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Research & Strategic Analysis

ATTACHMENT "A"

TO

CONSULTING SERVICES AGREEMENT

INTRODUCTION

This document outlines the scope of work designed to establish the depth and breadth of the potential market for new market-rate dwelling units, to be added through adaptive re-use of existing non-residential structures and/or new construction, within the Downtown Study Area, in the City of Lake Charles, Calcasieu Parish, Louisiana. In addition, the optimum market position will be determined for new residential development to be constructed L'Auberge du Lac property.

For this analysis, Zimmerman/Volk Associates, Inc. will research and evaluate market activity and geo-demographic data relating to the City of Lafayette and Calcasieu Parish. The determination of the market potential for new and existing dwelling units in the Study Area will be based on this analysis, the existing conditions, location and other characteristics of the downtown, as well as the development objectives of the City.

The scope of services will determine:

- Where the potential renters and buyers for new and existing housing units in the Downtown Lake Charles Study Area and on the L'Auberge du Lac property are likely to move from (the draw areas);
- Who currently lives in the draw areas and what they are like (the target markets);
- How many are likely to move to the Study Area and the site if appropriate housing units were to be made available (depth and breadth of the market);
- What their housing preferences are in aggregate (rental or ownership, multi-family or single-family);
- What they are currently willing to pay to rent or purchase newly-created dwelling units within the Downtown Study Area and on the L'Auberge du Lac site;

- What their alternatives are (new construction or existing housing stock in the Lake Charles market area); and
- How many new dwelling units can be leased or sold within the Downtown Lake Charles Study Area and on the L'Auberge du Lac property over the next five years (absorption forecasts).

SCOPE OF SERVICES

The scope of services includes:

PHASE ONE:

TASK 1.1-DATA COLLECTION

The City will provide any previous relevant studies and base maps for the Study Area in advance of the area visit.

TASK 1.2-CLIENT MEETING

A Zimmerman/Volk Associates principal will meet with appropriate City staff during the area visit to review the objectives of the City and the methodology to be employed in the analysis. A key goal of the meeting will be to ensure that Zimmerman/Volk Associates possesses all pertinent data regarding the Study Area, as well as to review potential market area definitions, milestone dates and schedule.

TASK 1.3-STUDY AREA EVALUATION

Zimmerman/Volk Associates will evaluate the characteristics, constraints and opportunities of the Study Area and of the site, and their potential for market-rate residential development. Residential opportunities will be assessed based on the character of the Study Area and of the site, location of vacant or under-utilized sites or buildings, potential amenities, and the potential position in the competitive marketplace of both the Study Area and the site. Residential market activity within areas germane to the City of Lake Charles will be evaluated during this visit.

TASK 1.4-INTERVIEWS

Real estate professionals (brokers, sales agents, leasing managers, developers, builders) and other stakeholders (bankers; downtown residents, if any; non-profit organizations; economic development agencies, etc.) familiar

with the nuances of the Lake Charles market area will be interviewed for their opinions on market challenges and opportunities..

PHASE TWO:

Task 2.1-Market Potential: Target Market Analysis

To achieve the study objectives and establish the framework for analysis, Zimmerman/Volk Associates will employ its proprietary target market methodology (see page 11 for description of the methodology). In contrast to conventional supply/demand analysis-which is based on supply-side dynamics and baseline demographic projections-target market analysis establishes the optimum market position for new housing based on the housing and lifestyle preferences and financial capabilities of households in the draw areas.

Task 2.1.1-The Competitive Context: Supply-Side Analysis

Analysis of the supply-side context, including information on relevant newly-constructed market-rate for-sale developments and relevant existing market-rate rental developments.

Zimmerman/Volk Associates will evaluate the residential context in relation to potential residential or mixed-use development within the Study Area, based on supply-side data and field investigation by Zimmerman/Volk Associates' personnel.

-Draw Area Delineation

Zimmerman/Volk Associates will identify the appropriate draw areas for housing within the City of Lake Charles, the Downtown Study Area, and the L'Auberge du Lac site based on historic settlement patterns, migration trends, and other market dynamics.

-Determination of Market Potential

Zimmerman/Volk Associates will determine the depth and breadth of the potential market for the City of Lake Charles, the Downtown Study Area, and the L'Auberge du Lac site-including rehabilitation/renovation or adaptive re-use of existing structures as well as new construction-through target market analysis of households in the draw areas, as follows:

- Current household classification by market group within the draw areas.
- Qualification and filtering of the draw area households by relevant criteria including, among others, mobility and migration factors.
- Identification of those households within the draw areas with the potential to move within or to the City of Lake Charles, the Downtown Study Area, and the L'Auberge du Lac site.

The potential market will be correlated by household group (empty-nesters/retirees, traditional and non-traditional families, younger singles/couples); by tenure (rental and ownership); and by housing type (e.g.-multi-family for-rent and for-sale {lofts/apartments}, single-family attached {rowhouses/townhouses/live-work}, single-family detached).

Task 2.1.3-Determination of Optimum Market Position: Downtown Lake Charles

Target market data and supply-side data, as well as existing conditions, constraints and opportunities will be correlated and analyzed in order to determine the optimum market position for the Downtown Lake Charles Study Area. Market recommendations will include:

- Housing types appropriate within the Downtown;
- Sizes and configurations of units preferred by the potential market;
- General price ranges (for ownership units);
- General rent ranges (for rental units);
- Annual market capture by value (price and rent) range, over five years (absorption forecasts).

Market capture is based on Zimmerman/Volk Associates' capture rate methodology within the context of the market performance of relevant existing properties in the market area. The target market capture rate is derived by dividing the annual forecast absorption by the number of households that have the potential to move to the area in a given year. These housing type-specific capture rates are within the parameters required for feasible development.

Task 2.1.4-Determination of Optimum Market Position: L'Auberge du Lac Property

Target market data, housing supply dynamics, and potential non-residential uses will be correlated with the location of the L'Auberge du Lac site, its existing conditions, constraints and opportunities in order to determine the optimum market position for new residential development on the property.

The optimum market position describes a specific development program for each housing type that includes the following:

- Number of units by tenure (rental or for-sale) and housing type;
- Building and unit configurations;
- Densities acceptable to the market;
- Unit sizes preferred by the market;
- Market-entry base rent/price ranges from the consumer perspective; and
- Absorption forecasts.

Absorption forecasts will be based on Zimmerman/Volk Associates' capture rate methodology in the context of the market performance of relevant existing properties, if any, in the market area.

Task 2.2—PROGRAMS AND POLICIES, AND IMPLEMENTATION STRATEGIES

Based on experience in comparable circumstances in cities across the country, and an understanding of the barriers to urban development and redevelopment, Zimmerman/Volk Associates will recommend principles and strategies, programs and policies for effective implementation of the recommendations.