

RIVERSIDE COUNTY TRANSPORTATION COMMISSION

DATE:	July 12, 2006
TO:	Riverside County Transportation Commission
FROM:	Property "Committee of the Whole" Stephanie Wiggins, Regional Programs Director
THROUGH:	Eric Haley, Executive Director
SUBJECT:	Sole Source Agreement No. 07-25-005-00 to Keyser Marston Associates for Real Estate Financial Advisory Consultants for the Riverside-Downtown Joint Development

PROPERTY "COMMITTEE OF THE WHOLE" AND STAFF RECOMMENDATION:

This item is for the Commission to:

- 1) Award Sole Source Agreement No. 07-25-005-00 to Keyser Marston Associates for Consultant Services for the Riverside-Downtown Joint Development Project in an amount not to exceed \$70,500; and
- 2) Authorize the Chair, pursuant to legal counsel review, to execute the agreement on behalf of the Commission.

BACKGROUND INFORMATION:

At its June 2005 meeting, the Commission approved the RCTC Station Joint Development Guidelines and authorized staff to develop a RFQ/RFP for Joint Development of the La Sierra Station. As a result of the initial process of developing a recommendation for an Exclusive Negotiating Agreement (ENA) for Joint Development at the La Sierra Station, the Evaluation Committee is recommending award of a sole source agreement to Keyser Marston Associates for consultant services on the Riverside-Downtown Joint Development Project.

A key evaluation tool in recommending a development team for the La Sierra ENA was the pro-forma financial analysis performed by Keyser Marston Associates. This allowed an "apples to apples" comparison of the two pre-qualified development teams. In April 2006, the Commission authorized the release of a RFQ/RFP for Joint Development at the Riverside-Downtown Station. Eight Statement of Qualifications have been received and the Evaluation Committee is recommending that the same pro-forma analysis be completed for the pre-qualified development teams. Keyser Marston Associates has unique qualifications given its extensive work with the city of Riverside and transit oriented developments, as illustrated in its attached proposal.

Financial Information					
In Fiscal Year Budget:	Y	Year:	FY 2006/07	Amount:	\$70,500
Source of Funds:	Local Transportation Fund			Budget Adjustment:	N
GLA No.:	106-67-65503 P4001				
Fiscal Procedures Approved:	<i>Theresa Iuvino</i>			Date:	6/21/06

Attachment: Keyser Marston Associates Proposal



KEYSER MARSTON ASSOCIATES
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

June 8, 2006

Ms. Stephanie Wiggins
Regional Programs Director
Riverside County Transportation Commission
4080 Lemon Street, 3rd Floor
Riverside, CA 92502

ADVISORS IN:
REAL ESTATE
REDEVELOPMENT
AFFORDABLE HOUSING
ECONOMIC DEVELOPMENT

SAN FRANCISCO
A. JERRY KEYSER
TIMOTHY C. KELLY
KATE EARLE FUNK
DEBBIE M. KERN
ROBERT J. WETMORE

Re: Proposal for Consulting Services
Downtown Metrolink Station Joint Development
Developer Selection

Dear Ms. Wiggins:

LOS ANGELES
CALVIN E. HOLLIS, II
KATHLEEN H. HEAD
JAMES A. RABE
PAUL C. ANDERSON
GREGORY D. SOO-HOO

SAN DIEGO
GERALD M. TRIMBLE
PAUL C. MARRA

Keyser Marston Associates, Inc. (KMA) is pleased to submit this proposal for consulting services related to development of the Downtown Metrolink Station site in Riverside. As background, Riverside County Transportation Commission (RCTC) is in the process of selecting a developer for the development of nine acres currently used as a parking lot for the Downtown Metrolink Station (Site). RCTC has requested KMA's assistance in reviewing developer team qualifications and development proposals, submitted in response to a Request for Qualifications (RFQ) and Request for Proposals (RFP) for development of the Site.

It is KMA's understanding that the preferred development should provide sufficient parking to replace or expand the number of spaces currently available to transit customers. Specifically, growth forecasts indicate the need for 1,500 spaces on the east side of the station and 1,000 spaces on the west side of the station.

Overview of Qualifications

Keyser Marston Associates, Inc. is the premier West Coast real estate advisory firm assisting public agencies with public/private revitalization projects. Since 1973, KMA's three offices in San Diego, Los Angeles, and San Francisco have assisted over 700 clients with more than 2,000 projects designed to improve the quality of urban life. Our staff of over 40 employees serves a diverse client base throughout the western United States, including local cities and redevelopment agencies, transit agencies, and county and state governments, as well as large-scale institutional clients and property owners.

KMA is uniquely qualified to provide RCTC with economic analysis and developer selection services for the Downtown Metrolink Station. KMA has served the City of Riverside's Redevelopment Agency, as a real estate and financial advisor on downtown redevelopment projects since 1978. Our contributions have included:

- Assistance formulating a downtown real estate development strategy for various urban land uses.
- Assistance in evaluation and selection of developers and development proposals.
- Assistance in negotiations with developers.
- Valuation of real property, development rights, and warranted public assistance.

Previous assignments for the City of Riverside Redevelopment Agency where KMA services were utilized include: economic analyses related to the development of the planned Fox Plaza; assistance in the preparation of the Downtown Specific Plan; and financial analysis of the public parking garages at University Village.

KMA has also provided advisory services for a number of transportation authorities, including: Bay Area Rapid Transit (BART), Los Angeles Metropolitan Transportation Authority (MTA), North County Transit District (San Diego), and the Metropolitan Transit System (San Diego). In addition, KMA has worked on a number of transit-oriented developments in communities such as La Mesa, Redwood City, Pleasant Hill, Sacramento, San Diego, Santee, South San Francisco, and Vista.

Detailed information on KMA's relevant project experience can be found in Attachment A.

Scope of Services

In order to assist RCTC on this development, KMA proposes to provide the following services:

Task #1: Developer Qualifications Process

- (1) Review the statement of qualifications submitted by each developer.
- (2) Prepare of a matrix evaluating the qualifications of each developer.

- (3) Provide recommendations regarding the selected developers to be invited to propose.
- (4) Summarize our conclusions and recommendations in a memorandum report.
- (5) Prepare a financial pro forma template to be included in the RFP package distributed to RCTC's selection of qualified developers.
- (6) Provide recommendations regarding the content of the RFP.

Task #2: Bidders Conference (Optional)

- (1) Participate in one (1) meeting with prospective developers prior to their submission of development proposals.

Task #3: Developer Proposals Process

- (1) Review the proposals submitted by each developer.
- (2) Prepare a written data request itemizing missing data requirements, inconsistencies in the Developer submittal, and/or other need for clarification.
- (3) Conduct financial analyses of each developer's financial pro formas. The objective of these analyses will be to review developer assumptions regarding project costs, income, and returns; and to verify proposed financing approaches and compensation offer to RCTC.
- (4) Rank developer proposals in terms of economic feasibility and financial return to RCTC.
- (5) Summarize our conclusions and recommendations in a memorandum report accompanied by supporting technical exhibits.

Task #4 – Meetings and Presentations

- (1) Participate in one (1) meeting with RCTC staff to present conclusions of KMA's analysis of developer proposals.

- (2) If developer interviews are conducted, prepare interview questions to be distributed to the prospective development teams.
- (3) Participate in up to two meetings (2) with public officials (RCTC Property Committee and/or RCTC Board) to brief them on the selection process and receive further direction.

Task #5 – Developer Interviews (Optional)

- (1) Participate with RCTC staff and others on the developer interview panel.

Task #6: Developer Negotiations (Optional)

- (1) Participate in meetings and teleconferences with the developer and RCTC staff to review successive development concepts, financial pro formas, and potential deal terms for an agreement among RCTC and the developer.
- (2) Prepare independent financial analyses of alternative proposals presented by developer.
- (3) Assist in negotiations with the developer for the terms of the site disposition, determination of a land price/ground lease proposal, and development of acceptable financing and management plans.

Task #7: Documentation and Approval of Transaction (Optional)

- (1) Review and comment on the draft legal agreement for disposition and development of the site.
- (2) Prepare a memorandum report justifying the terms of the site disposition, land price/ground lease proposal, and the proposed development's financing plan.
- (3) Attend up to two (2) meetings or public hearings related to the approval of the proposed development.

Budget Estimate

KMA proposes to provide these services on a time-and-materials basis subject to the schedule of standard hourly billing rates (Attachment B). We recommend that RCTC allocate a budget of \$70,500 and KMA will not exceed this limit without authorization.

Our recommended budget allocation by task is as follows:

Task #1 – Developer Qualifications Process	\$6,500
Task #2 – Bidder’s Conference (Optional)	\$2,500
Task #3 – Developer Proposal Process	\$27,500
Task #4 – Meetings and Presentations	\$10,000
Task #5 – Developer Interviews (Optional)	\$4,500
Task #6 – Developer Negotiations (Optional) (1)	\$10,000
Task #7 – Documentation and Approval of Transaction (Optional) (1)	<u>\$9,500</u>
Total	\$70,500

(1) Note that these figures reflect preliminary budget estimates only. The extent of KMA involvement will vary depending on the number of development concepts and proposals considered by RCTC and the preferred developer.

* * * *

We look forward to assisting you with this important project. Please call if you require additional information.

Sincerely,

KEYSER MARSTON ASSOCIATES, INC.

Paul C. Marra

attachments

ATTACHMENT A

RELEVANT PROJECT EXPERIENCE

KEYSER MARSTON ASSOCIATES, INC.

Relevant Project Experience
Keyser Marston Associates, Inc.

City of Riverside – Redevelopment Strategies

KMA has served as the economic advisor to the City of Riverside Redevelopment Agency for over 25 years. KMA services have included financial analysis, market demand forecasts, participation in developer interview panels, review of developer qualifications, and assessment of potential development opportunities within various project areas. KMA's services have been utilized by the Agency on a wide range of projects, large and small, throughout the varied redevelopment project areas of Riverside. These projects include:

- Breezewood Apartments
- California Square
- Downtown Riverside Specific Plan
- Fox Plaza
- Imperial Hardware Redevelopment Project
- Market/Magnolia Corridor Land Use Study
- University Community Plan Update
- University Village
- Van Buren Boulevard Widening Study
- Valencia Plaza

Metropolitan Transit System (MTS) – Morena/Linda Vista Trolley Station Joint Development

KMA prepared the RFQ, RFP, and advised the transit agency on selection of the developer for the development of a mixed-use project at the Morena/Linda Vista Trolley Station in San Diego. KMA assisted MTS negotiate a Disposition and Development Agreement and ground lease with the selected developer, evaluated the development's financial feasibility, and recommended deal terms. The transaction closed with a ground lease conveyance in December of 2004 and the development is currently under construction. When complete, the mixed-use development will feature approximately 180 apartments, 25,000 SF of commercial space, and a trolley park-and-ride facility.

North County Transit District (NCTD) – Disposition of North County Properties

KMA advised NCTD on the disposition of multiple properties located in the North County cities of Solana Beach, Oceanside, Carlsbad, and Escondido. KMA assisted NCTD on issues related to developer selection and the evaluation of the market and financial feasibility of development proposals. KMA also negotiated terms of development agreements with selected developers on behalf of NCTD.

Metropolitan Transit System (MTS) – Grossmont Trolley Station

KMA completed a feasibility planning study for a proposed mixed-use development at the La Mesa Grossmont Trolley Station with the assistance of Gruen Associates, a planning and urban design firm. Based on the study, KMA assisted the City of La Mesa and MTS in the solicitation of developer qualifications and the selection of a developer. Currently, KMA is working with MTS on the financial analysis of a 527-unit mixed-income apartment complex proposed for the site, as well as negotiation of the ground lease between the developer and MTS. The proposed development was recently selected by ULI San Diego/Tijuana to receive a Smart Growth Award.

City of Vista - Vista Village

KMA assisted the City of Vista with developer selection, financial analysis, and structuring of a Disposition and Development Agreement for a four-phase, mixed-use/entertainment oriented development located in the City of Vista. Phases 1 and 2, completed in 2002 and 2003, respectively, features a multi-screen Krikorian Theatre, retail space for tenants such as Staples and Linens-n-Things, a Sprouts grocery store, and associated parking. Phase 4 is in the final planning stages and Phase 3 is a future development.

City of Santee - Santee Trolley Square

KMA assisted the City of Santee and its Community Development Commission with a transit-oriented, mixed-use development planned around the downtown Santee trolley station. The development is proposed to contain a mix of entertainment uses, value retail, restaurants, and public amenities. KMA's responsibilities included assessment of market support for the proposed uses; financial pro forma analyses of the preferred plan and alternatives; and a fiscal impact evaluation.

Los Angeles Metropolitan Transportation Authority – Station Area Development Potential

KMA prepared assessments of development potential for surplus parcels adjacent to five Red Line subway stations on Los Angeles' near West Side. LAMTA controls sites measuring 0.50 to 7.00 acres at the new subway stations and seeks to implement in-fill development that will be compatible with the transit use. The KMA studies reviewed local demographic and employment

factors and market conditions for retail, office, and local demographic and employment factors and market conditions for retail, office, and residential uses. For each site, KMA recommended the optimal development program. Sites evaluated: Wilshire/Western, Wilshire/Vermont, Vermont/Beverly, Vermont/Santa Monica, and Vermont/Sunset.

Los Angeles Metropolitan Transportation Authority – Hollywood/Western Station Mixed Use Development

KMA assisted the LAMTA in ground lease negotiations for a mixed-use development adjacent to the Hollywood/Western station. The project consisted of street front retail, affordable apartments and a day care center. KMA evaluated the development feasibility and estimated the value of the LAMTA holdings. To facilitate development and to obtain tax-credit funding KMA and the LAMTA negotiated a prepaid ground lease for the project.

ATTACHMENT B

HOURLY FEE SCHEDULE

KEYSER MARSTON ASSOCIATES, INC.

**KEYSER MARSTON ASSOCIATES, INC.
HOURLY FEE SCHEDULE**

	<u>2006/2007</u>
A. JERRY KEYSER*	\$260.00
MANAGING PRINCIPALS*	\$260.00
PRINCIPALS*	\$250.00
MANAGERS*	\$205.00
SENIOR ASSOCIATES	\$175.00
ASSOCIATES	\$155.00
SENIOR ANALYSTS	\$140.00
ANALYSTS	\$120.00
TECHNICAL STAFF	\$90.00
ADMINISTRATIVE STAFF	\$75.00

Directly related job expenses not included in the above rates are: auto mileage, 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.