

ADOPTED BY THE RIO NUEVO
MULTIPURPOSE FACILITIES DISTRICT
BOARD OF DIRECTORS
April 13,2005

RESOLUTION NO. 2005-05

RESOLUTION APPROVING A CONTRACT WITH ECONOMICS RESEARCH ASSOCIATES (ERA) FOR PREPARATION OF A HOUSING MARKET ANALYSIS AND FORECAST.

WHEREAS, the City of Tucson has implemented the **Rio** Nuevo Master Plan [or revitalization of its downtown; and

WHEREAS, one of the fundamental elements or the Plan is growing the residential base in the downtown; and

WHEREAS, while the regional real **estate** market is robust and predictable, the downtown market is relatively fragile and unpredictable; and

WHEREAS, in order to promote the orderly growth and redevelopment of downtown, the City needs to understand how both traditional market forces and the influence of the Master Plan are shaping demand; and

WHEREAS, it is imperative that the City obtain an independent residential market analysis and a long range forecast that predicts not only absorption rates for the downtown, but also, the depth of the various product segments (e.g., single family, condominium, townhouse) within the broader housing marketplace; and

WHEREAS, in cooperation with the Planning and Housing Departments, Rio Nuevo staff has solicited proposals from qualified firms and individuals to prepare this study, and recommends that a contract be awarded to ERA in an amount not to exceed \$25,000.00 for the scope of services presented in their proposal attached hereto; now therefore, be it

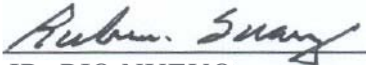
RESOLVED, by the Board of Directors of the Rio Nuevo Multipurpose Facilities District, that the appropriate officials of the District be and hereby are authorized and directed to enter into the hereinabove-described contract with ERA in an amount not to exceed \$25,000.00; and, be it

FURTHER RESOLVED, that prior to execution of said contract, the proper **officials** of the District are authorized and directed to negotiate any changes to the scope of services that will add value to the report in terms of its conclusions and/or cost to the District.

Rio Nuevo Multipurpose Facilities District
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PASSED, ADOPTED AND APPROVED this 13th day of April, 2005.

APPROVED:


CHAIR, RIO NUEVO
MULTIPURPOSE FACILITIES
DISTRICT BOARD

ATTEST:


SECRETARY OF THE RIO NUEVO
MULTIPURPOSE FACILITIES
DISTRICT BOARD

APPROVED AS TO FORM:


COUNSEL FOR RIO NUEVO
MULTIPURPOSE FACILITIES
DISTRICT BOARD

REVIEWED BY:


DIRECTOR, RIO NUEVO
MULTIPURPOSE FACILITIES
DISTRICT BOARD



Economics Research Associates

February 14, 2005

Mr. John **Beal**
Department of **Urban Planning and Design**
City of Tucson
Mac Arthur Building
345 E. Toole Ave.
P.O. Box 27210
Tucson, AZ **85726-7210**

ERA Proposal No. 44781

Dear Mr. Beal:

Pursuant to your **request**, Economics **Research Associates** (ERA) is pleased to submit this letter proposal to **prepare a downtown** housing study for the **City** of Tucson.. The following presents our **Understanding** of the Assignment, ERA's Qualifications, our Scope of **Work**, and our proposed Fee and Schedule.

UNDERSTANDING OF ASSIGNMENT

The City of Tucson would **like** a market **study** to better **understand** what kind of growth the downtown can reasonably expect to enjoy over the next decade. The market study should examine the downtown market conditions of supply, **demand**, and pricing, for specific property **types**, including analyses of **construction** and absorption trends. The City would like to use the market **study** to develop an **understanding** of the viability, depth and **potential** product mix for **market** rate housing in downtown **Tucson**, and to better **understand** what amenities, unit size and price offerings **are** most likely to **succeed** and be absorbed by the market

The City is still in the process of identifying the geographic **area that** constitutes 'downtown.'. The 'downtown' **area** could include the area west of I-10 south of **Congress** to **22nd**, the University area as far east as **Campbell** Broadway and as north as **Speedway**, and commercial corridors [spokes] out of downtown

The primary issue for a useful market **study** is the lack of available data. **Currently** the projects being built are **speculative**, with the on-going **progress** and **prospect** of proposed Rio Nuevo **projects** coming onboard in a timely manner. There is a key need for **consumer research** in exploring the preferences of **likely** future buyers. Who are they and will they

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- Downtown **Las Vegas** Housing Market Study - Market analysis and **recommendations** for downtown housing in **Las Vegas**, including product **types**, market orientation, potential sources of demand, and community amenities to support downtown housing.
- City/County of San Diego Reinvestment Task Force - Spatial trend analysis of housing and small business loan trends using Community Reinvestment Act **data**, bank loan data, and surveys utilizing Geographic Information.
- City of Watsonville - Downtown housing market study that examined the market potential for four downtown sites and developed a strategy to induce higher density **residential** development.
- San Francisco Housing Authority - Housing market and feasibility **studies** for two HOPE VI public housing sites.
- City of Vancouver, Washington - **Downtown** housing over **parking study**.
- San Rafael Redevelopment Agency - **Mixed-use** housing over **parking study**.
- Portland TriMet - **Strategy** for joint development, **mixed-use** demonstration project that integrated senior housing with market rate housing to reduce the overall **parking** requirement
- King County Transit Oriented Development Program - Market strategy and development packaging program for at least 20 properties scattered throughout the greater Seattle area
- Santa Clara County - Property market strategy and development packaging for 15 **parcels** of potentially surplus property.
- San Diego - **Mid-City** Revitalization Strategy, for the communities of North **Park**, University **Heights**, Normal Heights, City Heights, Talmadge, and Kensington.
- San Diego - Linda Vista **Revitalization** Strategy.
- California - Assessment of senior housing economic criteria for the California Housing Finance Agency.
- City of Los Angeles Community Redevelopment Agency - Review of citywide strategy for job generation and creating wealth for new firms, combining redevelopment, economic development, and local **lending** institutions.
- Carlsbad - Carlsbad Village redevelopment strategy update.
- County of Los Angeles - Formation of Community Business **Revitalization projects** and COSO funded. **voluntary** rehabilitation loan programs.



- Document job growth **forecasts** for downtown and **areas** within approximately a 20-minute commute from **downtown**, if data **is** available.
- **Estimate household formation supported** by projected job growth to 2030 in the commuting region.
- Estimate regional and sub-regional household formation associated with other sources of **support**, such as retirement income and second home purchases.
- Model projected regional household formation by **age** of householder to 2030 to estimate growth in the cohorts most often associated with downtown **housing**.
- Project **regional household formation** by income category, tenure, **household size** range, and age of householder to 2030.

Regional & Subregional Competition

- Examine competing **areas** in the **metropolitan** area that provide **housing** for the **targeted household types** and assess both housing and community **amenities** that **are attracting** people to these **areas**.
- Survey recently completed residential projects in and **around** downtown Tucson to determine the value, **price**, rents, and **characteristics** of new housing being produced. **This** survey will cover detailed **characteristics** such as type of units, **size** of units, number of bedrooms and **bathrooms**, key amenities, rent per **square** foot and sales price per square foot. To the extent necessary and relevant, survey recent **projects** in other **areas** of the Tucson metro area for key amenities and physical and pricing characteristics.
- **Review** and compare regional and sub-regional residential building **permit** trends, price points, product **types**, and other selected housing characteristics based on secondary **data** sources.

Downtown Housing Market Projections

- Based upon the analysis of housing demand and supply, prepare **alternative** capture rates for the downtown sub-market based upon different sets of assumptions regarding the market context
- **Forecast potential** demand parameters for downtown housing in Tucson.



FEE AND SCHEDULE

ERA proposes the following fee and schedule for each task.

Task	Hours	Total Cost	Time Required
1: Project Kick-Off	12	\$ 2,280	2 days
2: Housing Market Study	100	\$16,000	6 to 8 weeks
Draft/Final Report Preparation	24	\$ 3,840	1 week
Report Presentation	10	\$ 1,900	N/A
Travel Expenses & Data	N/A	\$ 900	N/A
Total All Tasks	146	\$24,920	8 to 12 weeks
Optional Task 1: Residual Value	40	\$6,400	2 to 3 weeks
Optional Task 2: Focus Group (1)	24	\$4,560	2 to 3 weeks
Optional Task 3: Case Studies		\$9,000	3 to 4 weeks

This amount does not include approximately \$2,000 that may be required to provide financial incentives to participants and snacks at the focus groups.

A draft report will be prepared for the City's review. The final deliverable will be 10 bound copies and one unbound copy of the final report. The proposed scope includes one presentation - any additional presentation will be on a time and material basis. The proposed fee includes two meetings with staff.

If the City chooses a local appraiser to work with ERA, we would suggest that the appraiser prepare the inventory of regional and sub-regional competition (approximately \$6,000 of Task 2), and prepare the residual analysis in Optional Task 1 (approximately \$5,000). This would allow ERA to conduct Optional Task 2 and coordinate with the appraiser within a \$25,000 budget limitation. Optional Task 3 would still require additional budget.

Invoices will be sent on a monthly basis as costs are incurred.



Economics Research Associates

STANDARD PROPOSAL ADDENDUM

It is understood by the client that Economics Research Associates (ERA) can make no guarantees concerning the recommendations that will result from the proposed assignment, since these recommendations must be based upon facts discovered by ERA during the course of the study and those conditions existing as of the date of the report. To protect you and other clients, and to assure that the research results of ERA's work will continue to be accepted as objective and impartial by the business community, it is understood that our fee for the undertaking of this project is in no way dependent upon the specific conclusions reached or the nature of the advice given by us in our report to you.

It is agreed by the client that the report is not to be used in conjunction with any public or private offering of debt or equity securities without prior written consent.

It is further agreed that the client will indemnify ERA against any losses, claims, damages and liabilities under federal and state securities laws that may arise as a result of statements or omissions in public or private offerings of securities.

It is agreed by the client that payment for the services of ERA is due upon receipt of the invoice; that full payment is due upon receipt of the completed report; and that ERA has the right to withhold delivery of the final report pending receipt of any overdue payments.

In the event any invoice is not paid within 30 days after rendering of the invoice it shall commence bearing interest on the date the invoice was rendered at the rate of 18 percent per annum (or such lesser rate as may be the maximum interest permissible under applicable law) and the client agrees to pay all accrued interest, together with the charges for services rendered as provided for in this agreement. In addition, should an unpaid invoice be referred to our attorneys for collection, the client agrees to pay their reasonable fee for such work, as well as any costs of suit which may be incurred.

It is further agreed by the client that the report will be presented to third parties in its entirety and that no abstracting of the report will be made without first obtaining the permission of ERA.

It is understood by ERA that the findings of this report are the proprietary property of the client and they will not be made available to any other organization or individual without the consent of the client.

This proposal will remain in force for a period of 60 days from the date shown hereon.