

Item # 9C

**City of Carson City
Agenda Report**

Date Submitted: October 9, 2007

Agenda Date Requested: October 18, 2007

Time Requested: 45 minutes

To: Redevelopment Authority

From: Joe McCarthy, Office of Business Development

Subject Title: Action to direct staff to engage the services of Stainback Public-Private Real Estate (SPPRE) to assist the Redevelopment Authority's with its on-going efforts to enter into public-private partnerships that will foster economic development and redevelopment throughout Downtown Carson City.

Staff Summary: The use of public private partnerships (PPP process) is becoming an essential tool for cities and counties nationwide to most effectively combine the strengths and resources of both the public and private sectors. As with municipalities throughout the country, Carson City is focused on rebuilding and revitalizing the older portions of its community and putting back in service its underutilized assets. The PPP process makes possible the completion of projects that would be impossible using more traditional methods of economic development. The benefits of the PPP process include continued public sector leadership, on-going monitoring and nurturing of complex projects, a clear and open public process that is consistent with the community's expressed goals, collaborative relationships and eventually, successful projects. John Stainback, a highly recognized and respected consultant with a vast amount proven expertise and experience will assist the Redevelopment Authority to institute a process to place Carson City in a position of strength with potential private developers.

Type of Action Requested: (check one)
 Resolution Ordinance
 Formal Action/Motion Other (Specify) - None

Does This Action Require A Business Impact Statement: Yes No

Recommended Board Action: I move to direct staff to engage the services of Stainback Public-Private Real Estate (SPPRE) to assist the Redevelopment Authority's with its on-going efforts to enter into public-private partnerships that will foster economic development and redevelopment throughout Downtown Carson City.

Explanation for Recommended Board Action: The cost of engaging professional services in the pre-development stages of redevelopment and revitalization efforts have a greater potential of ensuring the success of the community's wishes for enabling its long-term strategy for livability and sustainability. The community's new master plan, *Envision Carson City*, is aimed at determining how to attract and maintain high quality growth, implementing a strategy for

redevelopment and infill, and spurring additional Downtown development, both civic and private. John Stainback and his exceptional team will help us to facilitate and implement our economic development goals and manage our expectations.

Applicable Statue, Code, Policy, Rule or Regulation: NRS 279.462

Fiscal Impact: Professional services funded by economic development/redevelopment

Explanation of Impact: n/a

Funding Source: Economic development/redevelopment budget

Alternatives: Additional direction to staff

Supporting Material: SPPRE's proposal. (John Stainback will present a power point presentation at the meeting that details his 17-step pre-development process.)

Prepared By: Joe McCarthy

Reviewed By: Joe McCarthy Date: 10-8-07
(Department Head)

[Signature] Date: 10-9-07
(City Manager)

Melanie Burkotta Date: 10-9-07
(District Attorney)

[Signature] Date: 10-9-07
(Finance Director)

Board Action Taken:

Motion: _____ 1) _____ Aye/Nay
2) _____

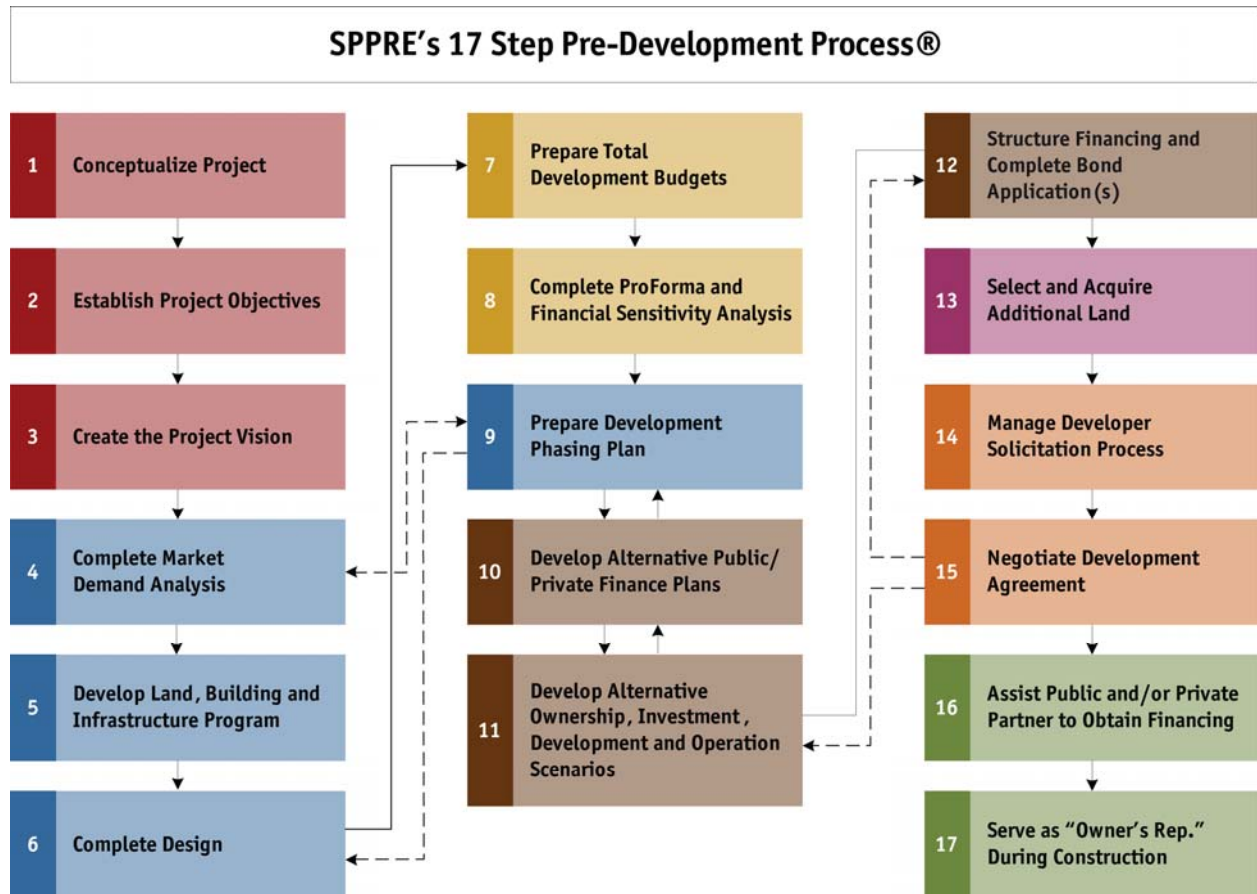
(Vote Recorded By)

October 8, 2007

Joe McCarthy
Economic Development Manager
Carson City
201 N. Carson Street, Suite 2
Carson City, NV 89701

Dear Mr. McCarthy:

The partners of Stainback Public/Private Real Estate (SPPRE) are pleased to submit a **REVISED** contract to serve as the Development Manager for the redevelopment of the 36-Block Downtown area. We will guide City Officials and staff throughout our proven 17-Step Pre-Development Process. It is our assessment that the City can skip the time and cost of completing steps 1-3. Consequently, the contract has been organized into Steps 4-17 of our nationally recognized 17-Step Pre-Development Process (See below).



Based on the meetings completed on September 14, 2007, we have restructured Phase 1 of our contract to focus on three items: 1) Begin the Market Demand Study, 2) Complete a “Back-of-the-Envelope” Financial Analysis to demonstrate the potential non-tax income and tax revenue that can be generated by the redevelopment of the land owned by the Carson Nugget Casino and other selected commercial developments within the 36-block project area, and 3) A conceptual Urban Design Plan to provide City Officials and others the potential development of a major portion of the 36-block area. The **driving force behind restructuring this contract** is to allow City Officials and Staff a sense of the economic impact of this project and the “vision” for the redevelopment of Downtown BEFORE the City incurs the fees to complete Steps 5-15.

The contract is also organized into nine phases to provide the City with several go/no-go decision points throughout the process. This provides the City with maximum flexibility. Clearly, the major thrust of our work will be to complete SPPRE’s proven 17-Step Pre-Development Process for the core area of Downtown. This process will place the City in a position of strength to solicit developers to redevelop Downtown and to negotiate Development Agreements. Our public/private finance and development approach will optimize and leverage the City’s non-tax income and tax revenue generated from City-owned properties that can then be applied to finance needed public improvements and/or a public facility in the Downtown.

Our work on the Downtown will assume the following City facilities and commercial developments will ultimately be included:

- Conference Center
- Hotels
- Gaming
- Retail Space
- Office Space
- For-sale and Rental Rate Housing
- Housing for Municipal Workers: Employees of Government, Health Care, Schools, etc
- Central Library
- Performing Arts Spaces
- College Satellite Facilities & Student Housing
- Public School Facilities

As we discussed on August 27, 2007, we have included time to prepare for and complete PowerPoint presentations to the local college officials, up to three community groups, and up to three government entities, such as the State and Federal governments located in the Downtown. The focus of these initial presentations will be on our 17-step pre-development process and examples of creative Public/Private Finance Plans for projects similar to the redevelopment of Downtown Carson City.

Scope of Work (Phases 1- 9).

We have organized our scope of work into the following nine phases:

Phase 1: Concurrent Parts: Part 1A: Prepare for and Complete a Project “Kick-off” Meeting;

Phase 1B: Complete a Market Demand Study (Step 4); Phase 1C: Complete a “Back-of-the-Envelope” Financial Analysis; and Part 1D: Complete a Conceptual Urban Design Plan for the 36-block project area.

Phase 2: Complete a Land Acquisition Strategy and Provide Development Management Services

Phase 3: Complete Steps 5 and 6 for the “Core Area” of the Downtown .

Phase 4: Complete Steps 7-11 for the Phase I Development Package within the Downtown

Phase 5: Complete Step 12-13: Structure the Revenue Bond and Complete the TIF Process and Assist the City to acquire the land required for one of the Development Packages included in Phase I of the Downtown

Phase 6: Manage the Developer Solicitation Process (Step 14) for the Phase 1 Development Package of the Downtown.

Phase 7: Assist the City to Negotiate the Development Agreement (Step 15) for the Phase 1 Development Package.

Phase 8: SPPRE will assist the Private Developer to Obtain Debt and/or Equity Financing (Step 16) for Phase 1 of the Downtown, if required.

Phase 9: Serve as the “Owner’s Rep” (on-behalf of Carson City) During Construction for the Phase 1 Development Package of the Downtown (Step 17).

Phase 1: Concurrent Phases: Phase 1A: Prepare for and Complete Kick-off Meeting; Phase 1B: Market Demand Study (Step 4); Phase 1C: “Back-of-the-Envelope” Financial Analysis; and Phase 1D: Conceptual Urban Design Plan.

To address current priorities of the City and to accelerate the project schedule, we further recommend that we concurrently complete a two-part Phase 1 contract focused on:

- Part 1A: Prepare for and Complete Kick-off Meeting
- Part 1B: Complete Step 4 of SPPRE’s 17-Step Pre-Development Process
- Part 1C: Complete a Preliminary Financial Analysis (steps 7 and 8)
- Part 1D: Complete a Conceptual Urban Design Plan (step 6)

Once Step 4 is completed, SPPRE will then complete Steps 5 and 6 for the Downtown. Once Steps 4-6 are completed for the Downtown, SPPRE will complete Steps 7 – 17 for the **market-driven** building program for the jointly selected Phase I public/private Development Package.

Part 1A: Prepare for and Complete a Project “Kick-off” Meeting with City Staff and Presentations to Community Groups

Task 1: Analyze all recently completed reports, budgets, development regulations and master plans.

Analyze any data relevant to the redevelopment of Downtown Carson City, such as:

- www.DowntownCarsonCity.com
- Western Nevada College’s website
- Carson Tahoe Regional Medical Center’s website
- www.carsonarts.org
- Sierra Pacific Power Company’s website
- www. GreaterRenoTahoe.com
- www. CarsonCityEconDev.com
- Envision Carson City
- “ Downtown Carson City”
- Carson City: Downtown Parking Strategy
- Downtown Mixed-use Zoning
- The City’s most recent Bond Offering
- Land Ownership Maps (Public and Private)
- www. CarsonCityArts.org
- www. RedevelopingNV.org

Task 2: Develop a preliminary building program for the Downtown Core Area (Step 3)

The market demand study completed in Step 4 will provide the City with a market-driven building program. Before that study is completed, we will develop the “ideal “ conceptual building program including commercial developments, infrastructure improvements and public facilities. The focus will be on building types and general scope of development and potential sites for City facilities and public/private redevelopment.

Task 3: Complete a Project “Kick-off” Meeting with City Officials and Staff

Having complete Tasks 1 and 2, we will complete a 2 to 4 hour work session with City Officials and Staff in Carson City.

Task 4: Prepare for and Complete Seven (7) PowerPoint Presentations to Community Groups and Government Entities Selected by City Staff

We have included in our fee for Phase 1A up to seven PowerPoint presentations to the local college (1), community groups (3) and government entities (3) selected by City staff. Note: we have assumed that the City will take responsibility for arranging these presentations and that all seven meetings can be completed in two (2) days.

Phase 1B: Complete a Market Demand Study

Task 1: Identify the types of buildings to be analyzed in the market demand study (Step 4)

Based on the results of the Tasks above, the City/SPPRE Team will select the building types to be included in the market demand study.

Task 2: Select a market analysis firm and negotiate the consulting contract (Step 4)

The City/SPPRE Team will select the market demand consultant. SPPRE will negotiate the contract for review by the City. The fee required by the market demand analyst is separate from the fee for SPPRE. The estimated fee is in the range of \$50,000.

Task 3: Manage and interact with the market demand analyst (Step 4)

The market demand consultant will need access to data, contacts to interview and other forms of data. SPPRE will assist the consultant; review their work; and monitor their progress.

Task 4: Present the results of the market demand study (Step 4)

SPPRE and the consultant will prepare a PowerPoint presentation summarizing the results of the market demand study.

SPPRE and the analyst will present the PowerPoint via web-cast or other similar method to an audience selected by the City.

Phase 1C: Complete a “Back-of-the-Envelope” Financial Analysis

We want to reiterate that by completing this preliminary financial analysis, City Officials and Staff will better understand the potential non-tax income and tax revenue the City could realize if the conceptual Urban Design Plan (Phase 1D) was implemented. The results of this analysis will serve as a basis for the City to proceed to Phase 2 of this contract.

Task 1: Prepare a Preliminary Phased Building Program for the 36-block project area

This Building Program will be based on an assumed conservative Floor Area Ratio (FAR) for each selected block. The Building Program will be organized into 2 to 4 development phases.

We are proposing this approach because the Market Demand Study will not have been completed at this point in time.

Task 2: Prepare a Preliminary Cost Estimate for the Building Program

Our typical Total Development Budget (TDB) contains 40 to 60 line items which include all of the major hard and soft costs to finance, design, develop and construct a project. This preliminary cost estimate will use an industry standard cost per square foot for each type of building, or Developer Package.

Task 3: Prepare a simplified Developer Proforma for each Development Package

Our typical developer Proforma includes a detailed itemization of operating income and expenses. For the preliminary Proformas we will assume industry standard cumulative operating income and expenses, and LTC, in order to calculate a Return on Cost (ROC). Of course the Operating Expenses will include the Property Tax, so that we can estimate the Tax Revenue in Years 1-50 (see below).

Task 4: Complete a Preliminary Tax Revenue Analysis for the Proposed Developer Packages.

In order for City Officials to better understand the tax revenue generated by the proposed redevelopment of some, or all of the 36-block project area, SPPRE will calculate the Property Tax, Sales Tax and Hotel Occupancy Tax for years 1-50.

Task 5: Complete a Preliminary Land Lease Income Analysis for the Commercial Development of Land owned by the Primary Public Partner (City) and the Secondary Public Partner(s).

In conjunction with City Staff, SPPRE will assume that certain land parcels will be acquired by the City. We will then estimate the non-tax income which can be generated in Years 1-50. We will use SPPRE's 9-Part Land Lease Payment Approach.

Task 6: Estimate the Amount of Revenue Bond that can be Supported by the Property Tax Increment and the Base Rent from the Land Lease

Demonstrate to City Officials the amount of a Land Lease-Backed Revenue Bond that can be supported by the Base Rent, and the amount of a TIF-Backed Revenue Bond that can be supported by the Property Tax generated from the proposed commercial development.

Task 7: Prepare a Financial Engineering Diagram

SPPRE is nationally recognized for their Financial Engineering Diagrams, which graphically describe the how the cost of needed public facilities and improvements are covered by the non-tax income and tax revenue generated by the proposed commercial development.

Task 8: Estimate the Number of Construction and Permanent Jobs Created by the Proposed the development of City facilities and the proposed commercial development.

Task 9: Prepare a PowerPoint Presentation Summarizing the Results of Task 1-8.

Task 10: Review PowerPoint with City Staff and Incorporate Changes

Task 11: Complete a PowerPoint Presentation to City Council in Carson City

Phase 1D: Complete a Conceptual Urban Design Plan

The preliminary Master Plan for Downtown will be completed on a conceptual level. This Urban Design Plan will reflect development capacity (massing) of each block and will NOT be an illustrative drawing, which includes landscaping, pedestrian walkways, etc.

Task 1: Select an Architect/Planner and Negotiate a Contract

In order to accelerate the schedule and reduce City costs, SPPRE will select an Architect/Planner which is acceptable to City Staff and then negotiate a contract to prepare a conceptual Master Plan.

Task 2: Complete a cursory Site Analysis of the 36-Block Downtown Area

The Architect/Planner will complete an on-site analysis to determine the major planning determinants.

Task 3: Prepare a Conceptual Master Plan for the 36-Block Downtown Area

Using the Preliminary Building Program prepared in Phase 1C, an Architect/Planner selected by SPPRE will prepare a conceptual Master Plan for the 36-Block project area.

Task 4: Complete a Perspective Sketch of the Proposed Redevelopment of Downtown

In order to have the ability to present a “vision” of the redevelopment of Downtown, the Planner will complete three preliminary perspective sketches, which will provide a three-dimensional view of the overall downtown and two at street-level sketches to demonstrate the proposed character of Carson Street and/or a typical shopping street.

Phase 2: Part 2A: Complete a Downtown Land Acquisition/Disposition Strategy and 2B: Development Management (Steps 4-15)

Task 1: Analyze land ownership maps provided by the City.

SPPRE will analyze aerial photos and land ownership maps as a basis for Task 2. City also needs to provide a map, which indicates the general disposition of current land owners to sell, or lease their property.

Task 2: Develop a Preliminary Building Program and Determine the Land Area Required to Accommodate this Program.

In order to estimate the land area included in the Downtown Core Area, SPPRE will develop a preliminary building program, which includes proposed commercial developments, City facilities and the required parking (surface and above-grade garages). This analysis will identify specific sites for the proposed public facilities and the public/private development opportunities.

Task 3: Develop alternative methods for the City to control or purchase properties currently owned by private entities.

Complete a Memo which includes several alternative ways the City could gain control or ownership of the land included in the Downtown Core area.

Task 4: Develop a Land Acquisition/Disposition Strategy with a Phasing Plan

SPPRE will organize the Land Acquisition/Disposition Strategy into four categories:

- Priority 1: City-Owned and Other Government-Owned Real Estate
- Priority 2: Primary Acquisition Targets
- Priority 3: Secondary Acquisition Targets
- Priority 4: Properties to be Acquired When Funds are Available

SPPRE will describe the most effective methods for the City to leverage City-owned real estate and control, or purchase the proposed acquisition targets.

Task 5: Prepare a draft PowerPoint Presentation on SPPRE Recommendations

SPPRE will prepare a PowerPoint presentation, which graphically illustrates Priority 1-4 acquisition targets and how each target should be controlled, or owned by the City. In order to reduce City fees, this draft presentation will be made to City staff using Web-Cast.

Task 6: Prepare the Final Land Acquisition Strategy.

Based on the results of Task 5, we will finalize our recommended Land Acquisition/Disposition Strategy.

Phase 2: Part 2B: Development Management (Steps 4-15)

We understand that the City wants SPPRE to serve as the Development Manager for this project. We have outlined some of the tasks that would be performed as Project Manager.

- Determine expertise needed during the pre-development process
- Identify sub-consultants
- Prepare Scope of Services
- Evaluate sub-consultant proposals
- Review sub-consultant contracts
- Monitor sub-consultant work
- Coordinate and schedule all sub-consultants
- Review all sub-consultant invoices
- Prepare a Master Work Plan for all consultants and all Public Partners (all tasks and schedule, as well as milestones)
- Arrange and Manage Project Review Sessions and conference calls
- Present monthly project updates to the City
- Track progress against invoices and Work Plan
- Interact with the City and any “Public-Public” Partnerships (Intergovernmental Agreements)

Monitor Developer Progress

After the negotiation of the Development Agreement (Step 15) has been completed, SPPRE, on behalf of the City will monitor the developer’s progress in obtaining project financing and design approvals.

Monitor the Selected Developer’s Progress in Obtaining the required equity and Debt.

Once the Development Agreement is signed by the public and private partners, the selected developer begins to secure the required equity, Permanent Loan and Construction Loan.

It is important that City staff realize that the long-term, or Permanent Loan for a project is typically committed in the Pre-Development Phase. A permanent lender agrees up front to fund the project upon its completion, occupancy, and compliance with other funding requirements. Once the Permanent Loan is secured, the developer uses this take-out financing commitment to obtain a Construction Loan. The typical Loan-to-Value (LTV) for a commercial development is 75% to as high as 90%, so the developer must also secure equity to fund the balance of the project.

SPPRE will monitor the developer's progress in obtaining: 1) Equity (At-Risk Cash), 2) Permanent Loan, 3) Construction Loan, and possibly 4) Mezzanine Debt

Monitor the Selected Developer's Progress Toward Implementation

On behalf of the City, SPPRE will monitor the developer's progress in post-development agreement activities such as:

- Schematic Design (SD)
- Design Development (DD)
- Design approval process
- Permitting process
- Refinement of Total Development Budget (TDB)
- Leasing market-rate rental housing units, retail and office space, and/or selling condominium units.

Phase 3: Complete Steps 5 and 6 for the 36-Block Downtown Area

Task 1: Convert the Results of the Market Demand Study into a Multi-Phased Building Program (Step 5)

SPPRE will convert the results of the anticipated 25-40 page Market Demand Study into a Multi-phased Building Program. This Building Program will include all building uses, the square footage for each use for each development phase. The Building Program will include the gross square footages (GSF) of the various building types including commercial space, public facilities, open space, quantity and mix of residential units, as well as the required number of surface and/or structured parking spaces.

Task 2: Overlay the Market-driven Building Program on the Downtown Core Area (Step 5)

SPPRE will assist the City to identify City-owned and privately-owned land for potential sites for the proposed Phase 1 Public/Private Development (Phase 1). SPPRE will focus on under-

utilized City-owned property that can be leveraged or leased that will allow for maximum non-tax income and tax revenue to the City.

Once site(s) are identified, and based on Development Density Calculations prepared by SPPRE, the City’s vision plans and the market demand study, SPPRE will prepare a detailed Building Program for review and approval by the City.

Task 3: Develop a Preliminary Development Phasing Plan.

Based on the available site(s), Development Density Calculations, the City’s vision plans and the market demand study, SPPRE will complete a preliminary development phasing plan. The focus will be on the initial development phases, typically over the first five years.

Task 4: Determine the Preliminary Boundaries of the Downtown Tax Increment Financing (TIF) District.

Based on the results of prior tasks, and the possibility of forming a Tax Increment Financing (TIF) District, we will propose the preliminary boundaries of the proposed District.

Task 5: Identify site-specific “Development Packages” within Phases 1 and 2 of the Downtown Building Program.

Based on the results of Tasks 1-4, SPPRE will identify development packages to be used in private developer solicitations and negotiations with potential secondary public partners.

These development packages will be site-specific, reflect the phasing plan, be market-driven and attractive to specific segments of the commercial developer community.

Task 6: Complete a project review session.

Complete an update review presentation to Carson City via web-cast or other similar method.

Task 7: Select an Architect/Urban Design firm and negotiate a contract (Step 6).

The City/SPPRE Team will select the architect/urban design firm. SPPRE will negotiate the contract for review by the City.

Note: The fee for the architect/urban designer is in addition and separate from the fee for SPPRE.

Task 8: Complete two design review sessions (Step 6).

SPPRE will complete two design review sessions for the Downtown master plan. The first design review session will be with the selected planner at their office. The second design review session will include the City and architect/urban planner in Carson City.

Task 9: Prepare and Present a PowerPoint presentation summarizing the results of the SPPRE Phase 3 Scope of Work including Tasks 1-8. (Steps 5 and 6)

(The City will have final comment and approval of the master plan for Phase 1 Public/Private Development and all recommendations and directives resulting from the SPPRE Phase 3 of services.)

SPPRE will prepare a PowerPoint presentation summarizing the results of Tasks 1-8. This presentation can be used by the City to describe the achievements to date. This presentation will include, project components such as:

- The City/SPPRE Team
- The potential secondary public partners
- The pre-development process
- The market-driven building program
- The urban design plans for Phase I of the building program
- The general public/private partnership approach
- The next steps

This presentation will demonstrate the systematic and realistic approach to redevelop the Downtown and therefore should provide a basis to proceed to the SPPRE Phase 3: Focusing on financing and developing the Phase I Development Packages.

Phase 4: Complete Steps 7-11 of the Pre-Development Process for One of the Development Package(s) Included in Phase I of the Downtown Core Area

The focus of this phase of work for the City is to complete Steps 7-11 of the pre-development process for one of the Development Packages included in Phase I of the site-specific market-driven building program. A Development Package may include one building, or a mixed-use development.

Task 1: Provide a Cost Estimate of the Selected Phase I Development Package (Step 7)

Using RS Means data for the Nevada region, SPPRE will estimate the hard construction cost of

the Phase I Commercial Development Package.

Task 2: Prepare a Detailed “Total Development Budget” for the Phase I Development Package (Step 7)

The Total Development Budget (TDB) will provide the City with all of the major “hard” and “soft” costs required to finance, design, develop and construct the proposed development. The City should recognize that soft costs may add as much as 20 to 35% to the construction cost, or hard cost of the development. Soft costs include costs such as: architect and engineers fees, developer fees, interest during construction, finance transaction fees, etc.

The Total Development Budget will include all of the major hard and soft costs required to finance, design, develop and construct the Phase I Development Package. The TDB typically includes 40 to 50 cost line items.

SPPRE will also provide assumptions regarding Loan-to-Value (LTV) for each type of building use. This will allow us to determine the current required balance of debt to equity investment for each building type.

Task 3: Complete a Developer Proforma (Finance Model) for the Phase I Development Package (Step 8)

Now that we have completed a Total Development Budget, it is time to complete a 10-year Proforma for the selected development package. The Pro-forma will include all sources of income, operating expenses, Net Operating Income (NOI), debt service, taxes, land lease payments to Carson City and the Cash Flow Before Taxes and Depreciation (CFTBD).

The Finance Model will allow us to determine key financial measurements such as: 1) Leveraged and Unleveraged Internal Rate of Return (IRR), 2) Return on Cost (ROC), and 3) Debt Coverage Ratio (DCR), etc. These calculations will determine whether the proposed developments are financially feasible using only private equity and debt. If the project(s) cannot be wholly financed with private equity and debt, we will determine the cash flow shortfall. If there is a cash flow shortfall, we will develop alternative finance plans to solve the shortfall in Step 10.

The Finance Model will also include comprehensive footnotes describing assumptions and sources of financial input.

Part of the Finance Model will also include a Reversion Value Analysis. This analysis will provide the City the Net Sales Proceeds, if the developments are sold in any year from years 1 through 10. In the Development Agreement, we will incorporate the requirement that when the selected developer sells the building(s), he, or she must share a negotiated percentage of the net sales proceeds to Carson City. We will assume a ten percent (10%) position for the City to give the City a sense of the non-tax income they can expect if the developer sells the development to a third party.

Task 4: Complete a Financial Sensitivity Analysis including Three Variables for the Selected Development Package (Part of Step 8)

Based on past experience, we found that Financial Sensitivity Analysis (Step 8) provide clients with valuable insights into how a project's cash flow is impacted by an increase or decrease in selected financial and development features. Factors used in this analysis include; construction cost, interest rates, rental rates, etc. The results of this analysis will provide the City information to better assess the risk of ownership and/or investment by either the public or private partner. The City/SPPRE Team will jointly select which variables to test. We will also want to test the impact on returns from some combination of variables.

Task 5: Complete a Tax Revenue Analysis

A Tax Revenue Analysis is important in two ways: 1) we need to demonstrate the economic impact of Phase I, and possibly the redevelopment of the Downtown; and 2) we need to determine the amount of a Revenue Bond that can be supported by the property and sales tax generated by the commercial project.

We will determine the annual tax revenue generated by the project and determine the cumulative tax revenue generated in Years 1-30. We will focus on property, sales, hotel occupancy taxes and other taxes specifically created by the redevelopments.

Task 6: Determine the Amount of a Revenue Bond that can be Supported by the Tax Revenue Generated by the Proposed Phase I Development.

There are several public/private financing instruments that Carson City can use to finance public facilities and/or infrastructure improvements. Some of these instruments are based on the tax revenue generated by the subject development. Therefore, we will determine the amount of debt that can be supported by the annual tax revenue generated solely by the project. We will make assumptions regarding coupon rate, term of the bond, and Debt Coverage Ratio (DCR). This approach will allow the City to determine the finance needed for public improvements without depending on the "full faith and credit" of the City and not affecting the City's debt capacity.

Task 7: Determine the Amount of a Revenue Bond that can be Supported by the Annual Land Lease Payments (Base Rent) Paid by the Competitively Selected Private Developer(s) of Phase I.

We assume the land under the Phase I development will be owned by the City (or other public partner). We will structure a long-term land lease between the City and the to-be-selected private developer(s). One of our primary objectives as an advisor is to optimize the nontax income for the City from their underutilized real estate assets. Moreover, we intend to demonstrate how the City can use this nontax income to finance needed infrastructure improvements and/or the new public facilities.

The land lease payments by the private developer(s) will be a combination of payments which

are non-contingent and contingent on the performance of the Phase I commercial development. This allows the City to realize a fair portion of any financial “upside” by the developer(s). It is our intention to demonstrate how the non-contingent payments by the developer(s) can be used as the sole basis to support a Revenue Bond.

Task 8: Complete an On-Site Project Review Session with the City

We will present the results of Tasks 1-7 to Carson City. We will explain all aspects of the development budgets and the comprehensive financial analysis and the implications of all financial measurements, such as IRR, ROC and DCR, as well as the total amount of Revenue Bond that can be supported by the City’s non-tax income and tax revenue generated from the Phase I development.

Task 9: Explore Potential “Public-Public” Partnership(s) Between the City and Secondary Public Entities

SPPRE often uses “Public-Public” Partnership(s), or Intergovernmental Agreements between our City government clients and secondary government entities, such as the County and the State. The purpose of these partnerships is to share the risk, cost and responsibilities of financing and developing Downtown.

Potential Public Partners with the City:

- Public Authorities
- Downtown advocacy groups.
- Area Chamber of Commerce
- Downtown BID
- Historic Resources Board
- Selected Federal agencies
- State of Nevada

Part of this task will be to identify ways that secondary Public Partners could assist Carson City and then develop a PowerPoint as a basis for one, or more of these entities to invest, reduce costs, etc. We will participate in meetings with up to three entities over 1 ½ days.

Task 10: Develop Alternative Public/Private Finance Plans (Step 10)

Once the Developer Proforma for Phase I has been completed, we will know whether the project is financially feasible. Typically Public projects do not “cash-flow”, so we will need to develop alternative public/private finance plans (Step 10), which are acceptable to the equity and debt capital markets. Each plan will include general sources of equity and debt and public financing, as well as, techniques to enhance cash flow and/or reduce development costs.

Task 11: Prepare a Financial Engineering Diagram (Step 10)

Concurrently with Task 10, SPPRE will prepare a Financial Engineering chart, which will include five major parts:

- The cost of each private development component
- The cost of each City project
- The proposed Public/Private Financing Instrument(s) for each City project
- The Non-Tax Income and Tax Revenue to support each financing instrument
- A summary of major financing assumptions

Task 12: Develop Alternative Ownership, Investment, Development and Operational Scenarios for the City (Step 11)

Concurrently with Step 10, we will develop scenarios (Step 11) describing alternative roles and responsibilities for the City, other public partners and the selected private developer(s). Each scenario will, at a minimum, address the role of the “primary public and private partners” for owning, investing, developing and operating the proposed commercial development and City facilities and/or improvements.

Task 13: Review the Results of Tasks 9-12 with City Staff

Using Web-Cast technology, we will complete a presentation of the results of Tasks 9-12.

Task 14: Develop and Complete a PowerPoint Presentation to Carson City Council

Because the Public/Private Finance Plan is a key component of the redevelopment of Downtown and the implementation of the proposed City facilities, SPPRE will prepare and present on-site a summary of the results of Tasks 1- 13 completed in Phase 3.

Phase 5: Complete Step 12 -13: Structure the Revenue Bond and Assist with the TIF Process, and Assist with Land Acquisition

Task 1: Prepare the “Deal Structure” Chart (Step 12)

Once the City selects a public/private finance plan, SPPRE will prepare an illustrative diagram which explains the legal interrelationships and cash flow between the primary and secondary public and private partners. The City can use this diagram to explain the proposed deal structure between the City and the to-be-selected private developer of a Phase I Development Package

Task 2: Assist the City to acquire the land required for one of the Development Packages included in Phase I of the Downtown Core (Step 13)

If one of the sites for the Phase I Development Package needs to be acquired by the City, we will

assist the City with assessing the market cost and develop major “deal points” for negotiations with the private landowner.

Task 3: Assist the City to Complete the Tax-Increment Financing Process

Tax-Increment Financing (TIF) could be a critically important component of the Public/Private Finance Plan for the Phase I private commercial development and the City facilities. Therefore, we will assist the City to complete the following process:

- Establish boundaries of TIF District
- Create entity to oversee TIF District
- Review survey (completed by City staff) of district conditions to establish blight, assess development opportunity, and identify infrastructure needs
- Prepare draft TIF District redevelopment plan that describes public infrastructure investments to be made and new private investment and development (Most of this work will have been completed by this point in the Pre-Development Process).
- Assist with public hearing to review redevelopment plan and obtain final round of community input.
- Assist with the approval(s) and adoption of redevelopment plan from required governing and authorizing entities (TIF District Board and City Council)
- Complete analysis of the Base Property Tax and projected Property Tax over the term of the Bond.
- Determine whether the City needs to seek credit enhancement to protect Bondholders from shortfalls in TIF revenue.

Task 4: Develop a Plan of Action to Address the Uncertainty of TIF Revenue in the “Ramp-Up” Years

One challenge in structuring TIF-Backed Revenue Bonds is that TIF revenue growth tends to lag district improvements by two, or more years, because of the construction period and the appreciation of property values and new taxable development is implemented slower than projected. If TIF revenues are not large enough to make debt service payments in the initial years, then alternative source(s) of cash flow is needed. SPPRE will develop those alternatives for the City.

Task 5: Structuring the Land Lease-Backed Revenue Bond

Based on our extensive experience in developing Public/Private Finance Plans, one of the key components of the financing solution will be Land Lease-Backed Revenue Bonds. SPPRE will complete the following tasks:

- Complete an inventory of the City’s pledgable revenues, including land lease revenues

- Review outstanding debt
- Calculate remaining bonding capacity
- Based on the results of Phase 3, we will identify any new pledgable revenue sources

Task 6: Complete Financing Plan for the Revenue Bond

SPPRE will complete funding strategies, schedules and other details of the Bond.

SPPRE will also prepare with City's Bond Counsel and other special counsel the Bond resolution, the preliminary official statement and other legal/financing documents.

Task 7: Prepare Credit Package for the Bond

The Credit Package presentation includes research to fully address rating agency and bond insurance underwriting issues. When ratings and bond insurance commitments are in hand, SPPRE will be ready to identify and access the selected credit provider most suitable to Carson City.

Task 8: Prepare Funding Sources Presentation

There are many different funding sources including banks, pools, underwriters, investment banks, and other institutional investors. Credit providers will be selected based on the financing type and the City's requirements.

Task 9: Complete a Summary Presentation of the Results of Tasks 1-8

Using Web-Cast technology, we will complete a review of the results of Tasks 1- 8 with City staff. To reduce cost we will use a bullet format and PowerPoint software to summarize the results.

Phase 6: Manage the Developer Solicitation and Selection Process (Step 14) for the Phase I Development Package

Assumptions

In order to present an accurate estimate of our fee, we have assumed that we will assist the City with one of the Phase I Development Package(s). We propose that we use the two-step RFQ/RFP developer solicitation method. The City has the option of using one of the other eight methods and, if so, we can modify the fee.

Task 1: Complete Half-day Work Session on Developer Solicitations.

We believe it is important that we complete a work session with the City to discuss important items, such as:

- The advantages and disadvantages of each of the eight methods to solicit developers. The description will be made from the perspectives of City officials and a developer. After the work session, we will jointly determine the most effective method for the selected Development Package.
- Based on past assignments, we have found that it is important to develop and prioritize the developer evaluation criteria at the same time as we are preparing the Developer RFQ. This allows the City to better understand the features of the RFQ, which we believe are important to the development of the downtown.

We also believe it is important to discuss with the City what issues are important to them, to make sure these items are included in the RFQ. For example, some clients are focused primarily on design, for some clients, the key concern is the financial capability of the developer to finance the project. While we will provide guidance, it is important for the City to decide which criterion are the most important, so that we can emphasize these items when we write the RFQ and possibly develop a weighting system for the criteria.

- Discuss the desired type of developer and breadth of distributing the developer RFQ. A development of this scope should attract local developers, and also regional and national developers. In conjunction with SPPRE, the City needs to decide what type of developer they want to attract. We have the option of focusing on: 1) local developers; 2) developers in the Nevada region; and/or 3) national developers.

Task 2: Complete a Very Brief Report on the Results of the Brainstorming Session and the Developer Solicitation Session.

We suspect the brainstorming session will produce one, or more significant ideas or concepts; therefore, SPPRE will document the results in a PowerPoint or memo-style format.

We will also briefly document the developer evaluation criteria, as well as the results of our discussion on the desired type of developer and the breadth of distribution of the RFQ.

Task 3: Complete a Draft of the Developer RFQ.

The developer RFQ and RFP will incorporate the conclusions of work completed to date.

The draft RFQ prepared by SPPRE will also include recommended graphics in support of the text and as a means to better “sell” the proposed development opportunities. The RFQ is the first

exposure of the development opportunities and the City to the real estate industry, so the RFQ must sell the positive features of the local and regional market, the qualities of the City, and the enormous amount of work completed by the City to “tee-up” this development opportunity for developers.

Task 4: Simultaneous to Completing the draft RFQ, SPPRE will Refine and Formalize the Evaluation Criteria for the Developer RFQ Submittals.

In addition to developing the evaluation criteria, we will develop the most appropriate format to evaluate the developer RFQ submittals. Major categories of criterion may include: Proposed Development Manager assigned to the project, level of experience with mixed-use developments at a similar scale, financial backing on projects developed in the last five years, etc. There will be no “bait and switch” tactics used by the selected developers.

Task 5: Review draft RFQ with the City and Incorporate Suggested Changes.

For pricing purposes and an attempt to reduce the fee, we have assumed this will not require a meeting in Carson City. The City has the option of adding a meeting, but we suggest that the City send a marked-up copy of the draft and we will incorporate the suggested changes, or if we believe a discussion is warranted, we will arrange a conference call to discuss. We have assumed the City will be responsible for production and distribution of the RFQ. We will review the “master copy” before it is sent to a printer for production.

Task 6: Develop a List of Potential Developers and Other Real Estate-Related Companies to Receive the Developer RFQ.

After 21 years in the emerging public/private real estate industry, we have developed an enormous network of development-related companies. Our network is organized into the following categories:

- Developers
- Investment Banks (with a Real Estate Group)
- Construction Companies
- Architects
- Engineers
- Real Estate Consultants
- Landscape Architects
- Planning Consultants
- Real Estate Attorneys

We will use our network to optimize the quality and number of private companies receiving the RFQ. We will also complete the research required to identify the most qualified developers in the State of Nevada and California, and particularly, the region surrounding Carson City.

Task 7: Prepare an Advertisement for the Developer RFQ

We will prepare an advertisement of the developer RFQ to be placed in regional and/or national real estate magazines. We will provide a list of potential media contacts for use by the City. Often “selling” the development opportunity in an ad can significantly increase the caliber and number of developers requesting the RFQ.

Task 8: Prepare for and Execute a Pre-Proposal Conference

We have assumed that the City will elect to hold a one-to-two hour pre-proposal conference for developers and related companies to better understand the development opportunity and to ask questions about the opportunity and the requirements of the RFQ, as well as see the project site. Preparing for this pre-proposal conference requires a lot of work- the City and our firm need to anticipate developer questions and the most appropriate answer, as well as prepare a PowerPoint presentation, etc.

Task 9: Select up to Five (5) Private Companies to Meet with, or Call to Determine their Interest in Submitting Proposals

We want to better understand what is attractive to them about the Phase 1 development Package, and to determine why they are not submitting a Proposal.

Task 10: Evaluate Up to Six (6) Developer RFQ Submittals

We have assumed the City will receive numerous proposals from developers in response to the RFQ. We will complete an Evaluation Matrix, which will include the evaluation criteria on the horizontal, or X-axis and the developer candidates on the vertical axis, or Y-axis. In addition, we will prepare a memo summarizing the basis for our recommended “shortlist” of three (3) to five (5) developers.

Note: If the City receives more than 6 proposals, we would need to increase our fee for this task accordingly.

Note: In order to keep consulting fees as low as possible, we are proposing only one round of interviews for developers after the five short-listed teams submit their technical proposals in response to the developer RFP (Not the RFQ).

Task 11: Prepare a Draft of the Developer RFP

Once the RFQ step has been completed and we have five qualified developers, we will prepare a draft of the Developer Request for Proposal (RFP). The draft including recommended graphics (“the mock-up” copy) will be submitted to the City for their review.

The RFP is a highly technical document, which must be written to generate creative solutions from the developers, yet maximize conformance of the requested information. In other words, we will make every effort to optimize “Apples-to-Apples” comparisons, but not to the point of inhibiting creative solutions by the five developers. Some consultants take a “fill-in-the-blanks” approach to the RFP. We find that this approach greatly inhibits developers from offering creative solutions.

Task 12: Review draft RFP with the City and Incorporate Suggested Changes.

For pricing purposes and an attempt to further reduce the fee, we have assumed this will not require a meeting in Carson City. The City has the option of adding a meeting, but we suggest that the City send a marked-up copy of the draft and we will incorporate the suggested changes, or if we believe a discussion is warranted, we will arrange a conference call to discuss. We have assumed the City will be responsible for production and distribution of the RFP. We will review the “master copy” before it is sent to a printer for production.

Task 13: Simultaneous to Completing the draft RFP, SPPRE will Finalize the Evaluation Criteria for the Developer RFP.

The criteria required to evaluate the developer technical proposals are far more complicated than the criteria used for the RFQ. The evaluation criteria will be primarily focused on the proposed deal structure, financial measurements, requested capital and non-capital investment from the City, or the City, and possibly by other public partners, sources of debt and equity, etc.

Task 14: Complete a Comprehensive Evaluation of the Developer RFP Proposals.

We will use the same matrix format to evaluate the technical proposals submitted by the five developers.

We will complete the financial analysis of each developer’s proposal required to calculate the following financial measurements:

- Internal Rate of Return (IRR) Leveraged and Unleveraged.
- Return on Cost (ROC).
- Debt Service Coverage Ratio (DSCR).
- Maximum Loan Amount
- Total Project Value (TPV)
- Development Profit
- Loan-to- Cost (LTC)

These financial measurements provide the City with two very important types of information: 1) How potential equity investors and construction lenders will view the developers Proforma, and 2) How we will use this information to determine whether the developers actually need the capital and non-capital assistance requested from the City and/or other public partners.

We will also analyze the assumptions used by the five developers to determine whether these inputs to the Proforma are in line with current construction costs and the requirements of the capital market for equity and debt. Based on our extensive experience, many developers will increase/decrease all, or some combination of their assumptions in an attempt to demonstrate that the subject development is not financially feasible, and therefore require Public Partner investment and/or “contribution” of the project site (City receives no return on their land investment)

In addition, we will analyze the terms of the proposed deal structure between the developer and the City. We will pay particular attention to whether the various types of land lease payments from the developer to the City are contingent and non-contingent income and whether the proposed payments to the City are subordinated or non-subordinated to the debt service and/or returns on equity.

Task 16: In Anticipation of Completing an Interview of Each Developer, we will Develop Questions for Each Developer.

After evaluating each developer proposal, we will prepare a series of questions for each developer to answer during their respective interviews. Depending on the extent of work required to answer the questions, we will jointly decide with the City whether we send the questions to each developer in advance of the interviews, so that developers have ample time to prepare thorough answers.

Task 17: Complete a Presentation Summarizing Our Pre-Interview Ranking of the Developers.

We will incorporate all of our analyses, developer questions, and pre-interview rankings into a brief report using a PowerPoint format. This format will allow SPPRE to use this deliverable as an efficient method to also make a presentation to the City, prior to completing the interviews of each developer. This will assure the City that all of their concerns will be addressed in the developer interviews.

Task 18: Complete an Interview of Each of the Five Developers

Based on past experience, it will be very revealing how each developer responds to each question. Their answers will reveal several characteristics, such as: their ability to solve problems, their ability to be creative, how badly they want this project, etc. The evaluation of each developer and the final selection is based both on objective and subjective criteria, as well as the subjective assessment of their “real” desire to be selected. Being creative, demonstrating enthusiasm and having a strong sense of integrity are all extremely important to ranking the developers.

We have assumed that the five interviews will be completed in two consecutive days. We will schedule three interviews on the first day and two on the second day. The balance of the second

day will be used to discuss with the City the results of the interviews.

Task 19: Prepare a Draft Report Providing a Detailed Explanation of our Suggested Ranking of the Five Developers.

We will submit a detailed report explaining the basis of our ranking three to five developers to the City. The RFQ and RFP evaluation matrices will be included in the report, as well as the evaluation of the developer interviews.

We highly recommend that we jointly rank at least the top three developers and announce that while we have selected a developer, there are two in line to negotiate if we cannot come to a satisfactory agreement with the number one ranked developer. This approach will keep the pressure on the selected to be competitive and negotiate on a timely basis.

Task 20: Review Final Summary Report with the City

We will review the draft summary report with the City and incorporate all changes into the final report.

Task 21: Complete Report and Produce Final Copies

After a conference call with the City, we will finalize developer evaluation and selection report, and produce 15 bound hard copies. In addition we will provide an electronic copy for use by the City.

Phase 7: The Negotiation of the Land Lease and/or Development Agreements (Step 15)

Note for Phase 7: Because there are several unknowns, it is extremely difficult to assess the number of man-hours required to complete Phase 7: Negotiations with the Selected Developer. For example, the City/SPPRE Team is not even sure we can negotiate a satisfactory agreement with developer ranked number one in our evaluation process. At this point in time we are not sure of the level of complexity of the proposed public/private partnership. We are not sure what level of assistance will be requested by the short-listed developers. For these reasons and several others, it is literally impossible to estimate the man-hours required to successfully negotiate a Development Agreement. For Phases 1-6, we are fairly sure of the scope of services, which must be completed for the pre-development process for this project, so we can present a fixed fee to reduce the risks incurred by the City. But because of the unknowns, for Phase 7-the negotiation of the Development Agreement, we are proposing an hourly fee.

If both the public and private partner make every effort to negotiate a Development Agreement in a timely manner, negotiations usually requires about 60 to 90 days. In order to achieve that fairly fast time schedule, the consultant, the attorneys and the developer must act like deal

makers not deal breakers. If the consultant, and especially the attorney are overly protective of the public partner, negotiations could require 6+ months. As a developer for other projects and as a consultant, members of SPPRE have seen consultants push so hard that the developer loses hope of structuring a fair and reasonable deal and walks away.

*Both the public and private partner must be flexible in negotiations-not hung up on one relatively unimportant deal point. Both partners may also have to be creative to solve the typical “gap” financing. **Solving the gap in the cash flow and/or reducing the development budget is where SPPRE is invaluable to their clients.** We have identified over 60 techniques and finance instruments to reduce development costs and enhance cash flow.*

Task 1: Negotiating the Ground Lease (Assumed to be part of the Development Agreement).

There are several advantages to a Ground Lease versus the traditional sale of a property. The most important advantage is that it eliminates a major initial investment by the public/private partnership in land. This frees capital and permits the selected developer to raise more capital through the mortgage.

The financial arrangements of a Ground Lease are flexible, and the tax laws have contributed to the popularity of this method of land control.

A ground lease allows the City to retain fee ownership while receiving, in effect, an annuity over the term of the lease. If we are selected as your consultant, we will use Indexed Rent to avoid the negative impact on income to the City from inflation.

At this point in the pre-development process, we do not want to eliminate the possibility of an outright purchase of the City-owned land, but we do want the City to recognize (based on our experience) that is not the recommended method of transferring control of the site to the selected developer, if the City wants to optimize their income. If we jointly decide to use a Ground Lease, we intend to use all six types of land lease payments to the City. Two of these payments will position the City to share in any financial “upside”, if the developments are successful.

A typical Ground Lease includes 15 to 25 Sections. The major sections address items such as:

- Property
- Term
- Development of the Property
- Rent, Statements and Accountings
- Taxes
- Building Area, Public Easement Areas and Maintenance of Public Areas
- Use, Nuisance and Restrictions
- Tenant’s Leasehold Improvements and Fixtures
- Other Legal Items

Task 2: Negotiating the Development Agreement.

Overview

Typically there are 20 to 35 sections included in most Development Agreements. Some of the more important sections include:

- Description of the Proposed Development
- Approvals and Development Program
- Development Covenants, Easements and Restrictions
- Developer Obligations
- Insurance, Indemnifications and Financing
- Requirements of Public Partner(s)
- Operation

Approval Rights for Carson City

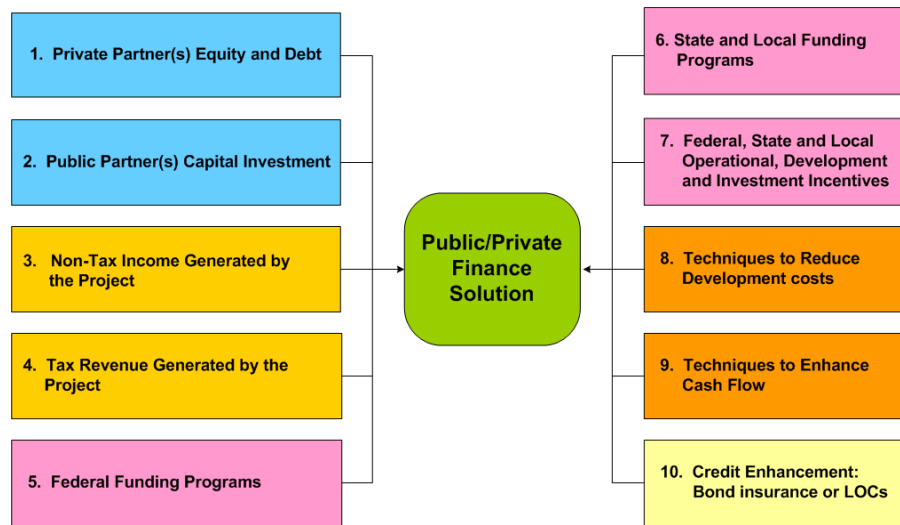
One of the most important sections is describing the Approval Rights for the public partner. SPPRE uses 14 categories of Approval Rights to optimize the City's control. Approval Rights include categories such as:

- Team Members
- Legal Structure of Development Entity
- Final Public/Private Finance Plan
- Source of Debt and Equity
- Design (Schematic Design (SD) and Design Development (DD))
- Quality of Materials (Outline Building Specifications)
- Operation of the Building

Task 3: Complete Financial Analysis to Reflect Changes in “Deal Points”

Throughout the negotiations SPPRE will complete any financial analyses and develop additional public/private finance plans, if required. If there is a Cash Flow shortfall, SPPRE will fully utilize the “Stainback Ten-Part Finance and Development Approach”, which is described in Chapter 7 of the book Public/Private Finance and Development, authored by Mr. Stainback. In a nutshell, this approach includes ten actions to help assure financial feasibility and to solve a cash flow shortfall:

The Stainback Approach to Public/Private Finance©



Typically, the solution is the result of using all, or some combination of these nine types of actions.

Phase 8: Assist the City to Obtain Public Financing and/or Assist the Private Developer of Phase I to Obtain Equity and/or Debt Financing

Task 1: The Placement of Project Financing for the Proposed Commercial Development:

The placement of private equity and debt, which is included in Step 16 of the pre-development process, has been priced separately, because neither the City, nor the private developer of the Phase I Development Package may need assistance in securing the required financing. If the City requests our assistance, and/or the developer requests the assistance of SPPRE, we would provide the services, such as:

- Prepare a PowerPoint presentation to be used with potential private equity and debt investors, and/or potential secondary public partners, such as the State of Nevada, Federal Agencies, etc.
- Actively participate in any presentation
- Prepare the Construction Loan Package for potential construction lenders
- Prepare the required applications for public investment and/or bonds
- Expand the scope and increase the detail of the Proforma to satisfy particular sources of equity or debt
- Introduce the participants to SPPRE equity and lending sources

- Facilitate the successful equity investment and loans from the SPPRE financial sources

Phase 9: Serve as the Owner’s Rep for the City During Construction of the Phase I Commercial Development Package or a City Facility (Step 17).

SPPRE will serve as the City’s representative during the construction of the Phase I Development Package. The primary objective of the Phase 9 scope of services is to monitor the developer’s progress on three fronts: time, quality and budget. A written detailed scope of services will be agreed upon prior to commencement of this phase. In this role, the general responsibilities of SPPRE will be to:

- Review developer contracts with architect and contractor.
- Assure the City that the developer adheres to the proposed development budget.
- Represent the City at major project management meetings.
- Monitor the construction schedules prepared by the contractor.
- Assure the City that key building materials approved by the City are used during construction.
- Monitor developer “draws” on the construction loan.
- Periodically monitor the relationships between the developer, construction lender, permanent lender and equity investors.
- Review the developer’s various types of insurance policies for the project.
- Review cash controls established by developer.
- Monitor major inspections/approvals by City building officials.
- Monitor pre-leasing of space.

Project Team

City officials and City staff will be working primarily with John Stainback, and Will Reed. Mr. Stainback will serve as the Project Director. Mr. Stainback will actively participate in the completion of all tasks and all project review sessions with the City. Mr. Reed or Mr. Bill Odle will serve as the day-to-day Project Manager and Mr. Philip Williams will be providing financial analysis. Mr. Stainback, and Mr. Reed will be assisted by other Partners and support staff.

Project Schedule

Phase 1: Phase 1A: Complete Kick-Off Work session with City Staff; Phase 1B: Complete Step 4 of the Pre-Development Process for the entire Downtown; Phase 1C: Preliminary Financial Analysis ; and Phase 1D: Conceptual Master Plan

We will commit the necessary resources to complete the tasks described in this contract on a timely basis. We estimate that the Tasks included in Phase 1A, 1B and 1C will require 10 to 12 weeks to complete. Since this timeframe is aggressive, the deadline can only be met with the full cooperation of the City, other City officials and staff and any other participating governments, including availability of meetings and availability of data and internal information, etc. throughout the course of the engagement.

Phase 2: Phase 2A: Complete Land Acquisition Strategy and Phase 2B: Development Management

SPPRE will serve as Development Manager for the City during the completion of Phases 2-7, or Steps 4-15. This is estimated to require 13 months. The Monthly fee will range from \$5,000 to \$7,500 depending on the work load.

Phase 3: Complete Steps 5 and 6 for the “Core Area” of the Downtown

We will commit the necessary resources to complete the tasks described in this contract on a timely basis. We estimate that the 9 Tasks included in Phase 3 will require 8 to 10 weeks to complete. Since this timeframe is aggressive, the deadline can only be met with the full cooperation of the City, other City officials and staff and any other participating governments, including availability of meetings and availability of data and internal information, etc. throughout the course of the engagement.

Phase 4: Complete Steps 7 – 11 for the Phase I Development Package within the Downtown Core

We will commit the necessary resources to complete the tasks described in this contract on a timely basis. We estimate that the 14 Tasks included in Phase 4 will require 8 to 12 weeks to complete. Since this timeframe is aggressive, the deadline can only be met with the full cooperation of the City, other City officials and staff and any other participating governments, including availability of meetings and availability of data and internal information, etc. throughout the course of the engagement.

Phase 5: Complete Step 12 - 13: Structure the Revenue Bond and Assist with the TIF Process, and Assist with Land Acquisition

We will commit the necessary resources to complete the tasks described in this contract on a timely basis. We estimate that the 9 Tasks included in Phase 5 will require 6 to 8 weeks to complete.

Phase 6: Manage the Developer Solicitation Process (Step 14) for the Phase I Development Package of the Downtown

We will commit the necessary resources to complete the tasks described in this contract on a timely basis. We estimate that the 20 tasks included in Phase 6, including the time allocated for the competing developers to prepare their proposals in response to the Developer RFQ and RFP will require 22 to 24 weeks (five to six months) to complete.

Phase 7: Assist the City to Negotiate the Development Agreement (Step 15) for the Phase I Development Package

Phase 7 of the consulting contract is the negotiation of the Ground Lease and/or Development Agreement. Based on past experience, we estimate this phase of the project should require only 90 days.

Phase 8: SPPRE will assist the Private Developer to Obtain Debt and/or Equity Financing (Step 16) for the Phase I Development Package of the Downtown, if required.

We will commit the necessary resources to complete the tasks described in this contract on a timely basis. We estimate that the Tasks included in Phase 8 will be completed in 4 to 5 months.

Phase 9: SPPRE will Serve as Owner's Rep for the City (Step 17)

The time required to complete the services included in Phase 9 of the Scope of Work is highly dependent on the ultimate building and infrastructure program and the final public/private finance plan. The larger and more complicated the building program and structure the longer the construction schedule. If the final public/private finance plan includes several public partners and/or multiple sources of financing, the more time required. At this point in time, it is extremely difficult to estimate the time required to obtain financing and complete construction, but we estimate that the time required to monitor the construction process is 15 to 18 months.

Schedule Required to Complete Phases One through Nine

In order to provide the City a sense of the time required to complete the pre-development process, the time required for the developer to obtain financing and to complete construction of the Phase I Development Package of the Downtown is as follows:

- Phase 1: Two to Three Months (November 2007 – January 2008)
- Phase 2A: One Month (February 2008)
- Phase 3: One to Two Months (March 2008 to April 2008)
- Phase 4: Two to Three Months (May 2008 to June 2008)
- Phase 5: One to Two Months (July 2008 to August 2008)
- Phase 6: Five to Six Months (September 2008 to February 2009)
- Phase 7: Two to Three Months: (March 2009 to April 2009)
- Phase 8: Three Months: (May 2009 to July 2009)
Completion of DD and CD drawings: Seven months.
- Phase 9: Fifteen to Eighteen Months: (March 2010 to June 2011)

Fee

Phase 1: Phase 1A: Complete Steps: 3, and Phase 1B: Complete Step 4 of the Pre-Development Process for the entire Downtown Core; Phase 1C: Preliminary Financial Analysis; and Phase 1D: Conceptual Master Plan

Our fee to complete the proposed Phase 1 of the Scope of Work is based on the level of skill and the amount of time required to complete each task. Based on our understanding and experience on projects of similar size and scope, we propose that all work be completed on a fixed-fee basis.

- | | |
|---|------------------|
| • Based on the tasks included in Part 1A, we estimate the fee to be: | \$ 15,620 |
| • Based on the tasks described in Part 1B: Market Study the fee is: | \$ 50,000 |
| • Based on the tasks described in Part 1C, we estimate the fee to be: | \$ 62,300 |
| • Based on the tasks described in Part 1D, we estimate the fee to be: | <u>\$ 35,000</u> |
| Phase 1 Total: | \$163,920 |

In addition to our professional fee, the Direct Expenses (e.g., airfare, lodging, ground transportation, mileage, parking, advertising, purchase of materials, if any, etc.) will be billed at cost. The invoice amount will include Allocated Expenses calculated at thirteen and one-half percent (13.5 %) of our professional fee, to cover telephone, facsimile, and overnight mail expenses, secretarial and accounting support, and other indirect costs.

Phase 2: Land Acquisition Strategy and Development Management

Our fee to complete the proposed Phase 2 of the Scope of Work is based on the level of skill and the amount of time required to complete each task. Based on our understanding and experience on projects of similar size and scope, we propose that all work be completed on a fixed-fee basis.

- Based on the Tasks described in Part 2A, we estimate the fixed fee to be: \$ 12,260
- Development Management Fee for 20 months at \$5,000/month: \$ 100,000
- Phase 2 Total: \$ 112,260

In addition to our professional fee, the Direct Expenses (e.g., airfare, lodging, ground transportation, mileage, parking, advertising, purchase of materials, if any, etc.) will be billed at cost. The invoice amount will include Allocated Expenses calculated at thirteen and one-half percent (13.5 %) of our professional fee, to cover telephone, facsimile, and overnight mail expenses, secretarial and accounting support, and other indirect costs.

Phase 3: Complete Steps 5 and 6 for the 36-Block Area of the Downtown

Our fee to complete the Phase 3 of the Scope of Work is based on the level of skill and the amount of time required to complete each task. Based on our understanding and experience on projects of similar size and scope, we propose that all work be completed on a fixed-fee basis. We estimate the fixed fee for SPPRE to be \$27,700. In addition, there is a fee for the Master Plan., which is in the range of \$75,000.

In addition to our professional fee, the Direct Expenses (e.g., airfare, lodging, ground transportation, mileage, parking, advertising, purchase of materials, if any, etc.) will be billed at cost. The invoice amount will include Allocated Expenses calculated at thirteen and one-half percent (13.5 %) of our professional fee, to cover telephone, facsimile, and overnight mail expenses, secretarial and accounting support, and other indirect costs.

Phase 4: Complete Steps 7 – 11 for the Phase I Development within the Downtown

Our fee to complete the Phase 4 of the Scope of Work is based on the level of skill and the amount of time required to complete each task. Based on our understanding and experience on projects of similar size and scope, we propose that all work be completed on a fixed-fee basis. We estimate the fixed fee to be \$87,200.

In addition to our professional fee, the Direct Expenses (e.g., airfare, lodging, ground transportation, mileage, parking, advertising, purchase of materials, if any, etc.) will be billed at cost. The invoice amount will include Allocated Expenses calculated at thirteen and one-half percent (13.5 %) of our professional fee, to cover telephone, facsimile, and overnight mail expenses, secretarial and accounting support, and other indirect costs

Phase 5: Complete Step 12 - 13: Structure the Revenue Bond and Assist with the TIF Process, and Assist with Land Acquisition

Our fee to complete the Phase 5 of the Scope of Work is based on the level of skill and the amount of time required to complete each task. Based on our understanding and experience on projects of similar size and scope, we propose that all work be completed on a fixed-fee basis. We estimate the fixed fee to be \$82,300.

In addition to our professional fee, the Direct Expenses (e.g., airfare, lodging, ground transportation, mileage, parking, advertising, purchase of materials, if any, etc.) will be billed at cost. The invoice amount will include Allocated Expenses calculated at thirteen and one-half percent (13.5 %) of our professional fee, to cover telephone, facsimile, and overnight mail expenses, secretarial and accounting support, and other indirect costs.

Phase 6: Manage the Developer Solicitation Process (Step 14) for Phase I of the Downtown Core

Our fee to complete the Phase 6 of the Scope of Work is based on the level of skill and the amount of time required to complete each task. Based on our understanding and experience on projects of similar size and scope, we propose that all work be completed on a fixed-fee basis. We estimate the fixed fee to be \$135,200.

In addition to our professional fee, the Direct Expenses (e.g., airfare, lodging, ground transportation, mileage, parking, advertising, purchase of materials, if any, etc.) will be billed at cost. The invoice amount will include Allocated Expenses calculated at thirteen and one-half percent (13.5 %) of our professional fee, to cover telephone, facsimile, and overnight mail expenses, secretarial and accounting support, and other indirect costs.

We realize this is a lot of money, so the City may want to consider other methods to solicit private developers, which require a significantly less fee, such as RFQ/Negotiate, or pre-qualify developers and then only issue a RFP to those pre-qualified.

Phase 7: Assist the City to Negotiate the Development Agreement (Step 15) for Phase I

At this point in time there are too many unknowns to accurately estimate a fixed-fee for Phase 7: Negotiation of the Development Agreement. Therefore, we are proposing that the fee for Phase 7 of the consulting contract be based on the number of hours required to negotiate the Ground Lease and/or Development Agreement.

The standard hourly rates for consulting services are as follows:

- John Stainback, Managing Partner: \$485 per hour.
- Bill Odle, Senior Project Manager: \$325 per hour.
- Will Reed, Project Manager/Finance: \$290 per hour.
- Philip Williams, Financial Analyst: \$190 per hour.
- Jaime Doda, PowerPoint/ads/website: \$135 per hour

For Phase 7 of the consulting contract, we have placed a cap on our professional fee of \$65,000 not to be exceeded without prior written authorization from Carson City.

In addition to our professional fee, the Direct Expenses (e.g., airfare, lodging, ground transportation, mileage, parking, advertising, purchase of materials, if any, etc.) will be billed at cost. The invoice amount will include Allocated Expenses calculated at thirteen and one-half percent (13.5 %) of our professional fee, to cover telephone, facsimile, and overnight mail expenses, secretarial and accounting support, and other indirect costs.

Phase 8: Assist the Private Developer(s) to Obtain Equity and/or Debt Financing (Step 16)

The standard fees for placing equity financing for a project is four percent (4%) of the amount of equity. The fee for placing debt is one and one-half percent (1.5%) of the amount of debt. There are so many unknowns at this point that we suggest that we wait to better determine our role and to prepare a scope of work for this phase. **This fee is NOT paid by the City.**

Phase 9: Serve as Owner's Rep During Construction of Phase I of the Downtown Core

The fee structure to review the design and construction drawings and to assure the Committee that the selected developer delivers what was promised in the Development Agreement is one (1.0%) of the Total Development Budget required to finance, design and construct the Phase I Development Package. **This fee is NOT paid by the City.**

Stipulations Applicable to All Nine Phases of the Contract

We have included 7 on-site client meetings (including developer interviews) and 5 web-casts (or similar) meetings for SPPRE Phases 1 through 6. Meetings or web-casts for Phases 7, and 8 will be on an as-required basis. We have assumed tele-conference updates for Phase 8. If City



officials, or staff requires additional meetings web-casts and presentations, the final fee will be increased to reflect the time required for the additional meetings and presentations.

This agreement is terminable upon 15-days written notice by either SPPRE, or Carson City; however, the City will remain liable to SPPRE for all fees earned or accrued to the date that notice is received.

We will bill the City on a monthly basis. Payments are due net 30 days. A late fee of 1.5% per month will be added to any outstanding balance due past 60 days.

In Order to Begin Work on Phase 1 of this Consulting Contract

In accordance with our company policy for engagements of this nature, a retainer payment in the amount of Twenty-Five Percent (25%) of the Phase 1 Fee, or \$40,730, is required prior to commencing work. This amount is applied to your final invoice for Phase 7 of the consulting engagement.

Acceptance

If this letter contract meets your approval, **kindly sign and return one copy to us, along with a check in the amount of the retainer**, which will serve as our authorization to start work. If you have any questions, please feel free to call John Stainback at 713.621.3007. We look forward to working closely with Carson City Officials and Staff on this project throughout the pre-development process to the “ribbon-cutting ceremony for the Phase I Development Package of the Downtown.

Respectfully submitted

SPPRE LLC

Accepted this _____ day of _____, 2007

Carson City
Carson City, Nevada

By: _____

Title: _____