November 22, 2014

Katherine Waugh
Dudek
853 Lincoln Way #208
Auburn, CA 95603

RE: El Dorado Oak Woodland Mitigation Fee Program

Dear Katherine,

New Economics & Advisory is please to submit a draft proposal for the preparation of an update to El Dorado County's Oak Woodland Mitigation Fee Program Nexus Study.

El Dorado County is proposing to revise its Oak Woodland Management Plan, originally adopted in 2008. The Woodland Management Plan includes the calculation of an in-lieu fee to fund mitigation land. To support the County's adoption of an ordinance to implement the Oak Woodland Management Plan, the fee should conform to the State of California's Mitigation Fee Act, a.k.a. AB 1600 (Government Code section 66000, et seq.); this code describes a specific set of eligible improvement categories and steps to follow to justify the proposed fee. However, Appendix B of the Oak Woodland Management Plan does not contain any reference to AB 1600 or Code 66000, eligible improvement categories, or fee justification steps.

This proposal presents the County with a suggested approach to recalculate an in-lieu fee in a manner that is consistent with AB1600. Fee components could include land acquisition, endowment, and/or administration. The enclosed **Exhibit A: Scope of Services** proposes an overall approach to this work, as well as a proposed schedule and budget. Also enclosed for your review, **Exhibit B** contains New Economics' Statement of Qualifications and **Exhibit C** contains the hourly billing rates for New Economics staff. We look forward to the opportunity to work with the County on this project. If you require any changes to this proposal, please do not hesitate to reach me at (916) 538-9857.

Sincerely,

Isabel Domeyko Taylor

Isabel Domeyko
Managing Member, New Economics & Advisory, LLC

Attachments: Exhibit A: Scope of Services
Exhibit B: Statement of Qualifications
Exhibit C: Hourly Rate Schedule

Exhibit A: Scope of Services

Context and Project Understanding

The existing OWMP provides two primary options for oak woodland tree canopy mitigation. Option A applies to projects that propose to mitigate on-site and requires new development to retain a significant portion of existing oak woodland tree canopy on each parcel, and to replace any remaining canopy that is removed at a 1:1 ratio on-site. Option B applies to projects that propose to mitigate off-site and requires that projects replace any lost canopy at a 2:1 ratio; this requirement can be satisfied either through land acquisition and dedication (plus an in-lieu fee to manage and monitor the habitat) or by paying an in-lieu fee that covers acquisition, conservation easement, and management and monitoring. The subject of this work program is to calculate the in-lieu fee for Option B.

Proposed Work Program

To re-calculate an in-lieu fee for the County's Oak Woodland Mitigation Plan, an AB 1600 Fee Nexus Study will be prepared that will be the legal and financial basis of collecting fees in the fee area. New Economics propose the following tasks to implement the program:

TASK 1: NEXUS STUDY

In general, establishing the nexus for the Oak Woodland Fee Program DIF will include the following components:

1) determining the amount of new and existing development in the geographic area that will be subject to the fee program;

2) determining the costs of the public facilities, public services, and/or community amenities eligible to be funded through the program;

3) establishing the percentage share of each improvement category cost that can be proportionally allocated to new and existing development;

4) distributing those costs to each of the land use categories (or on a per-acre basis) in order to calculate the fee; and

5) preparing a report and presenting the findings.

More information regarding the specific steps required to prepare the Oak Woodland Fee Program Nexus Study follows below.

Project Initiation

At the outset of this project, there are a number of important clarifications that would need to be made. These clarifications will help to refine the approach utilized for the nexus study.

- Clarification #1: Are off-site mitigation requirements based on canopy cover or some other metric? Do requirements apply to existing parcels or proposed new parcels?
- Clarification #2: How many acres of canopy cover (or other metric) does the Plan contemplate achieving? What portion of this canopy cover would be attributable to off-site mitigation efforts *acquired through funds generated by the in-lieu fee*?
- Clarification #3: Will canopy cover utilized to meet the mitigation requirement be owned and/or maintained by a single entity or multiple entities?
- Clarification #4: Does State Code 65913.8 allow for this fee program to include an operations and maintenance component? Consultation with County counsel may be required to confirm this item.

Establishing Nexus or Proportionate Share of Projects, Services, Amenities to be Fee Funded

This effort will serve to determine the amount of development that will participate in the fee program. Through coordination with County and/or Dudek staff, New Economics will require confirmation of the following items:

- Timeframe (e.g. through 2030) for the fee program.
- Scale (acres) of new development expected to occur within the established timeframe within the fee area as well as net-outs for development anticipated to *not* be subject to the fee (i.e. agricultural cultivation, fire safety actions, public road and public utility projects).
- Scale of new development that will mitigate on-site versus off-site. The required public facilities, public service, and/or community amenities will be based on off-site mitigation efforts[1]. The scale of new development expected to mitigate off-site would also need to differentiate the portion of mitigation land that would be dedicated versus acquired through the fee program. Based on preliminary discussions with Dudek, this work program presumes that Dudek or County staff will provide these estimates to New Economics.
- Estimated scale of mitigation land that would need to be acquired (accounting for one or more ratios of canopy:non-canopy land. Based on preliminary discussions with Dudek, this work program presumes that Dudek or County staff will provide these estimates to New Economics.

[1] Additional clarification may also be required to understand the difference between "public road projects" and "new roads or utility installation, or to internal circulation roads within new development", as cited on pages 6 and 7 of the existing Oak Woodland Management Plan.

- The scale of development of affordable housing, which would be eligible for a tiered fee reduction.
- Portion of the facilities, services, and/or amenities that can be reasonably related to new growth through an AB 1600 fee program. This establishment of nexus is crucial to the integrity of the entire fee program. It is important not only to establish nexus in terms of a "relationship" between costs and development, but the portion of the cost allocated to new growth must also be reasonable and based on demonstrated need or demand for services. This work program anticipates that initial public facility improvements are designed entirely to serve new development.

Prepare Cost Allocation Model

New Economics will apply benefit factors to each land use to determine the amount of benefit each land use receives from projects, services, and/or amenities included within the fee program area. This scope of work assumes that land uses will include net developable acres only, as opposed to residential versus commercial, for example. New Economics will prepare a cost allocation model to calculate the appropriate fee.

Prepare and Present Draft and Final Nexus Study Report

New Economics will prepare an Initial, Draft, and Final Nexus Study Report, which will document the findings necessary to establish the fee. The report will state the proposed fees for each land use by location and the necessary supporting analysis and findings. Before issuing a Public Review Draft Report, New Economics will first submit an Initial Draft for County review. After obtaining input, New Economics will prepare the Public Review Draft. If needed, preparation of the Initial Draft Report will also include coordination with County Counsel with regards to supporting our findings. New Economics will present the Public Review Draft Nexus Study at a public hearing scheduled by the County.

Following the public hearing, New Economics will prepare a Final Nexus Study.

Please note that all deliverables will be provided in PDF format only. Hard copies can be provided at a cost of $0.10 per page.

Schedule and Budget

It is our understanding that the updated Oak Woodland Fee Program and larger General Plan update will be completed over an 18-month period. Dudek has further indicated a desired 7-month schedule for the nexus study. To meet this schedule and allow for sufficient public review, New Economics proposes the following benchmarks:

- Clarifications on key issues: 01/30/2015
- Establish nexus parameters: 03/01/2015
- Initial Draft Nexus Study: 04/15/2015
- County Review and Comments Completed: 05/01/2015
- Public Review Draft Nexus Study: 06/01/2015
- Hearing and Public Review Period End: 08/01/2015

- Final Nexus Study (concurrent with Public Review EIR): 09/01/2015

This schedule is preliminary; the actual schedule will need to be refined based upon the ability to obtain both key clarifications and acreage estimates for the cost allocation model, and may be further informed by the larger general plan update schedule.

The budget for the above Scope of Services could range from $20,000 to $25,000, as shown below in **Figure 1**. This range is reflective of the level of uncertainty regarding key inputs and overall approach, but it does presume that mitigation requirements will be based on woodland acreage instead of canopy cover. To the extent that clarifications can be made efficiently and clearly, the study can be completed toward the low end of the range.

Figure 1
Proposed Budget
El Dorado County Oak Woodland Fee Program

	Low Range				High Range			
Task/Description	Consultant Days [1]	Estimated Consultant Costs	Direct Costs [2]	Project Cost (rounded)	Consultant Days [1]	Estimated Consultant Costs	Direct Costs [2]	Project Cost (rounded)
Blended Firm Rate [3]		$135				$135		
Task 1: Nexus Study								
Initiate Project and Obtain Clarifications	3	$2,430	$0	**$2,400**	3	$2,430	$0	**$2,400**
Establish Nexus	4	$3,240	$0	**$3,200**	4	$3,240	$0	**$3,200**
Prepare Cost Allocation Model	10	$8,100	$0	**$8,100**	15	$12,150	$0	**$12,200**
Prepare Initial, Draft and Final Nexus Study	7	$5,670	$1,100	**$6,800**	7	$5,670	$1,100	**$6,800**
Total Task 1	**24**	**$19,440**	**$1,100**	**$20,500**	**29**	**$23,490**	**$1,100**	**$24,600**

[1] Assumes 6 hours of billable time per Consultant Day.
[2] Direct costs include mileage, production costs, etc.
[3] Blended firm rate is $135 per hour. Invoices will include individuals and their respective hourly rates.

New Economics submits invoices on an hourly basis to the nearest quarter hour (i.e. 15 minute increments) for work performed. New Economics' current Hourly Rate Schedule is also included in **Exhibit C**.

The County would be charged for work performed, on a time and materials basis, up to the authorized budget. Invoices are sent on a monthly basis for the services provided the preceding month and payment is requested within 30 days. In addition to the hourly fees for services, NEA charges for direct expenses. Examples of direct expenses include the cost of travel to a meeting, the cost to acquire data in support of analyses and costs associated with development of reports and memoranda.

Exhibit B: Relevant Experience

BASS LAKE HILLS FINANCING PLAN AND FEE NEXUS STUDY, 2004-2013

While at his previous firm, Jesse was the lead technical analyst and project manager of the Bass Lake Hills Financing Plan (FP) and Fee Nexus Study. This Specific Plan allows for the construction approximately 1,500 single-family residential units on 1,400 acres near El Dorado Hills. The FP defined the funding approach to capital construction and operations and maintenance of all required backbone infrastructure items and public facilities. For any infrastructure and public facilities not funded through existing sources, the FP set forth a new Bass Lake Hills Fee (BLH Fee) to fund the construction of needed items. The FP and BLH Fee were originally approved in 2004; however, because little development has occurred at the Specific Plan, Jesse recently revised the FP to reflect current market conditions and facilitate development by relaxing certain obstacles deemed overly burdensome.

RECLAMATION DISTRICT-1000 FEE (RD-1000), JUNE 2014-PRESENT

Decision Point: RD-1000 has the ability to create a development impact fee to fund district-wide improvements. Stakeholders were interested in answering number of questions, such as: Should RD-1000 create a development impact fee, how would it be structured, who would participate, and what would the rate be?

Assignment: New Economics & Advisory was retained, in partnership with LWA and Associates, to project the scale of growth and development subject to the new fee, which would be triggered at final map. The RD-1000 territory includes portions of the City of Sacramento, Sacramento County, and Sutter County. New Economics & Advisory analyzed growth opportunities in each of these areas and summarized the scale of residential and commercial development over the next 25 years that would be subject to the fee. This analysis included a detailed evaluation of approved projects in Sacramento that are partially built or not yet built to determine whether or not they had passed the final map stage.

Outcome: RD-1000 is currently reviewing a preliminary draft of the nexus study and plans to move the fee toward adoption in late 2014.

NATOMAS BASIN HABITAT CONSERVATION PLAN (HCP) FEE UPDATE, 2013-2014

Decision Point: The Natomas Basin Conservancy (TNBC) updates its habitat conservation fee annually. This development impact fee applies to new development in the Natomas area of the City of Sacramento, as well as a portion of unincorporated Sacramento County and Sutter County.

Assignment: New Economics was retained to perform the annual fee update, as well as provide a peer review of the technical model supporting the calculation of the fee.

Outcome: In December 2013, TNBC Board of Directors approved the 2014 fee. The 18% fee increase was primarily associated with a rise in land values, an increase in habitat conversion costs, and the addition of Conservancy organizational staff. The City of Sacramento unanimously approved the new fee in February 2014, and the fee went into effect May 1, 2014. TNBC is also considering making modifications to the fee model to improve efficiencies and validate and document key assumptions.

REGIONAL CONSERVANCY ORGANIZATION PROPERTY TAX STRATEGIES, 2013

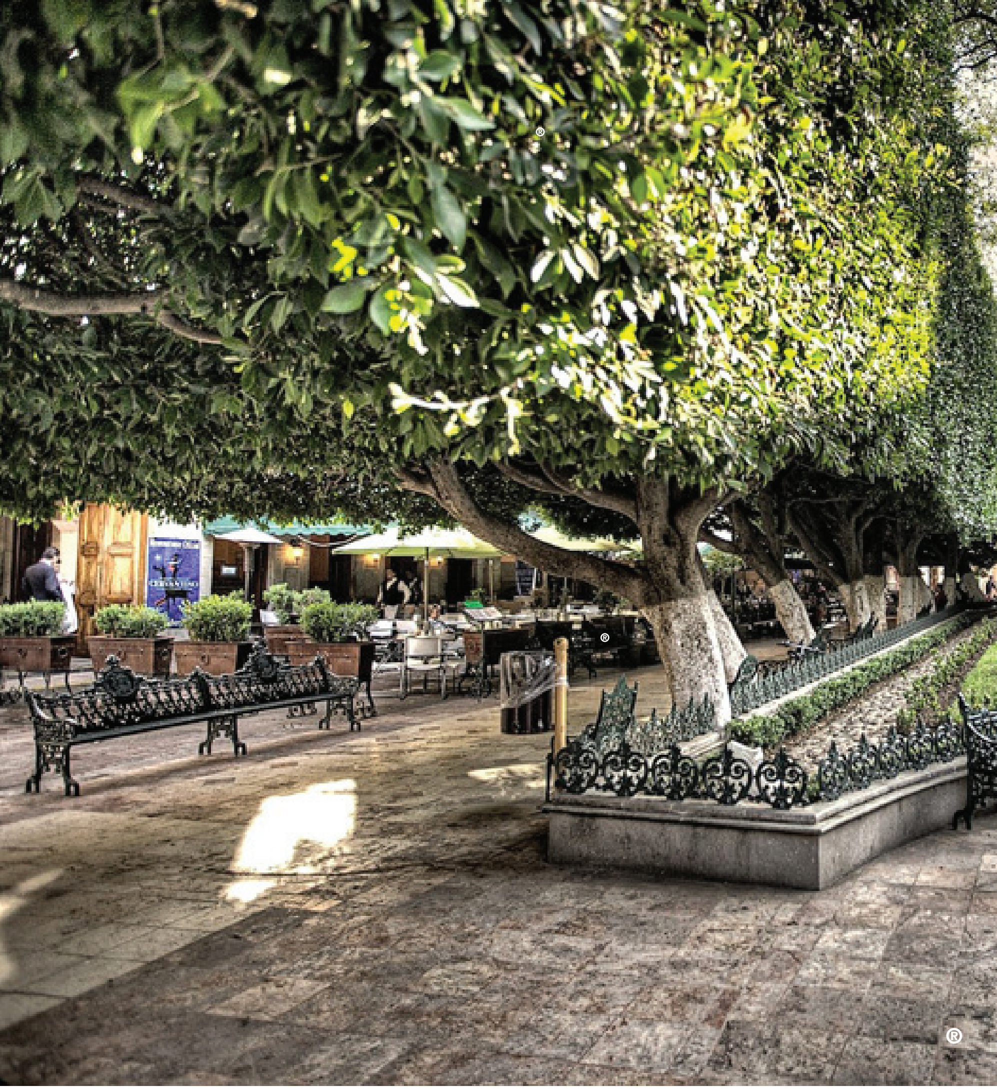
Despite rock-bottom home prices, a regional land conservancy organization has generally experienced increasing tax bills for the conservation property it owns in the Sacramento Region. Because much of the land owned by this non-profit conservation organization is under Williamson Act contracts, property tax valuation works differently compared to residential or commercial property tax valuation. New Economics & Advisory helped the organization to understand how Williamson Act valuation works (in theory and in practice), the key drivers affecting land valuation and property taxes, and potential strategies to control and reduce taxes going forward. New Economics & Advisory is continuing its work with the organization to implement these tax-reduction strategies.

THREE RIVERS LEVEE IMPROVEMENT AUTHORITY LEVEE IMPACT FEE UPDATE (TRLIA), JUNE 2014-PRESENT

New Economics & Advisory is currently preparing a 5-Year Review and Update to the Three Rivers Levee Fee. This fee was originally created in 2008 and is the primary funding mechanism for levee improvements in the Three Rivers Levee Improvement Authority boundary in Yuba County. This fee is assessed to new development, and funds the facilities required to provide 200-year flood protection for various developed and developing areas the County, including the Plumas Lake Specific Plan, North Arboga Study Area, and East Linda Specific Plan. The Fee Update includes a revised Nexus Study and incorporates updated capital costs and land uses, an evaluation and possible update of the Fee Program's key policies, and the required 5-Year review findings. The technical work for this project is currently ongoing, and the Fee Update is likely to be adopted by the Yuba County Board of Supervisors in early 2015.

CITY OF SACRAMENTO PARK FEE UPDATE AND INFILL FEE ANALYSIS, 2009-2010

The City desired an update of its existing park fee to reflect population growth and recent park development costs. In addition, the City wanted to identify the total fee needed to fund all Parks Master Plan facilities (adding regional parks, aquatic complexes, linear parks, and community centers to the existing fee). Finally, the City was interested in evaluating its infill park fee program, given existing challenges associated with successfully developing and funding infill parks. Isabel provided the existing fee update, estimated the total Master Plan fee, and made a series of infill fee structure recommendations, including altering the City's parkland valuation approach, creating a new land fee for those not subject to Quimby, increasing flexibility to meet park dedication requirements, establishing a credit system for non-traditional park amenities, and reevaluating park standards and costs.



Core Firm Attributes:

Experience

New Economics founder Isabel Domeyko leads the Northern California office, while Jesse Walker leads the Northern Nevada office. Jesse and Isabel each bring more than a decade of professional experience in market & feasibility analysis, fiscal & economic impact analysis, and economic development.

Interest

We are passionate about the betterment of our communities, and constantly strive for new and improved ways to solve important issues related to the economics of community planning, conservation, and revitalization.

Efficiency and Value

We utilize a streamlined and nimble approach to quickly and efficiently “get to the point,” stay ahead of deadlines, and maximize value for each analysis.

New Economics & Advisory provides economic analysis and strategic guidance to support the creation and evolution of sustainable local communities. We offer accurate and concise analysis in keeping with the latest market trends, economic dynamics, and financial best practices. We can help highlight key issues, clarify decision points, and communicate about economics within the local community.

Primary Areas of Expertise

- **Market Assessment and Financial Feasibility Analysis**
- **Economic Impact Analysis**
- **Municipal Finance**
  - Fiscal Impact Analysis, Infrastructure Finance, and Funding Strategies
- **Economic Development**
  - Economic Development Support, Transportation Economics, and Policy Analysis
- **Conservation Economics**
  - Agricultural, Habitat, and Open Space Land Conservation Strategies
- **Due Diligence and Other Project Assistance**
  - Cash Flow Analysis, Financial Modeling, Infrastructure Burden Estimates, Demographic Analysis, Policy Research, and Other Special Assignments

NEW ECONOMICS & ADVISORY

LAND USE ANALYSIS & STRATEGIES

NORTHERN CALIFORNIA
488 DIAMOND OAKS ROAD, ROSEVILLE OFFICE (916) 538-9857 ISABEL@NEW-ECON.NET

NORTHERN NEVADA
PO BOX 33, ZEPHYR COVE OFFICE (775) 339-8045 JESSE@NEW-ECON.NET

WWW.NEW-ECON.NET

AFFILIATIONS

- Programs Committee, Sac Valley APA, 2012-present
- Member, Ignite, 2011-present
- Member, Urban Land Institute (ULI), 1999–2010.
  Co-Founder, Young Leaders Group (Sacramento District), 2002-2004
- Board of Directors, Sacramento Theatre Company, 2006–2007

PREVIOUS EMPLOYMENT

- Economic & Planning Systems, Inc., Sacramento, CA

  - Vice-President 2007-2011
  - Senior Associate 2005–2006
  - Associate 2003–2004

- Fellow, Planning & Economic Departments, City of Ferrara, Italy, 2001–2002
- Research Assistant, Voorhees Center University of Illinois at Chicago, 1999–2001

EDUCATION

- Master of Urban Planning & Public Policy, University of Illinois at Chicago, 2001
- Bachelor of Arts, International Politics & Economics, Middlebury College, VT, 1998
- Diplome, Institut D'Etudes Politiques, Paris, France, 1997

NEW ECONOMICS & ADVISORY

LAND USE ANALYSIS & STRATEGIES

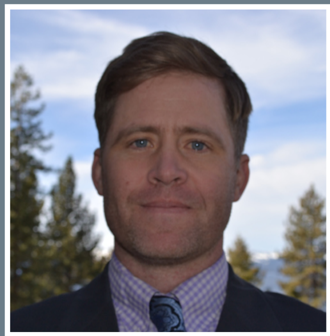
ISABEL DOMEYKO

Isabel offers a decade of experience in urban economics and has broad expertise in technical analysis, project management, and business development. She has managed a wide spectrum of complex consulting assignments in the fields of public finance and real estate economics throughout northern California, working on large-scale master plan communities, retail sites, business parks, economic development, and other projects.

EXPERIENCE

- **GENERAL PLAN UPDATES**. Isabel is experienced in preparing demographic and economic overviews, land demand projections, financing strategies, and economic development strategies for general plan updates. This work has addressed a variety of economic issues, such as infill development feasibility and infrastructure prioritization based on economic development potential.
- **MARKET ANALYSIS**. Isabel is versed in infill and Greenfield market analysis for retail, office, hotel, and industrial projects. Previous assignments range from analyzing the potential impact of proposed big-box retail projects on existing retail districts, to estimating demand for new industrial space, to exploring potential commercial synergies that could develop from a new special use.
- **TRANSPORTATION ECONOMICS**. Isabel is experienced in conducting economic analysis related to proposed transportation projects. Previous assignments range from funding strategies for transportation corridors to market assessments surrounding transit stations, to the impacts of major projects on surrounding areas.
- **SPECIFIC PLAN WORK**. Isabel has overseen a variety of studies for large-scale specific plans. In South Placer County, for instance, she managed work on proposed and approved projects with over 30,000 residential units, two new universities, and over 4 million square feet of commercial space. Isabel has also managed financing and public services plans, additional technical analyses pertaining to CFD bond financing, land equalization, cash flow, fiscal review, and other special analyses required by landowners or local jurisdictions.
- **DECISION SUPPORT**. Isabel has also applied her expertise to a variety of unique special projects. These projects range from the creation of a multi-layered, decision-making process for the expenditure of a 20-40 year stream of grant funds derived from a State of California dam relicensing, to devising and implementing a media strategy for a public agency's economic development efforts, to conducting a fiscal impact study for a potential voter initiative.

488 Diamond Oaks Road, Roseville, CA 95678
Office: (916) 538-9857 | Mobile: (916) 216-6320
isabel@new-econ.net | www.new-econ.net



AFFILIATIONS
- Member, American Planning Association, Nevada Chapter
- Board Member, Tahoe Prosperity Center
- Working Group Chair, Lake Tahoe Sustainability Collaborative

PREVIOUS EMPLOYMENT
- Economic & Planning Systems, Inc., 2003 - 2013
- Meyers Group Real Estate Information and Consulting Services, 2002–2003
- Aegis Commercial Real Estate, 1999–2000

EDUCATION
- Master of Business Administration with a concentration in Urban Land Development, California State University Sacramento, 2008
- Bachelor of Arts, Interdisciplinary Studies (Major: Business Management and Innovation; Minor: City and Regional Planning), University of California at Berkeley, 2001

NEW ECONOMICS & ADVISORY

LAND USE ANALYSIS & STRATEGIES

JESSE W. WALKER

Jesse offers a more than decade of professional experience analyzing economic issues related to land use and infrastructure planning in areas throughout the United States. His professional and academic background combines a quantitative and qualitative approach to economic analysis, which informs his well-rounded experience among various dimensions of land use economics, including market feasibility analysis, economic/ fiscal impact analysis, municipal finance, transportation economics, and economic development.

EXPERIENCE

- **MARKET STUDIES and FEASIBILITY ANALYSIS.** Jesse is versed in real estate market analysis for various project types, including residential, retail, office, lodging, industrial, and mixed use. Beyond the evaluations of market support for a variety of development or redevelopment prototypes, Jesse is experienced in calculating the financial feasibility of development and redevelopment proposals, considering various measures of financial return. Previous assignments have ranged from analyzing the market support and feasibility of hotel and resort reuse concepts, to estimating the potential absorption rates for large-scale greenfield residential developments.
- **ECONOMIC and FISCAL IMPACT ANALYSIS.** Jesse has substantial experience studying and quantifying the potential fiscal impacts of proposed development concepts on the annual operating budgets of local government agencies. In addition, Jesse has conducted several studies which analyze the potential economic impact of various types of initiatives on local and regional economies considering factors such as jobs, economic output, retail spending, and other attributes.
- **MUNICIPAL FINANCE**. Jesse has conducted a variety of studies related to the funding of infrastructure and public facilities for large-scale development projects. He has created several infrastructure financing plans for large-scale development projects, and has also worked on a variety of technical analyses pertaining to CFD bond financing, land equalization, cash flow, municipal services plans, and other special analyses required by landowners or local jurisdictions.
- **TRANSPORTATION ECONOMICS.** Jesse is experienced in conducting economic analysis related to proposed transportation projects. Previous assignments range from analyzing funding strategies for transportation corridors to assessing the economic and financial impacts of transportation projects on surrounding areas.
- **ECONOMIC DEVELOPMENT.** Jesse is experienced in analyzing economic development opportunities and constraints that are present in local geographic areas, and recommending strategies to enhance economic conditions through programmatic, land use development, and/ or policy measures.

PO Box 33, Zephyr Cove, NV 89448
Office: (775) 339-8045 | Mobile: (530) 318-0877
jesse@new-econ.net | www.new-econ.net

Exhibit C

Hourly Rate Schedule
2014-2015

NEA Staff Billing Rates [1]

Managing Member	$140
Principal	$125
Analyst	$115
Research Assistant	$70

Automobile mileage is billed at the federal reimbursement rate plus 5%.

All other direct non-salary expenses, including transportation and meals, long-distance telephone charges, commercial printing, reproduction costs, and similar out-of-pocket expenses are billed at actual cost.

[1] Hourly billing rates are subject to annual adjustments.

Office: (916) 538-9857 | Mobile: (916) 216-6320 www.new-econ.net |951 Reserve Drive, Suite 120, Roseville, CA 95678