ITEM NO. 7

STAFF REPORT

CITY OF OCEANSIDE

DATE: March 13, 2013

TO: Honorable Mayor and City Councilmembers

FROM: Neighborhood Services Department
Housing and Code Enforcement Division

SUBJECT: **APPROVAL OF (NEIGHBORHOOD SERVICES) AMENDMENT #1 TO THE PROFESSIONAL SERVICES AGREEMENT WITH KEYSER MARSTON ASSOCIATES, INC. OF SAN DIEGO, FOR AS NEEDED AFFORDABLE HOUSING FINANCIAL CONSULTANT SERVICES**

SYNOPSIS

Staff recommends that the City Council approve (Neighborhood Services) amendment #1 in an amount not to exceed $29,500 to the Professional Services Agreement (PSA) with Keyser Marston Associates, Inc., of San Diego (KMA) for financial consultant services for the Weitzel Street and Mission Cove affordable housing projects; and authorize the City Manager to execute the amendment.

BACKGROUND

The City Council provided direction to complete a financial analysis for the development of an affordable housing project on the Weitzel Street parcel. This approximately 1-acre parcel was purchased from the City in 2009 with affordable housing funds for future development of a project. North County Solutions for Change, a local non-profit affordable housing developer, has submitted an initial project proforma for review.

Additionally, Development Agreements for the 288-unit Mission Cove Project were approved by the Council in 2012. With the dissolution of the Redevelopment Agency and decreasing availability of financial resources, the selected development team is currently refining the project proformas to develop an updated financing plan. A financial analyst will review this Plan.

ANALYSIS

In 2009, the City Council approved a five-year Professional Services Agreement with four consulting firms to establish a pool of financial advisors. Funding for special projects and analyses utilizing the services of these firms requires Council approval. KMA is one of the four selected firms. As such, an amendment to the original PSA is required.

KMA will provide financial and development analysis services as needed to evaluate development proposals, financing, and financial structuring. Services may also include the preparation of development agreements and review of developer submissions to assure maximum feasible leverage, bidding and evaluating debt and equity components for project financing, structuring competitiveness for tax credits, tax-exempt bonds, and other state, federal and private sector funding programs, consistent with the City's affordable housing policies and strategy.

FISCAL IMPACT

No additional budget appropriation is required as sufficient funds for consulting services (924459400278.5305 and 923477500277.5355) for amendment #1 for a total of $29,500 are included in the FY 2012/2013 Neighborhood Services budget.

COMMISSION OR COMMITTEE REPORT

The Housing Commission is provided with status updates for affordable housing projects at its scheduled meetings. The final financing plans for each project will be submitted to the Commission for its review and recommendation to the City Council.

CITY ATTORNEY'S ANALYSIS

The agreement has been reviewed by the City Attorney and approved as to form.

RECOMMENDATION

Staff recommends that the City Council approve (Neighborhood Services) amendment #1 in an amount not to exceed $29,500 to the Professional Services Agreement (PSA) with Keyser Marston Associates, Inc., of San Diego (KMA) for financial consultant services for the Weitzel Street and Mission Cove affordable housing projects; and authorize the City Manager to execute the amendment.

PREPARED BY:

David L. Manley
Neighborhood Services Division Manager

SUBMITTED BY:

Peter A. Weiss
City Manager

REVIEWED BY:

Barbara H. Hamilton, Assistant City Attorney

Michelle Skaggs Lawrence, Deputy City Manager

Margery M. Pierce, Neighborhood Services Director

Teri Ferro, Financial Services Director

Attachment: Amendment #1 – KMA Professional Services Agreement

CITY OF OCEANSIDE
AMENDMENT #1 - NEIGHBORHOOD SERVICES DEPARTMENT - TO PROFESSIONAL SERVICES AGREEMENT

PROJECT: AFFORDABLE HOUSING FINANCIAL ANALYSES – WEITZEL STREET/GARDEN SITE AND MISSION COVE

THIS AMENDMENT TO PROFESSIONAL SERVICES AGREEMENT (hereinafter "Amendment"), dated _____, 20__ for identification purposes, is made and entered into by and between the CITY OF OCEANSIDE, a municipal corporation, hereinafter designated as "CITY," and KEYSER MARSTON ASSOCIATES, INC, hereinafter designated as "CONSULTANT."

RECITALS

WHEREAS, CITY and CONSULTANT are the parties to that certain Professional Services Agreement dated June 10, 2009, hereinafter referred to as the "Agreement," wherein CONSULTANT agreed to provide certain services to the CITY as set forth therein;

WHEREAS, the parties desire to amend the Agreement to specify the scope of work and compensation for services to be provided by CONSULTANT for affordable housing financial analyses for the Weitzel Street/Garden Site and the Mission Cove Project, pursuant to the Agreement.

AMENDMENT

NOW, THEREFORE, as set forth herein, the parties hereto do mutually agree that the Agreement shall be amended as follows:

1. SCOPE OF WORK. Affordable Housing Financial Analyses for the Weitzel Street/Garden Site and the Mission Cove Project as outlined in Exhibit "A" to this Amendment.

2. COMPENSATION. CONSULTANT's compensation for all work performed in accordance with this Amendment #1 - Neighborhood Services Department, shall be billed at the hourly rates set forth in the Agreement, in an amount not to exceed $29,500.

3. TIMING REQUIREMENTS. Time is of the essence in the performance of work under this Amendment, and these timing requirements shall be strictly adhered to unless otherwise modified in writing. All work shall be completed in every detail to the satisfaction of the Neighborhood Services Director.

AFFORDABLE HOUSING FINANCIAL ANALYSES –
WEITZEL STREET/GARDEN SITE AND MISSION COVE

4. Except as expressly set forth in this Amendment, the Agreement shall remain in full force and effect and is hereby ratified and reaffirmed.

SIGNATURES. The individuals executing this Amendment represent and warrant that they have the right, power, legal capacity and authority to enter into and to execute this Amendment on behalf of the respective legal entities of the CONSULTANT and the CITY.

IN WITNESS WHEREOF, the parties hereto being duly authorized on behalf of their respective entities to execute this Amendment, do hereby agree to the covenants contained in the Agreement, including this Amendment, and have caused this Amendment to be executed by setting hereunto their signatures on the dates set forth below.

KEYSER MARSTON ASSOCIATES, INC.

By: Paul C. Marra
Paul C. Marra, Assistant Secretary

Date: 3/6/13

By: _____
Gerald M. Trimble, Vice President

Date: 3/6/13

94-2363741
Employer ID No.

CITY OF OCEANSIDE

By: _____
Peter Weiss, City Manager

Date: _____

APPROVED AS TO FORM:

Barbara Hamilton, ASST.
City Attorney

NOTARY ACKNOWLEDGMENTS OF CONSULTANT MUST BE ATTACHED.

I:\City Attorney\Amendment to 6-1-09 PSA for Financial Services .doc

(Revised 4-2011)

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California
County of SAN DIEGO

On 03/06/2013 (Date) before me, DORIS KUGLER, NOTARY PUBLIC (Here Insert Name and Title of the Officer),

personally appeared GERALD M. TRIMBLE + PAUL C. MARRA (Name(s) of Signer(s)),

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

OFFICIAL SEAL
DORIS KUGLER
NOTARY PUBLIC-CALIFORNIA
COMM. NO. 1976862
SAN DIEGO COUNTY
MY COMM. EXP. MAY 21, 2016

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Signature of Notary Public)

Place Notary Seal Above

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: City of Oceanside - Amendment #1 - Neighborhood Services Dept. - to Professional Services Agreement

Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: PAUL C. MARRA
- ☐ Individual
- ☐ Corporate Officer — Title(s): _____
- ☐ Partner — ☐ Limited ☐ General
- ☐ Attorney in Fact
- ☐ Trustee
- ☐ Guardian or Conservator
- ☑ Other: Assistant Secretary

Signer Is Representing: _____

RIGHT THUMBPRINT OF SIGNER
Top of thumb here

Signer's Name: GERALD M. TRIMBLE
- ☐ Individual
- ☐ Corporate Officer — Title(s): _____
- ☐ Partner — ☐ Limited ☐ General
- ☐ Attorney in Fact
- ☐ Trustee
- ☐ Guardian or Conservator
- ☑ Other: Vice President

Signer Is Representing: _____

RIGHT THUMBPRINT OF SIGNER
Top of thumb here

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EXHIBIT A TO KMA PSA AMENDMENT

KEYSER MARSTON ASSOCIATES
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

ADVISORS IN:
REAL ESTATE
REDEVELOPMENT
AFFORDABLE HOUSING
A. JERRY KEYSER
TIMOTHY C. KELLY
KATE EARLE FUNK
DEBBIE M. KERN
REED T. KAWAHARA
DAVID DOEZEMA

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

SAN DIEGO
GERALD M. TRIMBLE
PAUL C. MARRA

February 15, 2013

Mr. David L. Manley
Neighborhood Services Division Manager
City of Oceanside
300 North Coast Highway
Oceanside, CA 92054

Re: Proposal for Consulting Services
Affordable Housing Financial Analyses
Weitzel Street/Garden Site and Mission Cove

Dear David:

In accordance with your request, Keyser Marston Associates, Inc. (KMA) is pleased to submit this proposal to provide the City of Oceanside (City) with economic consulting services related to the financial analyses and deal structuring for two proposed affordable housing developments.

I. BACKGROUND

The City is considering the sale or lease of two City-owned development sites for development as affordable housing:

- *Weitzel Street/Garden Site* – North County Solutions for Change (NCSC) is proposing the development of 38 affordable apartments on the site.

- *Mission Cove* – The City has an executed Disposition and Development Agreement (DDA) with National Community Renaissance (NCRC) and Community HousingWorks (CHW) for development of 288 affordable units on a 14.5-acre site. The project includes both family (150 units) and senior (138 units) components, as well as 10,435 square feet (SF) of commercial space. NCRC and CHW are revising their development proposals and financial pro formas to reflect the diminished level of funding available from the City.

1660 HOTEL CIRCLE NORTH, SUITE 716 ➤ SAN DIEGO, CALIFORNIA 92108 ➤ PHONE 619 718 9500 ➤ FAX 619 718 9508

WWW.KEYSERMARSTON.COM

It is the KMA understanding that the City is seeking assistance with financial analyses and negotiation of business terms for both development proposals. This letter proposal presents the KMA work program and fee estimate for these assignments.

II. SCOPE OF SERVICES

Task A – Preliminary Feasibility Analyses

(1) *Initial Review.* KMA will conduct an initial review of the developers' development proposals, financial pro formas, and proposed sources and uses for consistency with City requirements and the standards of funding sources such as TCAC, CDLAC, MHSA, MHP, etc.

(2) *Preliminary Pro Forma Analyses.* KMA will model the developers' pro formas in the KMA format to itemize: acquisition costs, development costs (direct, indirect, and financing), affordable rents, operating expenses, achievable sources of financing, and estimated financing gap.

(3) *Teleconference(s).* KMA will participate in teleconference(s) with City staff to review the findings from KMA's preliminary pro forma analyses. In particular, KMA will highlight any issues or concerns regarding the completeness of the developers' pro formas and appropriateness of the developers' assumptions.

Task B – Detailed Pro Forma Analyses

(1) *Data Request.* KMA will prepare written data requests to the developers itemizing missing data requirements and/or other need for clarification. KMA anticipates that the developers will respond to the data requests with updated pro formas, as well as supporting documentation for the inputs and assumptions used in the pro formas.

(2) *Pro Forma Analyses.* KMA will update the KMA financial models to reflect the developers' updated pro formas. Our financial models will include side-by-side comparisons of the developers' vs. KMA assumptions, which will enable us to formulate independent estimates of financing gap. KMA will also prepare 55-year operating cash flow projections for the projects.

(3) *Review of Pro Forma Differences.* As necessary, KMA will correspond with the developers to identify areas of pro forma differences and obtain additional clarification or substantiation from the developers.

(4) *Meeting(s)/Teleconference(s).* KMA will participate in meeting(s)/teleconference(s) with the City and/or developers to review the side-by-side pro forma analyses.

Task C – Developer Negotiations

(1) *Recommended Deal Points.* KMA will prepare summaries of recommended financial deal points for the projects.

(2) *Review of Business Terms.* KMA will participate in teleconference(s) with the City, legal counsel, and/or developers to review potential business terms under discussion.

(3) *Draft Legal Agreements.* KMA will review and comment on draft Disposition and Development Agreements (DDAs) and/or Ground Leases.

Task D – Documentation and Presentation

(1) *Memorandum Reports.* KMA will prepare memorandum reports describing the proposed transactions, the KMA financial analyses, and the economic justification for the proposed transactions.

(2) *Public Hearing(s).* KMA will participate in public hearing(s) to present the KMA financial analyses, findings, and recommendations.

III. BUDGET

We propose to undertake this work program on a time-and-materials basis in accordance with the attached hourly billing rates. We recommend that the City establish a consulting services budget not-to-exceed $29,500 based on the following budget allowances per work task:

Work Tasks		Deliverables (per project)	Budget Allowance
Task A	Preliminary Feasibility Analyses	1 pro forma analysis	$9,000
Task B	Detailed Pro Forma Analyses	1 data request 1 pro forma analysis	$7,500
Task C	Developer Negotiations	1 deal point summary	$6,500
Task D	Documentation and Presentation	1 memorandum report	$6,500
Total			**$29,500**

This budget includes all labor hours and reimbursables, subject to the following limitations:

- Maximum of six (6) teleconferences
- Maximum of three (3) meetings
- Maximum of two (2) public hearings
- Maximum of one (1) draft and one (1) final memorandum report for each project

Our scope of services does not include preparation of Section 33433 Summary Report. If legal counsel advises that 33433 Reports are required, KMA can provide a cost estimate for this additional service.

Additional services beyond the scope of services described herein, if authorized, will be charged on a time-and-materials basis.

IV. SCHEDULE

KMA is prepared to commence work immediately upon authorization. Task A can be completed within 15 business days of receipt of all necessary data from the City and developers.

* * * * *

We look forward to working with you on these important projects. Please let us know if we can provide additional information regarding our approach.

Sincerely,

KEYSER MARSTON ASSOCIATES, INC.

Paul C. Marra

Paul C. Marra

attachment

KEYSER MARSTON ASSOCIATES, INC.
HOURLY FEE SCHEDULE

	2012/2013
A. JERRY KEYSER*	$280.00
MANAGING PRINCIPALS*	$280.00
SENIOR PRINCIPALS*	$270.00
PRINCIPALS*	$250.00
MANAGERS*	$225.00
SENIOR ASSOCIATES	$187.50
ASSOCIATES	$167.50
SENIOR ANALYSTS	$150.00
ANALYSTS	$130.00
TECHNICAL STAFF	$95.00
ADMINISTRATIVE STAFF	$80.00

Directly related job expenses not included in the above rates are: auto mileage, parking, air fares, hotels and motels, meals, car rentals, taxies, telephone calls, delivery, electronic data processing, graphics and printing. Directly related job expenses will be billed at 110% of cost.

Monthly billings for staff time and expenses incurred during the period will be payable within thirty (30) days of invoice date.

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

ACORD®

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY): 11/21/2012

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

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

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

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

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

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

COVERAGES CERTIFICATE NUMBER: MASTER 2012-13 REVISION NUMBER:

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

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	GENERAL LIABILITY X COMMERCIAL GENERAL LIABILITY CLAIMS-MADE X OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: X POLICY PRO-JECT LOC	X		CBP8932329 No Deductible applies	12/1/2012	12/1/2013	EACH OCCURRENCE DAMAGE TO RENTED PREMISES (Ea occurrence) MED EXP (Any one person) PERSONAL & ADV INJURY GENERAL AGGREGATE PRODUCTS - COMP/OP AGG	$ 1,000,000 $ 500,000 $ 10,000 $ 1,000,000 $ 2,000,000 $ 1,000,000 $
A	AUTOMOBILE LIABILITY X ANY AUTO ALL OWNED AUTOS SCHEDULED AUTOS X HIRED AUTOS X NON-OWNED AUTOS X Comp $500 X Coll $500	X		BA 8932429	12/1/2012	12/1/2013	COMBINED SINGLE LIMIT (Ea accident) BODILY INJURY (Per person) BODILY INJURY (Per accident) PROPERTY DAMAGE (Per accident) Uninsured Motorist Combined	$ 1,000,000 $ $ $ $ 1,000,000
A	X UMBRELLA LIAB X OCCUR EXCESS LIAB CLAIMS-MADE DED X RETENTION $ 10,0000	X		CU 8932629	12/1/2012	12/1/2013	EACH OCCURRENCE AGGREGATE	$ 4,000,000 $ 4,000,000 $
B	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? Y/N (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	N/A		03954618	12/1/2012	12/1/2013	WC STATU-TORY LIMITS OTH-ER E.L. EACH ACCIDENT E.L. DISEASE - EA EMPLOYEE E.L. DISEASE - POLICY LIMIT	$ 1,000,000 $ 1,000,000 $ 1,000,000
C	Professional Liability Retention: $50,000			EO-852080 Retro Date 11/11/1976	12/1/2012	12/1/2013	Each Wrongfull Act AGGREGATE LIMIT	$1,000,000 $2,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)
City of Oceanside, it's officers, agents and employees are Additional Insured with respects to the insured's operations. Insurance is primary and other insurance maintained by the City of Oceanside, it's officers, agents and employees shall be excess only and not contribting. 30 Day Notice of cancellation/10 Day for non-payment of premium.

CERTIFICATE HOLDER

City of Oceanside
300 No. Coast Highway
Oceanside, CA 92054

CANCELLATION

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

AUTHORIZED REPRESENTATIVE

Donna de Fabio/DDF Donna DeFabio

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