

## **EXHIBIT A**

### **SCOPE OF SERVICES**

The Consultant will complete the following scope of services within 12 months from the effective date of this agreement. City staff support required to complete this scope of services is described following the task descriptions.

#### **Task 1: Fee Program Update Strategy**

The purpose of this task is to develop a strategy for the project that leads to achievement of the city's objectives discussed in Section 1 while keeping the project on schedule and on budget.

The City will identify appropriate members for an inter-departmental Technical Advisory Committee (TAC) to guide the project. The Consultant will facilitate semi-monthly TAC meetings by conference call with key meetings held on site. The Consultant will produce an agenda prior to each meeting and provide a summary of key issues and action items following each meeting. These meetings will provide a forum for presentation of preliminary results and strategy discussions, as well as allow for efficient project management.

During our initial meetings the Consultant will evaluate the City's fee program in comparison to best practices for impact fee nexus analysis. As the study progresses the Consultant will present options and determine the best approach to meet the City's objectives.

Meetings: Seven on-site TAC meetings and seven TAC conference calls.

Deliverables: Meeting agendas and meeting summaries with action items.

#### **Task 2: Growth Forecast**

The purpose of this task is to prepare a market-based development forecast by sub-area for a 20-year planning horizon. The Consultant will compare the forecast with ABAG's 2035 forecast and the City's general plan build out. The forecast will probably include five land use categories such as single family, multi-family, retail/commercial, office, and industrial. Categories will coincide with travel demand model categories and may be allocated into more detailed categories such as those in the current fee program. The Consultant will allocate the citywide forecast to sub-areas (e.g. southwest, southeast, rest of city) to facilitate further allocation to traffic analysis zones and for any sub-area nexus analysis. The Consultant will seek input from the TAC on land use categories and sub-areas before proceeding.

Sub-tasks will include:

- ♦ Review recent development trends for residential, commercial, and industrial development in Santa Rosa using available residential and commercial real estate data.
- ♦ Evaluate residential, commercial, and industrial market data (as measured by rents, vacancy rates, absorption, etc.) within Santa Rosa to evaluate the inventory and mix of existing supply, the strength of different subareas within the city, and the relative performance of Santa Rosa relative to the Bay Area.
- ♦ Evaluate environmental constraints on development, focused on mitigation of impacts on the California tiger salamander.
- ♦ Interview selected developers and brokers to understand how recent economic trends have affected the residential, commercial, and industrial real estate markets in Santa Rosa and the relative strengths and weaknesses of different areas within Santa Rosa for attracting development.

Deliverable: Growth forecast tables by sub-area and land use category; text for inclusion in final report.

### **Task 3: Economic Feasibility Analysis**

The purpose of this task is to evaluate the aggregate impact fee burden based on current local market conditions to provide guidance on fee levels that would not inhibit real estate investment in the City.

The core effort of this task will be a comprehensive analysis of current development costs for up to six development prototypes, and a comparison to current market values. Development costs will be based on general cost category assumptions (e.g. land, entitlements, site improvements, construction, financing, profit) applicable to the Santa Rosa market based on our extensive market analysis work throughout the Bay Area. Development prototypes will include variables for up to three sub-areas such as the southwest area, southeast area, and the rest of Santa Rosa. This effort includes fee burden comparisons with competing jurisdictions based on market prices, though with caveats that comparisons can be misleading because of market differentials.

Initial findings from the market research conducted for this task will provide guidance for development of policy proposals for the Project, i.e. to what degree, if any, the City could increase the fee burden without inhibiting investment. Through contacts with development industry representatives (conducted as part of Task 2) and market analysis, the Consultant will evaluate the possibility that the current impact fee burden is already inhibiting growth. The final analysis will evaluate the proposed updated fee schedules and advise on to what degree the fee burden poses risks for inhibiting real estate investment.

Deliverable: Presentation materials for City staff and Council; text and tables for inclusion in final report.

## **Task 4: Transportation Network Analysis**

The purpose of this task is to develop the nexus analysis and associated improvements for the City's transportation network.

### **4.1: Travel Demand Model Analysis**

The Sonoma County travel model will be the primary tool for assessment of improvement needs caused by growth. The Sonoma County model includes estimates of transit, bicycle and pedestrian travel in addition to automobile travel to support a multi-model transportation nexus analysis.

The Consultant will update the travel model land use inputs based on the growth forecast developed in Task 2. The Consultant will run the model with only currently funded improvements to identify future deficiencies based on general plan LOS criteria. The Consultant will identify improvements necessary to mitigate those deficiencies. Model modifications may be necessary to represent improvements that do not increase travel lanes, for example operational improvements such as ITS technology. Focused "hot spot" analyses of intersection operations may be used to confirm localized improvement needs. KAI will work closely with the City staff to ensure the correct representation of potential transportation improvements. The Consultant will then re-run the model with these mitigation improvements to verify that acceptable LOS thresholds are achieved.

Based on discussions with the TAC the Consultant will decide how to structure citywide versus sub-area components of the nexus analysis. Sub-areas may include existing fees for the southwest and southeast areas, as well as the potential for new fees for the North Santa Rosa and Downtown Station Area specific plans. For sub-area analyses the Consultant will use model results for select zone/select link analysis to allocate costs to new development by sub-area.

Deliverable: Spreadsheet tables with results of LOS analysis for each model run; maps showing project locations and impact fee zones.

### **4.2: Additional Transportation Improvements**

The transportation improvements identified in Task 4.1 represent a minimum list for impact fee funding within the 20-year planning horizon, that is, improvements needed to mitigate development impacts based on general plan LOS criteria and a market-based growth forecast. In addition to *General Plan 2035*, the City has recently conducted substantial specific and master planning efforts that recommend additional transportation improvements likely not to be identified in Task 4.1. Sources for these additional improvements include:

- ♦ *Downtown Station Area Specific Plan and EIR (2007)*
- ♦ *Santa Rosa Bicycle and Pedestrian Master Plan (2010)*
- ♦ *North Santa Rosa Station Area Specific Plan and EIR (2012)*
- ♦ Updates to capital project lists for the CFF, SWADIF, and SEADIF programs (2015).

Working with City staff the Consultant will develop a list of high priority transportation improvements needed to serve population and employment in the city at the 20-year planning horizon (Task 2) that achieve the following objectives:

- ♦ Incorporate transportation amenities, such as bicycle and pedestrian improvements, considered critical to the City's quality of life within the planning horizon.
- ♦ Identify backbone improvements that provide excess capacity for growth beyond the planning horizon but must be implemented within the planning horizon to support development.

This additional list of improvements will be developed within a financially constrained scenario that considers not only potential impact fee funding but also potential funding from special and general tax sources within the planning horizon (see Task 7).

#### **4.3: Transportation Improvement Costs**

The Consultant will work closely with the City's Public Works Department to develop cost estimates for the transportation improvements identified in Tasks 4.1 and 4.2. The Consultant expects that many of these improvements will overlap with improvements included in the CFF, SWADIF, and SEADIF programs. The City completed substantial work to update the project cost database for these fee programs in 2015. In addition, the specific and master plans listed above include cost estimates for certain improvements. The Consultant will develop a project cost database building on the work from 2015 for all improvements identified in Tasks 4.1 and 4.2. The Consultant will rely on City staff for project inputs related to descriptions and quantities. The Consultant will work with City staff to identify appropriate 2016 unit cost assumptions.

Deliverable: Spreadsheet tables with description of transportation improvements and costs.

#### **4.4: Existing Transportation Network**

The purpose of this task is to provide the option for determining the impact of development based on maintaining the City's existing level of investment in transportation network, rather than the typical LOS approach described in Task 4.1. As described in the *Introduction and Approach* section, an existing level of investment (or existing facility standard) approach has the benefit of providing substantially more flexibility in the use of funds, both geographically and among improvement categories. Of particular importance to a transportation impact fee in urban areas is enabling the use of funds for a range of multi-model improvements to support bicycle, pedestrian, and transit trips as roadways become more congested.

To complete this task for a citywide fee nexus, the Consultant will limit the transportation network to those facilities that provide connectivity between neighborhoods and activity centers within the city, as well as to neighboring communities. Based on the roadway classifications in the *General Plan 2035*, this network includes "regional" and "transitional" streets, and excludes "local" streets

primarily used for access to specific neighborhoods.<sup>1</sup> The network includes the entire roadway curb-to-curb (vehicle travel lanes, bicycle lanes, and on street parking), adjacent sidewalks and medians, and intersection signalization equipment. The Consultant will also include off-street bicycle and walking paths. To quantify the existing level of investment in this network the Consultant will use travel model network specifications and input from City staff. The Consultant will apply unit replacement costs to calculate the total value of the City's existing citywide multi-modal transportation network.

All transportation improvements identified in Tasks 4.1 and 4.2 located on the citywide network would be eligible for funding with a citywide transportation fee. Improvements on local streets could be funded through a sub-area fee calculated in the same manner using only sub-area transportation network replacement costs.

Deliverable: Spreadsheet tables with inventory and costs; maps showing citywide transportation system.

## **Task 5: Analysis of Other Public Facilities and Infrastructure**

The purpose of this task is to develop the nexus analysis and associated capital improvements associated with non-transportation facilities and infrastructure. Based on the City's existing fee programs, these facilities and infrastructure provide public safety, utility, and parks and recreation services.

### **5.1: Capital Improvement Projects and Costs**

The purpose of this task is to develop the capital improvement project database, including updated cost estimates. The approach is similar to the development of the transportation improvement project list described in Tasks 4.1, 4.2, and 4.3, above, though without the engineering analysis associated with the travel demand model.

The capital improvements database will draw from the following planning documents in addition to the *General Plan 2035*:

- ♦ *Santa Rosa Citywide Creek Master Plan* (2007)
- ♦ *Downtown Station Area Specific Plan and EIR* (2007)
- ♦ *Santa Rosa Recreation and Parks Business and Strategic Action Plan* (2008)
- ♦ *North Santa Rosa Station Area Specific Plan and EIR* (2012)
- ♦ Updates to capital project lists for the CFF, SWADIF, and SEADIF programs (2015).

Working with City staff the Consultant will develop a list of high priority capital improvements needed to serve population and employment in the city based on the 20-year growth forecast (Task 2) and the following objectives:

- ♦ Achieve policy standards for public facilities, such as general plan park standards.

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<sup>1</sup> City of Santa Rosa, *General Plan 2035*, pp. 5-2 to 5-3.

- ♦ Incorporate public facility amenities considered critical to the City's quality of life within the planning horizon.
- ♦ Identify backbone improvements that provide excess capacity for growth beyond the planning horizon but must be implemented within the planning horizon to support development (particularly applicable to utility infrastructure).

Similar to the approach explained in Task 4.2, the Consultant will develop the capital improvements list within a financially constrained scenario that considers not only potential impact fee funding but also potential funding from special and general tax sources within the planning horizon (see Task 7).

### **Task 5.2: Existing Public Facilities**

The purpose of this task is similar to Task 4.4, calculating the maximum justified impact fee needed to maintain the City's current level of investment in public facilities and infrastructure as the City grows. This task will focus on gathering existing facility information (acres, building square feet, site improvements, vehicles and equipment) to calculate an existing facility standard, for example square feet of fire station space per capita. This existing facility standard provides the nexus between the impact of development and the fee necessary to maintain the City's current level of public facilities investment per capita (residents and workers). As described in the *Introduction and Approach* section this approach has the benefit of providing substantially more flexibility in the use of funds, both geographically and among improvement categories.

Deliverable: Spreadsheet tables with inventory and costs.

## **Task 6: Commercial Linkage Analysis**

The purpose of this task is to calculate a commercial linkage fee based on the increase in demand for affordable housing that accompanies new non-residential development. The Consultant will use the commonly-accepted methodology for the nexus analysis that assumes that there is a net gain in employment when new commercial space is built, and that the ability of new employees to pay for housing costs is linked to their occupations (and therefore salaries). Additional housing units will be needed for those employees who both work and live in Santa Rosa.

Housing units at all price levels are needed. Given anticipated incomes, there may be an affordability "gap" between what some households can afford to pay (to rent or to buy) and the actual costs of new development. This "gap" provides the basis for a fee calculation.

Sub-tasks will include the following:

- Calculate affordability gap: Strategic Economics will calculate affordable rents and sales prices for income groups to be served. The income groups will be defined by the City of Santa Rosa to be consistent with existing programs and City policy. The next step is to calculate the housing affordability gap for ownership and rental housing, based on the difference between the cost of developing new modest, residential units and the

amount that households can afford to pay at various income levels and household sizes.

- **Establish Commercial Prototypes:** It is assumed that the commercial linkage fee will include three prototypes: office, retail, and hotel. Because employment varies by prototype, it is important to estimate separate commercial linkage fees for the types of development expected. This scope covers up to three commercial prototypes to be selected in conjunction with staff.
- **Nexus Analysis:** Strategic Economics will calculate the number of employees expected to work in the new space and the number of new households associated with this employment growth. Then, Strategic Economics will estimate the incomes of the new employee-households. The next step is to estimate the number of households that will need affordable housing. These calculations will be undertaken separately for each prototype.
- **Fee Recommendations:** Based on the analysis, the economic feasibility analysis conducted under Task 3, and other policy considerations, Strategic Economics will recommend fee levels for all commercial prototypes included in the study.

**Deliverables:** Chapter for final report documenting commercial linkage impact fee nexus analysis and fee schedule.

## **Task 7: Program Implementation**

The purpose of this task is to address program implementation issues raised by the RFP. Based on our review of the RFP and conversations with staff the Consultant understand those issues to include:

- ♦ Collaboration with current efforts by City staff to identify non-fee revenue sources to keep fees within economic feasibility limits (Task 3) and to fund capital improvement cost shares not associated with new development.
- ♦ Integration of the fee program with capital improvement planning and implementation, including fee revenue account structure and expenditure guidelines.
- ♦ Annual reporting to inform Council on progress towards implementation of planned improvements, and to identify when policy guidance is needed.
- ♦ Review of credit and reimbursement policies and procedures and revisions based on best practices.

**Deliverable:** Findings and recommendation to be included in the final report.

## **Task 8: Stakeholder Input**

The purpose of this task is to present key Project findings to stakeholders and to seek comments. The Consultant will rely on City staff to identify stakeholder group members and to arrange meetings. The Consultant will distribute agendas and

presentation materials in advance of each meeting. Stakeholder group meetings will occur once the Consultant has initial results of the project including draft fee schedules and revised capital project lists.

Meetings: Two stakeholder group meetings.

Deliverable: Agendas and presentation materials.

## **Task 9: Impact Fee Nexus Analysis Report**

The purpose of this task is to thoroughly document all aspects of the project in a final report that both effectively communicates findings and recommendations, and provides a technically defensible nexus analysis.

The final report will include documentation of the growth forecast (Task 2) as well as the economic feasibility analysis (Task 3). The core chapters of the report will be documentation of the nexus analysis for each fee based on the program structure developed by the Project. This structure may include continuation of existing fees (SWADIF, SEADIF, CFF, Parks), replacement of existing fees with new fees, or a combination of both. The report will include the capital improvement project lists developed in Tasks 4 and 5 for a financially constrained capital improvement plan (CIP) within a 20-year planning horizon, including project descriptions, estimated costs, and anticipated funding sources. The CIP will not indicate the phasing of projects within the planning horizon.

The Consultant will provide an administrative draft report for City staff review and respond to one set of consolidated comments. The Consultant will provide an initial public draft report for final review by City staff, and make any final revisions to address non-substantive and presentation issues. The Consultant will produce a final public draft report for presentation to the City Council.

Meetings: Three meetings with the City Council including the fee adoption public hearing.

Deliverable: Administrative draft report (in Microsoft Word to track comments and changes); initial public draft report with all graphics (electronic (pdf) version); final public draft report (12 hard copies and one electronic (pdf) version).

## **Required City Support**

The City will need to provide the support described below to complete the scope of services. Timely responses to consultant requests for technical information and policy guidance will be necessary to complete the project within the proposed 12-month schedule.

- ♦ Administrative support:
  - Identification of City staff members for TAC and a regular meeting time with consultant input (Task 1).
  - Identification of stakeholder group members, scheduling of stakeholder meetings, and distribution of meeting materials (Task 8).
- ♦ Technical and policy input:



- Input regarding definition of land use categories and boundaries of sub-areas for analysis (Task 2)
- Input and land use data (as available) on environmental constraints (Task 2).
- City entitlement and building fees by prototype (prototypes to be provided by consultant) (Task 3).
- Updates to lists of capital improvement projects to remove projects that have been completed, and to identify all anticipated non-impact fee funding for future projects (Tasks 4.1 and 5.1).
- Identification of high priority capital improvements for CIP not otherwise identified through transportation level of service analysis (Tasks 4.2 and 5.1).
- Project descriptions and quantities and input on unit cost assumptions for all capital projects in the capital projects database (Task 4.3 and 5.1).
- Transportation network inventory data (lane miles, signalized intersections, sidewalks, separate pedestrian and bike paths) and public facility inventory data (acres, building square feet, vehicles) inventory data (Tasks 4.4 and 5.2).
- Development of estimates for additional non-impact fee revenues such as potential voter-approved revenue measures or new special districts (Task 7).
- Description of administrative issues and concerns associated with program implementation (Task 7).
- One set of consolidated comments on the administrative draft report and the initial public draft report (Task 9).