products and completed operations of Keyser Marston Associates, Inc.; premises owned, leased or used by Keyser Marston Associates, Inc.; and automobiles owned, leased, hired or borrowed by Keyser Marston Associates, Inc. The coverage shall contain no special limitations on the scope of protection afforded to City of San Jose/ Department of Finance, its officers, employees, agents and contractors Waiver of subrogation applies. Insurance is Primary and non-contributory.

CERTIFICATE HOLDER

CITY OF SAN JOSE
RISK MANAGEMENT/FINANCE
200 EAST SANTA CLARA STREET
SAN JOSE, CA 95113-1905

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

Donna de Fabio/DDF Donna DeFabio

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The ACORD name and logo are registered marks of ACORD

POLICY NUMBER: CBP8932329 Effective Date: 12/01/2012

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ADDITIONAL INSURED – OWNERS, LESSEES OR CONTRACTORS – SCHEDULED PERSON OR ORGANIZATION

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

Name of Additional Insured Person(s) or Organization(s):	Location(s) of Covered Operations
The City of San Jose, its officers, employees, agents and contractors **It is understood and agreed that this insurance is primary and any other insurance maintained by the Additional Insured shall be excess only and not contributing with this insurance in regards to all operations as pertains to the named insured.**	
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.	

A. **Section II – Who Is An Insured** is amended to include as an additional insured the person(s) or organization(s) shown in the Schedule, but only with respect to liability for "bodily injury", "property damage" or "personal and advertising injury" caused, in whole or in part, by:

1. Your acts or omissions; or
2. The acts or omissions of those acting on your behalf;

in the performance of your ongoing operations for the additional insured(s) at the location(s) designated above.

B. With respect to the insurance afforded to these additional insureds, the following additional exclusions apply:

This insurance does not apply to "bodily injury" or "property damage" occurring after:

1. All work, including materials, parts or equipment furnished in connection with such work, on the project (other than service, maintenance or repairs) to be performed by or on behalf of the additional insured(s) at the location of the covered operations has been completed; or
2. That portion of "your work" out of which the injury or damage arises has been put to its intended use by any person or organization other than another contractor or subcontractor engaged in performing operations for a principal as a part of the same project.

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INSURANCE INDUSTRIE CHANGE; COMMMERCIAL GENERAL LIABILITY ADDITIONAL INSURED ENDORSEMENT

Please be advised that the CG 20 10 10 01 Endorsement has been replaced with the CG 20 10 07 04 Additional Insured Endorsement. The City of San Jose, its officers, employees, agents and contractors, is/are named as Additional Insured(s) on the Commercial General Liability policy.

Keyser Marston Associates, Inc. provides professional services to; The City of San Jose, its officers, employees, agents and contractors, therefore 'completed operations' coverage would be addressed under the Professional Liability policy shown as "Insurer D" on the attached Certificate of Insurance.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

DESIGNATED INSURED

This endorsement modifies insurance provided under the following:

BUSINESS AUTO COVERAGE FORM
GARAGE COVERAGE FORM
MOTOR CARRIER COVERAGE FORM
TRUCKERS COVERAGE FORM

With respect to coverage provided by this endorsement, the provisions of the Coverage Form apply unless modified by this endorsement.

This endorsement identifies person(s) or organization(s) who are "Insureds" under the Who Is An Insured Provision of the Coverage Form. This endorsement does not alter coverage provided in the Coverage Form.

This endorsement changes the policy effective on the inception date of the policy unless another date is indicated below.

Endorsement effective 12/01/12	
Named Insured KEYSER MARSTON ASSOCIATES, INC.	Countersigned by (Authorized Representative)

SCHEDULE

Name of Person(s) or Organization(s):
The City of San Jose, its officers, employees, agents and contractor

(If no entry appears above, information required to complete this endorsement will be shown in the Declarations as applicable to the endorsement.)

Each person or organization shown in the Schedule is an "Insured" for Liability Coverage, but only to the extent that person or organization qualifies as an "insured" under the Who Is An Insured Provision contained in **Section II** of the Coverage Form.

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CONTRACT TRANSMITTAL TO CITY MANAGER

DEPARTMENTS MUST VERIFY INSURANCE
FOR AGREEMENTS UNDER $250,000

A. CONTRACT INFORMATION

NAME OF CONTRACTOR: KEYSER MARSTON ASSOCIATES, INC.
Business Tax Certificate# 9761321210
CONTRACTOR CONTACT: DAVID DOEZEMA
CONTRACTOR ADDRESS: 160 PACIFIC AVENUE, SUITE 204 SAN FRANCISCO, CA 94111

NEW CONTRACT ☒ **AMENDMENT** ☐ **IF AMENDMENT, LIST NUMBER**

TERM OF THIS AGREEMENT: 7/15/13 **TO** 1/31/14 **AMOUNT OF CONTRACT:** $106,500

TERM OF ORIGINAL AGREEMENT: **TO** **AMOUNT OF ORIGINAL AGREEMENT:**

DEPARTMENT: HOUSING **CONTACT:** Patrick Heisinger **PHONE:** 975-2647

B. TYPE OF CONTRACT (CHECK ONE):

TYPE OF CONTRACT: Consultant **CEQA STATUS:** EXEMPT

COUNCIL DATE: 6/4/13 **COUNCIL AGENDA ITEM NUMBER:** 4.2 **Resolution #:** N/A

BUDGET YEAR: 2013-2014 **BUDGET REFERENCE:** XI-74 **APPROPRIATION:** 0562

DESCRIPTION OF CONTRACT: *(What work will the contractor accomplish?)*
To conduct a nexus study analyzing the impact that residential development has on the need for affordable housing in San Jose and to return to City Council with recommendations based upon the results.

CONTRACTOR SELECTION PROCESS (CHECK ONE): RFP ☐ **RFQ** ☒ **Date Conducted: 6/12/13**
Description of Selection Process (whether RFP/RFQ was conducted or not)
RFQ# CSJ HD 06-12-13 was initiated on 6/12/13. 25 consultants viewed the bid, 16 downloaded the bid materials and 2 consultants responded by the July 8, 2013 submission deadline. KMA was selected after an evaluation process conducted jointly with the City Attorney's Office.

INFLUENCE OF LOCAL PREFERENCE:
N (Y/N) Local Business – At least one employee in Santa Clara County
N (Y/N) Small Business – 35 or fewer employees' companywide
N (Y/N) Award influence by Local Preference Policy
N/A ($ Value) Closest non-Local bid

ISSUES: *(Please list any issues of importance.)*
Following selection of KMA and the start of consultant services, a third consultant, David Paul Rosen & Associates sent an email on August 13, 2013 indicating that they had submitted a proposal. There was no proof that their proposal had been received by the City and after consulting with Mark Giovannetti in Purchasing this proposal was disqualified from consideration.

COORDINATION (Please Check)
FINANCE/RISK MANAGEMENT: **X**
CITY ATTORNEY'S OFFICE (REQUIRED): **X**
OTHER

CONTRACT AND INSURANCE VERIFICATION: (Please initial and provide description of insurance and a copy of a certificate of insurance. Note: This section is not needed for contract $250,000 and above. Risk Management will verify the insurance requirements for those contracts through Form 149-7)

__X__ I attest that the insurance verification of this contract have been met and all information is correct including policy limits, policy terms and City of San Jose named as "Additional Insured."
DESCRIPTION OF COVERAGE REQUIRED:

Department Head Signature _____ Date 6/26/13

Office of City Mgr. Signature _____ Date 8-27-2013