



**KEYSER MARSTON ASSOCIATES™**  
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

August 6, 2018

Sandra Moberly  
Community & Economic Development Director  
Town of Mammoth Lakes  
Community Development Department  
P.O. Box 1609  
Mammoth Lakes, California 93546

**ADVISORS IN:**  
Real Estate  
Redevelopment  
Affordable Housing  
Economic Development

**SAN FRANCISCO**  
A. Jerry Keyser  
Timothy C. Kelly  
Debbie M. Kern  
David Doezema

**LOS ANGELES**  
Kathleen H. Head  
James A. Rabe  
Gregory D. Soo-Hoo  
Kevin E. Engstrom  
Julie L. Romey

**SAN DIEGO**  
Paul C. Marra

Dear Ms. Moberly:

Keyser Marston Associates, Inc. (KMA) is pleased to submit the following proposal to provide financial consulting services to the Town of Mammoth Lakes (Town). Specifically, KMA is proposing to assist the Town in the initial stages of the disposition process for approximately 25 acres of land owned by the Town adjacent to the Town's Downtown zoning district (Site). The Site is commonly referred to as the "Shady Rest Parcel."

## **BACKGROUND**

The Town utilized general funds to purchase the Site for \$6.50 million earlier this year. The Site is currently designated as High-Density Residential 1 (HDR-1) in the Town's General Plan and Residential Multi-Family 1 (RMF-1) with an Affordable Housing Overlay Zone in the Town's Zoning Code. Furthermore, the Shady Rest Master Plan limits the Site's density to 172 units plus density bonuses pursuant to California Government Code Sections 65915-65918 (Section 65915) and Town provisions.

The Town is interested in attracting development of the Site with a combination of for-sale and rental residential uses. In addition, the Town's goal is to maximize the number of affordable units that can be constructed on the Site. In particular, the Town would like to develop residential uses that are targeted towards a diverse economic mix of local residents ranging from very-low income households up to households earning up to 200% of the Area Median Income (AMI).

## **PROPOSED SCOPE OF SERVICES**

It is our understanding that the Town is in the process of evaluating development alternatives for the Site. As a baseline, KMA proposes to evaluate the financial feasibility of developing the Site based on the Site's current zoning restrictions. Up to three additional scenarios will be created collaboratively by the Town staff and KMA. KMA proposes to prepare conceptual pro forma analyses to test the financial feasibility of the various scenarios.

The scope of services being proposed by KMA is described in the following sections of this letter:

### **Step #1: Identification of Development Scenarios**

KMA proposes to work with Town staff to identify up to three development scenarios for the Site. KMA envisions that the scenarios will include a combination of the following:

1. Product types:
  - a. For-sale residential component(s); and
  - b. Rental residential component(s).
2. Income Mix:
  - a. A mix of affordability levels up to 200% AMI; and
  - b. Unrestricted market rate units.
3. Financing Structures:
  - a. Outside leveraging sources will be identified and applied to the units targeted to households earning less than 80% of AMI.
  - b. Conventional financing will be assumed for the units between 80% and 200% of AMI, as well as for the market rate units.

## **Step #2: Conceptual Pro Forma Analyses**

After review and approval of the development scenarios by Town Staff, KMA proposes to prepare conceptual pro forma analyses to evaluate the financial feasibility of each scenario. The results of the KMA analyses will be used to assist the Town in assessing potential mixed-income housing solutions that balance the creation of affordable housing units and financial feasibility.

## **INFORMATION NEEDS**

To undertake the proposed analyses, it would be helpful if KMA could be provided with the following information:

1. Any conceptual site planning information the Town has compiled previously for the Site.
2. Bubble diagrams illustrating the component parts of each scenario;
3. Order-of magnitude cost estimates for the following project components for each development scenario:
  - a. The off-site and on-site infrastructure improvements that will be required by the Town; and
  - b. The public permits and fees costs that will be imposed by the Town and any other applicable public entity such as schools and special districts.
4. The currently applicable utilities allowances for the affordable housing components.

## **BUDGET**

KMA will complete the proposed scope of services on a time and materials basis with a not-to-exceed budget of \$25,000. This budget includes the following:

1. Participation in the creation of the base zoning case and three development alternatives;

2. Preparation of draft conceptual pro forma analyses for the base zoning case and the three development alternatives;
3. Preparation of a memorandum that summarizes the analysis and conclusions derived from the conceptual pro forma analyses;
4. As needed, participation in teleconferences with the Town staff; and
5. Attendance at one in-person meeting in Mammoth Lakes.

Any additional services the Town requests, including multiple iterations of the analyses and additional in-person meeting attendance, will be provided on a time-billed basis in accordance with the firm's standard hourly billing rates. KMA will obtain Town approval prior to commencing work on any additional services.

For reference purposes, the KMA billing rates for the staff members will be assigned to this engagement are presented in the following table:

Managing Principals	\$280.00
Senior Principals	\$270.00
Principals	\$250.00
Managers	\$225.00
Senior Associates	\$187.50
Analysts	\$130.00
Administrative Staff	\$80.00

Sincerely,

Keyser Marston Associates, Inc.



Kathleen Head