

REPORT TO CITY COUNCIL

DATE: AUGUST 12, 2015

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: GREG RAMIREZ, CITY MANAGER *GR*

BY: NATHAN HAMBURGER, ASSISTANT CITY MANAGER
ALLISON COOK, ASSISTANT PLANNING DIRECTOR *ac*

SUBJECT: AGREEMENT WITH ROSENOW SPEVACEK GROUP, INC. FOR INCLUSIONARY HOUSING PROGRAM SERVICES

The purpose of this item is to seek City Council approval for the City to enter into an Agreement for Consultant Services with Rosenow Spevacek Group, Inc. (RSG) for consulting services to prepare an inclusionary housing in-lieu fee nexus study and inclusionary housing trust fund program guidelines. Staff is requesting that the City Council approve an agreement with RSG on a time-and-materials basis for a not-to-exceed fee of \$38,900. The funds would come from the Planning Department's contract services.

In 2008, the City Council adopted the Inclusionary Housing Ordinance, including an option for a developer to pay an in-lieu fee instead of providing the required inclusionary units onsite in certain circumstances. At that time, the City Council also adopted an in-lieu fee schedule and a nexus study that described the methodology used to derive the in-lieu fee amount. The in-lieu fee was based, in part, on the "construction funding gap" (the difference between the cost to develop an affordable unit and the affordable sales price), and the City's Regional Housing Needs Allocation (RHNA) provided by the Southern California Association of Governments (SCAG) on a periodic basis. In the last several years, however, California court decisions have indicated a move to a different method of calculating in-lieu fees, and also to the application of such fees to for-sale residential units only, as opposed to for-sale and rental. The construction funding gap and the use of RHNA has been replaced by the need to demonstrate how the creation of new market rate units leads to the need for affordable housing in a city. Therefore, a nexus study must show the direct connection between creating more market rate units and the increase in demand for more affordable housing. RSG proposes to prepare a nexus study with updated methodology to arrive at a revised in-lieu fee. The updated fee would only apply to for-sale dwelling units, and not rentals, as application of in-lieu fees to rental units has been found by the courts to be in conflict with rent control laws.

Additionally, the City is seeking guidance from RSG on how to prioritize spending of current monies in the inclusionary housing trust fund, as well as additional monies that

may accrue as the new in-lieu fee is applied to future housing projects, that is most appropriate for Agoura Hills given current housing and land availability conditions. Guidelines would include how the funds should be spent and various requirements and conditions of that spending to be the most effective.

More specifically, RSG would conduct the following three tasks:

- Affordable housing residential nexus study
- Affordable housing in-lieu/impact fee analysis
- Housing trust fund guidelines

Any amendments to the existing Inclusionary Housing Ordinance necessitated by RSG's work would be prepared by Planning Department staff.

RECOMMENDATION

Staff respectfully recommends the City Council approve the Agreement for Consultant Services with Rosenow Spevacek Group, Inc. on a time-and-materials basis for a not-to-exceed fee of \$38,900.

Attachment: Agreement for Consultant Services

**AGREEMENT FOR CONSULTANT SERVICES
WITH THE CITY OF AGOURA HILLS**

NAME OF CONSULTANT: Rosenow Spevacek Group, Inc.

RESPONSIBLE PRINCIPAL OF CONSULTANT: Attn: Tara Matthews

CONSULTANT'S ADDRESS: 309 West 4th Street
Santa Ana, CA 92701

CITY'S ADDRESS: City of Agoura Hills
30001 Ladyface Court
Agoura Hills, CA 91301
Attn: City Manager

PREPARED BY: Allison Cook

COMMENCEMENT DATE: August 13, 2015

TERMINATION DATE: August 12, 2016

CONSIDERATION: Contract Price
Not to Exceed: \$38,900.00

**AGREEMENT FOR CONSULTANT SERVICES BETWEEN
THE CITY OF AGOURA HILLS AND ROSENOW
SPEVACEK GROUP, INC.**

THIS AGREEMENT is made and effective as of August 13, 2015 between the City of Agoura Hills, a municipal corporation ("City") and Rosenow Spevacek Group, Inc. ("Consultant"). In consideration of the mutual covenants and conditions set forth herein, the parties agree as follows:

1. TERM

This Agreement shall commence on August 13, 2015, and shall remain and continue in effect until tasks described herein are completed, but in no event later than August 12, 2016, unless sooner terminated pursuant to the provisions of this Agreement.

The City may, at its option, extend this Agreement for one additional term of one year upon providing written notice of its intent to extend this Agreement to the Consultant not less than thirty (30) days prior to the expiration of the initial Term. Such extension shall be at the same price and conditions as set forth herein.

2. SERVICES

Consultant shall perform the services and tasks described and set forth in Exhibit A, attached hereto and incorporated herein as though set forth in full. Consultant shall complete the tasks according to the schedule of performance which is also set forth in Exhibit A.

3. PERFORMANCE

In meeting its obligations under this Agreement, Consultant shall at all times faithfully and competently perform all tasks described herein in a manner satisfactory to CITY and consistent with that level of care and skill ordinarily exercised by members of the profession currently practicing in the same locality under similar conditions.

4. PAYMENT

A. The City agrees to pay Consultant monthly, in accordance with the payment rates and terms and the schedule of payment as set forth in Exhibit A, attached hereto and incorporated herein by this reference as though set forth in full, based upon actual time spent on the above tasks. This amount shall not exceed thirty eight thousand nine hundred dollars and zero cents (\$38,900.00) ("Contract Price") for the initial Term of the Agreement unless additional payment is approved as provided in this Agreement.

B. Consultant shall not be compensated for any services rendered in connection with its performance of this Agreement which are in addition to those set forth herein, unless such additional services are authorized in advance and in writing by the City Manager. Consultant shall be compensated for any additional services in the

amounts and in the manner as agreed to by the City Council and Consultant at the time City's written authorization is given to Consultant for the performance of said services.

C. Consultant shall submit invoices monthly for actual services performed. Invoices shall be submitted between the first and fifteenth business day of each month, for services provided in the previous month. Payment shall be made within thirty (30) days of receipt of each invoice as to all non-disputed fees. If the City disputes any of Consultant's fees, it shall give written notice to Consultant within thirty (30) days of receipt of an invoice of any disputed fees set forth on the invoice. For all reimbursements authorized by this Agreement, Consultant shall provide receipts on all reimbursable expenses in excess of Fifty Dollars (\$50) in such form as approved by the Director of Finance.

5. SUSPENSION OR TERMINATION OF AGREEMENT WITHOUT CAUSE

A. The City may at any time, for any reason, with or without cause, suspend or terminate this Agreement, or any portion hereof, by serving upon the Consultant at least ten (10) days prior written notice. Upon receipt of said notice, the Consultant shall immediately cease all work under this Agreement, unless the notice provides otherwise. If the City suspends or terminates a portion of this Agreement, such suspension or termination shall not make void or invalidate the remainder of this Agreement.

B. In the event this Agreement is terminated pursuant to this Section, the City shall pay to Consultant the actual value of the work performed up to the time of termination, provided that the work performed is of value to the City. Upon termination of the Agreement pursuant to this Section, the Consultant will submit an invoice to the City pursuant to Section entitled "PAYMENT" herein.

6. DEFAULT OF CONSULTANT

A. The Consultant's failure to comply with the provisions of this Agreement shall constitute a default. In the event that Consultant is in default for cause under the terms of this Agreement, City shall have no obligation or duty to continue compensating Consultant for any work performed after the date of default and can terminate this Agreement immediately by written notice to the Consultant. If such failure by the Consultant to make progress in the performance of work hereunder arises out of causes beyond the Consultant's control, and without fault or negligence of the Consultant, it shall not be considered a default.

B. If the City Manager or his delegate determines that the Consultant is in default in the performance of any of the terms or conditions of this Agreement, it shall serve the Consultant with written notice of the default. The Consultant shall have ten (10) days after service upon it of said notice in which to cure the default by rendering a satisfactory performance. In the event that the Consultant fails to cure its default within such period of time, the City shall have the right, notwithstanding any other provision of this Agreement, to terminate this Agreement without further notice and without prejudice to any other remedy to which it may be entitled at law, in equity or under this Agreement."

7. OWNERSHIP OF DOCUMENTS

A. Consultant shall maintain complete and accurate records with respect to sales, costs, expenses, receipts and other such information required by City that relate to the performance of services under this Agreement. Consultant shall maintain adequate records of services provided in sufficient detail to permit an evaluation of services. All such records shall be maintained in accordance with generally accepted accounting principles and shall be clearly identified and readily accessible. Consultant shall provide free access to the representatives of City or its designees at reasonable times to such books and records, shall give City the right to examine and audit said books and records, shall permit City to make transcripts therefrom as necessary, and shall allow inspection of all work, data, documents, proceedings and activities related to this Agreement. Such records, together with supporting documents, shall be maintained for a period of three (3) years after receipt of final payment.

B. Upon completion of, or in the event of termination or suspension of this Agreement, all original documents, designs, drawings, maps, models, computer files containing data generated for the work, surveys, notes, and other documents prepared in the course of providing the services to be performed pursuant to this Agreement shall become the sole property of the City and may be used, reused or otherwise disposed of by the City without the permission of the Consultant. With respect to computer files containing data generated for the work, Consultant shall make available to the City, upon reasonable written request by the City, the necessary computer software and hardware for purposes of accessing, compiling, transferring and printing computer files.

8. INDEMNIFICATION

Consultant shall defend, indemnify, and hold the City, its officials, officers, employees, agents and independent consultants serving in the role of City officials, and volunteers (collectively "Indemnitees") free and harmless from any and all claims, demands, causes of action, proceedings, costs, expenses, liabilities, losses, damages or injuries, in law or equity, to property or persons, including wrongful death (collectively "Claims"), in any manner arising out of or incident to any acts or omissions of Consultant, its officials, officers, employees, agents or sub-consultants in connection with the performance of this Agreement, including without limitation the payment of all consequential damages, attorneys' fees, and other related costs and expenses, except for such Claims arising out of the sole negligence or willful misconduct of the Indemnitees. With respect to any and all such Claims, Consultant shall defend Indemnitees at Consultant's own cost, expense, and risk and shall pay and satisfy any judgment, award, or decree that may be rendered against Indemnitees. Consultant shall reimburse Indemnitees for any and all legal expenses and costs incurred by each of them in connection therewith or in enforcing the indemnity herein provided. Consultant's obligation to indemnify shall not be restricted to insurance proceeds, if any, received by Consultant or Indemnitees. All duties of Consultant under this Section shall survive termination of this Agreement.

9. INSURANCE REQUIREMENTS

Prior to commencement of work, Consultant shall procure, provide, and maintain, at Consultant's own expense, for the duration of this Agreement, insurance against claims for injuries to persons or damages to property, which may arise from or in connection with the performance of the work hereunder by the Consultant, its agents, representatives, or employees.

A. Minimum Scope of Insurance. Coverage shall be at least as broad as:

1) Insurance Services Office Commercial General Liability form No. CG 00 01 11 85 or 88, or equivalent.

2) Insurance Services Office Business Auto Coverage form CA 00 01 06 92, or equivalent, covering Automobile Liability, code 1 (any auto). If the Consultant owns no automobiles, a non-owned auto endorsement to the General Liability policy described above is acceptable.

3) Worker's Compensation insurance as required by the State of California and Employer's Liability Insurance. If the Consultant has no employees while performing under this Agreement, worker's compensation insurance is not required, but Consultant shall execute a declaration that it has no employees.

4) Professional Liability Insurance shall be written on a policy form providing professional liability for the Consultant's profession.

B. Minimum Limits of Insurance. Consultant shall maintain limits no less than:

1) General Liability: \$1,000,000 per occurrence for bodily injury, personal injury and property damage, including without limitation, blanket contractual liability. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit.

2) Automobile Liability: \$1,000,000 per accident for bodily injury and property damage for all activities of the Consultant arising out of or in connection with work to be performed under this Agreement, including coverage for any owned, hired, non-owned or rental vehicles.

3) Worker's Compensation as required by the State of California; Employer's Liability: One million dollars (\$1,000,000) per accident for bodily injury or disease.

4) Professional Liability coverage: One million (\$1,000,000) per claim and in aggregate.

C. Deductibles and Self-Insured Retentions. Any deductibles or self-insured retentions must be declared to and approved by the City Manager. At the option of the City Manager, either the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the City, its officers, officials, employees and volunteers; or the Consultant shall procure a bond guaranteeing payment of losses and related investigations, claim administration and defense expenses.

D. Other Insurance Provisions. The general liability and automobile liability policies are to contain, or be endorsed to contain, the following provisions:

1) The City, its officers, officials, employees and volunteers are to be covered and named as additional insureds in respect to: liability arising out of activities performed by or on behalf of the Consultant; products and completed operations of the Consultant; premises owned, occupied or used by the Consultant; or automobiles owned, leased, hired or borrowed by the Consultant. The coverage shall contain no special limitations on the scope of protection afforded to the City, its officers, officials, employees or volunteers.

2) For any claims related to this project, the Consultant's insurance coverage shall be primary insurance as respects the City, its officers, officials, employees and volunteers. Any insurance or self-insured maintained by the City, its officers, officials, employees or volunteers shall be excess of the Consultant's insurance and shall not contribute with it.

3) Any failure to comply with reporting or other provisions of the policies including breaches of warranties shall not affect coverage provided to the City, its officers, officials, employees or volunteers.

4) The Consultant's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.

5) Each insurance policy required by this clause shall be endorsed to state that coverage shall not be suspended, voided, canceled by either party, reduced in coverage or in limits except after thirty (30) days' prior written notice has been given to the City. Consultant agrees to oblige its insurance agent or broker and insurers to provide City with a thirty (30) day notice of cancellation (except for nonpayment for which a ten (10) day notice is required) or nonrenewal of coverage for each required coverage.

E. Acceptability of Insurers. Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:VII, unless otherwise acceptable to the City. Self insurance shall not be considered to comply with these insurance requirements.

F. Verification of Coverage. Consultant shall furnish the City with original endorsements, specifically naming the City of Agoura Hills, its officers, officials, employees and volunteers as additional insured, effecting coverage required by this clause. The endorsements are to be signed by a person authorized

by that insurer to bind coverage on its behalf. The endorsements are to be on forms acceptable to the City. Insurance certificates and endorsements must be received and approved by City's Risk Manager prior to commencement of performance. Current insurance certificates and endorsements shall be kept on file with the City at all times during the term of this agreement. City reserves the right to require complete, certified copies of all required insurance policies, at any time.

G. Mailing Instructions. Insurance documents shall be mailed with the signed Agreement to the attention of the staff person indicated on the cover sheet of this Agreement, to the City of Agoura Hills, 30001 Ladyface Court, Agoura Hills, CA 91301. Executed Agreement(s) cannot be released nor may any work commence on a project until the signed Agreement and appropriate insurance documents are on file with the City Clerk.

10. INDEPENDENT CONSULTANT

A. Consultant is and shall at all times remain as to the City a wholly independent Consultant. The personnel performing the services under this Agreement on behalf of Consultant shall at all times be under Consultant's exclusive direction and control. Neither City nor any of its officers, employees, agents, or volunteers shall have control over the conduct of Consultant or any of Consultant's officers, employees, or agents except as set forth in this Agreement. Consultant shall not at any time or in any manner represent that it or any of its officers, employees or agents are in any manner officers, employees or agents of the City. Consultant shall not incur or have the power to incur any debt, obligation or liability whatever against City, or bind City in any manner.

B. No employee benefits shall be available to Consultant in connection with the performance of this Agreement. Except for the fees paid to Consultant as provided in the Agreement, City shall not pay salaries, wages, or other compensation to Consultant for performing services hereunder for City. City shall not be liable for compensation or indemnification to Consultant for injury or sickness arising out of performing services hereunder.

11. LEGAL RESPONSIBILITIES

The Consultant shall keep itself informed of all local, State and Federal ordinances, laws and regulations which in any manner affect those employed by it or in any way affect the performance of its service pursuant to this Agreement. The Consultant shall at all times observe and comply with all such ordinances, laws and regulations. The City, and its officers and employees, shall not be liable at law or in equity occasioned by failure of the Consultant to comply with this section.

12. RELEASE OF INFORMATION

A. All information gained by Consultant in performance of this Agreement shall be considered confidential and shall not be released by Consultant without City's prior written authorization. Consultant, its officers, employees, agents or sub-consultants, shall not without written authorization from the City Manager or unless

requested by the City Attorney, voluntarily provide declarations, letters of support, testimony at depositions, response to interrogatories or other information concerning the work performed under this Agreement or relating to any project or property located within the City. Response to a subpoena or court order shall not be considered "voluntary" provided Consultant gives City notice of such court order or subpoena.

B. Consultant shall promptly notify City should Consultant, its officers, employees, agents or sub-consultants be served with any summons, complaint, subpoena, notice of deposition, request for documents, interrogatories, request for admissions or other discovery request, court order or subpoena from any party regarding this Agreement and the work performed there under or with respect to any project or property located within the City. City retains the right, but has no obligation, to represent Consultant and/or be present at any deposition, hearing or similar proceeding. Consultant agrees to cooperate fully with City and to provide City with the opportunity to review any response to discovery requests provided by Consultant. However, City's right to review any such response does not imply or mean the right by City to control, direct, or rewrite said response.

13. NOTICES

Any notices which either party may desire to give to the other party under this Agreement must be in writing and may be given either by: (i) personal service, (ii) delivery by a reputable document delivery service, such as but not limited to, Federal Express, that provides a receipt showing date and time of delivery, or (iii) mailing in the United States Mail, certified mail, postage prepaid, return receipt requested, addressed to the address of the party as set forth below or at any other address as that party may later designate by Notice. Notice shall be effective upon delivery to the addresses specified below or on the third business day following deposit with the document delivery service or United States Mail as provided above.

To City: City of Agoura Hills
30001 Ladyface Court
Agoura Hills, California 91301
Attention: City Manager

To Consultant: Rosenow Spevacek Group, Inc.
309 West 4th Street
Santa Ana, CA 92701
Attention: Tara Matthews

14. ASSIGNMENT

The Consultant shall not assign the performance of this Agreement, nor any part thereof, nor any monies due hereunder, without prior written consent of the City. Upon termination of this Agreement, Consultant's sole compensation shall be payment for actual services performed up to, and including, the date of termination or as may be otherwise agreed to in writing between the City Council and the Consultant.

15. LICENSES

At all times during the term of this Agreement, Consultant shall have in full force and effect, all licenses required of it by law for the performance of the services described in this Agreement.

16. GOVERNING LAW

The City and Consultant understand and agree that the laws of the State of California shall govern the rights, obligations, duties and liabilities of the parties to this Agreement and also govern the interpretation of this Agreement. Any litigation concerning this Agreement shall take place in the municipal, superior, or federal district court with geographic jurisdiction over the City of Agoura Hills. In the event such litigation is filed by one party against the other to enforce its rights under this Agreement, the prevailing party, as determined by the Court's judgment, shall be entitled to reasonable attorney fees and litigation expenses for the relief granted.

17. PROHIBITED INTEREST

No officer, or employee of the City of Agoura Hills shall have any financial interest, direct or indirect, in this Agreement, the proceeds thereof, the Consultant, or Consultant's sub-consultants for this project, during his/her tenure or for one year thereafter. The Consultant hereby warrants and represents to the City that no officer or employee of the City of Agoura Hills has any interest, whether contractual, non-contractual, financial or otherwise, in this transaction, or in the business of the Consultant or Consultant's sub-consultants on this project. Consultant further agrees to notify the City in the event any such interest is discovered whether or not such interest is prohibited by law or this Agreement.

18. ENTIRE AGREEMENT

This Agreement contains the entire understanding between the parties relating to the obligations of the parties described in this Agreement. All prior or contemporaneous agreements, understandings, representations and statements, oral or written, are merged into this Agreement and shall be of no further force or effect. Each party is entering into this Agreement based solely upon the representations set forth herein and upon each party's own independent investigation of any and all facts such party deems material.

19. AUTHORITY TO EXECUTE THIS AGREEMENT

The person or persons executing this Agreement on behalf of Consultant warrants and represents that he or she has the authority to execute this Agreement on behalf of the Consultant and has the authority to bind Consultant to the performance of its obligations hereunder.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed the day and year first above written.

CITY OF AGOURA HILLS

Illece Buckley Weber,
Mayor

ATTEST:

Kimberly M. Rodrigues, MMC
City Clerk
Date Approved by City Council: _____

APPROVED AS TO FORM:

Candice K. Lee,
City Attorney

CONSULTANT

Rosenow Spevacek Group, Inc.
Attention: Tara Matthews
(714) 541-4595
FAX (714) 541-1175

By: Tara E. Matthews
Name: Tara E. Matthews
Title: Principal/Vice President

By: Alexa Smittle
Name: Alexa Smittle
Title: Treasurer

[Signatures of Two Corporate Officers Required]

EXHIBIT A

SCOPE OF WORK AND BUDGET

The specific elements (scope of work) of this service include:

TECHNICAL APPROACH / WORK SCOPE

BACKGROUND

There are over one hundred fifty cities and counties in California that have enacted Inclusionary Housing Ordinances or similar regulatory requirements, including affordable housing impact fees, as a means to ensuring that their affordable housing needs are addressed. While the specific requirements vary widely based on local community needs, the underlying consideration is that developers of market rate housing (and commercial projects) contribute to exacerbating the need for affordable housing, and thus should assist the local jurisdiction in alleviating the housing needs in the community. The largest percentage of ordinances had previously established a requirement for a percentage of the residential units constructed be made available to and for occupancy by low- and moderate-income persons and families. There were, however, a large number of variations including, but not limited to, the provisions for in-lieu fee payments, off-site construction or land contributions, and impact linkage fee exactions, as well as a combination of the foregoing requirements.

More recently however, per the July 2009 Appeals Court decision in *Palmer/Sixth Street Partners v. City of Los Angeles*, it was determined that the imposition of inclusionary housing units in new construction multifamily rental apartment projects was not permitted under the Costa-Hawkins Act. The basis for the decision was that Costa-Hawkins prohibited a jurisdiction from restricting the initial rents that could be charged by a developer of new rental housing units. This was intended to be applicable in jurisdictions having rent control requirements thus enabling the construction of new units, which could subsequently be limited in terms of increasing future rents. The effect of the Palmer decision has made it necessary for Inclusionary Ordinances to be modified to separately address the inclusion of a percentage of the for sale housing units and the imposition of an affordable housing linkage impact fee for new construction multifamily rental units. As with commercial development and other impact fees, the imputation of a linkage impact fee associated with new construction rental housing units must be accompanied by a nexus analysis demonstrating the causal affect of the development activity to the fee to be imposed. In addition, the Patterson Appeals Court decision identified that affordable housing fee exactions, including those for ownership units, must demonstrate that such fees are reasonably justified due to their being reasonably related to the "deleterious" public impact of the development, thereby indicating that it may be prudent to substantiate such fees with appropriately supported nexus analyses.

TECHNICAL APPROACH

RSG understands that City seeks a qualified consultant experienced in the preparation of residential nexus studies, and updates to its current inclusionary housing ordinance, as well as identification of appropriately supported, defensible impact linkage and in-lieu fees. The consultant would also perform a detailed review and evaluation of the City's current inclusionary ordinance and in-lieu fee schedule in order to update the ordinance and fees in light of the Palmer and the Patterson appellate court decisions, as well as changing economic conditions in the City. In addition, the consultant would prepare guidelines for the implementation and expenditure of moneys deposited in the affordable housing trust fund pursuant to the provisions under the Inclusionary Housing Ordinance.

RSG would gather pertinent data from City staff and ask staff to review each of the draft documents. At the start of the engagement, RSG would meet with City staff to discuss the project and gain an

understanding of the key issues. In addition to staff review of the documents, RSG would anticipate the City's legal counsel review of the draft nexus study, affordable housing impact linkage fee analysis report, and any suggested revisions to the inclusionary ordinance.

RSG's technical approach to this assignment is comprised of interrelated tasks that are organized into three distinct phases and includes the following:

1. **Affordable Housing Fee Nexus Study:** conduct a study that examines the nexus between residential development and the need for affordable housing in the City of Agoura Hills. This task will involve the following components:
 - a. **Housing Market Analysis:** analyze the local housing market and serve to establish the basis for identifying future housing demand based primarily on the segmentation of population growth by income group. Ideally, the population growth would be reflected by increases in both residential land uses to provide a more balanced distribution of the causal impacts on affordable housing.
 - b. **Nexus Study/Linkage Analysis:** identify and quantify the relationships/nexus between population growth attributable to future residential developments and future affordable housing needs.
2. **Affordable Housing Impact Fee Feasibility Analyses:** prepare financial analyses for multifamily rental projects and ownership projects in the City that present the structure and size of the City's proposed affordable housing impact linkage and/or in-lieu fees, which reflect the City's affordable housing objectives. The analyses will assess the economic feasibility and fee selection analyses that will identify the costs associated with developing affordable housing for the identified income categories based on the housing market conditions analysis, together with Staff input. The difference between the cost to develop a unit and the total revenue achievable from each income group would identify the development feasibility gap associated with each housing type by income group. Based on our experience, the development feasibility analysis would demonstrate that the funding gap is generally higher than the available local, state and federal funding assistance resources, which results in the need for additional financial assistance to achieve the City's affordable housing needs. The feasibility analysis would include identification and analyses of additional financing and development incentives, including but not limited to tax exempt financing, low income housing tax credits, and density bonuses in order to assess potential additional development funding gap mitigation measures.

The final report would be organized to clearly delineate the following:

- a. City's affordable housing needs and affordable housing nexus based on local market conditions;
 - b. Demonstrated benefit of the ordinance in assisting to achieve the City's housing needs;
 - c. Will serve as an update to the economic feasibility and fee selection analysis attendant to the Inclusionary Housing Ordinance and impact linkage fee requirements; and
 - d. Advise on potential modifications to the implementation of an affordable housing nexus fee, applicable to both ownership and rental housing units.
3. **Housing Trust Fund Guidelines:** prepare implementing strategy and guidelines for the expenditure of Trust Fund moneys focusing on the City's affordable housing objectives and needs as identified in the Nexus Study, the City's RHNA targets and related objectives.

WORK SCOPE

The following describes in more detail RSG's proposed work scope phases for performing the review and evaluation, which is inclusive of the tasks identified by the City in the Request for Proposals.

PHASE 1 – AFFORDABLE HOUSING RESIDENTIAL NEXUS STUDY

At the start of Phase 1, RSG will meet with the appropriate City staff to identify needed materials, data request, as well as to discuss the specifics of the engagement and schedule. The preparation of the Residential Nexus Study will include the following steps.

Phase 1A – Background Review and Housing Market Analysis

RSG will identify and evaluate current local market conditions and trends for housing development in the City of Agoura Hills to identify future trends based on available land and underlying economic conditions and serve as the foundation for preparing the residential nexus study, and will accomplish the following:

- Estimate future housing needs based on population growth by income categories.
- Provide a basis for establishing the amount of the impact fee.
- Identify the pricing differences between new residential development and affordable housing income groups identified in the City's Inclusionary Housing Ordinance.
- Analyze available land parcels for residential development to project future market rate housing developments and the attendant population growth over a defined period of time.

The residential market factors provide a basis for quantifying the financial funding gap between the market rate units and the affordable units by housing type, as well as the legally defensible in-lieu fee and linkage impact fee amounts associated with each income group by various housing types. The following outlines the tasks to be undertaken in the housing market analysis:

Step 1 - Ownership Market Rate Product Types - RSG will collect data on residential units sold within the City during the past twelve-month period and conduct a survey of new homes currently for-sale in the City. Based on this data, RSG would formulate three market rate product types, which are likely to include two single family detached home product types (median and high cost) and attached condominium units that best reflect the types of new homes which may be developed in the City in the future.

Step 2 - Rental Product Types - RSG will inventory the existing multifamily rental housing market to identify the median sized units in existing and new developments, as well as current rental rates in the City to identify the median market rate pricing.

Step 3 - Affordability Gap - RSG will evaluate the housing affordability gap in the City for the identified housing types in terms of quantifying the differences between market rate values and affordable housing prices, per the requirements and limitations under California Health and Safety Code Section 50052.5 for ownership housing and Section 50053(b) for rental housing. The housing affordability gap will be further defined through the development funding gap analyses to be undertaken in Phase 2.

Step 4 - Housing Unit Need - RSG will assess the projected housing needs of the City in terms of its RHNA requirements and affordable housing production needs and objectives. The City's inclusionary

requirements may serve to mitigate a portion of the affordable housing needs, while the impact linkage/in-lieu housing fee would serve to partially off-set the financial funding gap associated with new construction.

Phase 1B – Nexus Study/Linkage Analysis

RSG will perform separate multi-step analyses for Nexus Study that would identify and quantify the demonstrated causal relationship/nexus between population growth attributable to residential development and affordable housing demand. The following details the steps to be undertaken in preparing the Nexus Study.

Step 1 – Estimate Household Income for Ownership and Rental Units The analysis would utilize the sales price or rental rate of market rate units as identified in Phase 1 above to estimate the household income of the purchasing and renting households. The household income for purchasing households would be based on current lending practices and the underlying assumption that households purchasing a home will not spend more than 35% of their income on housing costs. For rental units, household income would be estimated based on census data showing the percent of income renters in the County spend on housing costs. Household income would be based on 100 households; providing an analysis which is easy to review and understand. The estimated household income would be input into the IMPLAN Model, in order to estimate the number and type of jobs generated by the additional household income. The IMPLAN Model breaks the jobs generated into specific industry categories, which would then be combined with occupational data from the Bureau of Labor Statistics to estimate the specific jobs produced. These job categories would be combined with wage information from the California Employment Development Department to estimate household incomes. Based on the results, the number of affordable housing units needed by these workers would be identified.

Step 2 - Convert New Jobs to New Households This step converts the number of employees created (jobs) to the number of employee households created, because, on average, there is more than one worker per household. 2010 Census data would be used to estimate the number of workers per worker-households in the City. The number of jobs generated, based on the IMPLAN Model output, would be divided by the census data to determine the number of households generated.

Step 3 - Occupational Distribution of Jobs Generated In Step 3, the number of jobs per industry sector (as provided by the IMPLAN Model) are divided into occupational categories. This step allows the jobs created to be associated with incomes.

Step 4 - Incomes of Jobs Generated In Step 4, the occupational data from step two would be combined with wage and salary information for the City from the California Employment Development Department ("CEDD"). The distribution of jobs within the category would be estimated to be the same as the distribution within the Metropolitan Statistical Area ("MSA").

Step 5 - Incomes of Households Generated In Step 5, the individual wage data provided by CEDD would be used to estimate the number of households which fall into income categories by assuming that individuals in multiple earner households earn a similar wage. The same ratio of workers-per-household used in step one, would be used to adjust the wage data for individual employees to households.

Step 6 - Household Size Distribution Step 6, allocates the households from Step 5 into household size categories, based on Census data for the City.

Step 7 - Distribution of Households into Income Categories Step 7, entails to distribution of the households created into income categories. Households falling at or below the income limits would be placed into their corresponding category. Totals would be generated for each category, showing the number of housing units required to meet the housing needs of the affordable households generated by the construction of 100 market rate residential units, in order to determine the supportable/appropriate inclusionary percentages.

Deliverables

- Administrative Review Draft Residential Nexus Study quantifying the proportional affordable housing demand for very low-, low, and moderate-income households associated with individual residential housing types for City staff review and comment.
- Final Residential Nexus Study incorporating City staff and public review comments.

PHASE 2 – AFFORDABLE HOUSING IN-LIEU/IMPACT FEE ANALYSIS

RSG would prepare an Affordable Housing In-Lieu/Impact Fee Analysis that would identify appropriate development funding gap amounts for both ownership and rental housing units. Information from Phase 1 would be utilized to identify appropriate in-lieu fee and impact linkage fee amounts. The following summarizes the methodology to be used to identify the development funding gap and corresponding in-lieu or impact linkage fees that would reflect the difference between the affordable housing price at the identified income groups, and the construction funding costs for developing the units.

Phase 2A – Impact Fee Based on Development Funding Gap

Step 1 - Pro Forma Analysis RSG will prepare development pro formas for the prototypical ownership and rental units using comparable market prototypes and unit sizes to estimate construction costs, financing costs, a baseline developer fee, and land costs, to identify the total estimated development costs of affordable units.

Step 2 - Affordable Unit Valuation This step identifies the total sales revenue or rental valuations based on market capitalization rates per each income category, as defined under HCD's affordability standards.

Step 3 – Identify Ownership Funding Gap For ownership units, the difference between the total estimated development cost and the affordable sale price will represent the affordable development funding gap associated with each income category.

Step 4 – Identify Rental Funding Gap For rental units, the difference between the total estimated development cost and the estimated capitalized value of the net operating income based on the supporting debt service derived from the unit's net operating income will represent the affordable development funding gap associated with each income category.

Step 5 – Identify Development Funding Gap The market analysis will identify the maximum supportable fee based on the affordability gap. However, the development funding gap analysis will determine the gap amount that may be more reasonably associated with new residential development in order to identify the recommended impact fees. The development funding gap would be calculated and used as the basis of the impact fee analysis, instead of the affordability funding gap because it represents the actual cost to produce an affordable unit.

Step 6 - Fee Comparison with Neighboring Jurisdictions RSG will also compare the proposed impact fees with those in neighboring and similar communities, to assess whether the proposed fees may serve to impede development opportunities in the City by making it less competitive with other cities.

Phase 2B – Fee Selection Analysis

Once the above research and analyses are complete, RSG will prepare recommendations for in-lieu fees and impact linkage fees. These fees would take into account the maximum supportable fee as identified in the Nexus Study, a fee based on the development funding gap, the existing impact fee, as well as the other economic factors. In addition, the maximum supportable fee per square foot based on the affordability gap would be identified.

Deliverables

- Administrative Draft Affordable Housing In-Lieu/Impact Fee Analysis for City staff review and comments.
- Final Affordable Housing In-Lieu/Impact Fee Report incorporating City staff and public review comments.

• **Phase 2C – Advise on Inclusionary Ordinance Revisions**

RSG staff will review the existing Inclusionary Housing Ordinance to advise and assist in the preparation of potential modifications to the implementation of affordable housing impact linkage / in-lieu fees applicable to both ownership and rental housing units. Any recommendations will be memorialized in memorandum report form or another format as directed by City staff.

Deliverables

- Recommendations on the implementation of an affordable housing impact/in-lieu fee.

PHASE 3 – HOUSING TRUST FUND GUIDELINES

RSG will review with City staff the City's housing priorities as identified in the City's recent Housing Element and related public review meetings. On the basis of the identified priorities and the projected availability of affordable housing revenues including impact fee deposits, RSG will formulate implementing strategy alternatives and outline prospective guidelines for the most effective expenditure of its available resources.

Deliverables

- Recommendations and written guidelines for the implementation and expenditure of affordable housing impact/in-lieu fee moneys.



SCHEDULE

We estimate that the administrative draft Nexus Study will be completed for staff review within four weeks of the kick off meeting, and the draft Affordable Housing Impact Fee Analysis will be ready for staff review within six to eight weeks of the start of the project. Subject to City review periods, we anticipate a total of approximately twelve to fourteen weeks to complete the entire assignment, as identified below.

DATE	TASKS
Week 1	Contract Execution, Begin Project
Week 4	Phase 1 – Administrative Draft Nexus Study Including Background Analysis for Staff Review
Week 6	Receive and Incorporate Staff Comments
Week 6 - 8	Phase 2 – Administrative Draft Affordable Housing Impact Linkage / In-Lieu Fee Analysis
Week 9	Receive and Incorporate Staff Comments
Week 10	Phase 3 - Implementation and Expenditure Guidelines
Week 10 - 12	Planning Commission, CC Housing Subcommittee, and Stakeholder Reviews
Week 12 - 14	Final Residential Nexus Study and Affordable Housing Impact Fee Report
	City Council Approval

PRICE PROPOSAL

Estimated consultant hours and costs for each phase are presented in the budget detail table on the following page. However, RSG will bill the engagement on a contract balance basis and not on each individual task, some tasks may require additional time and some less, but RSG will not bill in excess of the not-to-exceed fee of \$38,900 for the project. RSG would bill for the engagement based on our 2015 hourly rates, which are as follows.

2015 BILLING RATES

Principal / Director	\$ 235
Senior Associate	\$ 180
Associate	\$ 160
Senior Analyst	\$ 135
Analyst	\$ 125
Research Assistant	\$ 110
Technician	\$ 80
Clerical	\$ 60
Reimbursable Expenses	At Actual Cost

RSG does not charge clients for mileage (except direct costs related designated field surveys and third party data access and related materials), parking, standard telephone/fax expenses, general postage or incidental copies. However, we do charge for messenger services, overnight shipping/express mail costs and teleconferencing services. We also charge for copies of reports, documents, notices, and support material in excess of five (5) copies. These costs are charged back at the actual expense.

RSG issues monthly invoices payable upon receipt, unless otherwise agreed upon in advance. Invoices identify tasks completed to date, hours expended and the hourly rate.

Please note that it is not RSG's practice to bill in phases, but rather as work is completed on a time and materials basis. Invoices will be remitted once a month for payment. The budget above represents a not-to-exceed amount in total, rather than a not-to-exceed amount by phase, as the information in the above table represents estimates of time devoted to this assignment.

BUDGET DETAIL

Aguora Hills - Residential Nexus, Impact Fee Analysis, and Housing Trust Fund Guidelines

Consultant Staffing Hours by Task	Principal/ Director		Sr. Associate		Sr. Analyst		Research Assistant		Total Hours	Total Cost
	Hourly Rate									
	Hours	Cost	Hours	Cost	Hours	Cost	Hours	Cost		
Project Coordination/Management	8	\$1,410	8	\$1,440	0	\$0	0	\$0	14	\$2,850
Phase 1 - Nexus Study										
Phase 1A - Background Review and Housing Market Analysis	4	\$940	8	\$1,440	20	\$2,600	6	\$660	38	\$5,640
Phase 1B - Nexus Study/Linkage Analysis	4	\$940	8	\$1,440	20	\$2,600	6	\$660	38	\$5,640
Total Phase 1	8	\$1,880	16	\$2,880	40	\$5,000	12	\$1,320	76	\$11,080
Phase 2 - Impact Linkage Fee Evaluation										
Phase 2A - Impact Fee / Development Funding Gap Analysis	8	\$1,175	6	\$1,080	8	\$1,145	2	\$220	22	\$3,620
Phase 2B - Fee Selection Analysis	4	\$940	6	\$1,080	8	\$1,000	2	\$220	20	\$3,240
Total Phase 2	8	\$2,115	12	\$2,160	17.35	\$2,145	4	\$440	43	\$6,560
Phase 3 - Housing Trust Fund Expenditures Guidelines										
Phase 3	4	\$940	12	\$2,160	8	\$1,000	0	\$0	24	\$4,100
Total Phase 3	4	\$940	12	\$2,160	8	\$1,000	0	\$0	24	\$4,100
Review Draft Report w/ Staff - Revise and Finalize	8	\$1,410	8	\$1,440	8	\$750	1	\$110	21	\$3,710
Meetings and Preparation (5 Meetings)	20	\$4,700	20	\$3,600	10	\$1,250	0	\$0	50	\$9,550
Implan Model & Related Data Costs										\$750
Total Fee Budget	83	\$12,455	76	\$13,680	81.18	\$10,145	17	\$1,870	227.16	\$35,900
	23.7%		23.7%		25.7%		7.5%			\$35,900

CITY STAFF SUPPORT

While City staff support may be kept to a minimum, it is important that staff participant in certain aspects of the study, particularly in defining the City's goals and objectives regarding the commitment to expanding affordable housing opportunities, as well as in assessing the City's propensity for imputing the impact linkage/in-lieu housing fees. Data and supporting materials not readily available on the City's website will be requested from staff, while third party data and related materials will be obtained by RSG for review and sign-off, by City staff, as needed. Nonetheless, RSG will complete all data collection, reviews, evaluations, analyses, and reports independently as data is available.