

TOWN COUNCIL STAFF REPORT

Subject: The Parcel Development Process Update

Meeting Date: August 15, 2018

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RECOMMENDATIONS:

Staff recommends Town Council:

- Receive an update on the process to develop The Parcel;
- Authorize the Town Manager to accept the scope and fee proposal from Keyser Marston Associates in the amount of \$25,000 for initial real estate financial consulting services;
- Direct staff to prepare and publish an RFQ/RFP for a consultant to provide affordable housing expertise; and
- Direct staff to work with available resources to explore development programs in support of the proposed financial services, beyond what is prescribed in the current regulating documents and bring recommendations to Town Council for further direction.

BACKGROUND:

At the Town Council meeting on May 2, 2018, staff presented an initial outline of a development approach for The Parcel. The public is encouraged to review the previous staff report and presentation as available on the Town's website [here](#) (Attachment 1). That presentation included information about the Community Housing Action Plan (CHAP), a history of the acquisition process, and an outline of the approach staff would be taking to move the development process forward. Subsequent to the presentation, Town Council took two actions:

1. Town Council selected "The Parcel" as the 'holding' name for the development.
2. Town Council approved four specific next steps as follows:
 - Prepare updated topographic survey and boundary survey.
 - Updates to the most recent wetlands delineation as necessary.
 - Identify site conditions, such as existing adjacent utilities, access points, and other physical data.
 - Identify adjacent land uses, including zoning and existing uses.

Since that time, staff has made progress on those specific points and has moved the overall process forward. The May 2 presentation included an outline schedule for milestones. The intent of that preliminary milestone schedule was to ensure staff had established target dates for moving the project forward in a timely and consistent manner. Updated milestone schedules more reflective of current available information on the development process will be provided as we progress. The schedules will include monthly updates to Town Council beginning in August.

ANALYSIS/DISCUSSION:

The process to develop The Parcel will take careful planning, community outreach, and consideration of a broad range of issues. The Town is committed to completing a transparent and public process as the project is planned and designed. As staff makes progress in these efforts, they will be continually refining the details of the process. The Public is encouraged to review previous updates to ensure a complete understanding of the progress. The Town has a webpage dedicated to this work effort which includes updates on this project.

When reviewing the following outline, it is important to understand each ‘step’ is by no means exclusive of any of the others. While there will be a general flow from one step to the next, there will also be significant overlap and a continual reassessment of the projected end result. One item will inform the next and will be used to improve upon work done to date as well as looking forward.

1. Due diligence and land acquisition

- a. Due Diligence during Escrow: This portion of due diligence included review of the preliminary title report and preparation of a Phase I environmental report. This task was completed prior to the purchase of the property.
- b. Land Acquisition: This included the execution of the purchase and sale agreement, escrow, transfer of funds and close of escrow, which occurred on March 30, 2018. The agreement requires the removal of hazard trees by the Town now underway.
- c. Due Diligence after land acquisition:

In a typical land acquisition process, the purchasing party will endeavor to learn everything they can about the property in question, including physical characteristics, planning criteria, potential for changes in land use requirements, possible development requirements and fee estimates such as entitlement fees, development impact fees, grading and building permit fees, and other agency fees. They will also review potential environmental and neighborhood concerns. The intent of this effort is to identify potential hindrances to development and to eliminate as many unknowns as possible. In order to reduce potential unknowns for interested development partners, the Town is working to complete as much of this due diligence as is reasonable given available information and resources at hand. This will help to focus future discussions with prospective development partners. Staff expects to have a package of information available that will serve as a comprehensive summary of known information related to the site, surrounding areas, and planning documentation.

The following list addresses preliminary items to be included in this summary information package:

- i. Prepare updated boundary and topographic surveys and identify issues for future resolution (complete)
- ii. Map Existing Utilities and Infrastructure: Identify existing infrastructure, including utilities, and identify capacities (complete August 2018)
- iii. Review existing records and prepare an updated wetlands delineation map as necessary (complete).
- iv. Complete previously authorized hazard tree removals: About half the hazard trees have already been removed. The Trails Coordinator will work to complete this work as crews become available.
- v. Identify current land use criteria, on site and adjacent (complete).
 1. Zoning Districts
 2. General Plan Land Use Designations
 3. Existing Land Uses
 4. Allowable Building Heights
- vi. Compile available information on previous planning efforts related to The Parcel: There have been a number of efforts in the past to advance development of The Parcel. There are previous planning documents, reports, studies and community discussions that may be able to inform the efforts moving forward. These documents should be compiled and reviewed to assist in the future visioning of the development. Anticipated completion date: September 2018.
- vii. Compile information on anticipated plans/programs/projects that may impact this effort. Anticipated completion date: October 2018:
 1. Walk, Bike, Ride
 2. Downtown Revitalization
 3. Current CIP Projects, such as Lower Main Street Pedestrian Improvements, south side (to be constructed summer 2019)
 4. Anticipated near-term private projects
 5. Coordination with recently received Mobility Hub Grant.

2. Organizational issues: staffing, resources, general process outline

- a. Staff Resources and Organization: Town staff has established The Parcel Development Team (the Team) to assist in defining and administering the development process. This team is dedicated to ensuring the process proceeds apace The Team meets on a weekly basis to discuss progress, update ongoing assignments/tasks, and identify next steps. The Team is staffed by members of the Public Works, Community and Economic Development, and Finance Departments with Grady Dutton as the Project Manager. This project represents a considerable dedication of staff time. Staff are refining the work program for this project and will assess how this effort affects other Town work programs and priorities.
- b. Real Estate Advisory Services: Separate from The Parcel discussion, at the May 2 Town Council meeting, Town Council authorized agreements with five financial advisory consultant firms to meet future Town needs. As part of that action, Town

Council directed that specific fees and scopes of services would need to return to Town Council for final authorization.

The Team has identified a specific need for real estate advisory services, public financing advisory services, and fiscal impact models for development of The Parcel. Based on a thorough review of the background and experience of each of the five consulting firms relative to these needed services, staff has obtained a specific fee proposal for a defined scope of services from Keyser Marston Associates (KMA). Staff recommends the Town Manager be authorized to accept the scope of services and fee proposal and proceed with that work. The initial recommendation is in the amount of \$25,000. As shown in the attached proposal, this initial work will include assistance in identification of possible development scenario and preparation of conceptual pro forma analysis. It is suggested the approximately \$24,000 remaining in earlier designated funds be used for the majority of this effort.

This work will be completed throughout several phases in the development process. As an example, it will be useful to have available an initial pro forma for the eventual development based on a 'minimum' level of development to use as a baseline. KMA will be asked to review development assumptions, conceptual site planning information, bubble diagrams, order-of-magnitude cost estimates and other cost projections. Applying a minimal intensity of development, they can then prepare a baseline pro forma. Other pro formas based on varying development intensities will be performed at a later time based on visioning and preliminary planning studies.

There will likely be additional services necessary in the future, such as assistance in preparing developer selection RFQ/RFP, further financial analysis, identification of funding alternatives and assistance in final development partner negotiations and contracting.

In preparing a more precise description of the types of services required and the capabilities of the recommended firm, staff has borrowed an excerpt from KMA's website:

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Keyser Marston Associates, Inc. (KMA) is a boutique real estate advisory firm, with offices in San Francisco, Los Angeles and San Diego, that specializes in:

- Real estate deal structuring, developer selection and transaction negotiation, especially public/private.
- Structuring affordable housing financing and implementation transactions.
- Fiscal analysis and municipal services financing to ensure new development generates sufficient reserves to fund needed services.
- Nexus analysis that supports the link between new development and funding of affordable housing, childcare, parks/open space, and the arts.
- Traditional real estate market and financial feasibility pro forma analysis that supports asset management, Specific Plan feasibility, policy planning and deal structuring.

KMA's principals have 20 to 40 years of experience analyzing and structuring deals and financing of most land uses. KMA's experience is in affordable, student and market rate housing, transit-oriented development, sports facilities, military base reuse and in projects with office, industrial or retail/entertainment.

While KMA is best known for its role as advisors to public sector and institutional clients, KMA also has an extensive private sector practice primarily serving technology companies, developers, law firms, non-profits and private landowners. KMA is a certified State of California Small Business.

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- c. Affordable Housing Needs and Housing Development and Grant Funding consultant assistance: Town staff requires outside assistance to refine aspects of the The Parcel project that relate specifically to opportunities and constraints provided by the development of affordable housing.

In the presentation on May 2, staff spent time describing aspects of the Housing Action Plan (HAP) and how The Parcel development will advance many of the goals therein. Staff has identified a need for consultant assistance in refining how the needs assessment of HAP can be applied during the development process. Staff recommends Town Council direction to prepare a draft scope of services for use in a Request for Qualifications (RFQ)/Request for Proposals (RFP) process. Once that RFP is prepared and a more defined scope is available, an estimate of costs for those services will be developed. Authorization to proceed with that work will return to Town Council.

It is important to note staff does not yet have a clear scope of services for this effort. Staff will expect the best qualified consultant to assist in preparing that scope of work based on available information and discussions with the financial services consultant. It is, however, important to begin the selection process at this time to ensure the entire team is on board as the next steps in the process take shape.

That selected consultant will work closely with Town staff and a real estate advisory services consultant (see below) to better describe the range of housing opportunities and funding sources that might be pursued.

- d. Other Current Funding Needs and Resources:

- i. Funding Needs:

- 1. In May, it was reported approximately \$42,400 was available to support immediate efforts. To date, approximately \$18,000 of these funds have been allocated to hazard tree removal and updated mapping efforts, leaving approximately \$24,000 currently available.
 - 2. Staff is working to identify Grant Opportunities which will help inform the fiscal analysis for the site (e.g. if there is significant funding for projects that include a transit hub the Town may want to consider including one as a component of the project). The visioning process,

overall public outreach, eventual project components and many other factors will lead to a number of potential grant opportunities.

3. Staff is working to first estimate short term General Fund needs, then will recommend financial resource allocations.
- ii. Other resource issues to be considered: While working to define the parameters to be used to select a development approach, a number of other resource items need to be considered. A few considerations might be:
 1. Staff time needed to manage/process this project. Significant staff time is anticipated for this project.
 2. Overall Town financial resources necessary to subsidize and support housing at affordable income levels and administer future programs.
- iii. Planning, Design, and Construction Costs: As the Team moves forward, an estimate format will be developed to assist in budgeting for the overall project. The format will include as many cost categories as possible to ensure it is comprehensive.

3. Public Engagement Plan

Staff considers this part of the process to be of extremely high importance. Town staff is preparing a Public Engagement Plan to define the opportunities and tools for engaging the community in the planning for the development of The Parcel. It is expected an outline draft of the Public Engagement Plan will be made available to Town Council for review in September. The Public Engagement Plan will describe the goals and objectives of the public engagement process and identify specific approaches and tools to be utilized. The purpose of public engagement is to:

- promote transparency and inclusivity in the development process,
- coordinate and organize external messaging and information on the project,
- gather ideas that might otherwise not emerge,
- enable creative solutions to overcome project challenges,
- enhance public support, and
- inform and educate the community.

Public participation is critical to the long-term success of any project and it is expected that the community will be engaged in the visioning, entitlement, and development phases. Through the visioning and entitlement processes, public participation will inform a practical development strategy for The Parcel that intersects with real estate market realities.

Preliminary tools to be considered in the Public Engagement Plan include public workshops and meetings, engagement through employers, a project website with interactive and survey capabilities, social media, and an email distribution list. The email distribution list is already in use and sign up is available through the Town's website: <https://www.townofmammothlakes.ca.gov/list.aspx>. Other technologies may be used, but only to the extent to which those technologies don't become exclusive. There are several successful models for online public engagement such as Aspen Community Voice (<https://www.aspencommunityvoice.com/>) and opportunities through platforms such as OpenGov (<https://opengov.com/products/citizen-engagement>). Formally, the decision-

making bodies for the entitlement and development phases of the project will be the Planning and Economic Development Commission and the Town Council, and noticed public hearings will be required as a part of those processes.

4. Visioning

The visioning for this project will be a comprehensive, community-minded effort, critical to a successful entitlement process. Once staff has completed the basic due diligence as described above and prepared a public engagement plan, staff, with consultant assistance, will prepare for the project visioning. The project visioning will be informed by a known range of development scenarios, residential product types for select income levels, as well as rental and for sale opportunities, financing approaches, public amenities, circulation and multi-modal facility options.

The visioning process will include a discussion of possible development strategies as described below that includes identification of likely public benefits of the project.

5. Development strategy, including identification of public benefit

Although it is well recognized that the input that the Town will receive during the visioning process will be diverse, it is a critical step to engage the public in this manner. It is expected the result of this visioning process and the steps leading up to it will be a slate of goals and priorities for the development based on a solid framework of due diligence, public outreach, identified community needs and desires, and a serious consideration of financial and other resource realities. The end product needs to be implementable at the outset, financially responsible, and must result in a sustainable community.

Land use and related regulatory considerations must be addressed during the visioning process and as a part of a responsible development strategy. The development strategy, based on the results of the visioning process, may include General Plan, Zoning Code, and/or Master Plan amendments.

One of the most critical and complex issues to be discussed is the eventual consideration of revisions to the current land use regulations to better meet the long term needs of the community. Land uses, including residential uses, ancillary uses, public amenities, open space and others will need to be considered. There are a number of items that have been identified and discussed in great detail over the decades. Consideration needs to be given to including parameters that can assist in making the overall project a success in a variety of ways.

After many years of observing the lack of progress toward development of The Parcel, it appears that something other than just stating a need for workforce housing and establishing a zone will need to occur make it happen. Additional measures must be in place and additional steps must be taken. The first and no doubt most critical step is complete – the acquisition of The Parcel by the Town. This will result in additional opportunities.

Given the understanding that the visioning process may result in recommendations to amend the current documents regulating land use for The Parcel, staff recommends that Town Council provide staff direction to work with the financial and housing consultants to explore the feasibility of a range of development scenarios.

6. Select development partner

The information and consultant assistance described above will then be utilized to move through a comprehensive, public process to secure a development partner with the expertise and experience to assist in making this project a reality in a timely, responsible fashion.

7. Facilitate entitlement process

Many of the items above will also set the stage for the Town to facilitate the formal entitlement process. The formal planning process might include a variety of processing alternatives. Staff will be fully engaged with the development partner to guide and facilitate that process to meet the overall needs of the development and the community as a whole.

8. Identify potential public assistance and available financing tools/mechanisms

Although this is listed as Item Number Eight, the process to identify financial resources to support the project and the future housing programs will take place throughout the process. Staff will rely on available community resources, consultant assistance, development partner input, and any other identifiable resource and will strive to take full advantage of opportunities identified.

9. Complete appropriate development agreement

Items One through Eight all lead to the opportunity for successful implementation. Final implementation will be based on an agreement with the selected developer to complete final design and construction of infrastructure and, eventually, housing and appropriate other land uses. That agreement will likely include commitments, incentives, and schedules related to performance.

10. Monitor the project and manage housing programs

Once the agreement is in place, the Town will need to monitor progress on the project to see that it proceeds as designed. The Town will need to consider ways to continually expedite required processes to ensure this opportunity to respond to this critical community housing need progresses in a timely fashion. The Town will also be responsible for setting up appropriate programs related to the long-term management of the envisioned housing program or programs.

Updated Milestones/Next Steps:

- Complete the assembly of The Parcel Development Team by selecting and engaging consultants as necessary in September and October.

- Come to a completed understand of and identify staff resources necessary to continue the current project development momentum in September and October.
- Complete draft of Public Engagement Plan and present to Town Council in September.

Specific Staff Recommendations:

- A. Real Estate Financial Services: Authorize the Town Manager to accept the scope and fee proposal from Keyser Marston Associates in the amount of \$25,000 for initial real estate financial consulting services.**
- B. Affordable Housing Consultant Services: Direct staff to prepare and publish an RFQ/RFP for a consultant to provide affordable housing expertise.**
- C. Potential Development Programs: Direct staff to work with available resources to explore development programs in support of the proposed financial services, beyond what is prescribed in the current regulating documents and bring recommendations to Town Council for further direction.**

STAFFING CONSIDERATIONS:

Staff requirements are being identified. Having said that, it is clear staff does not have enough resources to complete this work without re-prioritizing current work programs. This may include recommendations related to additional outside assistance.

FINANCIAL CONSIDERATIONS:

A budget was identified for the acquisition of the property. Approximately \$42,400 remained in that budget after close of escrow that will be utilized to obtain the described updated information. Recommendations for future financial considerations will be provided as they are identified. Approximately \$24,000 remain in that previous allocation. It is recommended these funds be used for the recommend real estate financial services. Before the recommend affordable housing consultant services are authorized, a funding source will need to be identified.

ENVIRONMENTAL CONSIDERATIONS:

No issues have been identified at this time.

LEGAL CONSIDERATIONS:

None identified at this time.

Attachments

Attachment 1: May 2, 2018 Town Council Staff Report: available online https://granicus_production_attachments.s3.amazonaws.com/mammothlakes/f3f1693f3faa7642422b8bd149e9b558.pdf

Attachment 2: Keyser Marston Associates Scope and Fee Proposal