MEMORANDUM

To: Margo Bradish, Cox Castle Nicholson
    Sean Jeffries and Kristin Gonsar, Millennium Partners
From: James Musbach and Ashleigh Kanat
        Prepared June 28, 2013; EPS #121084
Date: July 9, 2013


Summary of Response

This response follows the organization of the Sussman Report and proceeds topic by topic to refute the arguments presented. A summary is provided below with more detailed explanations following.

- **Average Unit Size:** EPS did not base its revenue estimates on unit size; rather, residential revenue estimates are based on the net saleable square footage multiplied by the weighted average price per square foot and are not affected by unit size or number of units.

- **Prices per Square Foot:** All pricing assumptions were reviewed and vetted by EPS in the context of the Project and the market for luxury condominium units in the Yerba Buena submarket, taking Project-specific factors such as developer sales versus resales, unbundled parking, branded hotel affiliation, and unfinished penthouse units into consideration. It would be inappropriate to estimate sales prices based on peaks in the market and an assumption that condominium prices will continue to rise at the rate they have been rising in the past year; such assumptions likely would not be underwritten by a third-party lender.

- **Floorplate Size:** The Reduced Shadow Alternative is based on the Existing Zoning Alternative, and for both alternatives, there is a required 20-foot rear yard setback that reduces the allowable tower footprint.
• **Efficiency Ratio:** At 76 percent, the assumed residential efficiency ratio used in the EPS Report is within the range of 75 percent to 85 percent quoted by the Sussman Report. The 76 percent estimate is based on the architect’s specific project design; it is at the low-end of the typical efficiency ratio range due to the relatively fixed code requirements (i.e., circulation, fire safety and structural core requirements) and the smaller project floorplate attributable to site dimensions and zoning code restrictions.

• **18 Percent Developer Return:** A developer return of 18 percent on costs is appropriate as the developer return must exceed the developer's cost of capital by a sufficient margin to account for project risk. The 706 Mission Street Project, with its required upfront capital outlay and niche market demand, is an inherently high-risk undertaking due to significant pre-development costs, market cycle risk, length of construction and risk of construction cost increases, and uncertain absorption period.

• **Purchase of TDRs:** The EPS Report estimates the Project Residual with and without the purchase of TDRs for the Reduced project Alternative, thus allowing an “apples-to-apples” comparison across the Proposed Project and alternatives.

**IV.A: Average Unit Size for the Reduced Shadow Alternative**

The Sussman Report asserts that the EPS Report uses an average unit size for the Reduced Project Alternative that is too low, which the Sussman Report claims has implications for revenue, construction costs and Affordable Housing In-Lieu Fees. In fact, EPS did not base its revenue estimates on unit size. Instead, EPS based its residential revenue estimates on the net saleable square footage multiplied by the weighted average price per square foot. Therefore, EPS’s revenue estimates are not affected by unit size or number of units.

The price assumptions are based on per square foot prices by floor segment which are affected primarily by unit orientation (north versus south-facing) and potential view-capture rather than unit size. The pricing by floor segment is consistent across the alternatives, varying only for those floors that offer penthouse layouts; pricing by floor segment is not reduced in the Reduced Shadow Alternative.

For informational purposes, average unit sizes are provided, and were derived based on the net saleable residential square feet of the Reduced Shadow Alternative divided by the number of units (186 units under the Residential Flex Option of the Reduced Shadow Alternative). It is also important to recognize that a 27-story residential tower that never captures the premium views that the Proposed Project is able to capture above the 33rd floor represents an entirely different residential project than what is contemplated by the Project Sponsor and would not be able to command the prices that a taller tower would be able to command.

Units in the lower height Reduced Shadow Alternative would be expected to be smaller as they would not be marketed to that segment of condominium buyer who typically demands larger units with premium views. It is worth noting that at Millennium Tower, the average unit size of the units on the first 27 floors of the tower sold between the second quarter of 2012 and the first quarter of 2013 is 1,329 square feet, which is consistent with the average unit size associated with the Reduced Shadow Alternative (1,300 square feet).
As Sussman points out and as indicated in Appendix E of the EPS Report, the density of units within the Reduced Shadow Alternative does result in higher per square foot construction costs, as there are additional walls, additional plumbing and utility fixtures, etc. to be constructed and fewer square feet across which the costs can be spread. However, the number of units associated with the Reduced Shadow Alternative is not arbitrary; rather, it is based on the economic realities of marketing a 27-story residential tower that does not offer premium views versus a taller tower that captures premium views.

The number of units also affects the Affordable Housing In-Lieu Fee calculation. However, as described above, the number of units associated with the Reduced Shadow Alternative is appropriate, given the height of the tower. Hypothetically, reducing the number of units in the Reduced Shadow Alternative to be consistent with the number of units in the Existing Zoning Alternative would decrease affordable housing fees by approximately $11 million and would not affect the feasibility of the Reduced Shadow Alternative.

**IV.B: Prices per Square for the Reduced Shadow Alternative**

The Sussman Report asserts that the EPS Report uses prices per square foot for the Reduced Shadow Alternative that are too low. EPS maintains that the prices per square foot are appropriately conservative (i.e., high). It is important that the analysis be based on assumptions that are realistic and consistent with underwriting criteria of financial institutions to avoid entitling a project that cannot be financed and will not be built. The price per square foot by floor segment used in the EPS Report is provided by the Project Sponsor based on past and current experience in the market with developer sales (rather than resales) at The Four Seasons and Millennium Tower and actual sales price differentials to support the price increases by floor segment. All pricing assumptions were reviewed and vetted by EPS in the context of the Project and the market for luxury condominium units in the Yerba Buena submarket. Contrary to the assertions of the Sussman Report, it would be inappropriate to estimate sales prices based on peaks in the market and an assumption that condominium prices will continue to rise at the rate they have been rising in the past year; such assumptions likely would not be underwritten by a third-party lender. A review of condominium prices in the market area over the last several years illustrates the variability of prices with market cycles as shown in Figure 1 below.
It should also be noted that the Case-Shiller Condominium Index may overstate the price increases that have occurred in the luxury condominium market in San Francisco in the past year. Luxury home buyers tend to be relatively “recession-proof” and luxury home prices did not fall to the same degree home prices in the rest of the market fell during the collapse of the housing market. As such, inflating sales prices at the same rate that prices in the general market (which fell more sharply during the economic downturn) have increased is likely to overstate recent price increases in the luxury condominium market. For example, a recent article in the San Francisco Business Times noted that San Francisco luxury homes are selling for the highest prices seen since 2008, and the value of luxury homes is up 8.7 percent compared with one year ago.¹ This is in contrast to the year-over-year increase of 27 percent for San Francisco condominium units generally, as quoted by the Sussman Report.

Furthermore, the Sussman Report overlooks the important distinction between developer sales and resales and skews the analysis toward the higher-valued resales by selecting a time period of analysis that excludes developer sales on three of the four comparable projects. Only Millennium Tower was still selling developer units past January 2011 and most occurred in 2009 and 2010. Resale prices in luxury condominiums are typically higher than developer sales prices due to the substantial tenant improvements installed by owners, and the fact that the quality

and amenities of the building are well established. Resale prices are also affected by supply, which is more limited after the initial sell out of the building and which puts upward pressure on prices.

The Sussman Report also overlooks the added value of parking, which is not included in the residential price per square foot used in the EPS Report (rather parking is separately accounted for in the revenue assumptions of the EPS Report), but is included in the resale prices relied upon in the Sussman Report. Additionally, the Sussman Report does not acknowledge that the penthouse units will be sold in an unfinished state to allow for taste-specific resident finishes, further reducing potential prices per square foot as compared to resales, nor does he note that the residential units at 706 Mission will not be affiliated with a branded hotel and the associated amenities that come with such an affiliation, as is the case with the Four Seasons, the Ritz Carlton, and the St. Regis.

IV.C: Smaller Floorplate for the Reduced Project Alternative

The Sussman Report claims that the EPS Report uses a smaller floorplate in the Reduced Shadow Alternative without justification. The term “floorplate” refers to the physical space that the footprint of the building occupies. When the Reduced Shadow Alternative was conceived for environmental review purposes, it was intended to be based on the Existing Zoning Alternative, which sought to maximize development potential within the current zoning code restrictions for the site. As such, and for both the Existing Zoning Alternative and the Reduced Shadow Alternative, there is a required 20-foot rear yard setback that reduces the allowable tower footprint.

To demonstrate the implications of the setback requirement, we can hypothetically assume the same sized floorplate for the Reduced Shadow Alternative as is assumed in the Proposed Project. This would increase the gross residential square footage by approximately 58,000 square feet (2,320 square feet floorplate differential per floor x 25 floors of residential space in the Reduced Shadow Alternative). Multiplying 58,000 square feet by the average price per square foot increases the potential sales revenues for the Reduced Shadow Alternative by nearly $52 million, which is significant but not enough to render the Reduced Shadow Alternative feasible.

In addition, the gross residential square footage by floor varies by alternative based on the configuration of residential units and common areas such as corridors, elevator shafts, stairways, mechanical equipment, and amenity areas. The gross residential square footage by floor is based on the architect’s project design, which was considered specifically by the project architect for the Proposed Project and each alternative based on available site area and physical program constraints.

IV.D: Residential Efficiency Ratio for the Reduced Project Alternative

The Sussman Report claims that the EPS Report uses an unsupported residential efficiency ratio for the Reduced Project Alternative, although at 76 percent, it is within the range of 75 percent to 85 percent quoted by the Sussman Report and consistent across the Project and all alternatives evaluated. The 76 percent estimate used in the EPS Report is based on the architect’s specific project design and is consistent with other projects with which EPS is familiar. It is at the low-end of the typical efficiency ratio range due to the relatively fixed code
requirements (i.e., circulation, fire safety and structural core requirements) and the small project floorplate due to site dimensions and zoning code restrictions. The larger the floorplate, the more efficient the overall project can be. Furthermore, a residential tower project should be expected to be less efficient than a three- to five-story, market-rate project, for example, due to the different high-rise requirements for elevators, stairways, mechanical equipment, more spacious corridors associated with luxury buildings, and other factors.

**IV.E: 18% Developer Return**

The Sussman Report asserts that the developer return used in the EPS analysis is arbitrarily high. EPS maintains a developer return of 18 percent on costs is appropriate as the developer return must exceed the developer’s cost of capital by a sufficient margin to account for project risk.

EPS disagrees with the assertion of the Sussman Report that the 706 Mission Street Project is a “relatively low risk development project”. The 706 Mission Street Project, with its required upfront capital outlay and niche market demand, is an inherently high-risk undertaking for the following specific reasons:

- Significant pre-development costs (more than $9 million in predevelopment entitlement costs alone as of the end of 2012)
- Entitlement risk (this memorandum is being prepared before the project receiving all required entitlements and in response to an appeal challenging entitlements granted to date)
- Market cycle risk
- Significant upfront capital (project must be built all at once regardless of pre-sales or pace of absorption)
- Length of construction and risk of construction cost increases
- Extended and uncertain absorption period after all capital investment is in place and accruing interest

EPS also disagrees with the assertion of the Sussman Report that the developer’s cost of capital represents the “hurdle rate”. A developer’s hurdle rate, the expected return at which a developer and its investors will undertake a project, will reflect a risk adjusted rate of return in addition to the cost of capital. Comparing the Project Sponsor to a publicly-traded REIT likely understates the cost of capital for this project, as REITs have relatively low costs of capital and do not develop or hold condominiums. The cost of private equity is likely to be considerably higher for the Project Sponsor.

**IV.F: Purchase of TDRs for Reduced Project Alternative**

The Sussman Report correctly states that the EPS Report includes a calculation of the cost of the purchase of Transferable Development Rights (TDRs) for the Reduced Project Alternative. The EPS Report clearly also estimates the Project Residual without the purchase of TDRs for the Reduced project Alternative, thus allowing an “apples-to-apples” comparison across the Proposed Project and alternatives. The Reduced Project Alternative is infeasible with or without TDR purchase.
EPS Response to Other Points Raised in the Appeal

In the July 1, 2013, addendum to the appeal prepared by Thomas Lippe of Lippe Gaffney Wagner LLP, attorney for the Appellants, to which the Sussman Report was attached, the seventh point suggests fault with the EPS Report for not identifying feasible Project alternatives with a tower height lower than 520 feet (the height of the Proposed Project) but higher than 351 feet (the height of the Reduced Shadow Alternative). Using a static pro forma as was used in the EPS analysis to identify the threshold point at which the project has a Project Residual of $0 would be an exercise in false precision, as there are multiple dynamic factors (pre-entitlement period, post-entitlement challenge risk, length of construction, sales absorption, market fluctuation, etc.) that the model is not designed to accommodate. EPS does not believe it is good policy to push a project to such a threshold “break” point, as there are bound to be variables that the Project Sponsor will face that the model does not and cannot anticipate.
APPENDIX A:

EPS Qualifications
Statement of Qualifications
### About Economic & Planning Systems, Inc.

| The Firm | Economic & Planning Systems, Inc. (EPS) is a land economics consulting firm experienced in the full spectrum of services related to real estate development, the financing of public infrastructure and government services, land use and conservation planning, and government organization. |
| Guiding Principle | EPS was founded on the principle that real estate development and land use-related public policy should be built on realistic assessment of market forces and economic trends, feasible implementation measures, and recognition of public policy objectives, including provisions for required public facilities and services. |
| Areas of Expertise | - Real Estate Market and Feasibility Analysis  
- Public Finance  
- Fiscal and Economic Impact Analysis  
- Reuse, Revitalization, and Redevelopment  
- Real Estate Transactions and Negotiations  
- Regional Economics and Industry Analysis  
- Land Use Planning and Growth Management  
- Open Space and Resource Conservation  
- Government Organization  
- Transportation Planning and Analysis  
- Asset Valuation and Repositioning |
| Clients Served | Since 1983 EPS has provided consulting services to hundreds of public- and private-sector clients in California and throughout the United States. Clients include cities, counties, special districts, multi-jurisdictional authorities, property owners, developers, financial institutions, and land use attorneys. |
| Staff Capabilities | The professional staff includes specialists in public finance, real estate development, land use and transportation planning, government organization, and computer applications. The firm excels in preparing concise analyses that disclose risks and impacts, support decision making, and provide solutions to real estate development and land use-related problems. |
| EPS Locations | Berkeley, Los Angeles, and Sacramento, California  
Denver, Colorado |
| EPS Web Site | www.epsys.com |
REAL ESTATE MARKET AND FEASIBILITY ANALYSIS

Services Provided

EPS prepares real estate market and feasibility analyses for many real estate development projects and land use-planning programs. EPS’s services provide a realistic assessment of real estate-market trends to determine the potential market support for a given project or land use plan. EPS’s feasibility analyses evaluate the potential financial returns and feasibility of a real estate project, drawing on EPS’s own market research of product types, absorption, and pricing.

This market and feasibility information is used in a wide variety of applications, such as individual project feasibility assessment, development project design and programming, property disposition strategies, downtown revitalization and redevelopment efforts, specific and comprehensive land use planning, and economic analysis of impact fees and other public finance programs. EPS’s market analysis efforts range from evaluations of existing market information to detailed project-specific market forecasts using consumer surveys and other primary research. Pro forma cash flow models test feasibility under a range of project alternatives, financing and partnership options, disposition strategies, and measures of financial return.

Representative Projects

- Seattle Commons Plan Market and Economic Analysis, Seattle, Washington
- Nut Tree Retail Office and Residential Market Study, Vacaville, California
- Town Center Market Analysis, Fountain Hills, Arizona
- Pinole Vista Shopping Center Expansion Development Agreement Negotiations, Pinole, California
- Crossroads Commerce Center Industrial Park Market Analysis, Lathrop, California
- Metropolitan Apartment Market Analysis, Portland, Oregon
- El Toro Community Reuse Plan Market and Financing Analysis, Orange County, California
- Financial Analysis of McCarthy Ranch General Plan Amendment, Milpitas, California
- Market Feasibility Study and Implementation Strategy for Pier Bowl Specific Plan, San Clemente, California
- Richards Boulevard Housing Feasibility Analysis, Sacramento, California
- Stockton Airport Special Purpose Plan: Market Analysis and Financial Overview, Stockton, California
- Marina Market and Financial Feasibility Study, Rio Vista, California
- Southwest Area Plan Retail Market Demand Study, Santa Rosa, California
REAL ESTATE MARKET AND FEASIBILITY ANALYSIS

Project Profiles

Market Analysis of Seattle Commons Plan
Seattle, Washington

The Seattle Commons Project is located in the South Lake Union Area adjacent to the Seattle Central Business District. The intent of the Seattle Commons Plan was to develop a 74-acre urban park, as well as to undertake a variety of infrastructure improvements to leverage investment and to transform this underdeveloped area into a vital, mixed-use community.

Working for the City of Seattle, EPS prepared a market study forecasting development of residential, retail, office, and bio-tech uses under alternative development scenarios. The results were used to evaluate the fiscal and financial implications of the proposed plan.

Nut Tree Retail, Office, and Residential Market Study
Vacaville, California

The City of Vacaville sought to redevelop the historic Nut Tree site, a popular Northern California retail landmark that, for more than 60 years before it closed, provided a unique mix of food, local products, and entertainment to residents and visitors. The 76-acre site, located along the heavily traveled Interstate 80 midway between San Francisco and Sacramento, offered several desirable attributes, including positive name recognition, adjacency to the local baseball stadium, a well-used private airport, and a popular factory outlet center. The city sought to promote a unique, high-density project that would include land uses not yet established in this growing suburban environment.

Working with Eden Development Group, the developer selected by the city, EPS evaluated the market potential and financial feasibility of a variety of mixed-use development concepts for the Nut Tree site. The analysis focused on specialty retail, including a specialty food-oriented theme with California wines, fruits, and other local agricultural products, combined with several destination restaurants and a farmers’ market. EPS also evaluated the potential success of high-density office and residential uses, including a conference center hotel, golf, parks, and a museum, to be integrated with the project. Based on the market financial feasibility analysis, EPS helped design a preferred land-use concept and provided strategic input for developing a comprehensive public-private financing plan with the city.

Fountain Hills Town Center Market Analysis
Fountain Hills, Arizona

EPS evaluated the market for retail, recreational, cultural, visitor-serving, and residential uses in the Fountain Hills Town Center, that was used to guide the size, scale, and mix of uses included in the Town Center Master Plan. EPS also provided recommendations to strengthen local retailers’ performance.
Public Finance

Services Provided

EPS provides a range of services necessary to fund and build community facilities and capital improvements, including needs assessment, arranging for funding, and the development and administration of comprehensive financing programs. EPS’s goal is to ensure successful development of projects and land use plans by preparing feasible financing plans that respond to public and private objectives and make creative use of available financing mechanisms. EPS also provides a range of services necessary to fund ongoing operations of services and facilities for public entities.

Specific services provided by EPS include forecasting demand to assist in infrastructure design, sizing, and timing; identifying and forecasting potential funding sources; allocating capital costs among participating entities; and assessing the impacts of capital financing alternatives on project feasibility and public finance negotiations, including drafting development agreements. Additional EPS services include formulating assessment rates, special tax formulas, and fee ordinances and developing funding strategies for the ongoing costs of operations and maintenance for public services and facilities.

Representative Projects

- North Natomas Community Plan Financing and Nexus Study, Sacramento, California
- Fort Ord Financial Leverage/ Credit Enhancement Study, Monterey, California
- Rocklin Unified School District Facilities Financing, Rocklin, California
- Stapleton Airport Reuse Financing Plan, Denver, Colorado
- Railyards/Richards Boulevard Redevelopment Areas Infrastructure Financing Plan and Nexus Study, Sacramento, California
- Entrance to Aspen Financing Program, Aspen, Colorado
- Joint Unified School District Long-Range Facilities Master Plan, Davis, California
- Regional Transportation Impact Fee Program, San Joaquin County, California
- Southeast Woodland Specific Plan Infrastructure and School Financing Plan, Woodland, California
- Community Partnership Financing Plan, Snowmass, Colorado
- Mountain House Community Financing Plan, San Joaquin County, California
- Regional Sports Facility Financing Plan, Stanislaus County, California
- Santa Monica Civic Center Financing Plan, Santa Monica, California
- Sacramento Public Library Authority Financing Plan, Sacramento, California
- Stanford Ranch Mello-Roos Financing Plan, Rocklin, California
- Sewer Rate Analysis, Modesto, California
Project Profiles

North Natomas Financing Plan and Nexus Study
Sacramento, California
The North Natomas Community Plan encompassed a project covering 10 square miles and potentially housing 60,000 people. After more than a year of discussions on transportation, air quality, open space, and other land use issues, developers, environmentalists, and neighborhood interests reached consensus on the project. EPS assisted the North Natomas Landowners Association and the City of Sacramento with developing the financing plan, nexus study, and numerous related analyses required for bond issuance. The financing plan, containing $730 million in infrastructure improvements, incorporated an area-wide Community Facilities District, regional cost sharing, and pay-as-you-go fee programs.

Fort Ord Financial Leverage/Credit Enhancement Study
Monterey County, California
The Fort Ord Reuse Authority (FORA) plans to develop the former Fort Ord, granted to FORA and the surrounding municipal jurisdictions under an Economic Development Conveyance from the U.S. Army. In September 1993, the Secretary of Defense declared Fort Ord a model for the national base reuse effort, and as part of creating a model reuse strategy, sought a consultant to provide expert advice on how to best leverage available public and private financing resources. FORA hired EPS to conduct a Financial Leveraging and Credit Enhancement study, supplementing the work in the financing plan with an examination of FORA’s financing needs and an exploration of creative tools to meet those needs, such as revolving loan fund, loan security, and letters of credit, to bootstrap beneficial projects that cannot rely on their own fundamentals for financing. EPS’s strategy is being pursued by the Department of Commerce.

McClellan AFB Reuse Public Facilities Financing
Sacramento, California
Located in Sacramento County, McClellan Air Force Base is approximately 7 miles northeast of the downtown area. The Defense Base Realignment and Closure Commission closed McClellan in July 2001. A joint venture agreement between Sacramento County and McClellan Park, LLC envisions reusing approximately 10 million square feet of existing facilities and adding roughly 7 million square feet of new development.

McClellan Park LLC retained EPS to prepare a financing strategy to pay for backbone infrastructure and other needed improvements. The goal of the financing strategy is to match the timing of the infrastructure improvement needs and the availability of revenues to pay for the improvements. This goal is challenged by the unique nature of redeveloping a former military base into a privately occupied business park. EPS developed a $169.4 million financing-implementation plan that uses infrastructure charges, tax increment revenue financing, and grant and other funding, as well as potential funding from the developer/equity partner and Sacramento County. Additional funds will be secured by a loan from the California Infrastructure and Economic Development Bank.
Fiscal Impact Analysis

Services Provided

EPS evaluates impact of a wide range of land use projects and resource management programs on the annual budgets of cities, counties, and other public agencies. As a basis for practical mitigation measures, our services quantify and disclose the potential local and regional fiscal implications of specific projects, cumulative development of an area, or government actions in general. EPS evaluates net fiscal impacts by forecasting local government operating costs and revenues caused by increased public-service requirements or changes in tax and fee collection.

Fiscal impact studies often are completed within the context of land use–plan evaluation, development project review, environmental impact reports, resource management plans, and financial negotiations between public and private entities. EPS uses specially prepared computer models, based on input from affected agencies as well as case studies from similar projects, to emulate and forecast agency budgets. Our analysis employs a wide variety of tools, including market analysis, consumer surveys, case studies, and industry sales data.

Representative Projects

- Disneyland Resort Area Expansion Fiscal Analysis and Financial Negotiations, Anaheim, California
- Redmond Fiscal Study and Cost of Growth Model, Redmond, Washington
- Fiscal Equity Study, Reno, Sparks, and Washoe County, Nevada
- Durango Mountain Resort Fiscal Impact Analysis, La Plata County, Colorado
- South Napa Marketplace Fiscal and Economic Analysis, Napa, California
- Southwest Area Plan Fiscal and Financial Impact Analysis, Santa Rosa, California
- General Plan Update Fiscal Impact Analysis, San Jose, California
- Mt. Washington Cellars Fiscal and Financial Analysis, Calistoga, California
- Fiscal and Economic Effects of the Paradise Ranch Inn Project, Josephine County, Oregon
- Base Village Fiscal Impact Analysis, Snowmass Village, Colorado
- Pleasanton Ridge Fiscal and Financial Impact Analysis, Pleasanton, California
- Porter Trust Annexation Fiscal Impact Analysis, Jackson, Wyoming
- North Natomas Fiscal Impact Study, Sacramento, California
- Spring Lake Planning Analysis Fiscal Update, Woodland, California
- Serrano El Dorado Fiscal Impact and Tax Revenue Analysis, El Dorado Hills, California
- Ceres Citywide Fiscal Impact Analysis, Ceres, California
**Fiscal Impact Analysis**

**Project Profiles**

*Disneyland Resort Area Expansion, Fiscal Analysis and Financial Negotiations*

*Anaheim, California*

Beginning in the early 1990s, the City of Anaheim developed plans to improve the Anaheim Resort Area that includes 14,000 hotel rooms, the Anaheim Convention Center, and Disneyland. The area suffered from infrastructure deficiencies, and the Convention Center required improvements to maintain its market share. At the same time, Disney proposed constructing a second Southern California theme park. Disney requested financial participation from the City of Anaheim to help fund the needed infrastructure.

EPS assisted the city’s negotiation team by creating a cash flow model of the city’s budget to forecast fiscal impacts with and without the project. EPS evaluated the market economics of potential room-night demand, a primary tax generator. The analysis assured the city that it could achieve its objectives of creating no risk to the General Fund. Ultimately, the City Council approved a Finance Agreement providing for the issuance of debt to be repaid by a share of new incremental tax revenues.

*Redmond Fiscal Impact of Growth Model*

*Redmond, Washington*

The City of Redmond, home of Microsoft, is a rapidly growing metropolitan area located in the State of Washington. The city’s key objectives are to maintain levels of service, promote economic development, ensure an adequate supply of affordable housing, and balance the municipal budget. EPS developed a fiscal impact growth model that provided the city with the ability to forecast municipal costs and revenues associated with planned levels of growth and development. Information regarding the costs of growth, either for individual products or cumulatively, helped inform policy decisions regarding the city’s goals and objectives. The cost-of-growth model incorporated several factors and recognized the changing nature of each factor over time, including (1) land demand and supply, (2) physical capacity, (3) infrastructure and public facilities, (4) development and fiscal policy, and (5) fiscal cash-flow forecasting. In addition to the resulting reports, EPS agreed—under a separate license agreement—to provide the city with model documentation, training, and systems support.

*Fiscal Equity Study*

*Reno, Sparks, and Washoe County, Nevada*

While the Truckee Meadows region, which includes Washoe County and the Cities of Reno and Sparks, has experienced substantial growth over the last decade, revenue has not kept up with service demands of the new population. Local agencies have made some progress in sorting out service functions and combining efforts to achieve cost savings; many regional conflicts remain, however, that are related to fiscal imbalances or inequities and new development and annexation issues. Truckee Meadows Regional Planning Agency retained EPS to provide a better understanding of the service-to-revenue relations among agencies in the region and to quantify fiscal imbalances and inequities. Ultimately, EPS developed recommendations and alternative solutions for the provision of services that is designed to sustain the long-term fiscal health of the region while accommodating anticipated regional growth.
**ECONOMIC IMPACT ANALYSIS**

**Services Provided**

EPS evaluates the economic impact of a wide range of public and private sector activities, including land use projects, industry sector output, and government programs and policies. The firm’s economic impact analysis generally focuses on quantifiable variables such as regional employment, output, property values, regional dollar flow, and industry sales. Our analysis estimates the direct, indirect, and induced effect of a project or policy on these variables.

Economic impact studies are often completed within the context of land use plan review, environmental impact reports, regulatory evaluation and compliance, resource management plans, and general economic assessments. Our economic analysis employs a wide variety of tools, from market analysis and consumer surveys to input-output analysis and economic modeling.

**Representative Projects**

- Economic Impact of Federal Endangered Species Critical Habitat Designation, *California*
- East Bay Regional Parks District Economic Impact Analysis, *Alameda County, California*
- Mather Airport Economic Impact Analysis, *Sacramento, California*
- Economic Impact of Napa Center for Wine, Food, and the Arts, *Napa, California*
- Wal-Mart Site Economic Impact Analysis, *Woodland, California*
- Economic Impact of California Clean Air, Jobs, and Transportation Act (CALTEA), *California*
- Economic Impact of Tracy Growth Control Measure, *Tracy, California*
- Economic Impact of Sears Point Raceway Expansion, *Marin County, California*
- Economic Impact of Gulch Redevelopment, *Nashville, Tennessee*
- Socioeconomic Impact of University of California Merced Campus, *Merced County, California*
- Economic Impact of Sonoma County Construction Industry, *Sonoma County, California*
- Economic Impact of Public Utility Commission Energy Conservation Program, *San Francisco, California*
- Colorado Housing Trust Fund Economic Impact Analysis, *Colorado*
- Tracy Gateway Economic Benefit Study, *Tracy, California*
- Davis Technology Center Fiscal and Economic Review, *Davis, California*
- Lincoln Agricultural Land Value Analysis, *Lincoln, California*
- Yolo County Economic and Revenue Analysis, *Yolo County, California*
ECONOMIC IMPACT ANALYSIS

Project Profiles

Economic Impact of Federal Endangered Species Critical Habitat Designation
California and Oregon

The U.S. Fish & Wildlife Service designates critical habitat for threatened and endangered species so that other federal agencies will avoid sponsoring activities jeopardizing the chances for species survival and recovery. EPS was retained to conduct an economic impact analysis of the habitat designation for seven groups of species found throughout California. The analyses examined how private landowners and other affected parties might modify their economic activities in light of the habitat designation, as well as the additional costs associated with federal-agency consultations. EPS’s analysis was published in the Federal Register and used by the Service in its rule-making process.

East Bay Regional Parks District Regional Economic Analysis
Alameda County, California

The East Bay Regional Park District (EBRPD), founded in 1934, currently owns and manages more than 90,000 acres of parks, open space, and trails in Alameda and Contra Costa Counties. EBRPD commissioned EPS, in conjunction with Strategy Research Institute, to study EBRPD's economic benefits by (1) conducting a literature review of economic benefits of parks and (2) analyzing recreation and conservation uses and visitation to EBRPD parks. EPS identified, described, and quantified the broad array of economic and quality-of-life benefits associated with the regional park system. Benefits were divided into “users and district residents” benefits, “public investment and cost saving” benefits, and “user and district expenditures in the local economy” benefits. EPS identified benefits in terms of their impact on quality of life, economic vitality, and social equity.

Mather Airport Economic Analysis
Sacramento, California

Mather Air Force Base officially closed in September 1993, and the Sacramento County Board of Supervisors adopted the Mather Field Specific Plan in May 1997. Since then, Mather airport slowly has expanded and solidified its role as the primary air-cargo airport serving the Sacramento region. Sacramento County is considering whether to expand airport operations by upgrading and expanding Mather’s runway capacity. In association with Leigh Fisher, EPS prepared a series of economic impact analyses considering the direct, indirect, and induced effects of expanded cargo facilities and airport operations on the local economy. EPS quantified the impacts of altering land use entitlements to allow for development more compatible with expanded airport operations. This analysis allowed Sacramento County to consider both the economic benefits of increased airport operations and any potential adverse impacts on planned development in areas surrounding the airport that would be caused by expanded noise contours and other factors.
REUSE, REVITALIZATION, AND REDEVELOPMENT

SERVICES PROVIDED

EPS prepares research and analyses that support facility and site reuse, revitalization, and redevelopment efforts. Our services help to strategically combine marketing and business development with the elimination of physical, environmental, and market constraints to create a vital mix of business, civic, and pedestrian activity. Our geographic focus in this practice ranges from specific sites within a redevelopment project area to entire neighborhoods or submarkets within a region.

EPS takes a key role in working with other professionals, including urban designers, redevelopment specialists, transportation planners, civil engineers, and developers, to assist local agencies in formulating effective revitalization efforts as part of planning projects or formal redevelopment programs. A wide range of skills are applied in these projects, including real estate market research, real estate feasibility analysis, fiscal and economic impact analysis, tax increment projections, and the creation of public financing strategies.

REPRESENTATIVE PROJECTS

- Los Angeles Harbor Redevelopment, Los Angeles, California
- Sacramento Downtown Property Portfolio Evaluation, Sacramento, California
- Treasure Island Reuse Plan and Feasibility Analysis, San Francisco, California
- Midtown Specific Plan Financing Feasibility Analysis, San Jose, California
- McClellan Reuse Public Facilities Financing, Sacramento, California
- Downtown Economic Development Study, Sacramento, California
- Port of San Francisco Financial and Economic Impact Analysis, San Francisco, California
- Union Station Redevelopment Feasibility Analysis, Cheyenne, Wyoming
- Redevelopment Tax Increment Audit and Forecast, Madera, California
- Commercial Revitalization and Residential Rehabilitation Strategies, West Pittsburg, California
- Business and Waterfront Improvement Project Redevelopment Study, Sacramento, California
- Richards Boulevard Redevelopment and Housing Study, Sacramento, California
- Redevelopment Feasibility Analysis, Roseville, California
- Downtown Revitalization Study, Walnut Creek, California
- Redevelopment Plan Feasibility Analysis, South Lake Tahoe, California
- Redevelopment Plan Blight Findings and Feasibility Analysis, Newark, California
REUSE, REVITALIZATION, AND REDEVELOPMENT

Project Profiles

Los Angeles Harbor Redevelopment
Los Angeles, California

The City of Los Angeles Community Redevelopment Agency (CRA) retained EPS to develop an economic strategy for the Los Angeles Harbor Industrial Center Redevelopment Project at the Wilmington Industrial Park. The 232-acre project is the third Brownfields Demonstration Site in Los Angeles, which like many large cities has a shortage of viable, master-planned property to accommodate economic development. Land that is available often has complex environmental issues and subsurface conditions, such as oil wells and associated pipelines.

Wilmington Industrial Park is strategically located adjacent to the Los Angeles Harbor, the Alameda Corridor, and other transportation improvements under construction. In its economic strategy, EPS identifies ways to redevelop the project area and attract new development, labor-intensive industry, and new jobs for the local community. EPS and its subcontractors (EPS Team) evaluated the property’s position relative to the area’s extraordinary transportation infrastructure, regional economic trends, and CRA job and tax-base goals. The EPS Team developed economic, land planning, civil engineering, geotechnical, and redevelopment studies, contributing to a strategic plan for attracting public and private investment to the area. The strategy included developing a geographic information system and a related Web site intended to expedite developer due diligence associated with specific development proposals.

Sacramento Downtown Property Portfolio Evaluation
Sacramento, California

The Capitol Area Development Authority (CADA) retained EPS to evaluate CADA’s downtown real estate portfolio and to make recommendations about the disposition of land assets and the use of development proceeds. CADA was created to manage key State-owned real estate assets in the Capitol Area and is active in several major mixed-use projects that are transforming this portion of downtown Sacramento.

Based on an analysis of market supply and demand conditions, as well as a detailed review of specific properties and related financial information, EPS is advising CADA on the overall value of its portfolio, including residential, office, and retail properties. Ultimately, the information will be used to advise CADA on how revenue may best be reinvested in downtown redevelopment projects to enhance the economic performance and quality of life of downtown Sacramento’s Capitol Area.
REAL ESTATE TRANSACTIONS AND NEGOTIATIONS

Services Provided
EPS assists public and private sector clients negotiate the lease, transfer, and sale of real estate assets to developers and other end users. EPS’s services provide timely, objective, and well-documented advice to support successful real estate transaction. EPS develops business plans and marketing strategies; writes Requests for Qualifications/Requests for Proposals, developer-selection criteria, and Development Agreements; assists with contract negotiations; and formulates business terms and conditions for land disposition.

EPS premises its negotiation strategy on a thorough understanding of project economics, public policy and political considerations, and regulatory parameters to structure business terms definitive and flexible enough to serve over the long term. EPS’s services are engaged for a variety of major public/private ventures, such as renovating regional commercial facilities—military bases, rail, and air transportation facilities—and other regionally significant areas undergoing transfer or reuse.

Representative Projects
- Redevelopment Negotiations for the Fleet Industrial Supply Center, Alameda, California
- Port of San Francisco Pier 30/32 Developer Selection and Negotiations, San Francisco, California
- Orlando Naval Training Center Purchase Offer, Orlando, Florida
- Alameda Naval Air Station Business Plan and Disposition Analysis, Alameda, California
- Marine Corps Air Station Tustin Business Plan and Disposition Analysis, Tustin, California
- Hunters Point Naval Shipyard Negotiations, San Francisco, California
- Buenaventura Mall Renovation/ Expansion Development Agreement Negotiations, San Buenaventura, California
- Pinole Vista Shopping Center Development Agreement Negotiations, Pinole, California
- The Canyons Development Agreement, Summit County, Utah
- Bay Area Rapid Transit (BART) Joint Development, Castro Valley, California
- Oakland Coliseum Advertising Agreement Negotiations, Oakland, California
- Railyards Specific Plan/ Richards Boulevard Area Plan Development Agreement Negotiations, Sacramento, California
REAL ESTATE TRANSACTIONS AND NEGOTIATIONS

Project Profiles

Redevelopment of the Fleet Industrial Supply Center
Alameda, California

The City of Alameda selected EPS to assist in selecting a developer and negotiating a Development and Disposition Agreement (DDA) for the disposition of the 200-acre Fleet Industrial Supply Center and East Housing property located along the Oakland Estuary across from Jack London Square. EPS evaluated and summarized developer proposals, including pro-forma project economics, and proposed transaction terms. The selected developer, Catellus Development Corporation, proposed to develop 475 units and 1.3 million square feet of research and development/office space. EPS conducted market research, prepared pro forma and fiscal analyses, and evaluated financing issues to support the City’s DDA negotiation.

Stockton Airport Special Purpose Plan: Market Analysis and Financial Overview
Stockton, California

San Joaquin County formulated a Special Purpose Plan for future use of the Stockton Metropolitan Airport Property, a 1,500-acre site owned by the county that has an operational airport capable of handling wide-body aircraft. EPS worked with San Joaquin County to identify actions to move the project forward in a manner consistent with the county’s policy and financial objectives. As part of this effort, EPS helped solicit and evaluate developer proposals and developed a financial model to assess a set of phasing, financial, and disposition measures. EPS specified a development strategy for the property that was based on a comprehensive market analysis of existing development in the area, projected demand, and potential emerging industries or users groups.

Port of San Francisco Pier 30/32 Negotiation Support
San Francisco, California

The Port of San Francisco sought to develop a major mixed-use project, anchored by an international passenger cruise-ship terminal, on a scenic waterfront site near downtown San Francisco. The site is located along the waterfront midway between the San Francisco Bay Bridge and the new Giants baseball stadium. Although the site offered significant market potential, negotiation and agreement with LCOR, the selected master-developer site, would require resolving several issues regarding public financing, infrastructure cost allocation, land use intensities, and risk distribution.

Working for the Port of San Francisco in support of its developer negotiations, EPS evaluated the market and financial feasibility of proposed development concepts for the port property, reviewed the developer’s financial proposals, evaluated methods for using public financing for a portion of the project, recommended negotiating principles and business terms, and managed the efforts of several subconsultants in various technical specialties. A key objective of the analysis was to determine if commercial and residential uses could generate enough economic value to cover the costs associated with developing the cruise terminal, parking facilities, open space amenities, and other public-oriented uses.
REGIONAL ECONOMICS AND INDUSTRY ANALYSIS

Services Provided

EPS evaluates regional economic conditions and industrial trends as a basis for comprehensive planning, facility programming, and economic development efforts. Our services integrate an understanding of market forces on local, regional, and national levels to ensure that our findings have broad, long-term relevance. Our analysis takes into account emerging industry, demographic, and/or technological trends that affect the economic relationships within and between the various sectors under consideration.

EPS’s services in this practice are often designed to provide information on the future growth and performance of particular industries and/or regions. The firm provides expertise on such industries as biotechnology, telecommunications, environmental technology, agriculture, tourism, trade, and entertainment. EPS also evaluates the competitiveness and specialization of regions and submarkets, including the geographic distribution of various economic “clusters.” Specific technical methods employed include the analysis of industry-specific research and surveys, regional growth and commute patterns, and interviews with local officials and industry experts.

Representative Projects

- Rocky Flats Base Reuse Target Industry Study, Golden, Colorado
- Analysis of Wine and Timber Industry, Sonoma and Mendocino Counties, California
- Civic Auditorium Market Assessment, Santa Monica, California
- Stapleton Airport Market Creation Strategies, Denver, Colorado
- Stockton Airport Industry Analysis/Special Purpose Plan, Stockton, California
- Oakland Produce District Feasibility Study, Oakland, California
- Home Improvement Market Study, Santa Rosa, California
- Mission Valley Rock Aggregate Production Market Analysis, Alameda, California
- Del Norte Plaza Multiplex Cinema Market Analysis, El Cerrito, California
- Los Positas Community College Workforce Training and Conference Center Feasibility Study, Livermore, California
- Regional Economic Growth and Linkages Analysis, Alameda County, California
- Sierra Region Demographic and Economic Profile, Sierra Nevada
- Route 24/Caldecott Tunnel Corridor Study, Alameda and Contra Costa Counties, California
- Clovis Research and Technology Park Feasibility Analysis, Clovis, California
- Biotech Industry Study for Fitzsimons Army Medical Center, Aurora, Colorado
- Alameda Science and Technology Center Market Analysis, Alameda, California
REGIONAL ECONOMICS AND INDUSTRY ANALYSIS

Project Profiles

Rocky Flats Reuse Target Industry Study
Jefferson County, Colorado

Following closure of the Rocky Flats Weapons Plant, an effort was undertaken to re-employ 7,500 scientists and technicians and to redevelop the site for future uses. EPS was hired to develop a business strategy for the site with focus on the environmental technology and renewable energy industries. EPS, in association with Murray Lamont & Associates, conducted a survey of Colorado environmental firms to identify their location criteria and operational requirements, and to assess the degree of industry identity and shared goals. EPS synthesized the employment data, environmental firm survey, and other research on the environmental industry and developed principles to devise a statewide environmental business strategy.

Analysis of Wine and Timber Industry Trends
Sonoma and Mendocino Counties, California

The California North Coast has become the leading high-end grape-growing and wine-producing region in the United States. The wine industry’s increasing success, fueled in part by its tourist appeal, has created problems for other local industries especially those competing for scarce land and labor, such as the timber industry. Because significant areas in the North Coast are suitable for producing both wine grapes and timber, local policy makers sought to gain a better understanding of long-term trends and market prospects for the sectors.

EPS prepared wine- and timber-industry trend reports on Sonoma and Mendocino Counties for a private-sector real-estate interest. The reports provided detailed historical data on production and employment in both counties and evaluated future market trends, based on expected demand, competitive supply, and availability and cost of production inputs. The analysis was designed to guide county policy makers on issues related to land use, job training, and other long-term planning decisions.

Santa Monica Civic Auditorium Market Assessment
Santa Monica, California

As a part of the Civic Center Specific Plan process, the City of Santa Monica evaluated the reuse potential of the Santa Monica Civic Auditorium (Civic). The Civic Center Specific Plan process was designed to help the city to carefully determine the future role of the Civic in the community and in the region as a whole.

The city hired EPS to conduct a market and financial assessment of the Civic’s reuse potential. The analysis explored the Civic’s existing conditions and future potential for three distinct uses: a performing arts theater, a conference center, and a concert venue. For each reuse alternative, EPS analyzed demand for facility use in the market area, assessed competitive supply, and estimated unmet demand. In addition, EPS evaluated the facility improvements needed to capture this excess demand and the financial implications to the City of Santa Monica.
LAND USE PLANNING AND GROWTH MANAGEMENT

Services Provided

EPS combines a thorough working knowledge of land use planning and regulation practices with its real estate and economic expertise to contribute to land use planning and growth management strategies. The firm's roles in land use planning programs typically include economic and demographic forecasts; land use information and market inputs to plan formulation; fiscal and financial evaluation of plan alternatives; and land use policy implementation. EPS’s integrated approach to land use, transportation, market, fiscal, and financial issues results in plans and programs that effectively guide future development.

EPS provides a range of services related to land use planning and growth management. We evaluate the physical and economic linkage between jobs and housing and the economic impacts of land use and growth control measures. We analyze the effect of employment growth on the provision of City services and amenities as well as the opportunities and constraints presented by regional growth patterns. Our services are also frequently applied to the preparation of Comprehensive Plans, Subarea Plans, Housing Elements, growth projection studies, and jobs/housing linkage or in-lieu of fee programs.

Representative Projects

- Snyderville Basin Growth Management Report, Summit County, Utah
- Sonoma Workforce Housing Analysis, Sonoma County, California
- El Dorado County Growth Forecast, El Dorado County, California
- Conaway Ranch Specific Plan Regional Growth Forecast and Market Analysis, Woodland, California
- Interstate 5 Corridor Population and Employment Forecasts, San Joaquin County, California
- Comprehensive General Plan Update, El Cerrito, California
- Land Use/Transportation Corridor Plan, San Mateo County, California
- Sonoma/Marin Land Use and Transportation Study, Sonoma County, California
- Denver Regional Council of Governments Urban Centers Pilot Project, Denver, Colorado
- Bay Area Partnership Regional Land Use Data Analysis, San Francisco Bay Area, California
- McCarthy Ranch General Plan Amendment Fiscal and Financial Impact Analysis, Milpitas, California
- Longmont Area Comprehensive Plan Update, Longmont, Colorado
- Nashville Gulch Comprehensive Plan Economic Impact Analysis, Nashville, Tennessee
LAND USE PLANNING AND GROWTH MANAGEMENT

Project Profiles

Snyderville Basin Growth Management Report
Summit County, Utah

The unincorporated Snyderville Basin and Park City have experienced strong growth pressures because of their dual functions as a rapidly expanding destination resort and an affluent residential suburb to the Greater Salt Lake Area. In response to these growth pressures, Summit County adopted a new General Plan to establish a new vision for the Snyderville Basin in terms of general planning objectives, policies, and design standards. As a next step, the county required a more detailed analysis of geographic and financial growth impacts and the policy tools available to manage this growth consistent with its new vision.

EPS prepared a growth management report that considered these items: (1) real estate market development pressures; (2) the likelihood that the existing policy regime would produce outcomes consistent with the new vision; (3) an additional set of policy options that could more closely guide growth toward the community’s vision; and (4) an analysis of the costs of growth and the measures available to ensure levels of service are maintained or enhanced as the Basin grows. The information, analysis, and recommendations included in the report provided the county with a quantitative and graphic basis for interpreting and implementing its new General Plan.

Sonoma Workforce Housing Analysis
Sonoma County, California

The Bay Area housing market has become increasingly expensive in recent years, with median home prices rising nearly 100 percent over 5 years in some areas because of rapid employment growth coupled with limited land supply. In Sonoma County, home prices have increased significantly, and for new workers in the County’s expanding employment base, finding affordable housing has become increasingly difficult.

A coalition of the county government and the nine cities in the county commissioned EPS to conduct a nexus study between employment and housing and to propose a countywide approach to the affordable housing shortage. This study involves evaluating employment and commuting-pattern trends in Sonoma County, distributing income among future jobs in the county, costs of building and acquiring market rate and affordable housing, and various programs currently in place to address housing affordability issues. EPS will establish the relation between employment growth and housing prices and will recommend an impact fee that assigns some of the financial costs of developing affordable housing back to the employers whose expansion contributes to housing demand.
OPEN SPACE AND RESOURCE CONSERVATION

Services Provided

EPS prepares financing and implementation strategies that support active and passive open space and conservation projects. EPS provides financial analysis for Open Space Elements, Park and Recreation Master Plans, Agriculture Preservation Strategies, and Habitat Conservation Plans. The firm’s broad knowledge of public facility and open space financing techniques and land use planning and regulatory practices, combined with our experience in resolving land use conflicts, allows EPS to develop feasible conservation programs that achieve conservation goals in a financially sound manner.

EPS believes that habitat and recreational open space offer broad economic and quality of life benefits and therefore should be funded by broad-based and equitable financing techniques similar to those used for other community facilities. Our studies identify the economic benefits to landowners participating in comprehensive conservation plans as opposed to completing time-consuming individual mitigation projects. EPS believes that it is important to provide funding mechanisms that best suit the conservation, acquisition, and management goals, while accounting for the development and landownership patterns and the sources and types of supplemental funding.

Representative Projects

- Yolo County Habitat Conservation Plan, Yolo County, California
- Economic Analysis of the Natomas Basin Habitat Conservation Plan, Sacramento, California
- South Sacramento Habitat Conservation Plan, Sacramento County, California
- Economic Feasibility Study for the El Dorado County Ecological Preserves, El Dorado County, California
- Contra Costa Biodiversity Study, Contra Costa County, California
- Santa Rosa/Rohnert Park Community Separator Preservation Strategies, Sonoma County, California
- Longmont Residential Open Space Study, Longmont, Colorado
- South Livermore Valley Vineyard Area Plan, Livermore, California
- Recreation and Parks Master Plan Update, Santa Monica, California
- City of Brentwood’s Parks Master Plan Financial Review, Brentwood, California
- San Jose Parks and Recreation Master Plan, San Jose, California
- Davis Open Space Element Revision Financing Plan, Davis, California
- Agricultural Buffer and Farmland Mitigation Ordinance, Davis, California
- County Farmland Preservation Program, San Joaquin County, California
- Natomas Basin Habitat Conservation Plan, Sacramento, California
- Green Valley Area Transfer of Development Program, Solano County, California
OPEN SPACE AND RESOURCE CONSERVATION

Project Profiles

Yolo County Habitat Conservation Plan (HCP)
Yolo County, California
In Yolo County over 10,000 acres of land were designated for future development. The County, four cities, and State and federal agencies implemented an interim development fee to fund the study and implementation of a long-term regional Habitat Conservation Plan (HCP). The HCP was intended to mitigate development impacts and protect threatened and endangered species throughout the County, including the Swainson’s Hawk. As part of the team headed by an environmental engineering firm, EPS prepared an implementation plan and nexus study for the Yolo County HCP. EPS’s role was to define the major economic issues, prepare acquisition strategies and financing options, prepare a revenue forecast for the proposed fee, and estimate land acquisition costs and potential revenues from non-fee sources.

Nature Conservancy North Coast Resources Analysis
San Luis Obispo County, California
The Nature Conservancy (TNC) was considering entering into negotiations to purchase conservation easements on an expanse of land on California’s central coast. TNC was interested in evaluating environmental resources present relative to the likely cost of purchasing development rights. Such an analysis would allow TNC to prioritize this land area relative to other potential acquisitions. EPS was hired to evaluate various issues in the study area including available data on environmental resources, existing land use policy, and development potential and market values of land. EPS conducted a survey of land values of similar types of land, both locally and throughout California, considered the financial feasibility of development in selected areas, and evaluated the cost of conservation easements relative to fee title purchase. EPS provided planning-level estimates of the cost of purchasing conservation easements over the area as well as input on the types of development that might be feasible if the area were not conserved. Subsequent to this initial effort, EPS developed a flexible residual land value model to estimate land values under different regulatory and market scenarios.

Economic Analysis of Natomas Basin HCP
West Sacramento, California
The Natomas Basin Habitat Conservation Plan (NBHCP) addresses the potential for development of 17,500 acres in the 53,000+ acre interior of the Natomas Basin and the impacts it will have on wildlife habitat. EPS has conducted annual economic analysis since 1998 to determine the NBHCP mitigation fee level to fund land acquisition, operations and maintenance, and restoration and enhancement costs for the preservation and proliferation of habitat for the giant garter snake, Swainson's Hawk, and other species. The analysis breaks down the acquisition, restoration/enhancement and operating costs, and revenue activities of the NBHCP to determine the necessary fee level for the NBHCP to be financially viable. An endowment fund was established to provide additional funding for operations and maintenance expenses once all lands have been acquired. Additionally, a supplemental endowment fund was later added to provide additional funds that may be needed for future land acquisition.
GOVERNMENT ORGANIZATION

Services Provided

EPS evaluates the costs, benefits, and feasibility of local government reorganization. Completion of government organization studies draws upon EPS’s expertise in fiscal analysis, public finance, and land use planning, along with a thorough knowledge of local government forms and options.

EPS’s services generally are required as a part of state annexation law or negotiations between existing entities involved in reorganizations or common purpose efforts. These proceedings and efforts include the formation of new government entities including annexations, municipal incorporations, special district formations, and joint exercise of powers organizations. As part of its work, EPS typically prepares detailed pro forma budget forecasts for the new jurisdiction, documentation or alternative organizational options, and estimates of impacts on existing entities.

Representative Projects

- Los Angeles Reorganization, San Fernando Valley, California
- Goleta Valley Incorporation Feasibility Analysis and Tax Sharing Agreement, Goleta, California
- Sacramento County Interim Open Space Commission, Sacramento, California
- County Reorganization Analysis, Santa Barbara County, California
- Windsor Incorporation Feasibility Study, Sonoma County, California
- Governance Study, Pitkin County, Colorado
- Annexation Study, Rancho Murieta, California
- Tassajara Area Annexation, Alameda County, California
- Pleasant Grove Incorporation Comprehensive Fiscal Analysis, Yolo County, California
- Tahoe Incorporation Feasibility Study, Douglas County, Nevada
- Templeton Incorporation Feasibility Study, San Luis Obispo County, California
- Orange County Fire District Detachment Feasibility Study, Orange County, California
- Northstar Annexation Study, Nevada County, California
- City Parks Master Plan and Organizational Options, Brentwood, California
- Evaluation of Truckee Incorporation Feasibility Studies, Nevada County, California
- El Dorado Hills Incorporation Comprehensive Fiscal Analysis, El Dorado Hills, California
- Feasibility Analysis/Comprehensive Fiscal Analysis for Incorporation, Rancho Cordova, California
- Incorporation Fiscal and Feasibility Review and Comprehensive Fiscal Analysis, Elk Grove, California
GOVERNMENT ORGANIZATION

Project Profiles

Los Angeles Reorganization
San Fernando Valley, California
Residents and business leaders in the San Fernando Valley submitted an application to the Los Angeles Local Agency Formation Commission (LAFCO) to detach from the City of Los Angeles and incorporate as a new, smaller city. The proponents desired an increased level of local control over municipal services and planning issues; concerns existed that the City of Los Angeles was not responsive to the needs of Valley residents. EPS was part of a team of consultants engaged by the proponents to help structure the new city and the terms under which it would split from the City of Los Angeles and reorganize.

EPS was instrumental in reviewing and responding to the Comprehensive Fiscal Analysis prepared by LAFCO, developing a proposed city budget, preparing Terms and Conditions for the reorganization, and a proposed agreement for mitigating impacts on the City of Los Angeles. Key issues addressed included the disposition of infrastructure, assets and liabilities, employee transfers to the new city, and payments for contract services and mitigation.

Goleta Incorporation Comprehensive Fiscal Analysis
Santa Barbara County, California
The Goleta area, which lies to the west of the City of Santa Barbara, had been the subject of several incorporation efforts over the past several years. The proponents of the most recent effort sought to gain several benefits from incorporation, including local control over land use policies. The area was a major source of net revenue to the County of Santa Barbara and, with nearly 80,000 residents, represented almost half the county’s unincorporated population and the majority of its revenue-generating development. As a result, incorporation raised significant issues about its potential impacts on the county and on services in the balance of the unincorporated areas. EPS prepared a Comprehensive Fiscal Analysis, including a public services plan and budget analysis, to evaluate the feasibility of a new city and to estimate potential county impacts. EPS’s Fiscal Analysis and revenue-neutrality recommendations paved the way for the incorporation of Goleta, approved by voters in 2001.

Sacramento County Open Space Funding and Organizational Options
Sacramento, California
To address the need to preserve open space in the face of expanding development, the Sacramento County Board of Supervisors established an Interim Open Space Commission. The commission was charged with creating recommendations for an appropriate organizational approach to acquiring and maintaining open space and funding open space in Sacramento County. EPS served as staff to the commission. EPS’s efforts included organization of informational seminars, a public opinion survey, and the development of organizational and funding policy options.
TRANSPORTATION PLANNING AND ANALYSIS

Services Provided

EPS provides a broad spectrum of services related to transportation planning and analysis and has participated in numerous transportation studies, extending from project-specific analysis to regional transportation planning efforts. These projects often call upon the firm's experience in land use planning, economic and fiscal impacts, infrastructure financing, and governance.

Specific services provided by EPS include determining the impact of transportation investments on land use and development opportunities; evaluating transit-oriented development and joint development associated with transit improvements; and preparing socioeconomic data in support of transportation modeling efforts. Other specific services encompass establishing financing programs for transportation projects; establishing intergovernmental agreements as part of regional transportation planning; and assisting with congestion management programs, including impact analysis models, travel demand management policies, and land use controls.

Representative Projects

- Phoenix/Tempe/Mesa Transit Oriented Development, Arizona
- NY-5 Corridor Land Use and Transportation Study, Albany, New York
- RTD I-170 Denver to Golden Major Investment Study, Denver, Colorado
- Sonoma/Marin Land Use and Transportation Study, Sonoma County, California
- Capital Improvement Management System, Port of Oakland, California
- Regional Land Use Data Analysis, San Francisco Bay Area, California
- Transportation Land Use Information System, San Mateo County, California
- Transit Performance Monitoring System, Sacramento, California
- Regional Transportation District IGA, Aspen, Colorado
- Amador Transportation Plan Financing Study, Amador County, California
- San Mateo Congestion Management Program, San Mateo County, California
- Denver Union Station Master Plan, Denver, Colorado
- Bay Area Rapid Transit Joint Development, Castro Valley, California
- Light Rail Station Redevelopment Potentials, Greenwood Village, Colorado
- Regional Transportation District Systems Plan, Denver, Colorado
- Northwestern Pacific Railway Authority Site Analysis, San Rafael, California
- San Francisco Transit-Oriented Development, San Francisco, California
TRANSPORTATION PLANNING AND ANALYSIS

Project Profiles

Phoenix/Tempe/Mesa Transit-Oriented Development  
Phoenix, Arizona

The Phoenix Area’s regional public transportation authority is planning the development of a Light Rail Transit (LRT) system running roughly 20 miles through Phoenix, Tempe, and Mesa. To capitalize on this new transit service, the three jurisdictions are promoting transit-oriented development throughout the LRT Corridor, with particular emphasis around planned station areas.

EPS was hired as part of a multidisciplinary planning team led by DeLeuw, Cather & Company and S.R. Beard & Associates. EPS’s responsibilities included market research and conceptual development programming for segments of the LRT Corridor and specific station areas. EPS conducted a review of regional and jurisdictional market conditions and an evaluation of property performances and development opportunities and constraints in the LRT corridor. EPS also assessed the future market influence attributable to LRT service and identified implementation measures required to achieve the desired transit-oriented development.

NY5 Corridor Land Use and Transportation Study  
Albany/Schenectady, New York

As part of a consultant team, EPS collaborated on a corridor land use/transportation study. The study was commissioned by the Capital District Transportation Authority to define and implement transit and road improvements along the historical highway connecting Albany to Schenectady that has evolved into a “strip commercial” area and the site of other major retail shopping centers. It is hoped that a new approach to land use controls and change along with other efforts can reduce congestion and improve feasibility of transit facilities along the highly congested corridor. EPS analyzed demographic trend patterns for the Capital District, constructed a land-use database for along the Corridor, and evaluated opportunity sites for market potential. The consultant team formulated alternative land use and transportation scenarios to illustrate the transportation and economic linkages of land use with transportation systems. Finally, a set of revised land use controls and land use incentives was formulated to induce desired changes.

Regional Transportation District I-70 Denver to Golden Major Investment Study  
Denver, Colorado

EPS, in conjunction with CH2M Hill, was responsible for land use, economic development, and station development evaluations, as well as the public involvement component, on the Denver to Golden Major Investment Study for the Regional Transportation District in Denver. The detailed evaluation addressed a full range of transportation options including light rail transit (LRT), commuter rail, bus/HOV and highway expansion options. The draft locally-preferred alternative is LRT on the BNSF Gold Line right-of-way with a first phase of development from Denver Union Terminal to the Ward Road park-n-Ride, a distance of 11 miles, with a second phase extending to downtown Golden.
ASSET VALUATION AND REPOSITIONING

Services Provided

EPS provides asset valuation and repositioning services for real estate owners, investors, and developers of distressed real estate properties. Market and financial analysis of properties under a range of development options is essential to understanding the current and potential value of a property and determining the best course of action regarding repositioning, restructuring, and/or disposition. Long a leader in providing real estate and public financing services to private and public development entities, EPS also assists banks, REITS, other real estate equity firms, and land-secured financing districts with assessing market and development conditions and potentials in a dynamic credit and financing environment.

Representative Projects

- Repositioning of Alameda Naval Air Station Redevelopment, Alameda, California
- Redevelopment and Repositioning of Historic Nut Tree Site, Vacaville, California
- Winrock Mall Redevelopment and Financing, Albuquerque, New Mexico
- Grandview Development Plan Repositioning, Loveland, Colorado
- Redevelopment Analysis, Adams County, Colorado
- Wilson Ranch Real Estate Assessment, Mead, Colorado
- Lagoon Valley Competitive Analysis, Solano County, California
- San Lorenzo Village Square Redevelopment, San Lorenzo, California
- Wildwood Estates CFD Workout Plan and Valuation Analysis, Nevada County, California
- Town and Four Apartments Market and Financial Analysis, Creve Coeur, Missouri
ASSET VALUATION AND REPOSITIONING

Project Profiles

Repositioning of Alameda Naval Air Station Redevelopment
Alameda, California

The City of Alameda had selected a private developer to create a Master Plan and serve as Master Developer of the former Naval Station Alameda (NAS) property. Following several years of planning and negotiations with the Navy, which still owned the property, the selected Master Developer elected not to proceed with the development due to a significant downturn in the real estate market. The City retained EPS to assist in soliciting and selecting a new Master Developer to take over the project. After proposals were received from several developers, EPS conducted due diligence on the developers’ experience and financial positions as well as their development concepts. Following the City’s selection of a preferred developer, EPS has provided continuing support to the City in negotiations with the developer and the Navy. EPS has been responsible for developing and updating the project pro forma and providing technical and strategic support to the City regarding key economic issues including market values, absorption rates, phasing, intensification and modification of land uses, fiscal mitigation, alternative financing mechanisms, public improvements, and infrastructure requirements and costs.

Redevelopment and Repositioning of the Historic Nut Tree Site
Vacaville, California

The historic Nut Tree property, a popular Northern California retail landmark, quickly fell into physical and financial disarray after the death of its long-time proprietor. The City of Vacaville took possession of the 76-acre site, located along the heavily traveled Interstate 80 midway between San Francisco and Sacramento. The City entered into exclusive negotiations with a developer intent on creating a unique, high-density project that would include land uses not yet established in this growing suburban environment.

Working with the developer selected by the City, EPS evaluated the market potential and financial feasibility of a variety of mixed-use development concepts for the Nut Tree site. The analysis focused on a retail mixed-use project that would leverage the site’s desirable attributes, including positive name recognition as well as adjacency to a local baseball stadium, well-utilized private airport, and popular factory outlet center. EPS also evaluated the potential success of high-density office and residential uses to be integrated with other project components, which included a conference center hotel, golf course, parks, a museum, and other public amenities. Based on its market financial feasibility analysis, EPS helped to design a preferred land use concept and provided strategic input for the development of a comprehensive public/private financing plan and a Development Agreement with the City. The work was conducted as part of a multidisciplinary team that included designers, engineers, and a golf/hotel consultant.
REPRESENTATIVE CLIENTS

Cities
Anaheim, California
Aspen, Colorado
Auburn, California
Austin, Texas
Berkeley, California
Boulder, Colorado
Chico, California
Citrus Heights
Concord, California
Davis, California
Denver, Colorado
Folsom, California
Fremont, California
Los Angeles, California
Merced, California
Modesto, California
Napa, California
Oakland, California
Orlando, Florida
Phoenix, Arizona
Pleasanton, California
Redding, California
Redmond, Washington
Redwood City, California
Richmond, California
Rocklin, California
Roseville, California
Sacramento, California
San Clemente, California
San Francisco, California
San Jose, California
San Luis Obispo, California
San Mateo, California
Santa Barbara, California
Santa Monica, California
Santa Rosa, California
Seaside, California
Seattle, Washington
Stockton, California
Truckee, California
Turlock, California
Vacaville, California
Vallejo, California
Ventura, California
Walnut Creek, California
Watsonville, California
Winters, California

Counties
Alameda, California
Contra Costa, California
El Dorado, California
King, Washington
Marin, California
Mendocino, California
Merced, California
Monterey, California
Orange, California
Placer, California
Pitkin, Colorado
Sacramento, California
San Joaquin, California
San Luis Obispo, California
San Mateo, California
Santa Cruz, California
Sonoma, California
Summit, Utah
Sutter, California

Yamhill, Oregon
Yolo, California
Yuba, California

Public Agencies and Special Districts
Alameda County Congestion Management Agency
Alameda Reuse and Redevelopment Authority
Bay Area Rapid Transit District
Capital Area Development Authority
Capital District Transportation Authority, New York
Contra Costa LAFCO
Denver Regional Transportation District
East Bay Regional Park District
El Dorado Hills CSD
El Toro Redevelopment Authority
Fitzsimmons Reuse Authority, Colorado
Fort Ord Reuse Authority
Incline Village G.I.D.
Los Angeles Community Redevelopment Agency
Mobile (Alabama) Airport Authority
Northwest Pacific Railroad Authority
Olivehurst Public Utility District
Port of Los Angeles
Port of Oakland
Port of San Diego
Port of San Francisco
Roaring Fork Transit Authority
Sacramento Area Council of Governments
Sacramento City-County Office of Metropolitan Water Planning
Sacramento Open Space Commission
Sacramento Regional Transportation District
San Joaquin Council of Governments
Sonoma County Agricultural Preservation and Open Space District
Stapleton Redevelopment Corporation, Colorado
Transmission Agency of Northern California
Tri-Valley Wastewater Authority
Treasure Island Development Authority
Inter-American Development Bank

Nonprofit/Advocacy Organizations
American Center for Wine, Food, and Arts Building Industry Association
Downtown Spokane Partnership
East Bay Conversion and Reinvestment Commission
Marin Agricultural Land Trust
Mountains Restoration Trust
North Coast Builders Exchange
San Francisco Jewish Museum
Santa Cruz County Business Council
The Nature Conservancy
The Trust for Public Land
The Wilderness Society
Yosemite Restoration Trust

State and Federal Agencies
Alaska Division of Tourism
California Attorney General
California Coastal Conservancy
California State Department of Fish and Game
Caltrans

National Park Service
U.S. Fish and Wildlife Service
U.S. Forest Service

Private Sector
AEW Capital Management
Aspen Skiing Company
A. Teichert & Son
Beazer Homes
Buzz Oates Enterprises
Callahan Property Company
Camray Development and Construction Co.
Catellus Development Corporation
Centex
Continuum Partners LLC
Corrie Development Corporation
DKM Investments, Inc.
El Dorado Hills Development Co.
FHKS/Ward Company
First Commercial Bank
Forest City Development
General Growth Partners
Graham Development Company
Granite Power and Development Co.
Hyatt Rices
The Hofmann Company
Jones Lang LaSalle
JPI West Coast Construction
KB Home
Kaiser Permanente
L & P Land Development
Lennar Communities
Lewis Homes
McClellan Business Park
McCuen Properties
Morrison Homes
Pacific Construction Company
Pacific-Teal Development
Pacific Telesis
Pacific Gas & Electric Properties
Powell Development
Prometheus Development Company
Prudential Development Group
Pulte Homes, Inc.
Resort Development Company
Reynen & Bardis Communities
Sears, Roebuck and Co.
Shaffer Management Group
Southern Pacific Transportation Co.
Sterling Pacific Assets
The DeSilva Group
The Hodgson Company
The MacDiarmid Company
The Pivotal Group
The RREEF Funds
Wadsworth Golf Construction
Waterworld Resorts, Inc.
WCi Communities, Inc.

Educational Institutions
Chabot-Las Positas Community College District
River Delta Unified School District
Rocklin Unified School District
Roseville City Elementary School District
Sacramento State University
Stockton Unified School District
University of California, Berkeley
University of California, Davis
University of California, Merced
University of California, Office of the President
University of California, Santa Cruz
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