



EXECUTIVE DIRECTOR'S REPORT

(ADDITIONAL ATTACHMENTS)

MEMORANDUM

To: John Roberts and Kim Burns, The Natomas Basin Conservancy
From: Allison Shaffer and Jamie Gomes
Subject: TNBC Endowment Fund Balance Required for Habitat Management; EPS #142118
Date: December 1, 2014

The Economics of Land Use



At the request of the Natomas Basin Conservancy (TNBC), Economic & Planning Systems, Inc. (EPS) has prepared an analysis of the required Endowment fund balance to generate enough revenue to manage the Natomas Basin habitat preserve in perpetuity without relying on fee revenue. TNBC estimates the habitat could be managed effectively for approximately \$2 million per year; and farm leases would provide an estimated \$500,000 per year in revenue to partially offset the costs, leaving \$1.5 million to be generated by the Endowment fund. These amounts are all expressed in 2014 dollars.

Given these assumptions, the table on the following page estimates the Endowment fund balance needed to generate the \$1.5 million annually in perpetuity under three different investment-earning scenarios. For each scenario, the table on the following page also shows the remaining amount needed in the Endowment fund after considering the current balance. Finally, the table on the following page includes the estimated remaining amount needed if the Supplemental Endowment fund also is used for habitat management.

The alternative investment earning rates shown in the table are net of inflation and account management fees. An annual investment earnings range from 3 percent to 5 percent is typical for most endowment funds.

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MEMORANDUM

To: The Natomas Basin Conservancy
From: Amy Lapin and Mark Polhemus
Subject: South Natomas Office Lease Comparisons; EPS #142146
Date: December 1, 2014

At the request of The Natomas Basin Conservancy (TNBC), Economic & Planning Systems, Inc. (EPS) assisted TNBC with its due diligence work related to its forthcoming lease negotiations. Specifically, EPS conducted research on available properties located in the South Natomas office market in Sacramento, California.

This memorandum documents the methodology and provides information regarding the office space vacancies in the South Natomas market that are comparable to TNBC's existing lease arrangement.

Background

TNBC is a California Nonprofit Public Benefit Corporation dedicated to promoting biological conservation, along with economic development and the continuation of agriculture, in the Natomas Basin. TNBC has been located in the South Natomas market for more than 15 years. Their current office location is convenient for TNBC staff because it is close to the organization's preserves in the Natomas Basin, Downtown Sacramento services, and major freeways.

TNBC, whose current lease expires in November 2015, contracted with EPS to perform due diligence work for its impending lease negotiations by providing lease comparisons in the South Natomas market. EPS identified those properties that would be suitable for TNBC's ongoing operations based on parameters such as location, suite size, suite amenities, and lease terms. These parameters are described in greater detail in the following section.

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Methodology

Field Research

EPS compiled a list of properties with vacancies based on a field tour of the South Natomas market on October 29, 2014. EPS surveyed properties for office lease signs in a study area bounded to the south by Garden Highway, to the north by Interstate 80 and San Juan Road, to the west by the Natomas Main Drainage Canal, and to the east by Truxel Road, as shown in **Map 1**.

Table 1 shows all of the properties observed with vacancies from the October 29, 2014, field tour.

Property Representative Interviews

EPS called the property representatives identified in **Table 1** from November 3 to November 19, 2014. EPS inquired about the following office suite requirements, as specified with TNBC staff, during the phone interviews:

- 2,500-3,000 contiguous square feet
- Non-first floor
- Space for up to 10 employees
- Conference room with capacity to accommodate up to 15 people
- 3-year lease term, including two 1-year options

Findings

Table 2 provides a list of properties that appear to meet TNBC's requirements listed above. Refer to **Map 1** for the locations of these office suites relative to the location of TNBC's current office location.

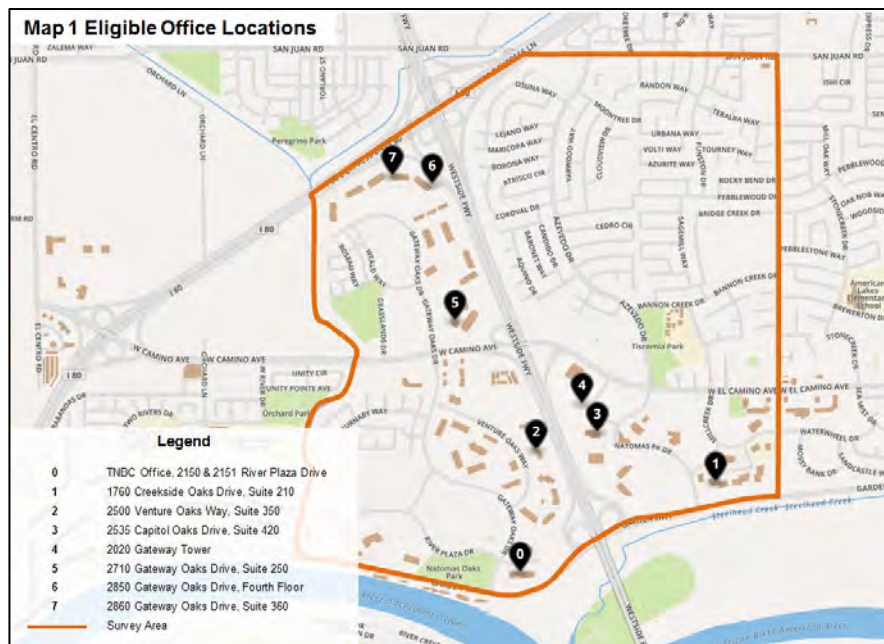


Table 1
TNBC Lease Comparisons
South Natomas Office Space Inventory [1]

Property	Contact	Phone	Company	Notes
Properties West of I-5				
2150 & 2151 River Plaza Drive	Howard Hughes	916-614-8800	Hines	2 suites, see Table 2 for details
2500 River Plaza Drive	Toss Vallentine & Clyde Rawlings	916-447-6300	Jones Lang LaSalle	Suite too large
2389 Gateway Oaks Drive	Tom Aguer & Matt Havelock	916-563-7555	Avison Young	Suite too large
2590 Venture Oaks Way	Mike Muljat	916-920-4400	Cornish & Carey Commercial	No suites meeting criteria
2700-2720 Gateway Oaks Drive	David Brandenburger & Tom Heacox	916-920-4400	Newmark Cornish & Carey	2,663 SF Suite
2730 Gateway Oaks Drive	Kris Kalmbach & Kevin Partington	916-288-4800	Cushman & Wakefield	First floor, or suite too large
2804 Gateway Oaks Drive	Craig Brinitzer & Breanna Hegseth	916-920-4400	Cornish & Carey Commercial	First floor suites; 2nd floor suite too large
2860 Gateway Oaks Drive	Dan Chamberlain	916-920-4400	Cornish & Carey Commercial	2,710 SF Suite
2850 Gateway Oaks Drive	Lisa Stanley	916-446-8291	CBRE	29,000 SF Divisible
2800 Block of Gateway Oaks Drive	Mike Louie	916-929-0262	Brown, Stevens, Elmore & Sparre	No suites meeting criteria
2890 Gateway Oaks Drive	Todd Eschelma n & Craig Brinitzer	916-920-4400	Cornish & Carey Commercial	No suites meeting criteria
2515 Venture Oaks Way	Chad Cook	916-329-1562	Cassidy Turley	First floor & suite too small
2500 Venture Oaks Way	Ken Johnson & Kris Reilly	916-563-3065	Colliers International	3,349 SF Suite
2400/2500 Block of Venture Oaks Way	Todd Eschelma n & Craig Brinitzer	916-920-4400	Newmark Cornish & Carey	No suites meeting criteria
Properties East of I-5				
2020 Gateway	Tom Aguer & Matt Havelock	916-563-7555	Avison Young	17,500 SF Divisible
2535 Capitol Oaks Drive	Mike Stassi & Daniel Baker	916-446-8264	CBRE - Basin Street Properties	2,756 SF Suite
2525 Natomas Park Drive	Tony Whittaker & Rick Henry	916-492-6914	CBRE	No suites meeting criteria
2485 & 2495 Natomas Park Drive	Tony Whittaker & Rick Henry	916-492-6914	CBRE	Options too small, or no conference room
2500 Block of Natomas Park Drive	Craig Brinitzer & Todd Eschelma n	916-920-4400	Cornish & Carey Commercial	No suites meeting criteria
1740, 1750, 1760 Creekside Oaks Drive	Lisa Stanley	916-446-8291	CBRE	2,846 SF Suite

survey properties

Source: EPS.

[1] Properties with office space available, as obtained by EPS as of October 29, 2014. Bold properties met TNBC's office suite requirements; all remaining properties did not meet requirements. Additional property details for properties meeting TNBC's minimum requirements are provided in Table 2.

Table 2
TNBC Lease Comparisons
Potential Eligible Properties

Map Reference Number	Property & Suite	Space Offer (Square Feet)	Floor	Conference Room	Lease Information		Notes
					Rate [1]	Term	
0	2150 River Plaza Drive, Suite 450 A	2,456	4	Buildable	\$2.00	3 year, 2 1-year options negotiable	None
0	2150 River Plaza Drive, Suite 320	2,650	3	Yes	\$2.00	3 year, 2 1-year options negotiable	None
1	1760 Creekside Oaks Drive, Suite 210	2,846	2	Buildable	\$1.85	5 year, negotiable	Open floor, TI's to suit needs
2	2500 Venture Oaks Way, Suite 350	3,349	3	Yes	\$1.85	3-5 year, options negotiable	Conf. room small, but can be extended
3	2535 Capitol Oaks Drive, Suite 420	2,756	4	Buildable	\$1.85	3 year, 2 1-year options acceptable	None
4	2020 Gateway Tower (Floors 6-12)	3,000 ±	6-12	Buildable	\$2.75-\$3.75	Minimum 5 year	Cold shell - build to suit
5	2710 Gateway Oaks Drive, Suite 250	2,663	2	Common Room	\$1.85	3 year, options negotiable	Onsite café, showers, and storage
6	2850 Gateway Oaks Drive, Fourth Floor	3,000 ±	4	Yes	\$2.00	3 year, 2 1-year options acceptable	Open floor, TI's to suit needs
7	2860 Gateway Oaks Drive, Suite 360	2,710	3	Yes	\$1.85	3 year, 2 1-year options acceptable	None

eligible

Source: Avison Young; Newmark Cornish & Carey; CBRE; Colliers International; Hines; EPS.

[1] All lease rates reflect a gross rent structure where the tenant pays a flat base rent without any additional rent for operating or other expenses. The landlord is responsible for paying operating expenses including property taxes, insurance, maintenance, and other services.

Item	Formula	Endowment Alternative (2014 \$)		
		Alt. 1	Alt. 2	Alt. 3
Annual Investment Earnings Rate	<i>a</i>	3%	4%	5%
Annual Costs		\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
Less Farm Revenue		(\$ 500,000)	(\$ 500,000)	(\$ 500,000)
Net Annual Costs to be Funded by Endowment	<i>b</i>	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000
Amount Needed in Endowment	<i>b/a</i>	\$ 50,000,000	\$ 37,500,000	\$ 30,000,000
Less Endowment Fund Balance (as of 11/30/14)		(\$ 16,389,734)	(\$ 16,389,734)	(\$ 16,389,734)
Remaining Amount Needed in Endowment Fund (Rounded)		\$ 33,610,000	\$ 21,110,000	\$ 13,610,000
Less Supplemental Endowment Fund Balance (as of 11/30/14)		(\$ 2,697,387)	(\$ 2,697,387)	(\$ 2,697,387)
Remaining Amount Needed Assuming Use of Supplemental Endowment Fund (Rounded)		\$ 30,913,000	\$ 18,413,000	\$ 10,913,000