



KEYSER MARSTON ASSOCIATES.

ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

November 6, 2018

ADVISORS IN:

Real Estate

Redevelopment

Affordable Housing

Economic Development

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Community Development Director

City of Culver City

9770 Culver Boulevard

Culver City, California 90232

Dear Sol:

Keyser Marston Associates, Inc. (KMA) is pleased to submit the following proposal to assist the City in creating an Inclusionary Housing program. Specifically, KMA is proposing to design a recommended Inclusionary Housing program that complements the City's existing Mixed-Use Ordinance and the density bonus provided by California Government Code Sections 65915-65918 (Section 65915).

The following KMA proposal describes the scope of services and the timing and the budget for the proposed scope of services. The proposed engagement will be managed and staffed by the KMA Los Angeles office. The point of contact person for this engagement is:

Kathleen Head, Managing Principal

KMA Los Angeles Office

500 South Grand Avenue, Suite 1480

Los Angeles, California 90071

Telephone: 213.622.8095 Email: khead@keysermarston.com

PROPOSED SCOPE OF SERVICES

Inclusionary Housing Context

The following summarizes the approach and methodology KMA proposes to undertake for creating a recommended Inclusionary Housing program. The analysis will be undertaken in the context of the following:

1. In 2015, the California Supreme Court ruled in the *California Building Industry Association v. City of San Jose*, 61 Cal 4th 435 (San Jose) that Inclusionary Housing ordinances should be viewed as use restrictions that are a valid exercise of a jurisdiction's zoning powers. The San Jose ruling did not create the opportunity for Inclusionary Housing restrictions to be placed on rental development.
2. In September 2017 the California Legislature adopted AB 1505, which amends Section 65850 of the California Government Code, and adds Section 65850.01. This legislation allows jurisdictions to adopt ordinances that require rental residential projects to include a defined percentage of affordable housing units.¹ AB 1505 requires jurisdictions to provide options for alternative means of fulfilling Inclusionary Housing obligations. These options include, but are not limited to, in-lieu fees, land dedication, off-site construction, and the acquisition and rehabilitation of existing units.
3. Section 65915 imposes density bonus requirements on projects that fulfill defined income and affordability restrictions.

Foundational Assumptions: Feasibility Analysis

It is KMA's assumption that the City would like to design an Inclusionary Housing program that works in conjunction with the City's existing Mixed-Use Ordinance and the Section 65915 density bonus. However, it is further KMA's assumption that the City would like to impose Inclusionary Housing requirements citywide. To assist in analyzing

¹ In 2009, the California Court of Appeal ruled in *Palmer/Sixth Street Properties L.P. v. City of Los Angeles*, 175 Cal. App. 4th 1396 that the imposition of Inclusionary Housing requirements on rental housing development violates the Costa-Hawkins Rental Housing Act. AB 1505 supersedes this decision.

the feasibility issues associated with an Inclusionary Housing program, KMA will create development prototypes for condominiums/townhomes and apartment projects.

The feasibility analysis will include:

1. A market analysis;
2. Affordability gap analyses; and
3. The use of KMA's proprietary pro forma models.

KMA will review the City's Housing Element to gain an understanding of the existing unmet need for affordable housing in Culver City at varying income levels. The Housing Element information and the results of feasibility testing will inform the recommendations regarding the percentage of affordable housing and the depth of affordability to be included in an Inclusionary Housing program.

Based on the results of the feasibility analysis, KMA will make recommendations regarding the following:

1. The threshold project size that will trigger the Inclusionary requirements;
2. The percentage of affordable units that will be required to be provided;
3. The income and affordability restrictions that will be imposed;
4. The comparability standards that will be imposed on Inclusionary units;
5. The treatment of Inclusionary requirements that result in fractional units;
6. The supportable in-lieu fee payment amounts given the affordability gaps associated with the prototype residential types being evaluated;
7. Off-site alternatives to developing the Inclusionary units on site within a market-rate project;
8. The methodology for identifying the affordable housing requirements that will be imposed on projects that propose to use the density bonuses offered by the City and the State of California; and

9. Identification of project types that may be exempt from the Inclusionary Housing requirements.

Comparative Analysis of Inclusionary Policies

The KMA Los Angeles office has assisted in creating over 25 Inclusionary Housing programs in California. We have also assisted in establishing the implementing policies and procedures in many of those jurisdictions. The salient characteristics of these 25 programs will be included in the comparative analysis of existing Inclusionary policies.

KMA will provide a survey of Inclusionary Housing programs adopted throughout California. The purpose of the comparative analysis is to identify the requirements typically imposed by Inclusionary Housing programs. The results will be used by KMA to identify the best practices being employed. This information will provide context for the Inclusionary Housing program parameters to be recommended to the City.

Deliverable Products

KMA proposes to prepare a memorandum that describes the characteristics of the Inclusionary Housing program being recommended by KMA. This memorandum will be supported by tables, data and other materials relevant to the analysis.

TIMING AND BUDGET

KMA proposes to complete the proposed technical scope of services within six weeks of receiving authorization from the City to proceed. In the following table KMA has provided an estimated fee for each task included in this proposal. The fee for the individual tasks may vary from these estimates, but the total budget will not be altered unless the work scope is expanded beyond the parameters identified in this proposal.

<u>Task</u>	<u>Budget</u>
Inclusionary Housing Analysis Update	\$17,500
Meetings/Presentations	\$3,500
Total	\$21,000

The preceding budget includes up to 12 hours of in-person meeting time with City staff, Planning Commission and City Council. The budget also assumes that KMA will participate in teleconferences with the City staff as needed throughout the engagement.

It is important to note that if the scope of services changes materially, and/or the in-person meeting time requested by the City exceeds 12 hours, the budget will need to be adjusted accordingly. If once the project has started, KMA believes that the budget could be exceeded, we will contact the City immediately for further direction.

The KMA hourly billing rate schedule that will be applied to this engagement follows:

Managing Principals	\$280.00
Principals	\$250.00
Managers	\$225.00
Senior Associates	\$187.50
Senior Analysts	\$150.00
Analysts	\$130.00
Technical Staff	\$95.00
Administrative Staff	\$80.00

KMA appreciates the opportunity to present this proposal. If there are any modifications that will make the proposal more responsive to your needs, or if you require any additional information, please do not hesitate to call us.

Sincerely,

Keyser Marston Associates, Inc.



Kathleen Head