

SANTA BARBARA ELEMENTARY/HIGH SCHOOL DISTRICTS
NOTICE OF REGULAR MEETING OF THE
District Real Property Advisory Committee
FRIDAY, APRIL 16, 2004, 8:30 A.M
Administration Center Board Room
720 Santa Barbara Street, Santa Barbara, CA 93101
<http://www.sbsdk12.org>

AGENDA

1. **Call to Order** (8:30 am)
2. **Pledge of Allegiance**
3. **Public comments:** (8:35 - 8:40) Any member of the public may comment upon matters relating to this committee but not on the agenda. The public will have an opportunity to comment on each agenda item as each item is presented. Normally comments are limited to two minutes at the discretion of the chair.
4. **Presentation of District facility and other needs** – Dr. Deborah Flores (See attached document titled “Real Prop Options 04-09-04.pdf”) (8:40 – 8:50)
5. **Retention of Real Estate Consultant** – Dr. Flores would like input from DAC re the possibility of retaining Robert Gardner of Robert Charles Lesser & Co. to advise on the range of options (See attached proposal - “01-9916.00R Santa Barbara Schools.pdf”) Mr. Gardner will be present to answer questions and comment. (8:50 – 9:00)
6. **Presentations on options for Hidden Valley and/or Tatum sites** (See attachment below)
 - a. John Campanelli, Bermant Development Company (9:00 – 9:20)
 - b. The Towbes Group (9:20 - 9:40)
 - c. Jeff Nelson, SchoolSiteHousing.com (9:40 – 10:00)
 - d. Capstone Development Corp. (10:00 – 10:20)
7. **Discussion/ decisions regarding process to address District needs and DAC priorities** (10:20 – 10:30)
8. **New business—Committee members and staff may raise new information or ideas**
9. **Next meeting date and time: Friday, May 21, 2004 @ 8:30 am**

In compliance with the provisions of the Americans With Disabilities Act, if persons need special assistance to participate in this meeting or need this agenda provided in a disability-related alternative format, please contact the superintendent’s office at 963-4331, extension 201. Notification 48 hours in advance will assist the district to make arrangements.

**Attachment – Agenda Item #6
Information Sent to Presenters**



From: The Santa Barbara School Districts Real Property Advisory Committee

Date: April 5, 2004

The Santa Barbara School District's Real Property Advisory Committee is inviting interested persons to present conceptual proposals at its April 16, 2004 meeting regarding options for utilization of two District-owned properties. The properties are known as the Hidden Valley (APNs 49-040-24 & 49-040-33) and Tatum (APN 65-040-26) sites, both of which are currently undeveloped. The advisory committee is reviewing the possibility of lease, sale or exchange of one or both of the sites and will be formulating recommendations to the Santa Barbara School Districts' Board of Education. Preliminary objectives for possible disposition may include the following:

1. Acquisition of capital to meet current District facility needs which are unmet through local and state bonds. Assume approximate costs of current needs is \$20 million and includes, but is not limited to, relocation of District Administrative Offices and District maintenance and operations facilities.
2. Consideration for affordable workforce housing for District staff.
3. Preference for District to lease rather than sell land in order to have long term revenue stream not be restricted for capital projects only.
4. Community acceptance of project
5. Avoidance of expense and risk to District.
6. Limited time frame for obtaining entitlements.
7. Possibility of exchange.

Conceptual presentations are invited relative to one or both of the below properties as follows:

Tatum Property

- a. Consider provision of workforce housing through a combination of single family detached and attached residences for District staff on ground leased land with generation of long term revenue for District. Assume appropriate zoning density increase to achieve project goals; or
- b. Alternative conceptual proposals based upon lease or purchase of land not limited by above constraints.

Hidden Valley

- a. Consider single family residential development on this site consistent with existing zoning (or based upon possible rezone to achieve projects goals) developed under lease from District with consideration for workforce housing for District staff; or
- b. Other conceptual proposals based upon lease or purchase of land not limited by above.

If you wish to present a conceptual proposal, any written materials needing to be submitted to the committee before the meeting must be provided to the Superintendent's office, Attention Julie Medina, 720 Santa Barbara Street, Santa Barbara, CA 93101, by Monday, April 12, 2004, at 12 p.m. 25 copies of all submittals need to be included. For additional information regarding the individual sites or other questions, you may contact Pat Saley at (805) 969-4605.

Any proposals submitted are tentative and conceptual only. The Santa Barbara Board of Education will make final decisions regarding utilization or possible disposition of these properties only after following numerous specific provisions of law regarding bidding, notification of other agencies, and other applicable provisions.

Santa Barbara School Districts

720 Santa Barbara Street, Santa Barbara, CA 93101

District Real Property Advisory Committee: Summary of Options

No.	Identified Facility Needs	Options Considered	Approximate Cost		Funds Available
			Without Land	With Land	
1	District Office (permanent location)	<ul style="list-style-type: none"> • La Cumbre Junior High • Santa Barbara Junior High 	\$5.5 mil.	\$10 mil.	None
2	Open Alternative School (current location is La Colina Junior High)	<ul style="list-style-type: none"> • Hidden Valley property • La Cumbre Junior High • Tatum property • Current location 	\$4.5 mil.*	\$10 mil.	\$3–3.5 mil.
3A	Maintenance and Operations	<ul style="list-style-type: none"> • Tatum property • City property 	\$3.75 mil.	\$6 mil.	None
3B	Santa Barbara Community Academy – Phase 4 Expansion	<ul style="list-style-type: none"> • Maintenance and Operations 	\$3.5 mil.	N/A	None
4	Santa Barbara Charter School (current location is Goleta Valley Junior High)	<ul style="list-style-type: none"> • Hidden Valley property • La Cumbre Junior High • Tatum property • Current location 	\$4.5 mil.*	\$10 mil.	\$3–3.5 mil.
TOTAL			\$21.75 mil.	\$36 mil.	\$6–7 mil.

*Renovating the current location would cost less – roughly \$3 million.

April 9, 2004



ROBERT CHARLES LESSER & CO., LLC
REAL ESTATE ADVISORS

April 9, 2004

Craig Price, Esq.
GRIFFITH & THORNBURGH, LLP
8 E. Figueroa Street, 3rd Floor
PO Box 9
Santa Barbara, California 93102

019916.00R

SUBJECT: Comparative Market and Financial Evaluation of Alternative Development Directions for Two District-Owned Properties; Santa Barbara, California.

Dear Mr. Price:

We are pleased to submit this proposal-agreement to provide a comparative market and financial evaluation of alternative development directions for two District-owned properties. We have prepared this proposal response based on our recent discussions with you, our familiarity with the Santa Barbara residential market through our recent involvement with Cottage Hospital, and our firm's recognized expertise in conducting market and financial analyses for both private and public sector clients.

ANALYTICAL ISSUES AND OBJECTIVES

At issue is the need to evaluate various emerging developer proposals that entail the sale or lease of one or both of the two District properties. The two District-owned properties are currently undeveloped and known as the Tatum property (23-acre parcel located in the unincorporated area between the Cities of Santa Barbara and Goleta) and Hidden Valley property (about 13 acres located in the City of Santa Barbara). The emerging proposals appear to be quite different which poses some difficulty in evaluating their merits from the District's perspective.

- Private sector homebuilders will likely present the District with an acquisition offer reflecting their sense of market potential and governmental acceptance. In effect, the District sells the property in exchange presumably for cash. The District in turn can apply those funds in accordance with its funding priorities.
- UniDev represents an alternative approach in which it works with government agencies or institutions where a defined need exists for workforce housing and

sustainable, long-term cash flow.¹ In the short-term, cash returns to the District would neither match nor approach the magnitude of the homebuilder's acquisition purchase offer. On the other hand, the UniDev approach provides recurring cash flow and can utilize the affordable housing to recruit teachers who otherwise would find housing in Santa Barbara beyond their financial means.

Against that background, the goal of our involvement is to provide the District with the comparative information to facilitate its decision-making regarding the future sale or lease of these two properties. Specifically, our role is to frame each development proposal assuming a range of evaluative criteria. While we have not seen the various proposals, our sense at this time is that the evaluative criteria would likely include the following: development concept (unit count, types and prices), market feasibility (likelihood of market acceptance), affordability to District faculty and staff (proportion of District-affiliated households that could qualify given the proposed pricing), likelihood of local government approval, acquisition price (homebuilders), present value of future cash flow (UniDev), prospects for recurring income (UniDev approach provides future income), ongoing District involvement (some oversight may be required by UniDev approach), and possibly other evaluative criteria that may emerge during this effort. Throughout this effort, our role is to gain a sense of comfort that the information represented to the District is credible. We will review supporting analyses prepared by the various bidders for internal consistency and reasonableness and, where necessary, either spot-check the data and analysis or undertake limited analyses.²

The product of this effort is a report that contains the following: 1) a brief report that presents the comparative evaluation with supporting text and analysis; and 2) the various proposals written by the competing developers. In the analysis section, in the event that our findings differ from the developer, we will explain the factors supporting our projection.

SCOPE OF WORK

The analytical tasks leading to the fulfillment of the above objective are outlined below.

1. *Establishing the Evaluative Criteria.* Meet with District staff and representatives to gain additional background and discuss the information needs and concerns that the District may have with respect to the competing developers. From these initial discussions, prepare the evaluative criteria and present to appropriate District personnel for their feedback.
2. *Developer Proposals.* Examine the proposals submitted by the competing developers, utilizing this information to prepare the comparative evaluation. In the event that the written submissions do not provide sufficient information or the depth of analysis that we seek for the comparative evaluation, we will interview the developers regarding

¹ Under a set fee arrangement, UniDev functions as an Owner's Representative providing many of the services of a developer, such as hiring planners, architects, engineers, and builders, supervising their efforts, and working out the financing for projects being constructed. The job of the Owner's Representative is to assist the institution in being its own development entity.

² Any independent research and analysis that we would undertake would require District approval before we would proceed.

these issues and request a written response. Any information conveyed verbally to us by the developers would be followed up with a confirming memorandum.

3. *Additional Analyses.* As expressed above, our goal is to scrutinize developer materials from which to prepare the comparative evaluation. It may be necessary, however, to conduct independent research and analysis to confirm key developer assumptions and conclusions where we continue to have concerns. Because we have not seen the developer submissions, we cannot determine at this time whether or not any additional analyses would be necessary.
4. *Comparative Evaluation.* Compile and subsequently analyze the various sources of information, synthesizing and presenting the results in accordance with the evaluative criteria. The inputs would emerge from the developer submissions, plus the responses to our follow up information and analytical requests.
5. *Working Session.* Conduct a working session for appropriate District personnel at which time we will present our findings and discuss the distinctive characteristics of each developer proposal. Supporting documentation would include exhibits that we have prepared that extract and analyze information and results from the developer proposals, our analyses of the developer proposals, and the developer proposals themselves.
6. *Executive Report.* Prepare a written report that presents the results of the comparative evaluation of the competing developer proposals and provides the supporting statistical documentation.

TIME AND PROFESSIONAL FEE SCHEDULE

The time to complete this engagement is about two months culminating in a presentation to the District. This assumes that the competing developers will be accessible and provide timely responses to our information and analytical requests. We will provide reports on progress and findings via periodic, informal communications or meetings during this time frame. These time frames may vary depending on when we receive your written authorization and our commitments at that time.

The professional fee for this engagement is likely to range from \$15,000 to \$20,000, plus reimbursement for incurred out-of-pocket expenses.³ This figure will not be exceeded without the District's written authorization. The range is necessarily wide at this time and reflects our lack of knowledge regarding the number of competing developers and the comprehensiveness of their submissions. Further, this fee excludes Task 3/Additional Analyses, which we hope would be minimal but nonetheless cannot be estimated at this time. Please refer to the enclosed appendix for information about our reimbursable expenses, billing arrangements, additional services and limiting conditions.

³ Hourly billing rates are as follows: Managing Director, \$250; Managers, \$150 - \$200; Senior Associates, \$100 - \$140; and Associates, \$75 - \$95.

If the above meets with your approval, we are prepared to commence work on this assignment as soon as practical after receipt of an executed proposal-agreement.

In an ongoing effort to continually improve our services to our clients, we will be sending you a web-based Client Satisfaction Survey at the completion of this engagement. We hope you will take the time (five minutes) to respond to this survey so we may incorporate your feedback into our overall results and implement changes as necessary. The e-mail survey link will be coming from Mr. James Raby, our Director of Marketing. Thank you in advance for participating.

COMPANY BACKGROUND AND QUALIFICATIONS

Robert Charles Lesser & Co. (RCLCo) is uniquely qualified to perform this challenging engagement for the Santa Barbara School District. RCLCo is a nationally recognized market and financial analysis and strategic planning advisory firm serving the real estate industry, and is the largest independent real estate consulting firm in the nation. RCLCo is active on a broad spectrum of engagements, including retail, office, industrial and other commercial development; multifamily housing; hotels; entertainment; public/private partnerships; neighborhood redevelopment; and the integration of major institutions into adjacent communities. The firm's scope of services includes market and financial feasibility, fiscal and economic impact evaluations, consumer research, product programming and pricing, strategic planning at the organizational and project levels, and valuation.

The firm works on over 400 projects each year for regional, national and international real estate companies, corporations, institutional investors, international and domestic private investors, municipalities, nonprofit organizations, financial institutions and other public sector clients, including the Department of Housing and Urban Development (HUD), Department of Defense (DOD), local/regional public housing authorities, economic development, housing and redevelopment authorities, and cities and counties.

- *Private Sector.* Our private sector knowledge of real estate market research and development is unparalleled. We serve a broad base of clients that range from investment bankers to this country's largest master-planned community developers. For these clients, we regularly provide the following services: regional development trends, local market demand forecasts, product programming, financial feasibility, consumer research, and strategy/ business planning.
- *Public Sector.* In recent years, RCLCo's real estate development expertise gained by serving the private sector has increasingly been sought by the public and not-for-profit sectors. The market insight that RCLCo typically provides to the developer community, and that has been gained in part by involvement in hundreds of successful private sector developments, has proved to be valuable to public and not-for-profit sector clients. RCLCo is able to familiarize them with real estate market dynamics, and to provide a market framework that makes it possible for them to work effectively with real estate investors, developers, lessees and purchasers.
- *Metropolitan Opportunity Analysis (MOA).* The firm also specializes in understanding metropolitan development trends and regional economics – how and

where our metropolitan areas are growing. This leads to comparative analyses and identification of development and investment opportunities between within a particular metropolitan area, including opportunities for downtowns and central city locations.

- *Urban Infill.* We are very excited about our firm's extensive role in shaping urban infill market solutions for our developer clients in the Los Angeles area. The Los Angeles region is witnessing the development of new rental and condominium housing that is transforming our urban landscape. This local wave of development is in line with national trends and changing demographics. In the last few years, vibrant new multifamily markets have emerged in many infill urban areas where no significant residential markets existed before, such as Downtown Los Angeles, Long Beach, Hollywood and Pasadena. And, RCLCo has been providing the market-driven solutions that underpin the success of many of these urban infill development ventures.

Current clients have about 15 projects "in the ground", either under construction or recently built. Developers of these future developments include Fifield Realty, Lowe Enterprises, Intracorp, Related Companies, The Olson Company and Caruso Affiliated.

- *Local Market Knowledge.* Of special importance is our recent involvement with Cottage Health System, specifically relating to its acquisition of Saint Francis Medical Center and market and financial issues associated with potential re-use options for the property. Through this effort, we have gained an understanding of residential market trends in the Santa Barbara. For clients having requested confidentiality, we have explored the high-end residential market.

* * * * *

We are enthusiastic about working with the Santa Barbara School District and the opportunity to assist the District in its evaluation of competing developer proposals for the Tatum and Hidden Valley properties. We sincerely appreciate your consideration of our firm.

Very truly yours,

ROBERT CHARLES LESSER & CO., LLC



Robert J. Gardner
Managing Director

AGREED AND ACCEPTED:

SANTA BARBARA SCHOOL DISTRICT

By: _____
Title: _____
Signature: _____
Date: _____

Unless informed to the contrary, the monthly invoices and reports will be sent to the attention of the individual who executed this agreement. If the invoice contact differs from the signature above, please complete the following:

Name: _____
Title: _____
Invoicing Address: _____
Telephone Number: _____
Fax Number: _____
Mail Address: _____
E-mail Address: _____

Sent via email



STANDARD APPENDIX TO PROPOSAL-AGREEMENT

Section 1: Payment Terms

An initial payment of \$0 shall be sent upon execution of this Agreement, which amount will be credited to the outstanding balance on the final invoice(s) submitted to Client. Payment of the retainer should be sent, along with one executed copy of this proposal-agreement, to:

Accounting
Robert Charles Lesser & Co., LLC
7200 Wisconsin Avenue, Suite 750
Bethesda, MD 20814

For each monthly billing period ("Billing Period"), Robert Charles Lesser & Co., LLC (RCLCo) will submit invoices to Client for services and reimbursable expenses. Amounts invoiced will be in proportion to the services performed during the preceding billing period. Amounts invoiced for reimbursable expenses, consultants' fees and additional services will be based on amounts incurred and services performed through the invoice date.

Invoices are due and payable upon receipt. Interest at 10% will accrue on all accounts not paid within sixty (60) days of the invoice receipt date.

Section 2: Estimated Reimbursable Expenses

Except when indicated below, expenses are billed at cost, with costs estimated when possible below:

Travel expenses* (mileage, airfare, car rental, hotel, meals, etc., as incurred)	TBD
Delivery charges* (air freight, messenger service, postage, etc., as incurred)	TBD
Color printing and copies of special graphics, photos, etc., as incurred)	TBD
Report Production and Presentation Materials ⁴	\$600
Outside secondary data required for the completion of this engagement ⁵	\$200
Telephone charges	included
Estimated Reimbursable Expenses (excludes TBD items, subject to change)	\$800

* At cost plus handling charges of 0%.

⁴ Report production and presentation materials expenses include all expenses and labor related to word and data processing and production and reproduction of reports in black and white. Also, includes all expenses and labor related to production of presentation materials used and/or distributed. Color and special graphics, photos, etc., will be charged separately over and above this fee, at cost plus a 10% handling charge. When applicable, up to five (5) copies of the report are included. Additional copies or revised copies once a final report has been issued will be billed at the higher of \$25 per copy or actual cost plus a 10% handling charge.

⁵ Such as on-line database charges, other publications, reports, maps and other miscellaneous out-of-pocket charges related to procurement of necessary information and data for this assignment.

Section 3: Acceptance and Expiration

Acceptance of this proposal-agreement is completed upon receipt of one executed copy of the proposal-agreement and the retainer fee specified. If we are not in receipt of a fully executed copy within thirty (30) dates from the date thereof, this proposal-agreement shall be of no further force and effect and shall be deemed withdrawn.

Section 4: Additional Services

In addition to the scope of work covered in this Agreement, we will be available for additional work, including team meetings; planning and design review work; litigation support work; presentations to investors, lenders and/or public agencies; periodic updating of reports; financial analysis; marketing plan; consumer opinion research work; and, other activities related to this engagement.

Additional team meetings and planning and design review sessions will be billed for professional time and expense based on our normal hourly or per diem rates. Proposals for other services, indicating scope of work and time and fee schedule, will be submitted upon request.

Professional time for court appearances and depositions will be billed at 150% of our normal hourly rates.

Section 5: Client's Responsibilities

Client agrees to provide full and reliable information about its requirements for the engagement and, at its expense, shall furnish the information, surveys and reports, if any. In addition, Client agrees to provide, at its expense and in a timely manner, the cooperation of its personnel and such additional information with respect to the engagement as may be required from time to time, to be provided by Client for the performance of RCLCo's work. Client shall designate a Project Representative authorized to act on behalf of Client with respect to this Agreement and agrees to render any decisions promptly to avoid unreasonable delay to the engagement and the performance of RCLCo's work.

Section 6: Termination

This Agreement may be terminated by either Client or RCLCo by giving written notice at least three (3) days prior to the date of termination. In the event of such termination, Client shall pay RCLCo for services and reimbursable expenses performed or incurred to the termination date.

Section 7: Use of Documents

It is understood by RCLCo that the findings from this engagement ("Report") are the proprietary property of the Client and that for a period of one year, unless otherwise

instructed by the Client in writing, they will not be made available to any other organization or individual without consent of the Client. It is agreed by the Client that the Report, unless specifically designated by RCLCo as an internal document, will be presented to third parties only in its entirety and that no abstracting of the Report will be made without first obtaining the permission of RCLCo.

It is further agreed by Client that the Report is not to be used in conjunction with any public or private offering of debt or equity securities without RCLCo's prior written consent. The Client agrees to indemnify RCLCo against any losses or claims for damage and liabilities under Federal and State laws which may arise as a result of statements or omissions in public or private offering of securities.

Section 8: General Limiting Conditions

It is understood by the Client that RCLCo can make no guarantees about the recommendations which will result from the proposed engagement, because these recommendations must be based upon facts discovered by RCLCo during the course of the study and those conditions existing as of the date of the Report.

To protect the Client, and to assure that RCLCo's research results will continue to be accepted as objective and impartial by the business community, it is understood that RCLCo's fee for the undertaking of this engagement is in no way dependent upon the specific conclusions reached or the nature of the advice given by RCLCo in its Report to the Client.

The final Report furnished by RCLCo will contain a statement of General Limiting Conditions, as follows:

"Every reasonable effort has been made to insure that the data contained in this study reflect the most accurate and timely information possible and it is believed to be reliable. This study is based on estimates, assumptions and other information developed by RCLCo from its independent research effort, general knowledge of the industry and consultations with the Client and its representatives. No responsibility is assumed for inaccuracies in reporting by the Client, its agent and representatives or any other data source used in preparing or presenting this study. This report is based on information that was current as of (date of report) and RCLCo has not undertaken any update of its research effort since such date."

"Our report may contain prospective financial information, estimates or opinions that represent our view of reasonable expectations at a particular point in time, but such information, estimates or opinions are not offered as predictions or as assurances that a particular level of income or profit will be achieved, that events will occur or that a particular price will be offered or accepted. Actual results achieved during the period covered by our prospective financial analysis may vary from those described in our report and the variations may be material. Therefore, no warranty or representation is made by RCLCo that any of the projected values or results contained in this study will actually be achieved."

"Possession of this study does not carry with it the right of publication thereof or to use the name of "Robert Charles Lesser & Co., LLC" or "RCLCo" or any reference to the Appraisal Institute or MAI designation in any manner without first obtaining the written consent of RCLCo. No abstracting, excerpting or summarization of this study may be made without first obtaining the written consent of RCLCo. This report is not to be used in conjunction with any public or private offering of securities or other similar purpose where it may be relied upon to any degree by any person other than the Client without first obtaining the written consent of RCLCo. This study may not be used for any purpose other than that for which it is prepared or for which prior written consent has first been obtained from RCLCo."

The following additional General Limiting Conditions apply to real estate appraisals by RCLCo and will be contained in our report. Special Conditions are added as required.

"No opinion is rendered as to property title, which is assumed to be good and marketable. Unless otherwise stated, no consideration is given to liens or encumbrances against the property. Sketches, maps, photos or other graphic aids included in appraisal reports are intended to assist the reader in ready identification and visualization of the property, and are not intended for technical purposes."

"In the absence of competent technical advice to the contrary, it is assumed that the property being appraised is not adversely affected by concealed or un-apparent hazards such as, but not limited to, asbestos, hazardous or contaminated substances, toxic waste or radioactivity."

"The valuation applies only to the property described and for the purpose so stated and should not be used for any other purpose. Any allocation of total price between land and the improvements as shown is invalid if used separately or in conjunction with any other report. The value is based on the purchasing power of the United States dollar as of that date."

"It should be specifically noted by any prospective mortgagee that the appraisal assumes that the property will be completely managed, leased and maintained by financially sound owners over the expected period of ownership. This appraisal engagement does not entail an evaluation of management's or owner's effectiveness, nor is RCLCo responsible for future marketing efforts and other management or ownership actions upon which actual results will depend."

Section 9: Arbitration

Any disputes, claims or other matters arising out of or relating to this Agreement or the breach hereof shall be settled by arbitration in California in accordance with the Rules of the American Arbitration Association. Judgment upon the award rendered by the arbitrators may be entered into any court having jurisdiction hereof. In the event of any arbitration or other legal proceedings pertaining to this Agreement, including the enforcement of any arbitration award, the prevailing party shall be entitled to recover all legal expenses, including reasonable attorney's fees.

Section 10: Miscellaneous

By executing the proposal-agreement for this engagement, Client and RCLCo each bind themselves and their successors and assigns to this Agreement. Neither Client nor RCLCo shall assign or transfer their interest in this Agreement without the written consent of the other.

This Agreement represents the entire Agreement between Client and RCLCo. This Agreement may be amended only in writing, signed by both Client and RCLCo.

This Agreement shall be governed by California law.

