# DEPARTMENT OF CITY PLANNING
# RECOMMENDATION REPORT

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| **CITY PLANNING COMMISSION** | | **CASE NO:** | CPC-2015-2328-CA-GPA |
| **DATE:** | March 24, 2016 | **COUNCIL FILES:** | |
| **TIME:** | After 8:30 a.m.* | **CEQA:** | ENV-2015-2329-CE |
| **PLACE:** | Van Nuys City Hall<br>14410 Sylvan Street<br>Van Nuys, CA 91401 | **LOCATION:** | Citywide |
| | | **COUNCIL DIST:** | All |
| | | **PLAN AREAS:** | All |

**PUBLIC HEARING REQUIRED**

**SUMMARY:** A proposed ordinance amending Sections 12.21, 12.33, 17.03, 17.07, 17.12, 17.58, and 19.17 of the Los Angeles Municipal Code and a resolution amending the Public Recreation Plan of the Service Systems Element of the Los Angeles City General Plan to modernize the City's Park Fee (currently the Quimby and Finn fees) to mitigate park and open space impacts from residents of new residential projects.

**RECOMMENDED ACTIONS:**
1. **Adopt** the staff report as its report on the subject.
2. **Adopt** the attached findings in Attachment 1.
3. **Adopt** the Categorical Exemption (ENV-2015-2329-CE) as the CEQA clearance on the subject.
4. **Approve** the proposed ordinance (Appendix A) and recommend its adoption by the City Council.
5. **Approve** the proposed resolution (Appendix B) to amend the Public Recreation Plan, a portion of the Service Systems Element of the General Plan, and recommend its adoption by the City Council.

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# SUMMARY

This ordinance proposes to amend the general plan and zoning code in order to modernize fees, establish more flexible criteria for spending the collected fees, and encourage land dedication over payment where applicable. Abundant and accessible parks and open space are essential components of healthy and sustainable neighborhoods. Park and recreational facilities offer opportunities for physical activity, safe places for families and children, and spaces for social interaction. The Southern California Association of Governments (SCAG) Regional Growth Forecast estimates that the City will add significantly more people during the coming decades. It is necessary to acquire and develop new park and recreational facilities to serve the new residential population, and to maintain the existing service level. The current Park Fee Program comprised of Quimby and Finn Fees, is limited in many ways. This makes it challenging for the City to achieve the goal of providing new and much needed park space for residents city-wide. Current program constraints include: an outdated and ineffective fee structure, difficulties in appropriating expenditures of collected fees and not enough emphasis placed upon land dedication. As called for by a City Controller audit, five council motions, the recently adopted General Plan Health Element ("Plan for a Healthy Los Angeles") and Mayor's Sustainable City pLAn, the City's Park Fee Program needs to be improved to better meet today's needs.

# STAFF REPORT

## Initiation

The proposed ordinance was initiated in response to five Council motions, which directly or indirectly call for a reexamination of park fee policy (Council Files 05-1562, 07-3619, 07-3387-S2, 12-1000-S2, 12-1178-S2).

## Background

The following two ordinances and the Public Recreation Plan comprise the historic foundation of the Quimby and Finn Fee Programs.

### Los Angeles Quimby Ordinance

Stemming from a 1965 state law, the City's Quimby regulations require developers to dedicate land or pay an in-lieu fee as a condition of subdivision map approval. The fundamental concept behind this legislation is that new development brings in more residents, thus placing additional strain on the community's existing infrastructure of parks and public spaces. The fees and/or land dedication collected via the Quimby ordinance mitigate this impact by providing park and recreational facilities to serve the new residents. The City's Quimby regulations were adopted under Ordinance 141,422 in 1971. The fees assessed vary by residential zone density, and are adjusted annually by the Department of City Planning (DCP).

Los Angeles Finn Ordinance
In 1985, park fees were also extended to market-rate, multi-unit residential projects which require a Zone Change. Known as the Finn Fee for the City Councilman who introduced it, this fee is collected and administered in the same manner as Quimby fees. The fees assessed vary by residential zone density, and are adjusted annually by DCP.

Public Recreation Plan
The Public Recreation Plan, a portion of the Service Systems Element of the City's General Plan, provides recreational definitions, standards, and policies, emphasizing neighborhood and community recreational sites for the City. The Public Recreation Plan includes park level of service standards (park acreage per 1,000 residents) for community and neighborhood recreational sites and also specifies the distances from a residential project for expending Quimby and Finn fees (service radius), which the proposed ordinance and accompanying resolution modify.

In February of 2008, the City Controller released an audit of fees collected pursuant to the Quimby ordinance, detailing various shortcomings with the program. Several issues could be traced directly to the City's policies and codes, including that Quimby and Finn Fee funds can only be expended within a one-half mile and two mile radius of the development that generated the fee.

On the same day as the audit, the Mayor directed the Department to "take the lead in updating and drafting a revised Quimby ordinance." In addition, three 2007 City Council motions directly called for a reexamination of park fee policy:

- Council File 07-3619, 11/7/07 (Hahn/Reyes): Instructed DCP and the Department of Recreation and Parks (RAP) to revise the credits for on-site recreational amenities in the Quimby ordinance to reflect current construction costs.
- Council File 07-3387-S2, 11/7/07 (Hahn-Rosendahl): Called for the Housing Department, with input from the Department of Recreation and Parks (RAP), to develop a park fee to be applied to new market rate apartments and condominium conversions.
- Council File 05-1562, 11/28/07 (Smith/Garcetti/Hahn): Instructed DCP, in coordination with RAP and the City Attorney, to determine the feasibility of expanding the service radius within which Quimby funds can be spent.

Subsequently, a combined RAP and DCP working group researched and discussed these issues and began developing a draft revised Quimby ordinance to address issues with the program (approximately 2009-2012). Due to limited staff resources, this work program was delayed until sufficient funds were allocated for the project.

In 2015, DCP resumed the work program which included an assessment of the existing park fee ordinances and the open space standards and policies contained in the Public Recreation Plan of the Service Systems Element of the General Plan. The project included the creation of a Park Advisory Committee (PAC), conducting stakeholder outreach, and completing technical analysis. More detail can be found in the Outreach and Proposed Ordinance sections of the staff report.

## Key Issues

The following is an analysis of the primary issues that have been raised concerning the City's existing Quimby/Finn Fee regulations. The issues include: 1) an outdated fee structure; 2) limited fee expenditure ability; 3) a lack of land dedication; and 4) potential impacts of cumulative mitigation fees.

### 1. Existing Fee Structure

Outdated Fees

Although the current Quimby and Finn Fees are updated each year to account for inflation and market changes, they are still considerably out of date and do not accurately reflect present land values or park development costs.

Only Some Housing Types Pay Fee

Park fees only apply to for-sale subdivision development (Quimby) and to multi-unit residential projects -including rental- requiring a zone change (Finn). However, residents of rental apartments have a need for park space just as those living in new condos or apartment developments that require zone changes. Moreover, while Quimby and Finn Fee funds currently go only to areas with subdivision developments, expanding park fees to all multi-unit residential development would expand public space benefits to a greater range of communities.

Fee Deferral Loophole

Currently, under the Quimby Program, a deferral of all park fees may be granted for subdivision projects that achieve either of the following scenarios: (1) If the project is financed in whole or in part by federal funds and owned and operated by an entity qualified as an exempt organization under Section 501(c)(3) provided that the project is occupied entirely by low and moderate income households or housing to be occupied by persons over the age of 62 or persons who are handicapped. (2) If the development is a rental project comprised of at least 20% low or moderate-income residential units. Projects must also be financed in whole or in part by bonds or other securities issued by the City. In each instance, a contract must be made with the City that the units designated for low or moderate income households will be available for rental for a 10 year period. Currently, the City’s affordable housing programs, including the density bonus program, require covenant lengths of 55 years.

The purpose of the deferral of park fees is to incentivize the construction of affordable housing, by not burdening affordable housing developers with more costs. This is intended to incentivize the construction of more affordable housing. In order to receive the deferral of park fees, a developer is only required to create 20% affordable units for an entire project. As such, most developers only provide the minimum required 20% affordable units and are not motivated to provide any additional affordable units. Even through meeting the minimum requirements, developers are able to defer Quimby fees for the entire project, which includes the market rate portion of the project. An additional consideration is that the United States Department of Housing and Urban Development (HUD) views fees on affordable housing as an impediment to affordable housing production and may deduct points from grant applications in cities that do not provide exemptions.

### 2. Limited Expenditure Ability

Service radius

Currently, Quimby and Finn Fee funds must be spent within a service radius of one-half mile if allocated to a “neighborhood park” or within a service radius of two miles if allocated to a “community park” as defined in the City’s Public Recreation Plan. The service radius is the geographic area whose population the park serves. A neighborhood park is intended to serve the immediate neighborhood, while the larger community park serves several surrounding neighborhoods.

The highly restrictive service radius mandate has resulted in the City’s limited ability to use the Quimby/Finn funds it has accumulated. This is especially the case in densely populated areas like downtown Los Angeles, where significant Quimby money has been collected but high land costs and scarce available land for new parks have proven severely limiting.

Qualifying Parks and Facilities

The Public Recreation Plan defines neighborhood, community, and regional parks. However, the Plan only specifies radius standards for neighborhood and community parks and is silent on regional park radius standards. This limits the City’s ability to use the park funds for regional-serving recreational facilities, such as the Los Angeles River or regional greenways.

The Public Recreation Plan also identifies the types of facilities typically provided at these recreational sites (examples include shuffleboard, table games and lawn games just to name a few). This list of facility types is dated and out of context for an urbanized city. In addition, the current prescribed list of facilities does not provide the City with the needed flexibility to respond to community-driven and place-appropriate facilities such as community gardens and trails.

### 3. Lack of Land Dedication and Park Access

Although State and local Quimby regulations allow for park land dedication to be required for subdivision projects with 50 or more units, the vast majority of developers elect to pay the in-lieu fee rather than dedicate land. Land dedication for Park Fee program compliance is not typically considered as part of the initial feasibility analysis for a development project. Generally, developers opt for paying the in-lieu fee because it is more cost effective and logistically easier. By providing the City with the funds, the developer is relieved from the obligation of finding an adequate site and funding the construction, needed amenities, and maintenance of new park and open spaces.

Furthermore, by the time Quimby fees are paid it is often too late in project design to consider land dedication. In turn, through in-lieu fees, the developer is relieved from the onus of meeting the demand for park space created by the project and passes it on to the City who will undoubtedly face the same challenges.

Credits for On-Site Recreational Amenities

The current Quimby regulations award credits for on-site park and recreational amenities. Credit is granted dollar-for-dollar at $5/square foot for "high intensity" recreational areas and $2.50/square foot for "low intensity" recreational areas. These credits have not been revised since 1981, and no longer provide a meaningful incentive for developers. The credits are rarely utilized by developers due to the outdated dollar amounts which do not correspond to current construction costs. In addition, the set of amenities specified is limited. These amenities reflect the suburban context for which Quimby was originally envisioned, but are not as well suited to the urban infill context that is more typical of developments today.

### 4. Potential Impacts of Cumulative Mitigation Fees

The impact of multiple development fees is an area of concern expressed by a number of stakeholders. The Department is currently considering how to address a variety of goals and policy objectives for the City as a whole, in particular the need for affordable housing. Aside from the City's scarcity of available park space, a critical issue felt citywide is the lack of housing available for low income populations. Proposed assessments used to develop affordable housing are intended to partially offset affordable housing development costs through new fees on commercial and residential development projects.

At the time of preparation of this staff report, the Department has just released a Request for Proposal (RFP) for the preparation of a feasibility study which will recommend a fee structure and assess its potential impacts. The study will also provide an analysis of the financial impacts that both fees collectively (park fee and affordable housing linkage fee) may pose. Once the results of this study are made available, decision makers will have a clear understanding relative to the maximum linkage fee amounts developers may feasibly absorb.

It is anticipated that the proposals will be received at the end of March with a tentative study completion date of August 2016. Since this effort is in the early stages, there is no estimate of proposed housing fees and therefore insufficient information to evaluate the potential impacts of charging the developers two separate linkage fees (park linkage fee and affordable housing linkage fee).

## Proposed Ordinance

To address the aforementioned key issues, staff recommends the following Zoning Code and General Plan changes.

### Modernize Fees

In order to more accurately reflect present land values and park development costs, the current Quimby fee must be increased, and a new impact fee be assessed for non-subdivision projects. The increased fee would be phased in to allow a gradual period of adjustment for new development.

Additionally, the ordinance proposes that the following unit types be exempt in order to support city policy seeking to increase housing units:

- Restricted Affordable Units which are units made affordable to those earning up to 120% of the Area Median Income (AMI) and are covenanted for 55 years to be affordable. This exemption supports an urgent need to address the housing affordability issues in Los Angeles.

- Secondary Dwelling Units (SDUs) built on single family lots. Development of these units provides additional housing capacity consistent with City policies. While legal to build today, the provisions regulating secondary dwelling units are proposed to be further updated in order to remove obstacles and encourage their broader development. Including this provision in the proposed ordinance therefore supports broader citywide policies aimed at encouraging the creation of such units.

In addition, the proposed ordinance would eliminate the deferral of park fees for market rate projects that include affordable units. The current regulations that allow full deferral of park fees for market rate units is not effective and counterproductive to the park fee program. The exemption of affordable units provides sufficient incentive through the park fee program for the development of affordable housing.

In order to develop the recommendation regarding fees, an impact fee study and feasibility analysis were conducted. These studies are included in Attachment 3 and 4 respectively. The purpose of the Park and Recreation Site and Facility Fee Study (Fee Study) is twofold. First, it documents the technical analysis and nexus findings to support a citywide impact fee on non-subdivision residential development. Second, the Fee Study documents the necessary technical analysis to increase park and recreation site and facility impact fees for residential subdivision projects. The existing Quimby In-Lieu Fee and Finn Fee, though updated each year to account for inflation and market changes, are still considerably out of date and do not accurately reflect present land values or park development costs.

The City also completed a financial feasibility and sensitivity analysis of a proposed revised Quimby Fee on residential subdivision developments, and a proposed new Park

Impact Fee that would apply to non-subdivision projects. The analysis measures the financial feasibility of adding the maximum justifiable revised Quimby and new parks fee to a base-case development budget for each of several prototype developments, and then lesser increments of fee amounts per unit, and measuring the changes in specific financial feasibility indicators.

Through the Fee Study, a maximum justifiable fee of $18,364 was identified as the amount per unit necessary to maintain the current 4.2 acres of park space per 1,000 people in the City. The Financial Feasibility Analysis concluded that a reduced fee from the maximum, $12,500 for residential subdivision projects (Quimby in-lieu fee) and $7,500 for residential non-subdivision projects (Park Impact Fee), was feasible based upon the maximum amounts that could be absorbed by project type across submarkets in the City.

In light of the consideration of additional mitigation fees, including a potential affordable housing linkage fee, the Department proposes a more modest Park Fee increase. Under this structure, a maximum of $10,000 would be charged for residential subdivision projects (Quimby) and $5,000 for residential non-subdivision projects (Park Impact Fee). Reserving the final one third of the fee provides a buffer for future mitigation fees to potentially coexist with Park Fees.

Over the next two years decision makers will have more information relative to the cumulative effects of establishing additional impact fees. The City Council would have the ability to revisit the practicality of establishing the final year park fee installment at that time. In addition, the studies recommended an exemption for units covenanted to be affordable at 120% or lower AMI. The Financial Feasibility Analysis also outlined a recommended approach to annual inflation adjustments.

**Appropriate Expenditure**

In order to address issues related to the City's ability to expend park fees that have been collected, the proposed ordinance and resolution would increase the fee spending radii from the site from which the fee was collected, as well as broaden strict and outdated terms defining parks.

<u>Increase Radii</u>

There are three types of parks outlined in the Public Recreation Plan of the Service Systems Element: neighborhood, community, and regional. Below are the current and proposed radii that determine the distance from the fee source site in which a park may be built:

| PARK TYPE | CURRENT | PROPOSED |
|---|---|---|
| Neighborhood | ½ mile | 1 mile |
| Community | 2 miles | 5 miles |
| Regional | Undefined | 10 miles |

The radius for the neighborhood park type is proposed to be extended to one mile because of the need to reduce barriers to expending monies, while balancing the priority to provide parks within walking distance of all residents in the City of Los Angeles per the Mayor's Sustainability pLAn. The radius for community parks is proposed to be increased from a distance of two to five miles to similarly extend the reach and ability to expend collected fees. Lastly, the radius for a regional park was previously undefined which left the City unable to contribute toward such sites with Quimby in-lieu fees. With this introduction of a radius comes the ability to improve major destinations within ten miles of a project site.

The State Quimby Act requires that there is a "reasonable relationship" between the fees and the land dedicated. The proposed radii respect this requirement. It is reasonable to expect that a resident would travel one, five, or ten miles, depending on the park type, from their home to a park built with monies collected from the development where that person resides.

Broaden Terms

The proposed resolution seeks to remove strict language that has bound the City from expending monies in ways that address modern needs. The current language is dated and calls for specific facilities such as tennis courts. By removing this language, the Department of Recreation and Parks has increased flexibility in how parks are built.

**Encourage Land Dedication and Park Access**

In order to create more opportunities for land dedication in an effort to increase park land, the ordinance calls for a predevelopment meeting and an update to the credit structure.

Early Consultation

The proposed ordinance requires applicants of residential subdivision projects with 50 or more units to have a meeting with staff prior to filing an application in order to identify means to dedicate land for park space. Currently, the project approval process addresses Quimby requirements toward the end of project approval, which makes it unrealistic to expect a developer to be able to dedicate land or provide parkland on private land. This meeting will bring together relevant staff from DCP, RAP, and the respective Council District at the appropriate time to discern what opportunities are available for parkland dedication or creation. The meeting can be satisfied through the existing predevelopment meeting that many projects of this size already conduct as a part of the normal development review process.

Update Credits

Under the current Quimby Program, credits are issued to developers who dedicate park land within a subdivision. The dedicated recreational space is credited toward the land dedication requirement and the payment of in lieu fees for a residential development.

The current credit structure allows for credits of $5.00 per square-foot and $2.50 per square-foot depending upon project location. In addition, the current credit program is specific relative to the types of amenities that must be provided. This disincentivizes the developer from providing the necessary on-site amenities.

In order to revise the credit system to be more effective, the proposed ordinance allows for a credit of up to 35% of the calculated requirement for park fees or land dedication for private park and recreation facilities. If such facilities are publicly accessible, the credit can be for up to 100%. These credits only apply to dedicated park space which is covenanted for such uses and which exceeds the amount otherwise required by code. Expanding the current credit system will aid in the creation of more park space.

**Other Related Modifications**

AB 1191 Implementation

State law, AB 1191, effective January 1, 2016, clarifies how interest generated from Quimby in-lieu fees can be used and identifies a process by which those funds can be committed to developing new or rehabilitating existing park and recreational facilities. The proposed ordinance includes language that enables the City to expend interest monies provided that the park and recreational facilities comply with the principles and standards set forth in the General Plan.

Greater Downtown Housing Incentive Area Ordinance

On September 23, 2007, Ordinance No. 179,076 became effective, establishing the Greater Downtown Housing Incentive Area (GDHIA) as a means of encourage housing production within downtown Los Angeles. This ordinance contains a variety of incentives, including one which allows residential and/or mixed use buildings containing the requisite number of Restricted Affordable Units to receive a Floor Area Bonus along with incentives for reduction in open space and parking requirements. In addition, the ordinance allows for a 50% reduction in the required open space if an in-lieu-fee equivalent to the Quimby fee is paid. The Parks Fee Ordinance clarifies that the GDHIA in-lieu-fee is distinct and independent from the Quimby fee. Thus, if a GDHIA in-lieu fee is paid, that payment will not take the place of a required Quimby fee. In addition, the Parks Fee Ordinance exempts 100% affordable housing developments in the GDHIA from the Quimby Fee or Park Impact Fee.

## PUBLIC HEARING AND COMMUNICATIONS

The following is a summary of the comments received since the draft Ordinance was publicly released on October 1, 2015.

- New fees will translate into higher for-sale and rental prices.
- Higher fees deter new residential construction, thereby further exacerbating the housing crisis.
- Existing Quimby dollars in City coffers should be utilized. No new fees.
- Increase park service radii. Radii used to determine where Quimby funds can be spent is too small. Expanding service radii will increase number of potential park sites.
- Ordinance should exempt workforce housing units as workforce housing has been identified as an important below market rate option for downtown housing.
- There needs to be some language in the ordinance which promotes equity through prioritizing park space in park poor neighborhoods.

### Policy Advisory Committee

The City convened an advisory committee to provide feedback and guidance in informing the recommendations around park fees, land acquisition, and geographic flexibility for where resources can be expended. Organizations and individuals were identified because of specific expertise, the role an organization plays around the issue, and the important perspective an individual could represent about improving access to parks or residential development. The advisory committee included the following organizations:

Alliance of River Communities
Building and Industry Association
Bureau of Engineering: LA River
California Apartment Association
Central City Association
Department of Public Works
Department of Recreation and Parks
Housing and Community Investment Department
Los Angeles Alliance of Neighborhood Councils
Los Angeles Chamber of Commerce
Los Angeles Neighborhood Land Trust
Los Angeles Unified School District
National Resources Defense Council
Prevention Institute
South Los Angeles Alliance of Neighborhood Councils
Southern California Association of Non-Profit Housing
The City Project
The Community Health Councils
Trust for Public Land
Valley Alliance of Neighborhood Councils
Valley Industry & Commerce Association

The Policy Advisory Committee met three times, as follows:

*Meeting 1 (June 24, 2014):* The purpose of this meeting was to provide background information on the existing ordinances for park fee, land dedication, and park distribution, and to define the key issues in revising the way that park fees are collected and spent. Twenty-six people attended the meeting.

*Meeting 2 (October 2, 2014).* The purpose of Meeting 2 was to provide an overview of the preliminary direction to address key issues related to park fees and land dedication, and to solicit feedback on the preliminary direction for revising park fee programs. Highlights from the Final Draft White Paper were also discussed. Twenty-five people attended the meeting.

*Meeting 3 (June 9, 2015)***.** This meeting provided an overview of key planning and policy documents including the Impact Fee and Land Dedication Ordinance, Public Recreation Plan, and draft Recreation and Park Department Board policy. Technical analysis on revised park and recreation facility fees was presented.

*Stakeholder Interviews.* A series of stakeholder interviews were conducted at the beginning of the process. Interviews included members of the Los Angeles Neighborhood Land Trust, Trust for Public Land, Housing and Community Investment Department, Building Industry Association, and Department of Recreation and Parks.

*Stakeholder Meetings.* The City participated in numerous calls and meetings with the Los Angeles Neighborhood Land Trust, the City Project, the Arts District Business Improvement District, the Central City Association, the Los Angeles Chamber of Commerce, the Valley Industry and Commerce Association, and the Building Industry Association.

## CONCLUSION

The need for increasing accessibility to park space within the City is a priority highlighted throughout the General Plan and various City policy documents. Although there are currently programs in place, which center around the goal of park space creation (Quimby Fee and Finn Fee), there continues to be a shortage of park space to service many of our communities. This is in part due to the various limitations discussed above which are associated with the structure of the current programs, including: an outdated and ineffective fee structure, difficulties in appropriating expenditures of collected fees and not enough emphasis placed upon land dedication for park development.

The proposed new Parks Fee Ordinance aims to increase the opportunities for park space creation by removing the aforementioned constraints while also expanding the program beyond those projects requiring a subdivision map to include a park linkage fee for all net new residential units. This will ensure that all residential project applicants pay a share of the cost of acquiring, developing, and improving park and recreation facilities with the purpose of providing recreation space for new and existing residents within a community.

# Appendix A: Draft Ordinance

**PROPOSED ORDINANCE**

A proposed ordinance amending Sections 12.21, 12.33, 17.03, 17.07, 17.12, 17.58, and 19.17 of the Los Angeles Municipal Code and a resolution amending the Public Recreation Plan of the Service Systems Element of the Los Angeles City General Plan to modernize the City's Park Fee (currently the Quimby and Finn fees) to mitigate park and open space impacts for residents of new residential projects.

**THE PEOPLE OF THE CITY OF LOS ANGELES DO HEREBY ORDAIN AS FOLLOWS:**

**Section 1.** Subparagraph (2) of Paragraph (a) of Subdivision 2 of Subsection G of Section 12.21 of the Los Angeles Municipal Code is amended to read as follows:

(2) Common open space areas shall incorporate recreational amenities such as swimming pools, spas, picnic tables, benches, children's play areas, ball courts, barbecue areas and sitting areas. ~~Amenities that meet the Department of Recreation and Parks specifications pursuant to Section 17.12 F. of this Code may be credited against fees required under Section 12.33 of this Code.~~

**Sec. 2.** Subparagraph (2) of Paragraph (c) of Subdivision 29 of Subsection A of Section 12.22 of the Los Angeles Municipal Code is amended to read as follows:

(2) The open space required pursuant to Section 12.21 G. of this chapter for all dwelling units shall be reduced by one-half, provided that a fee equivalent to the amount of the relevant ~~Quimby~~ park and recreation <u>impact</u> fee shall be paid for all dwelling units, <u>with the exception of units qualifying under Section 12.33 B.3(d).</u> ~~in a project regardless of whether a park and recreation fee is otherwise required.~~ ~~This~~ <u>The</u> in-lieu fee shall be placed in a trust fund with the Department of Recreation and Parks for the purpose of acquisition, development and maintenance of open space and/or streetscape amenities within the Greater Downtown Housing Incentive Area, and within the Community Plan Area in which the project is located. <u>The in-lieu fee is independent of any required park and recreation impact fee.</u>

**Sec. 3.** Section 12.33 of the Los Angeles Municipal Code is deleted and replaced with the following:

**SEC. 12.33. PARK FEES AND LAND DEDICATION.**

A. <u>**Purpose**. New residential dwelling units increase demand on existing park and recreational facilities and creates a need for additional facilities. The purpose of this section is to enable the acquisition of land and fees which are to be used for the purpose of developing new or rehabilitating existing recreational facilities in order to create a healthy and sustainable city.</u>

B. **Subject Properties.** All new residential dwelling units, second dwelling units in a single family zone, and joint living and work quarters shall be required to dedicate land, pay a fee, or provide a combination of land dedication and fee for the purpose of acquiring, expanding, and improving park and recreational facilities for new residents. For the purposes of this section, dwelling units, second dwelling units in a single family zone, and joint living and work quarters shall be known as dwelling units or residential dwelling units.

1. **Residential Subdivision Projects that contain 50 or more Dwelling Units**. A subdivision containing 50 or more dwelling units shall be required to participate in an early consultation pursuant to Subsection C and may be required to dedicate land, make park improvements, pay a Park Fee, or provide a combination of land dedication and Park Fee.

2. **All other Residential Projects.** For residential subdivision projects containing fewer than 50 dwelling units or for non-subdivision residential projects and are seeking a building permit for a project application that contains any number of net new dwelling units, the project shall pay a Park Fee pursuant to Subsection D. Applicants may choose to dedicate land or new park and recreational facilities, and/or improve existing park and recreational facilities in lieu of payment of a Park Fee.

3. **Exemptions.** The following types of development shall not be required to pay a Park Fee:

(a) Alterations, renovations, or expansion of an existing residential building or structure where no additional dwelling units are created.

(b) Replacement of existing dwelling units on the same lot resulting in no net increase of residential dwelling units.

(c) The replacement of a destroyed or partially destroyed or damaged building or structure where no additional dwelling units are created.

(d) Affordable housing pursuant to Subsection E.

(e) Secondary Dwelling Units.

(f) Non-residential development.

C. **Residential Subdivision Projects that contain 50 or more Dwelling Units.**

1. **Early Consultation.** Applicants shall meet with the Department of Recreation and Parks and Department of City Planning staff at the earliest reasonable point in advance of submitting a tract map application for a project of 50 units or more. This early consultation shall be used to discuss whether land dedication may be required for the project. The City will provide written verification of the consultation to the

project applicant. Written verification of this consultation shall be required before the Department of City Planning accepts an application for a tentative tract map.

2. **Formula for Park Land Dedication.**

(a) The Department of Recreation and Parks shall calculate the amount of land to be dedicated by determining the number of non-exempt (per Subsection B.3) net new dwelling units in the proposed project and multiply that number by the average number of people per occupied dwelling unit and multiplying that by the park service factor:

LD = (DU* P * F)

LD: Land to be dedicated in acres.
DU: Total number of new market-rate dwelling units.
P: Average number of people per occupied dwelling unit as determined by the most recent version of the U.S. Census for the City of Los Angeles.
F: Park service factor, as indicated by the Department of Recreation and Parks rate and fee schedule.

(b) Any land dedication for park and recreation purposes shall not be deducted from a site’s gross lot area for the purposes of calculating project density, lot area, buildable area, or floor area ratio.

(c) If after recording the final map there is an increase in the number of dwelling units to be built or a change in the number and/or type of dwelling units designated which increases the number of persons served by the subdivision, the project applicant shall be required to dedicate additional land and/or pay additional fees.

3. **Park Land Dedication Radius.** Any land dedication for park and recreation purposes shall be located within a radius from the project site, as specified below:

    (a) Neighborhood: within a 1 mile distance

    (b) Community: within a 5 mile distance

    (c) Regional: within a 10 mile distance

4. **Review of Land Dedication.**

    (a) Upon receiving the project application for the tentative tract map, the Department of City Planning shall transmit the project application with land dedication to the Department of Recreation and Parks.

    (b) After receipt of the project application, the General Manager of the Department of Recreation and Parks shall determine whether the land dedication proposal complies with the Department of Recreation and Park's existing park and recreation standards and requirements.

    (c) If the General Manager of the Department of Recreation and Parks determines the land dedication proposal meets the standards and requirements, the General Manager of the Department of Recreation and Parks shall prepare a report to the Board of Recreation and Parks Commissioners regarding the proposed dedication. The Board of Recreation and Parks Commissioners may accept or decline the land dedication.



5. **Payment of Park Fee.** If the project will not be dedicating land for park and recreational purposes, the project applicant shall pay a Park Fee pursuant to Subsection D of this Section.

D. **Park Fees for Non-Subdivision Residential Projects, Residential Subdivisions with less than 50 units, or Residential Subdivisions with 50 or more units that are not Dedicating Land.**

1. **Fees and Fee Schedule.** The Park Fee amount depends on the type of project. Subdivision projects are subject to a Quimby In-Lieu Fee and all other residential projects are subject to a Park Impact Fee. Collectively, these two fees are referred to as Park Fees. The Department of Recreation and Parks shall collect these fees pursuant to Section 19.16 and the Department of Recreation and Parks rate and fee schedule.

2. **Fee Calculation**. The Department of Recreation and Parks shall calculate the amount of the Park Fee due for each residential development project by determining the number of new non-exempt (pursuant to Section B.3) dwelling units in the proposed project and multiplying the number of units by the Park Fee amount per dwelling unit according to the following formula:

   Project Park Fee = (DU * PRF)

   DU: Total number of new, non-exempt (per Subsection B.3) dwelling units.

   PRF: Park Fee per unit.

3. **Fee Expenditure Radius**. Recreational sites and facilities shall be located within a radius from the project site, as specified below:

   (a) Neighborhood: within a 1 mile distance.

   (b) Community: within a 5 mile distance.

   (c) Regional: within a 10 mile distance.

4. **Phase-in Period.** The Park Fee shall be phased-in over a period of two years.

5. **Indexing.** The fee imposed by this section shall be adjusted on July 1st of each year by a percentage equal to a weighted average of the annual percentage change in: (1) the Construction Cost Index for Los Angeles, as published by Engineering News Record, or its successor publication, for the twelve-month period between March in the year in which the adjustment is made and the month of March in the immediately preceding year; and (2) the annual percentage change in the Median Home Sales Price for the City of Los Angeles, as published by Dataquick News, or its successor publication, for the twelve month period between June in the year in which the adjustment is made and the month of June in the immediately preceding year.

6. **Fee Payment Timing.**

   (a) **Residential Subdivision Projects**. The Quimby In-Lieu Fee for residential subdivisions shall be calculated and collected prior to final subdivision map approval.

   (b) **Residential Non-Subdivision Projects**. For other residential development projects, the Park Impact Fee shall be calculated and collected prior to the issuance of the Certificate of Occupancy.

7. **Park Fee as Additional Requirement.** The Park Fee enacted by this section is a fee enacted on residential development projects reflecting its proportionate share of the cost of providing park land and improvements necessary to meet the needs created by such development. As such, the Park Fees is additional and supplemental to, and not in substitution of, on-site open space requirements imposed by the City pursuant to zoning, subdivision, and other City requirements.

E. **Affordable Housing Exemption.**

1. Notwithstanding any other provision contained in this section, new residential dwelling units which are rented or sold to persons or households of very-low, low, or moderate income shall receive an affordable housing exemption.

    (a) An affordable housing unit shall receive an exemption from the requirement for dedication of land for park and recreational purposes if the affordable housing unit is affordable to a household at or below 120% of AMI.

    (b) In projects with a mix of market-rate and affordable housing units, only the affordable housing units shall receive this exemption.

2. For any affordable housing unit qualifying for an exemption, a covenant acceptable to the Los Angeles Housing and Community Investment Department shall be recorded with the Los Angeles County Recorder, guaranteeing that the affordability criteria will be observed for at least 55 years from the issuance of the Certificate of Occupancy or a longer period of time if required by the construction or mortgage financing assistance program, mortgage assistance program, or rental subsidy program.

3. The Los Angeles Housing and Community Investment Department shall evaluate the project application to ensure it meets the above requirements and shall advise the Department of Recreation and Parks and Department of City Planning about whether the project meets those requirements.

4. Should any qualifying affordable housing unit no longer operate as a qualifying affordable housing unit before the 55 year period has expired, then the parks fee for each said unit shall be paid to the City at the then current rate.

F. **Credits**

1. **Public Land Dedication or Improvement to Dedicated Land**.

(a) **Public Land Dedication.** In lieu of paying the Park Fee, land may be dedicated to the City of Los Angeles for public park and recreational purposes. This may be with or without recreational facility improvements. The amount of land to be dedicated shall be determined pursuant one of the following formulas, and credit shall be granted, square foot for square foot, for any land dedicated to the City:

Subdivision Projects:

LD = (DU* P * $F_1$)

LD: Land to be dedicated in acres.

DU: Total number of net new, non-exempt (per section B.3) dwelling units.

P: Average number of people per occupied dwelling unit as determined by the most recent version of the U.S. Census for the City of Los Angeles.

$F_1$: Park service factor for subdivision projects, as indicated by the Department of Recreation and Parks rate and fee schedule.

Non-Subdivision Projects:

LD = (DU* P * $F_2$)

LD: Land to be dedicated in acres.

DU: Total number of net new, non-exempt (per section B.3) dwelling units.

P: Average number of people per occupied dwelling unit as determined by the most recent version of the U.S. Census for the City of Los Angeles.

$F_2$: Park service factor for non-subdivision projects, as indicated by the Department of Recreation and Parks rate and fee schedule.

(b) **Improvement to Dedicated Land.** In lieu of paying the Park Fee or dedicating land, the City may permit improvements to be made to an existing City park or recreational facility, upon land being dedicated as a City park or recreational facility, or a combination thereof.

(c) The amount of credits shall not exceed 100 percent of the calculated requirement for the Park Fee or land dedication.

(d) Credit shall be granted, dollar for dollar, for any Park Fee required to be paid for the property pursuant to this section. The cost and subsequent credit should bare a reasonable relationship to an independent assessment of the construction cost for the facility, such as the estimates provided by RSMeans Building Construction Cost Data or similar. Credits may be awarded for onsite or offsite land dedication and/or park improvements.

(e) The General Manager of the Department of Recreation and Parks shall determine whether the proposal complies with existing park and recreational standards and requirements as established in this section and other relevant documents. If the General Manager of the Department of Recreation and Parks determines the proposal meets the standards and requirements, the General Manager of the Department of Recreation and Parks shall prepare a report to the Board of Recreation and Parks Commissioners regarding the proposed dedication or improvement. The Board of Recreation and Parks Commissioners may accept or decline the land dedication, new park and recreational facility, or improvement to existing park and facilities.

(f) If the dedication and/or improvement is accepted by the Board of Recreation and Parks Commissioners in lieu of the Park Fee or land dedication, or any portion thereof, the City shall reduce or waive the fee, or land dedication, or any portion thereof upon dedication of the property and/or guarantee of the improvement. The guarantee of the improvement is to be to the satisfaction of the Department of Recreation and Parks and is to be by a deposit with the Department of Recreation and Parks of an irrevocable deposit instrument issued by a bank, savings and loan association or other depository whose deposits are insured by an instrumentality of the federal government. The deposit must be fully insured by such instrumentality. The deposit instrument must be in a form that permits collection by the City of Los Angeles at maturity without further consent of any other party.

2. **Privately Owned Park and Recreational Facilities.** Where facilities for park and recreational purposes are provided in a proposed residential development and such facilities are to be privately owned and maintained by the future owners of the development, the areas occupied by such facilities shall be partially credited against the requirement of dedication of land for park and recreational purposes of the payment of a Park Fee thereof, provided that the following standards are met to the satisfaction of the Department of Recreation and Parks: (1) that each facility is available for use by all the residents of the residential development and (2) that the area and the facilities satisfy the recreation and park needs of the residential development so as to reduce the need for public recreation and park facilities to serve the project residents.

   (a) The amount of credits for non-publicly accessible park and recreational facilities shall not exceed 35 percent of the calculated requirement for the park and recreation impact fee or land dedication. Credits may be awarded for on-site or off-site private facilities.

   (b) The amount of credits for publicly-accessible, privately-maintained park and recreational facilities shall not exceed 100 percent of the calculated requirement for the park and recreation impact fee or land dedication. Credits may be awarded for on-site or off-site private facilities.

(c) Private park and recreational facilities shall include a variety of active and passive amenities, as determined by the Department of Recreation and Parks.

(d) Credit shall be granted, dollar for dollar, for any recreational and park impact fees required to be paid for the property pursuant to this section, as determined by the Department of Recreation and Parks. The cost and subsequent credit should bare a reasonable relationship to an independent assessment of the construction cost for the facility, such as the estimates provided by RSMeans Building Construction Cost Data or similar.

(e) Credits shall not be given for the following:

(1) Yards, court areas, setbacks, and other open space areas required to be maintained by the City's Municipal Code, specific plan or any other planning document.

(2) Common open space and/or private open space required by the City's Municipal Code, specific plan, or any other planning document, such as those included in Section 12.21.

(f) The granting of credits shall also be subject to the following:

(1) The private ownership and maintenance of the facilities shall be adequately provided for by written agreements; and

(2) The use of the private facilities, whether publicly or non-publicly accessible, is restricted for park and recreational purposes by recorded covenants acceptable to the Department of Recreation and Parks which run with the land and which cannot be defeated or eliminated without the consent of the City Council; and

(3) The proposed facilities are reasonably adaptable for use for park and recreational purposes, taking into consideration such factors as size, shape, topography, geology, access and location of the private open space land; and

(4) The proposed non-public facilities are available for use by all the residents of the proposed residential development; and

(5) Any proposed publicly-accessible, privately-maintained park and recreational facilities are accessible for use by the general public with no discrimination between residents and non-residents, are open at hours comparable to those of City parks and facilities, and have appropriate signage indicating that the space is public; and

(6) The facilities are in substantial accordance with, and meet the policies and standards for the development of park and recreational facilities.

3. **Dwelling Unit Construction Tax Credit.** A credit shall be allowed whenever a dwelling unit construction tax previously has been paid pursuant to Section 21.10.3 of the Municipal Code for dwelling units constructed on land for which a fee is required to be paid in accordance with the provisions of this section. Said credit shall be equal to the amount of the tax previously paid but shall not exceed the amount of any fee required to be paid under the provisions of this section.

4. **Credit Request Timing.** The project applicant shall submit any requests for credit, and the City may only approve such requests, prior to the approval of the Final Map or prior to the date of final inspection, or the date of the Certificate of Occupancy, whichever is earliest and applicable, and prior to the dedication of any land or payment of any park fee.

G. **Park Fee Account and Accounting.**

1. **Park Fee Account.** The City of Los Angeles establishes a separate park and recreation fee trust fund account (hereinafter "account") to which the Park Fee (both the Quimby in-lieu fee and the park impact fee) collected by the City shall be posted. The funds of the account shall not be commingled with any other funds or revenues of the City. Any interest accrued by the account shall be used solely for the purposes of park and recreational facility acquisition, expansion, and improvement.

2. **Park Fee Accounting.** Within 180 days after the last day of each fiscal year, the Department of Recreation and Parks shall report to the Board of Commissioners of Recreation and Parks on the amount of the fee, income (including interest income), expenditures, status of the trust fund account, and intrafund transfers. The Department of Recreation and Parks shall also report on each of the park and recreational facilities on which fees were committed in the last fiscal year and the approximate date by which the construction of the park and recreational facilities will commence.

3. **Return of Uncommitted Fees.**

(a) Park Fees collected pursuant to this section shall be committed by the City within five years of receipt of payment for a residential development project to serve or benefit residents of the project for which the fees were collected.

(b) If the fees are not committed as specified in this subsection, these fees shall be distributed to the then property owner of the lots or units of the residential projects for which the fees were charged.

(c) If the administrative costs of refunding uncommitted fees pursuant to this subsection exceeds the amount to be refunded, the City, after a public hearing, notice of which has been published pursuant to California Code Section 6061 and posted in three prominent places within the area of the development project, may determine that the uncommitted fees shall be allocated for some other purpose for which fees are collected and which serve or benefit the project for which the park impact fee was originally charged.

4. **Refunds**. In the event that an applicant requests a refund due to reasons not set forth in Subdivision 3 of Subsection G, the applicant shall submit a claim for refund with the City. The fee payer may be entitled to a refund, without interest, of the fees paid pursuant to this section; provided, however, that the portion of any fee revenue received by the City as reimbursement of its costs in administering the provisions of this section shall not be refunded. The fee payer shall submit an application for a refund to the City within one year of payment. Failure to timely submit the required application for refund shall constitute an absolute waiver of any right to the refund.

H. **Use of Park Fees or Lands Dedicated Pursuant to this Section**

1. The dedicated lands or Park Fees collected pursuant to this section shall be used for the acquisition, improvement, and expansion of public parks and recreational facilities. The fees shall be committed and expended in accordance with the provisions and procedures established in this section. The Park Fee may be used to pay the principal sum and interest and other finance costs on bonds, notes or other obligations issued by or on behalf of the City to finance such park and recreational facility improvements; and any administrative costs incurred by the City in accordance with this section.

2. Interest accrued on fees collected pursuant to this section may be applied outside the project development for which the original fees were collected, provided that the City holds a public hearing prior to committing the interest, and uses the interest to develop new or rehabilitate existing neighborhood or community parks or recreational facilities within the city. All such public parks and recreational facilities shall comply with the principles and standards set forth in the General Plan.

3. All such public parks and recreational facilities shall comply with the principles and standards set forth in the General Plan.

4. The park or recreational facilities acquired, improved, or expanded shall be publicly-accessible and serve or benefit the project that dedicated the land or paid the fees.

I. **When effective.**

1. This ordinance shall take effect on the 60th day following its adoption.

2. Any Park Fee (Quimby in-lieu for subdivisions or Park Impact Fee for non-subdivisions) paid prior to the effective date of this ordinance shall not be recalculated pursuant to the provisions of this ordinance.

**Sec. 4.** The first paragraph of Subsection A of Section 17.03 of the Los Angeles Municipal Code is amended to read as follows:

A. **Authority and Duties**. (Amended by Ord. No. 163,797, Eff. 8/8/88.) The Advisory Agency is charged with the duty of making investigations and reports on the design and improvement of proposed subdivisions, of requiring the dedication of land, the payment of fees in lieu thereof, or a combination of both, for the acquisition and development of park and recreation sites and facilities, and is hereby authorized to approve, conditionally approve, or disapprove Tentative Maps of proposed subdivisions, private streets and such maps as are provided for herein, to prescribe the design, kinds, nature and extent of improvements required to be installed in connection therewith and to report directly to the subdivider the action taken on the Tentative Map. ~~The Advisory Agency is also charged with the duty of determining the recreational and park fee for zone changes pursuant to Section 12.33 of this Code.~~



**Sec. 5.** Subsection N of Section 17.07 of the Los Angeles Municipal Code is deleted.

**Sec. 6.** Section 17.12 of the Los Angeles Municipal Code is deleted and replaced with the following:

**SEC. 17.12. PARK AND RECREATION SITE ACQUISITION AND DEVELOPMENT PROVISIONS.**

No final subdivision map shall be approved nor shall it be recorded unless land within the subdivision has been dedicated to the City of Los Angeles for park or recreational purposes or the park and recreation impact fee has been paid pursuant to Section 12.33 of the Los Angeles Municipal Code.

**Sec. 7.** Section 17.58 of the Los Angeles Municipal Code is deleted and replaced with the following:

**SEC. 17.58. PARK AND RECREATION SITE ACQUISITION AND DEVELOPMENT.**

No final subdivision map shall be approved nor shall it be recorded unless land within the subdivision has been dedicated to the City of Los Angeles for park or recreational purposes or the park and recreation impact fee has been paid pursuant to Section 12.33 of the Los Angeles Municipal Code.

**Sec. 8.** Note (2) of Subsection A of Section 19.01 of the Los Angeles Municipal Code is deleted.

**Sec. 9.** Section 19.17 of the Los Angeles Municipal Code is added to read as follows:

**SEC. 19.17 Park Fee**

The following fees shall be paid to the Department of Recreation and Parks. Current figures are located in the Department of Recreation and Parks Rate and Fee Schedule.

Subdivision (Quimby in-lieu) fee:

At effective date of ordinance: $7,430, adjusted for inflation pursuant to Section 12.33 D.5.

First annual RAP rate and fee schedule update since effective date of ordinance: The prior year's fee amount plus $2,535, adjusted for inflation pursuant to Section 12.33 D.5.

Each subsequent annual RAP rate and fee schedule update: The fee of the former year, adjusted for inflation pursuant to Section 12.33 D.5.

Non-subdivision (park mitigation) fee:

At effective date of ordinance: $2,500, adjusted for inflation pursuant to Section 12.33 D.5.

First annual RAP rate and fee schedule update since effective date of ordinance: The prior year's fee amount plus $2,500, adjusted for inflation pursuant to Section 12.33 D.5.

Each subsequent annual RAP rate and fee schedule update: The fee of the former year, adjusted for inflation pursuant to Section 12.33 D.5.

**Sec. 10.** The City Clerk shall certify …

# Appendix B: Draft Resolution

# RESOLUTION

This resolution amends the definitions of park sites and recreational amenities and facilities within the Public Recreation Plan of the Service Systems Element of the City of Los Angeles General Plan

**WHEREAS**, the City of Los Angeles provides public recreation, parks, beaches, multiuse trails, and open space facilities and sites within the City of Los Angeles;

**WHEREAS**, abundant and accessible parks and open space are essential components of healthy and sustainable neighborhoods and park and recreational facilities offer opportunities for physical activity, safe places for families and children, spaces for social interaction, access to nature, and places for mental respite;

**WHEREAS,** people who live within walking distance of a park or recreational facility are more likely to engage in physical activity;

**WHEREAS,** parks and open space provide people with access to nature which can improve psychological, social, and medical health;

**WHEREAS,** parks and open space provide aesthetic and environmental benefits such as urban cooling, stormwater management, and carbon and pollution sequestration, which can mitigate the impacts of pollution;

**WHEREAS,** parks and open space enhance property values, increase municipal revenues, and attract home buyers, workers, and tourists;

**WHEREAS,** the Southern California Association of Governments (SCAG) Regional Growth Forecast estimates that the City will add significantly more people during the coming decades. New residential construction in Los Angeles is necessary to accommodate the additional population;

**WHEREAS,** new residential construction should not diminish the City's park and recreational facilities or reduce the service level currently provided by the City;

**WHEREAS**, it is necessary to acquire and develop new park and recreational facilities to serve the new residential population and to maintain the existing service level;

**WHEREAS**, residential development projects that do not subdivide the land upon which units are constructed add population to the City and increase the demand for park and recreational facilities to the same extent as residential development projects which require land subdivision;

**WHEREAS,** the City's General Plan includes a number of policies to maintain and increase both the number and type of park and recreational facilities in the City, including identifying potential funding opportunities for new recreation and park facilities;

**WHEREAS,** the City's Health and Wellness Element of the General Plan strives for the equitable distribution of park and space in every Los Angeles neighborhood;

**WHEREAS,** three City Council motions called for a reexamination of the Park Fee policies, including adjusting park fee credits to reflect current costs of construction (Council File 07-3619), developing a proposed fee charged to developers of new market rate apartments to be used to purchase open space (Council File 07-3387-S2), and reviewing the requirements regarding the service radius for park acquisition and to recommend how the General Plan and the Municipal Code should be amended to the City's goals (Council File 05-1562);

**WHEREAS,** a combined Recreation and Parks Department and Department of City Planning working group and a Park Advisory Committee researched and discussed the primary issues associated with the City's park and recreation and regulations, including service radius, park level of service, qualifying parks, credits for on-site recreational amenities, deferrals for low-income housing, land dedication, residential fee schedule, and expanding park fees to other residential uses;

**WHEREAS**, the City has completed a nexus study of recreation and park impact fees and a review of reference city policies and impact fees;

**WHEREAS**, establishing a park and recreational impact fee for all residential development will require all project applicants to pay a fair share of the cost of acquiring, developing, and improving park and recreational facilities in the City;

**WHEREAS**, the fees established by this ordinance are based upon and do not exceed the cost of providing capital recreation and park facilities and sites necessitated by new residential development for which the fees are imposed.

**NOW, THEREFORE, BE IT RESOLVED, BY THE CITY COUNCIL OF THE CITY OF LOS ANGELES AS FOLLOWS:**

The Public Recreation Plan of the Service Systems Element of the Los Angeles City General Plan is amended to read as follows:

The Public Recreation Plan ~~Section1~~ consists of this text and the map on the other side of this sheet.

The Public Recreation Plan ~~Section 1~~ is a portion of the Service Systems Element of the Los Angeles City General Plan. This section of the Plan ~~emphasizes~~ addresses neighborhood, ~~and~~ community, and regional recreation sites and facilities. ~~, community buildings, gymnasiums, swimming pools and tennis courts.~~ Subsequent sections will address other facilities.

## PURPOSES

### Use of the Plan

The Public Recreation Plan ~~– Section 1~~ consists of this text and the map on the other side of this sheet. The plan map shows, in an illustrative manner, the general location of recreational sites on a citywide basis. More specific locations are shown on the adopted community plan maps.

~~This section of the plan~~ The Public Recreation Plan (Plan) sets forth recreation ~~standards~~ guidelines intended to provide a basis for satisfying the needs for ~~neighborhood and community~~ city recreational sites. The ~~standards~~ guidelines are not intended to set an upper limit for the areas of parks, recreational sites or other types of open space. Instead, they are intended to provide the City with a flexible and broad range of options on how park expenditures can be spent across the city.

The ~~Public Recreation~~ Plan ~~- Section 1~~ emphasizes neighborhood, ~~and~~ community, and regional recreational sites and parks because of their ~~immediate~~ importance to the daily lives of the City's people, especially its children. In addition, this Plan elevates the importance of regional parks as community resources for active and passive recreational activity. It includes policies and programs to meet the needs for ~~community buildings, swimming pools and tennis courts~~ a broad range of recreational facilities. ~~Other types of facilities will be added after additional studies have been made.~~ This ~~section of the~~ Plan is to be continually revised to meet expanding needs for ~~neighborhood and community~~ recreational sites.

In view of the limited availability of funds for acquisition and development of recreational sites, the Plan suggests that priority be given to those presently underserved areas of the City which have the greatest need for recreational sites and facilities.

Programs are intended to carry out the policies and accomplish the objectives of the Public Recreation Plan~~- Section 1~~. This ~~section of the~~ Plan does not mandate the City to commence any new programs which may require the expenditure of work-hours or funds.

### Objectives of the Plan

The objectives for the Public Recreation Plan~~— Section 1~~ are based on recognized planning principles City's recreational sites and facilities and are as follows:

- To provide a guide for the orderly development of publicly-accessible recreational sites and facilities in the City ~~the City's public-recreational facilities~~.
- To provide long-range ~~standards~~ guidelines for use in connection with new subdivisions, intensification of existing residential development, or redevelopment of blighted residential areas as described under general local recreation standards.
- To develop and locate publicly-accessible recreational sites and ~~public~~ facilities to provide the greatest benefit to the greatest number of people at the least cost and with the least environmental impact.
- To provide a guide of priorities for the acquisition and development of public recreational facilities.
- To further refine and carry out the goals and objectives set forth in the Concept and Citywide Plan for recreation.

**DEFINITIONS**

**~~A~~ Neighborhood Recreational Sites and Facilities-** should provide space and ~~facilities~~ amenities for outdoor and indoor recreational activities. It is intended to serve residents of all ages and abilities in ~~its~~ their immediate neighborhood. Neighborhood recreation sites and facilities should be based on local community preferences, allow for both active and passive recreation for users of all ages and abilities, and be site-appropriate and suitable for the intended recreational activity. ~~Facilities are typically provided for the following activities:~~

| | | |
|---|---|---|
| ~~softball~~ | ~~soccer~~ | ~~handicrafts~~ |
| ~~basketball~~ | ~~football~~ | ~~lawn games~~ |
| ~~volleyball~~ | ~~shuffleboard~~ | ~~small children's~~ |
| ~~handball~~ | ~~table games~~ | ~~play~~ |

~~Facilities to meet the special needs of particular neighborhood should also be provided.~~ When available, ~~A community building~~ they should be transit accessible and available with facilities for meetings, dances, dramatic productions, ~~and~~ arts and crafts, and other community-desired activities. Off-street parking should be provided whenever possible.

**~~A~~ Community Recreational Sites and Facilities** - should be designed to serve residents of all ages and abilities in several surrounding neighborhoods. Its ~~facilities~~ amenities serve a much wider interest range than do those of a neighborhood site. The typical community recreational site or facility may offer~~s~~ recreational facilities for organized activities ~~baseball diamonds, combined football and soccer fields, tennis and handball courts, and a swimming pool,~~ in addition to the ~~facilities~~ amenities provided for neighborhood sites and facilities and specialized facilities as may be needed to meet the needs of the community.

**~~A~~ Regional ~~Park~~ Recreational Sites and Facilities~~(Generally over 50 Acres)~~** – provides specialized recreational facilities that have a regional draw ~~such as lakes, golf courses, campgrounds, wilderness areas and museums~~, which normally serve persons living throughout the Los Angeles basin. A regional ~~park~~ recreational site or facility may include, or emphasize, exceptional scenic attractions. A regional ~~park~~ recreational site or facility may also contain the types of ~~facilities~~ amenities provided in neighborhood and community recreational sites.

**School Playgrounds** of the Los Angeles ~~City~~ Unified School District may supplement local recreational sites. They are open for a limited number of after school hours each day during the school year and on a full day schedule during the summer.

**~~STANDARDS~~ GUIDELINES**

A satisfactory recreation system must measure up to accepted ~~standards~~ guidelines in ~~three~~ several respects: ~~first,~~ there must be sufficient land area set aside for recreation; ~~second,~~ the recreation area must be ~~properly~~ equitably distributed ~~in residential areas~~ throughout the City; ~~third,~~ there must be facilities to meet different recreational needs- including both active and passive recreation- and provision for residents of all ages and abilities; and the Department of Recreation and Parks should have the ability to develop and use flexible criteria to adapt and respond to the urgent need for parks, open spaces, and recreational facilities and the allocation of resources. ~~groups.~~ Recreational sites and f~~F~~acilities should be provided at ~~the neighborhood, community, and regional levels~~ a broad range of levels that collectively help communities reach the recommended park acreage. An overall provision of 10 acres of land per 1,000 persons for total recreational sites and facilities is recommended. A minimum of 10% of the total land area should be in public recreation or open space.

The location and allocation of acreage for neighborhood, ~~and~~ community, and ~~recreational sites,~~ regional recreational sites and facilities should be determined by the Department of Recreation and Parks on the basis of the service radius within residential areas throughout the City. No park site should be diminished in size or removed from any service area unless the required acreage is replaced within that district or unless the need is diminished due to population changes.

~~**Local Recreational Standards**- Long range~~

- **Neighborhood Recreational Sites and Facilities.** The following guidelines may apply to neighborhood recreational sites: ~~should be provided at a minimum of 2 acres per 1,000 persons. The following standards should apply:~~If coordinated and used with a school playground, up to one-half the acreage of the playground may be counted toward the total acreage required, but a school playground alone is not likely to suffice to properly serve a neighborhood.
- The service radius of a neighborhood recreational site or facility should generally be within walking distance of the site. ~~is approximately one-half mile.~~
- The site or facility ~~park~~ space should be located within a neighborhood so that users are not required to cross a major arterial street or highway when walking to the site.
- The type of activities and programs conducted at each neighborhood site or facility should be determined by measuring the desires of the clientele in the area served. Care must be taken to provide activities for residents' of all ages and abilities ~~groups~~ within the neighborhood.
- The population characteristics of each area served should be used in determining the general facilities required.
- The recommended service levels for neighborhood sites and facilities is 2 acres per 1,000 residents.

- **Community Recreational Sites and Facilities.** The following guidelines may apply to community recreational sites: ~~should be provided at a minimum of 2 acres per 1,000 persons. The following standards should apply: The minimum desirable acreage per recreation and park site is 15 acres, ideal is 20 acres.~~ Community recreational sites and facilities can be of any size, but are generally larger than neighborhood parks. Community-serving recreational amenities may be included on smaller sites that have a larger geographic draw, e.g. a swimming pool on a smaller parcel.

- If coordinated with high school or junior high school site, up to one-half the required acreage may be fulfilled by the school play area.
- The service radius of a community site ~~is approximately 2 miles~~ should generally be accessible within a relatively short bike, bus, or car trip.
- The community ~~park~~ site or facility should be easily accessible to the area served.
- The community ~~park~~ site or facility may serve several neighborhoods.
- The types of activities available at the community ~~park~~ site or facility should be determined by measuring the desires of the population served.
- The recommended service levels for community sites and facilities are 2 acres per 1,000 residents.

**Regional Recreational Sites and Facilities.** The following guidelines may apply to regional recreational sites:

- Regional recreational sites and facilities can be large urban recreational sites or can be smaller sites or facilities that draw visitors from across the City.
- The service radius of a regional recreational site should generally be within a reasonable drive.
- Regional sites or facilities should serve the entire City
- Regional sites or facilities typically include a broad range of facilities that are appropriate for large parks of that size and have a large regional draw.
- The population characteristics of each area served should be used in determining the general facilities required.
- The recommended service levels for regional recreational sites and facilities are 6 acres per 1,000 residents.

~~**Community Plan Standards-** Short and Intermediate Range~~

~~The Local Recreation Standards are long range and may not be reached during the life of this Plan. The following standards have been used for most of the adopted community plans and are included in this Plan as short and intermediate standards for park acreage:~~

~~A. For Neighborhood Parks- 1 acre per 1,000 persons; service radius 1 mile.~~
~~B. For Community Parks- 1 acre per 1,000 persons; service radius 2 miles.~~

**POLICIES**

Recreational facilities and services should be provided for all segments of the population on the basis of present and future projected needs, the local recreational standards, and the City's ability to finance.

- Park and recreation sites shall be acquired and developed first in those areas of the City found to be most deficient in terms of the recreation standards.

- Recreational use should be considered for available open space and unused or underused land, particularly publicly owned lands having potential for multiple uses.

- High priority will be given to areas of the City which have the fewest recreational services and the greatest numbers of potential users.

**PROGRAMS**

- Continue to include land acquisition for park and recreational purposes as a regular item in the City's Five Year Capital Improvement Program.

- Prepare a priority schedule based on greatest need for acquiring and developing park and recreational sites.

- Seek federal, state and private funds~~.~~ to implement acquisition and development of parks and recreational facilities.

- Establish policies to facilitate donation of parks to the City.

- Lease or acquire unused or abandoned properties suitable for recreational activities.

- Encourage multiple use of public properties such as power line or flood control rights of way, debris basins, reservoir sites, etc., for recreation.



**POLICIES** - **Community Buildings/Gymnasiums**

- Park community buildings should be designated as large and flexible structures to permit a wide variety of recreation activities, meeting the needs of all groups and special interests, to adequately serve the current and future community.

- The availability of community buildings/gymnasiums will be based on the needs of the local population between the ages of 7 to 34. It is this age range which most uses gymnasiums.

**PROGRAMS** - **Community Buildings/ Gymnasiums**

- Use the areas of Public Community Building Deficiency identified in the Public Recreation Plan -Section 1, Background Report as guides for locating new community buildings as funds become available. A program for updating the Table and Public Community Building Maps by the Department of Recreation and Parks and the Planning Department should be initiated as important changes in population, land use and facilities occur.

- Encourage the Los Angeles City School District to remove the emergency energy curtailment program which results in the closure of two-thirds of its public gymnasium facilities one night a week on rotation, and to reactivate the closing only in times of demonstrated emergency.

- The Department of Recreation and Parks should develop standard sets of criteria and designs for local recreation center buildings.

- Design of new community buildings should, include a gymnasium with a minimum size which would permit basketball play. It is desirable that the gymnasium be large enough to permit a regulation size high school basketball court.

**POLICIES - Swimming Pools**

- Swimming pool service levels will be based on the needs of the local population between the ages of 6 to 20. It is this age range which most use public pools.

- New pools should be located to maximize use in various swimming programs. Where possible, new pools should be located on or near junior high school or high school sites.

**PROGRAMS - Swimming Pools**

- Use the areas of Public Swimming Pool Deficiency identified in the Public Recreation Plan - Section 1 Background Report as guides for locating new swimming pools as funds become available. A program for updating the Table and Public Swimming Pool Maps by the Department of Recreation and Parks and the Planning Department should be initiated as important changes in population, land use and facilities occur.

- The Department of Recreation and Parks and the Los Angeles City School District should continue and expand the cooperative efforts regarding joint use of swimming pools.

- The City of Los Angeles should continue to locate new swimming pools at junior high school and high school sites where appropriate.

**POLICIES - Tennis Courts**

- Tennis service levels will be based on the needs of the local population between the ages of 10 to 61. It is this age range which most use tennis courts.

- Use of existing and future tennis courts should be maximized through design, lighting and operation.

**PROGRAMS - Tennis Courts**

- Use the areas of Public Tennis Court Deficiency Identified in the Public Recreation Plan - Section 1 Background Report as guides for locating new tennis facilities as funds become available. A program for updating the Table and the Public Tennis Court Maps by the Department of Recreation and Parks and the Planning Department should be initiated as important changes in population, land use and facilities occur.

- Continue the program of designing new facilities with night lighting adequately shielded to assure the privacy of adjacent residential uses.

- Continue the program of illuminating unlighted public park tennis courts and encourage lighting of school tennis ~~faculties~~ facilities in tennis court deficient areas when funds become available.

- Continue the program of building tennis courts in groups rather than one at a time.

# Attachment 1: Land Use Findings

## LAND USE FINDINGS

### General Plan/Charter Findings

1. **In accordance with Charter Section 556, that the proposed ordinance (Appendix A) is in substantial conformance with the purposes, intent, and provisions of the General Plan.**

Code Amendment
Specifically, the proposed ordinance implements the following goals and objectives of the General Plan:

- Health and Wellness Element goal 3.2 to improve "Angelenos' mental and physical health by striving to equitably increase their access to parks, increasing both their number and type throughout the city; prioritizing implementation in most park-poor areas of the city.
- Health and Wellness Element goal 3.4 to promote opportunities for physical activity for users of all ages and abilities by continuing to improve the quality of existing park and open space facilities and creating recreation programs that reflect the city's rich diversity and local community needs.
- Health and Wellness Element goal 3.6 to engage communities and public, private, and nonprofit partners in park stewardship by working collectively to develop, program, and maintain parks and open spaces: target communities with the lowest combination of park access and park standard criteria.
- Housing Element Policy 2.4.3 to develop and implement sustainable design standards in public and private open space and street rights-of-way. Increase access to open space, parks and green spaces.
- Open Space and Conservation Policy 6.5.2 to establish programs for financing open space acquisition, development and maintenance.
- Open Space and Conservation Policy 6.5.5 to establish incentives for the provision of publicly accessible open space in conjunction with private development projects.

The proposed Park Fee Ordinance will continue in carrying out the intent of the original Quimby Fee and Finn Fee programs which were initiated in response to the City's increased rate of urbanization and the need to preserve open space and provide parks and recreation facilities for growing communities. The proposed new ordinance will improve upon the current fee program in the following manner: update the fee structure, expand the fee expenditure radius and encourage land dedication.

a. Update Fee Structure - In order to address the outdated fee structure, the proposed Park Fee Ordinance will consist of a new park impact fee for non-subdivision projects to help the City meet the park needs of new residents. There will also be an update to the subdivision project in-lieu fee to better match the cost of land and park build out.
b. Expand Fee Expenditure Radius - The proposed Park Fee Ordinance proposes to expand the radius around a project site within which the collected fees can be

spent. Also, revise outdated definitions of recreation site and facilities which impede expenditure and expand definitions to include regional parks.

c. Encourage Land Dedication - The proposed Park Fee Ordinance suggests the expansion of credit options for private or public parks provided beyond Zoning Code requirements. In addition, the ordinance would require a predevelopment meeting for large projects to review land dedication options at the early stages of project approval.

<u>General Plan Amendment</u>

The General Plan Amendment (GPA) amends the Public Recreation Plan of the Service Systems Element of the Los Angeles City General Plan to revise the outdated definitions of recreation site and facilities to reflect the current conditions and needs for park and recreational space.

Chapter 6 of Framework Element of the General Plan states:

- Park standards do not reflect current conditions and needs.
- Standards for various categories of parks, which were created when the availability of open space was not as limited, should be re-examined in view of changing population and urban form dynamics. If the population continues to grow and the amount of open space available remains more or less the same, the discrepancy between what is and what should be will continue to widen.

Chapter 9 of Framework Element of the General Plan policies:

- 9.23.5 Re-evaluate the current park standards and develop modified standards which recognize urban parks, including multi-level facilities, smaller sites, more intense use of land, public/private partnerships and so on. (P14)
- 9.23.7 Establish guidelines for developing non-traditional public park spaces like community gardens, farmer's markets, and public plazas. (P14)

The General Plan Amendment implements the Framework Element's calls for action to re-evaluate and revise the current Park Standard set by the Public Recreation Plan, a portion of the Service Systems Element of the City's General Plan. The Plan provides recreational definitions, standards, and policies, emphasizing neighborhood and community recreational sites for the City. It also identifies the types of facilities typically provided at these facilities. However, the highly restrictive service radius for different park types has resulted in the city's limited ability to create new parks in certain neighborhoods. The list of allowable park facility type is outdated and out of context for an urbanized City. In addition, the list of facilities do not provide the City with the needed flexibility to respond to community-driven and place-appropriate facilities such as community gardens and trails. This amendment is a direct response to those issues. It revises the definition of parks of different levels and increases flexibility in how parks can be built, which conforms to the purposes, intents and provisions outlined in the Framework Element of the General Plan.

2. **In accordance with Charter Section 558 (b) (2), the proposed ordinance (Exhibit A) is in substantial conformance with public necessity, convenience, general welfare and good zoning practice.**

Code Amendment

The proposed Park Fee Ordinance does not alter the overall intent of the current Quimby Program or the Finn Fee Program. The goal of the proposed Park Fee Ordinance is to ensure that all residential project applicants share in the cost of acquiring, developing, and improving park and recreation facilities.

It is necessary to acquire and develop new park and recreational facilities to serve the new residential population and to maintain the existing service level and parks. Also, open space provides people with access to nature which can improve physical, social and mental health.

General Plan Amendment

Abundant and accessible parks and open space are essential components of healthy and sustainable neighborhoods. Park and recreational facilities offer opportunities for physical activity, safe places for families and children, and spaces for social interaction. The Southern California Association of Governments Regional Growth Forecast estimates that the City will add significantly more people during the coming decades. Therefore, it is necessary to acquire and develop new park and recreational facilities to serve the new residential population and to maintain service levels.

The plan amendment which revises the definition of parks at different levels will help remove the existing constraints for park development, and allow more parks to be established through land dedication or collection of park fees; therefore it supports the growing public need for park and recreational space, as well as the general welfare of the community.

**CEQA Findings**

In accordance with the California Environmental Quality Act (CEQA), this proposed project is exempt pursuant to General Exemption Article 19, Sections: 15273, Rates, Tolls, Fares, and Charges, a(4); 15378, Project, b(4); and Categorical Exemption sections: 15301, Existing Facilities (Class 1); 15302, Replacement or Reconstruction (Class 2); 15303, New Construction or Conversion of Small Structures (Class 3); 15304, Minor Alterations to Land (Class 4); 15316, Transfer of Ownership of Land in Order to Create Parks (Class 16);

# Attachment 2: Environmental Clearance

COUNTY CLERK'S USE | CITY CLERK'S USE

# CITY OF LOS ANGELES

OFFICE OF THE CITY CLERK
200 NORTH SPRING STREET, ROOM 360
LOS ANGELES, CALIFORNIA 90012

**CALIFORNIA ENVIRONMENTAL QUALITY ACT**

# NOTICE OF EXEMPTION

(State CEQA Guidelines Section 15062)

Filing of this form is optional. If filed, the form shall be filed with the County Clerk, 12400 E. Imperial Highway, Norwalk, CA 90650, Pursuant to State CEQA Guidelines Section 15062(d), the filing and posting of this notice starts a 35-day statute of limitations on legal challenges to the approval of the project.

| LEAD CITY AGENCY | COUNCIL DISTRICT |
|---|---|
| **City of Los Angeles Department of City Planning** | All |

| PROJECT TITLE | LOG REFERENCE |
|---|---|
| Parks Dedication and Fee Program Update | ENV-2015-2329-CE |

PROJECT LOCATION
Citywide

DESCRIPTION OF NATURE, PURPOSE, AND BENEFICIARIES OF PROJECT:
The proposed project includes an ordinance amending Sections 12.21, 12.33, 17.03, 17.07, 17.12, 17.58 and adding Section 19.17 of the Los Angeles Municipal Code (LAMC) and a resolution amending the definitions of park sites and recreational amenities and facilities within the Public Recreation Plan of the Service Systems Element of the City of Los Angeles General Plan to: (1) update existing Quimby in-lieu fees for land dedication required of subdivision projects, with an exception for affordable housing units; (2) create a park dedication and in-lieu park fee for non-subdivision multifamily residential projects, with an exemption for affordable units; (3) expand credit options toward the land dedication or fee amount for projects providing park-related amenities greater than the minimum open space requirements; (4) expand project radii within which parks may be built from park fee funds; (5) require a predevelopment meeting to review land dedication options for large subdivision projects; and (6) clarify the applicability of Quimby fees to the Greater Downtown Housing Incentive Area open space incentive.

NAME OF PERSON OR AGENCY CARRYING OUT PROJECT, IF OTHER THAN LEAD CITY AGENCY:

| CONTACT PERSON | AREA CODE TELEPHONE NUMBER | EXT. |
|---|---|---|
| Yi Lu | (213) 978-1287 | |

EXEMPT STATUS: (Check One)

| | | STATE CEQA GUIDELINES | CITY CEQA GUIDELINES |
|---|---|---|---|
| ☐ | MINISTERIAL | Sec. 15268 | Art. II, Sec. 2b |
| ☐ | DECLARED EMERGENCY | Sec. 15269 | Art. II, Sec. 2a (1) |
| ☐ | EMERGENCY PROJECT | Sec. 15269 (b) & (c) | Art. II, Sec. 2a (2) & (3) |
| X | STATUTORY EXEMPTION | Sec. 15273(a)(4) | Art. II, Sec. 2a |
| X | CATEGORICAL EXEMPTION | Sec. 15300 *et seq.* | Art. III, Sec. 1 |
| | Class 1, 2, 3, 4, and 16 - State CEQA Guideline Sections 15301, 15302, 15303, 15304, and 15316 | | |
| X | OTHER/GENERAL EXCLUSION | Sec. 15378(b)(4) | n/a |

JUSTIFICATION FOR PROJECT EXEMPTION: Pursuant to State CEQA Guidelines Section 15378(b)(4), the fee update is not a "project" within the meaning and scope of CEQA because it is a government funding mechanism that does not involve a commitment to any specific project that may result in a potentially significant physical impact on the environment. If it is found to be a CEQA project, the fee update is statutorily exempt pursuant to State CEQA Guidelines Section 15273(a)(4) covering the establishment, modification, structuring, restructuring or approval of rates, tolls, fares, or other charges by a public agency for the purpose of obtaining funds for capital projects, necessary to maintain service within existing service areas because the proposed fee update is necessary to maintain the City's established park level of service standard within the existing service area (citywide) and does not include the development of any site. (*See also* Pub. Resources Code § 21080(b)(8).) The fee update is also categorically exempt in accordance with Sections 15301, 15302, 15303, 15304, and 15316 of the State CEQA Guidelines (classes 1, 2, 3, 4, and 16, respectively) applicable to: Minor Alterations of Existing Facilities; Replacement or Reconstruction of Existing Structures; Construction or Conversion of Small Structures; Minor Alterations to the Condition of Land; and the Acquisition or Transfer of Land for the Creation of Parks.

IF FILED BY APPLICANT, ATTACH CERTIFIED DOCUMENT ISSUED BY THE CITY PLANNING DEPARTMENT STATING THAT THE DEPARTMENT HAS FOUND THE PROJECT TO BE EXEMPT.

| SIGNATURE | TITLE | DATE |
|---|---|---|
| Nicholas P. Maricich | Senior City Planner | 3/11/16 |

| FEE: | RECEIPT NO. | REC'D. BY | DATE |
|---|---|---|---|
| | | | |

DISTRIBUTION: (1) County Clerk, (2) City Clerk, (3) Agency Record. Rev. 11-1-03 Rev. 1-31-06 Word
IF FILED BY THE APPLICANT:

NAME (PRINTED) SIGNATURE

DATE

# CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA) NARRATIVE

**Parks Dedication and Fee Program Update**

**CPC-2015-2328-CA-GPA**

**ENV-2015-2329-CE**

## I. PROJECT DESCRIPTION

The proposed project includes an ordinance amending Sections 12.21, 12.33, 17.03, 17.07, 17.12, 17.58 and adding Section 19.17 of the Los Angeles Municipal Code (LAMC) and a resolution amending the definitions of park sites and recreational amenities and facilities within the Public Recreation Plan of the Service Systems Element of the City of Los Angeles General Plan to: (1) update existing Quimby in-lieu fees for land dedication required of subdivision projects, with an exception for affordable housing units; (2) create a park dedication and in-lieu park fee for non-subdivision multifamily residential projects, with an exemption for affordable units; (3) expand credit options toward the land dedication or fee amount for projects providing park-related amenities greater than the minimum open space requirements; (4) expand project radii within which parks may be built from park fee funds; (5) require a predevelopment meeting to review land dedication options for large subdivision projects; and (6) clarify the applicability of Quimby fees to the Greater Downtown Housing Incentive Area open space incentive.

Staff has concluded that the proposed fee update and fee structure modification program is not a "project" within the meaning and scope of California Public Resources Section 21000 *et seq.*(CEQA) as defined under CEQA Guidelines Section 15378 (b)(4) and is otherwise exempt pursuant to the statutory and categorical exemptions discussed below.

## II. PROJECT BACKGROUND

Abundant and accessible parks are essential components of healthy and sustainable neighborhoods. As new residential units are built, the City of Los Angeles currently receives land dedication or an in-lieu fee from certain subdivision and multifamily projects requiring a zone change (Quimby and Finn Fees, respectively). Yet factors such as the high cost and scarcity of land and population increases limit the City's ability to maintain its existing level of service (LOS) standard of 4.2 acres of parkland per 1,000 residents for city-owned parks.[1] This ordinance addresses the limitations of the current fee program, and is supported by five Council Motions (Council Files 05-1562, 07-3619, 07-3387-S2, 12-1000-S2, 12-1178-S2), a Mayoral Directive, and the recently-adopted Park and Recreation Plan and Health and Wellness Element of the City's General Plan. The Park and Recreation Site and Facility Development Impact Fee Study dated June 23, 2015 provides technical analysis supporting the adoption of a citywide

[1] The Public Recreation Plan of the Service Systems Element of the City's General Plan includes park LOS standards (park acreage per 1,000 residents) for community and recreation sites. Based on the City's inventory of park and recreational facilities and population estimates, the established LOS standard of 4.2 acres per 1,000 residents for city-owned parks.

impact fee and an updated park in-lieu fee as necessary to achieve the City's establish park LOS standard.

Specifically, the narrow and restrictive nature of the existing parkland dedication and in-lieu fee program limits the City's ability to achieve open space policies and objectives set forth in the General Plan as well as the existing park LOS standard. While all new residential units increase the demand for park and recreation facilities, only certain residential projects are required to provide a land dedication or in-lieu fee under the current fee program, resulting in funds that are insufficient to acquire land for the establishment of new parks. In addition, the radius in which the fees can be spent around each project site is too restrictive to permit meaningful land acquisitions, particularly where the cost of land is high and available sites are scarce. The current park fee program is also derived from outdated metrics that do not accurately reflect the actual cost and is further hindered by inflexible and outdated definitions of park types. In addition, existing park facility capital improvement credits available to developers for projects that exceed minimum open space code requirements are insufficient to incentivize greater land dedication.

The proposed park fee update and fee structure modification will address limitations of the current fee program through the following:

- Update fees by: (1) revising the subdivision project in-lieu fee (Quimby) to reflect present land values and park development costs, and (2) creating a park fee for non-subdivision projects to achieve the park, recreation and open space objectives in a wider range of neighborhoods, particularly those with high concentrations of multifamily residential units.
- Permit expenditures of collected fees by: (1) expanding the radius of fee-source sites in which funds are allocated to permit greater flexibility in land acquisition and park rehabilitation, and (2) revising outdated definitions of park types that limit how fee monies can be allocated.
- Encourage land dedication by: (1) expanding credit options for private and public park space that established beyond the minimum requirements set forth in LAMC, and (2) requiring a pre-development meeting for large projects (50 units or more) to review land dedication options in the early stages of project review.

## III. <u>ENVIRONMENTAL REVIEW UNDER CEQA</u>

The proposed park fee update and fee structure modification is exempt from CEQA, because the action does not qualify as a "project" for the purposes of CEQA.

State CEQA Guidelines Section 15378(b) identifies specific actions that do not constitute "projects" within the meaning of CEQA. Section 15378(b)(4) provides that a "project" does *not* include "[t}he creation of government funding mechanisms or other government fiscal activities which does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment."

The proposed fee update and fee structure modification enables the collection and allocation of fees for the continued establishment and rehabilitation of parks and recreational facilities. No development or construction is planned or included in the proposed fee update, nor does the City have a citywide master park plan that earmarks funds for certain parks or recreation facilities for receipt of funds under this ordinance. Therefore, the proposed rate program does not involve a commitment to any specific project, which may result in a potentially significant physical impact on the environment. Based on this, the fee update and fee structure modification is not a “project” for the purposes of CEQA.

Notwithstanding that the fee program is not a “project” for the purposes of CEQA, it is exempt from CEQA pursuant to the following statutory and categorical exemptions:

A. *State CEQA Guidelines Article 18, **Section 15273(a)(4)** statutorily* exempts “*the establishment, modification, structuring, restructuring, or approval of rates, tolls, fares, or other charges by public agencies obtaining funds for capital projects, necessary to maintain service within existing service areas.”*

   The proposed fee update modernizes the City’s development impact fees by creating a park impact fee for non-subdivision projects and updating the subdivision project in-lieu fee to accurately reflect the cost of land and park rehabilitation and improvements. Related expenditure limitations will also be loosened by expanding the radius around project sites within which the collected fees can be spent as well as modifying outdated definitions of recreation site and facilities. The new and updated fees are designed to maintain the City’s established park LOS standard of 4.2 acres per 1,000 residents within the existing service area of the City. As set forth in the City’s most recent Park Development Impact Fee Study, a modification of the current fee program is necessary to maintain the existing park LOS within the City. Further, the service area under the existing fee program is citywide and will remain unchanged by the proposed fee update and modification to the fee structure.

B. *State CEQA Guidelines Article 19, **Section 15301, Class 1,** sets forth an exemption for “the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of use beyond that existing at the time of the lead agency’s determination.”*

   The proposed fee update and fee structure modification program enables the continued acquisition of land and collection of fees for the purpose of maintaining the established park LOS and rehabilitating existing recreational facilities. Park fees obtained through this program may be used for the installation of certain park-related amenities which may include, without limitation, playground equipment, patios, swimming pools, limited expansion of recreational buildings - all of which would constitute minor alterations to existing public facilities and structures and would not expand or change existing uses of those facilities and sites.

C. *State CEQA Guidelines Article 19, **Section 15302, Class 2,** consists of “replacement or reconstruction of existing structures and facilities where the new structure will be located on the same site as the structure replaced and will have substantially the same purpose and capacity as the structure replaced.”*

The proposed fee update enables the continued acquisition of land and collection of fees for the purpose of maintaining the City's established park LOS standard of 4.2 acres per 1,000 residents. The fee update and fee structure modification does not identify or plan for the development or construction of any specific sites. Following implementation of the proposed program, fees may be used for the replacement or reconstruction of existing structures (e.g. repair of community buildings) or other structures at sites that will be determined and identified subsequent and independent to the implementation of the fee program.

Any future projects funded through the proposed fee program will undergo appropriate environmental review and analysis in compliance with CEQA.

D. *State CEQA Guidelines Article 19,* ***Section 15303, Class 3,*** *categorically exempts the "construction and location of limited numbers of new, small facilities or structures; installation of small new equipment and facilities in small structures; and the conversion of existing small structures from one use to another where only minor modifications are made in the exterior of the structure."*

The proposed fee program permits the continued acquisition of land and collection of fees for the purpose of maintaining the City's established park LOS standard. The fee program does not generate any specific development or construction; however, park fees may ultimately fund the construction of new pocket parks, dog parks, or other small public spaces in various locations citywide. Park fees may also be utilized for the construction of new playground equipment, patios, swimming pools, or other small structural additions within existing and new park spaces. Expenditure of fees and sites receiving funding through the proposed program are not yet known and will be determined and identified subsequent to adoption and implementation of the fee program.

Future projects funded through the proposed fee program will undergo environmental review and assessment in compliance with CEQA.

*E. State CEQA Guidelines Article 19,* ***Section 15304, Class 4*** *consists of "minor public or private alterations in the condition of land, water, and/or vegetation which do not involve removal of healthy, mature, scenic trees except for forestry or agricultural purposes."*

The proposed fee update permits the continued dedication of land and collection of fees for the purpose of maintaining the City's established park LOS and rehabilitating existing recreational facilities. There is no citywide master park plan or funds specifically committed for certain parks and recreation facilities; park fees may ultimately be used for the improvement and rehabilitation of existing parks and open space land, to be identified subsequent to implementation of the fee program.

Future development projects funded through this fee update and modification will undergo environmental review and analysis and must comply with the requirements of CEQA.

F. *State CEQA Guidelines Article 19,* ***Section 15316, Class 16*** *establishes an exemption for "the acquisition, sale, or other transfer of land in order to establish a park where the land is in a natural condition or contains historical or archaeological resources."*

The proposed fee program updates the mechanism for acquisition of land and collection of fees for the purpose of supporting the City's established park LOS standard and rehabilitating existing recreational facilities. While there is no citywide master park plan or funds specifically committed for certain parks or recreation facilities, undeveloped open space may ultimately be acquired through fee program-funds. Any such acquisitions (though not yet identified) will be exempt pursuant to State CEQA Guidelines Section 15136.

## IV. EXCEPTIONS TO THE USE OF CATEGORICAL EXEMPTIONS

The proposed ordinance does not satisfy the criteria for the exceptions to Categorical Exemptions as listed in State CEQA Guidelines, Article 19, Section 15300.2:

A. Location: Classes 3, 4, 5, 6, and 11 are qualified by consideration of where the project is located. A project that typically has an insignificant effect on the environment may not be exempt from review if the project site is located in a particularly sensitive environment. If such exceptions to the exemptions apply, the categorical exemptions may not be utilized these classes may not be utilized where the project may impact on an environmental resource of hazardous or critical concern where designated, precisely mapped, and officially adopted pursuant to law by federal, state, or local agencies.

This exception applies to Classes 3 and 4 where the project is located in a particularly sensitive environment. The fee update and fee modification program enables the continued dedication of land and collection of fees for the purpose of maintaining the established park LOS and rehabilitating existing recreational facilities. No development or construction is planned or identified under the proposed program therefore, it would be too speculative to assume at this time that future park sites funded by the fee program would be constructed in a designated or mapped sensitive environment. Future park developments funded by the proposed ordinance will also undergo their own environmental review and analysis in compliance with CEQA.

The City designates, maps and officially adopts areas of special resources and hazards in the Safety Element of the General Plan. While the proposed ordinance is not a physical project, it is feasible that new or improved park and recreation facilities might be located within a sensitive area identified in the Safety Element. Each designated, adopted map area in the Safety Element has been reviewed in light of the proposed fee program. As the fee program will be applicable citywide but does not enable development or construction of any specific site, it would be highly speculative to assess impact to any mapped study areas and/or specific sites.

Therefore, this exception is not applicable.

B. <u>Cumulative Impact:</u> The exception applies when, although a particular project may not have a significant impact, the impact of successive projects, of the same type, in the same place, over time, is significant.

The proposed fee update and fee structure modification allows for continued land dedication and collection of fees for the purpose of maintaining the City's established park LOS standard and rehabilitating existing recreational facilities. The proposed fee update applies citywide and does not include development or construction of any specific areas or sites, as such, it is not reasonably foreseeable at this time that cumulative impacts will occur.

Therefore, this exception is not applicable.

C. <u>Significant Effect Due to Unusual Circumstances:</u> This exception applies when, although the project may otherwise be exempt, there is a reasonable possibility that the project will have a significant effect due to unusual circumstances.

There is no reasonable possibility that the proposed ordinance will have a significant effect due to unusual circumstances. The proposed fee update program enables the continued acquisition of land and collection of fees for the purpose of maintaining the City's established park LOS standard citywide and rehabilitating existing recreational facilities. Providing parks at the level proposed by the fee is not unusual in an urban setting such as the City of Los Angeles. It is not reasonably foreseeable at this point in time that the indirect effect of construction or development of park land in the City using the proposed fee will result in a significant effect due to unusual circumstances.

Future park-related projects funded through the fee update will undergo environmental review and analysis in compliance with CEQA.

Therefore, this exception is not applicable.

D. <u>Scenic Highways:</u> This exception applies when, although the project may otherwise be exempt, there may be damage to scenic resources, including but not limited to, trees historic buildings, rock outcroppings, or similar resources, within a highway officially designated as a state scenic highway.

The proposed fee update enables the continued acquisition of land and collection of fees for the purpose of maintaining the City's established park LOS standard and rehabilitating existing recreational facilities. The fee update does not include development or construction of park sites, nor is there a citywide master park plan or funding mechanism committed for specific parks or recreation facilities. Any attempt to determine site impacts before there is a specific commitment of funds and applicable sites would be highly speculative and not representative of the fee program as a whole. At this point in time, it is not reasonably foreseeable that the adoption of the fee will result in an indirect impact to a scenic highway. Future construction of parks or facilities from fee program funds will also undergo environmental review and analysis in compliance with CEQA.

Therefore, this exception is not applicable.

E. Hazardous Waste Sites: Projects located on a site or facility listed pursuant to California Government Code 65962.5.

The proposed fee update enables the continued acquisition of land and collection of fees, which for the purpose of maintaining the City's established park LOS standard and rehabilitating existing recreational facilities. Any attempt to identify and determine impacts to listed sites would be too speculative as the fee update applies citywide and does not include development or construction of any specific areas or sites. At this point in time, it is not reasonably foreseeable that the adoption of the fee will result in an indirect impact from construction or rehabilitation of a park on a site or facility identified on the Cortese list.

In addition, creation of new parks and rehabilitation of land and facilities funded by the proposed fee update will undergo environmental review and must comply with CEQA.

Therefore, this exception is not applicable.

F. Historical Resources: Projects that may cause a substantial adverse change in the significance of an historical resource.

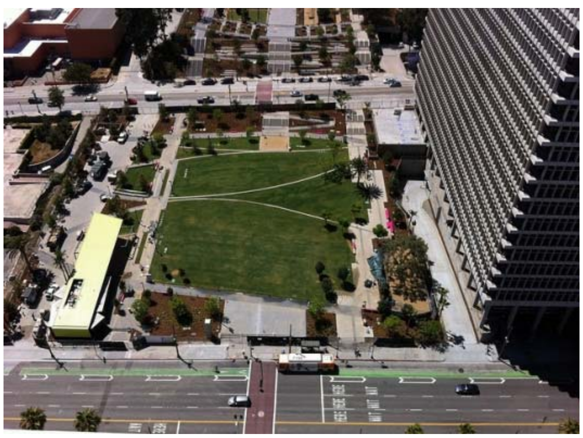
No development or construction projects are planned under the proposed fee update and fee structure modification (nor does the City have a citywide master park plan that would indicate potential future park sites or areas that would receive fee program funds). As no projects, sites or areas are known at this time, it would be too speculative to analyze site-specific impacts, and including potential adverse changes (if any) to historical resources as defined in State CEQA Guidelines Section 15064.5. Therefore, it is not reasonably foreseeable that the adoption of the fee update will result in direct or indirect adverse changes to the significance of any historical resources.

Therefore, this exception is not applicable.

# Attachment 3: Impact Fee Study

# City of Los Angeles Park and Recreation Site and Facility Development Impact Fee Study






Prepared for the City of Los Angeles
Prepared by Raimi + Associates
June 23, 2015

# Table of Contents

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# 1. Introduction

This Park and Recreation Site and Facility Fee Study (Fee Study) documents the technical analysis and nexus findings to support the adoption of a citywide impact fee and an updated park in-lieu fee to enable the acquisition, expansion, and improvement of park and recreational facilities for the future residents of the City of Los Angeles. The City would collect the park and recreation impact fees from new residential development and use revenue from the fees to cover the cost of capital facilities and improvements to serve new growth. This Fee Study is consistent with the standards outlined by the Mitigation Fee Act (Code of California Sections 66000 through 66025).

## Purpose of the Fee Study

New residential development in the City increases demand on existing park and recreational facilities and creates a need for additional facilities. Currently, the City collects park and recreation facility fees for projects that subdivide the land (Quimby In-Lieu Fee) and for multifamily residential projects requiring a zone change (Finn Fee). In addition to Quimby and Finn fees, the City collects a Dwelling Unit Construction Tax of $200 per residential unit. Some residential dwelling units, such as market-rate apartments not requiring a zone change, do not pay park and recreation impact fees (they do pay the Dwelling Unit Construction Tax). Furthermore, existing park and recreational site and facility impact fees do not reflect the current cost of land acquisition and park improvement.

The City of Los Angeles is expected to receive significant housing development to accommodate projected population growth. Park and recreation facility land will need to be acquired and park and recreational improvements will have to be constructed to meet the increased demand and to maintain the existing park service standard.

The purpose of this Fee Study is twofold. First, some residential dwelling units, e.g. market rate apartments, may not pay park and recreation fees to the City. This report documents the technical analysis and nexus findings to support a citywide impact fee on residential development that does not subdivide the land. Second, the existing Quimby In-Lieu Fees, though updated each year to account for inflation and market changes, are still considerably out of date and do not accurately reflect present land values or park development costs. This Fee Study documents the necessary technical analysis to increase park and recreation site and facility impact fees for residential subdivision projects.

This document calculates impact fees for residential units based on the existing City-owned service standard of 4.2 acres of parkland per thousand residents. Using a single park service standard, based on the City's existing service standard, allows the City to apply the same calculation methodology to residential development that does not subdivide the land and to residential projects that subdivide the land.

## Background on Existing Park and Recreation Fees

Currently, the City collects three separate park and recreation fees. The City of Los Angeles' Quimby regulations require developers to dedicate land, or pay an in-lieu fee, as a condition of subdivision map approval. The city's Quimby regulations were adopted under Ordinance 141,422 in 1971 and can be found in Section 17.12 of the Los Angeles Municipal Code (LAMC).

Quimby fees apply to residential subdivisions such as condominiums and tract homes, but do not affect residential development projects that do not subdivide the land e.g., rental apartment developments. In 1985, park fees were also extended to market-rate, multi-unit residential projects requesting a zone change (Ordinance 159,691). Known as the Finn Fees for the City Councilman who introduced them, they are collected and administered exactly the same as Quimby. The Finn regulations are contained in Section 12.33 of the LAMC. The fees used for both Quimby and Finn vary by residential zone density, and are adjusted annually by the Department of City Planning as shown in Table 1. Currently, Quimby and Finn fees are at the lowest end of the spectrum for California jurisdictions as shown in Table 15.

*Table 1: New Quimby and Finn Fees Published for 2015-2016*

| Zoning District | Fee per dwelling unit |
|---|---|
| New dwellings in the A, RA, RE, RS, R1, RU, RZ, RW1, R2 Zone | $2,634 |
| New dwellings in the RW2, RD, R3, RAS3 Zone | $3,955 |
| New dwellings in the R4, RAS4 Zone | $5,391 |
| New dwellings in the R5 Zone | $7,598 |
| New dwellings in all other Zoning designations | $5,391 |

In addition to Quimby and Finn fees, the City enacted a Dwelling Unit Construction Tax in 1971. The tax is $200 per residential unit. Projects that pay Quimby or Finn fees receive a credit for the tax payment. The Dwelling Unit Construction Tax regulations are contained in Section 21.03 of the LAMC.

## Legal Context

A new park and recreation impact fee would be established through a new park and recreation facility fee ordinance. The existing Quimby Ordinance that allows the City to collect in-lieu fees for new residential subdivisions would need to be revised, and the existing Finn Ordinance for residential zone changes would need to be revised or removed. In addition to adopting a new ordinance, the City will need to adopt a park and recreation facility fee schedule based on the analysis contained in this report. This may be accomplished by ordinance, as part of the ordinance described above, or through a separate resolution.

The park and recreation site and facility impact fee program in this study is designed to fund capital improvements. Key requirements of the Mitigation Fee Act are as follows:

- **Nexus findings**. The Mitigation Fee Act requires that a nexus must be established between the impact of a development and the purpose, use, and location of the fee to be collected. The

Mitigation Fee Act requires specific findings be made to establish the fee. These findings are included in Section 8 of this Fee Study.

- **Bare a reasonable relationship to the cost of providing the capital improvements**. New residential development should pay no more than its fair share. The fee amount must be bare a reasonable relationship to the cost of providing the park and recreation facilities.
- **Spent on capital improvements**. Funds from the Mitigation Fee Act may be collected for capital facility and infrastructure cost needed to serve new growth. The Mitigation Fee Act does not allow fees to be spent on operations or maintenance but may allow fees to be spent on administration.
- **Serve future growth**. Mitigation Act Fees may not be used to address existing deficiencies in park and recreation facilities. Fees are intended to serve the future residents of the subdivision or residential project.

This nexus Fee Study calculates the maximum supportable fee the City may adopt. The City may not adopt a fee above this threshold; however, the City may choose to adopt fees below the maximum level based on policy, economic, or other considerations. For example, affordable housing development may be exempt or pay a reduced fee to support the City's housing goals. However, reducing fees would result in lower capital facilities standards or require the City to identify alternative sources of funding (e.g. local parcel tax measures, State and Federal grants) for capital improvements.

## Maximum and Recommended Fees

Table 2 shows the maximum and recommended park and recreation impact fees for the City of Los Angeles. The maximum fee is based on the technical analysis incorporated into this Fee Study and represents the maximum amount the City may charge new development based on the Mitigation Fee Act. The maximum park and recreation facility fee per dwelling unit is $18,364. Based on the maximum fee schedule, new residential development would generate enough revenue to provide the needed capital improvements to maintain the existing park level of service for City-owned facilities. Much of the maximum park and recreation fee is due to land acquisition, which accounts for approximately 82% of the fee. Compared to other cities, the maximum fee would fall within the middle of park and recreation facility fees adopted by other cities. Table 15 shows that adopted park fees vary significantly by jurisdiction, with per unit costs ranging from $4,613 in Long Beach to $38,900 in certain San Jose neighborhoods.

The recommended fee represents a downward adjustment of the maximum fee based on a financial feasibility analysis of housing prototypes in the City. The City proposes collecting two park and recreation impact fees:

- Quimby In-Lieu Fees shall be collected in lieu of park dedication.
- A Park and Recreation Facility Fee shall be collected for all other residential dwelling units.

These fees would apply to all new residential development, except for affordable housing units, to fund a share of future park and recreation site and facility fees. New residential dwelling units which are rented or sold to persons or households of very-low, low, or moderate income shall receive an affordable housing incentive.

*Table 2: Maximum and Recommended Park and Recreation Facility Fees*

| | Maximum Fee | Recommended Fee |
|---|---|---|
| Cost per Unit | $18,364 | $12,500 (Quimby In-Lieu Fee)<br>$7,500 (Park and Recreation Facility Fee) |
| Housing Units Affordable to a Household at or below 120% of AMI | $18,364 | $0 |

# 2. Policy Context

The following section provides background about park level of service standards for the City, park and recreation facility needs, and capital funding sources.

## City Working Groups and Background

Revising the existing park and recreation fee ordinances and fees emerged as an issue in the late-2000s. Three 2007 City Council motions and a 2008 audit by the City Controller called for a reexamination of park fees and park fee policies. Council File 07-3387-S2, co-sponsored by Council members Hahn and Rosendahl, called for the Housing Department, with input from Recreation and Parks, to develop a park fee to be applied to new market rate apartments and condominium conversions.

Subsequently, a combined RAP and DCP working group researched and discussed these issues and began a revised Quimby draft ordinance to address them (approximately 2009-2012). In 2014, City Planning renewed efforts to reform park fee programs. The purpose of this project was to develop an ordinance and amend the Public Recreation Plan of the Service Systems Element. The project included the creation of a Park Advisory Committee (PAC), stakeholder outreach, and technical analysis (existing conditions, scenario, and financial).

During these working groups, revising the park and recreation fees became an important because of the following:

- The City's commitment to improving and expanding park and recreational facilities in all neighborhoods.
- The limited resources being generated by existing development fees relative to the cost to provide new park and recreational facilities.
- The acknowledgement that residents of rental apartments have a need for park space just as those living in new condos or apartment developments that require zone changes.
- The potential loss of other park and recreation facility funding sources, e.g. annual countywide assessments for capital improvements.

## Public Recreation Plan

The Public Recreation Plan, a portion of the Service Systems Element of the City's General Plan, provides recreational definitions, standards, and policies, emphasizing neighborhood and community recreational sites for the City. The Public Recreation Plan includes park level of service standards (park acreage per 1,000 residents) for community and neighborhood recreational sites. The park definitions and service standards are as follows:

- A **Neighborhood Recreational Site**- should provide space and facilities for outdoor and indoor recreational activities. It is intended to serve residents of all ages and abilities in their immediate neighborhood. Neighborhood recreation facilities should be based on local community preferences, allows for both active and passive recreation for users of all ages and abilities, and be site-appropriate and suitable for the intended recreational activity. When available, a community building should be transit accessible and available with facilities for meetings, dances, dramatic productions, arts and crafts, and other community-desired activities. Off-street parking should be provided whenever possible. A neighborhood recreational site should be provided at a minimum of two acres per thousand residents.

- A **Community Recreational Site**- should be designed to serve residents of all ages and abilities in several surrounding neighborhoods. Its facilities serve a much wider interest range than do those of a neighborhood site. The typical community recreational site may offer recreational facilities for organizational activities in addition to the facilities provided for neighborhood site and specialized facilities as may be needed to meet the needs of the community. A community recreational site should be provided at a minimum of two acres per thousand residents.
- A **Regional Park** (Generally over 50 Acres) – provides specialized recreational facilities that have a regional draw, which normally serve persons living throughout the Los Angeles basin. A regional park may include, or emphasize, exceptional scenic attractions. A regional park may also contain the types of facilities provided in neighborhood and community recreational sites.The Public Recreation Plan does not provide service standards for regional parks.

## Community Needs Assessment

The City of Los Angeles Department of Recreation and Parks completed a Community Needs Assessment in 2011. The objectives of the overall planning process are: to preliminary prioritize and address the tremendous needs for additional recreation and park land, to identify existing facilities needing improvements to meet current and future community needs, to identify recreation program needs, to perform demographic analysis, to prevent future maintenance problems, and to offer positive alternatives to an increasingly dense and urbanized population.

The Community Needs Assessment included a comprehensive community outreach and input process that engaged community leaders, stakeholders and the public across the City through a series of one-on-one interviews, focus groups and community forums followed by a statistically valid, city-wide household survey.

The Community Needs Assessment recommended preliminary service levels in the context of the potential challenges associated with the acquisition of park land, including acquisition costs and/or opportunity costs. Preliminary recommended service level guidelines are:

- Mini parks – 0.10 acres per 1,000 persons;
- Neighborhood parks – 1.50 acres per 1,000 persons;
- Community parks – 2.00 acres per 1,000 persons;
- Regional and large urban parks – 6.00 acres per 1,000 persons; current inventories meet and/or exceed the service level for the recommended guideline

- Total parks – 9.60 acres per 1,000 persons.

The Community Needs Assessment project is a critical step in the Department of Recreation and Parks development of a Citywide Recreation and Parks Master Plan and a Five-year Capital Improvement Plan supporting a new vision for the City of Los Angeles' Recreation and Parks Department. The Community Needs Assessment will also serve as the foundation for other long range planning initiatives.

# 3. Existing Demographics and Park Facilities

The following section describes the existing demographic and housing characteristics, existing park level of service, and the cost to build new park and recreation facilities in the City of Los Angeles.

## Existing Population and Housing Units

According to the 2013 American Community Survey, the City of Los Angeles had a population of 3,827,261 in an inventory of 1,422,368 housing units. Of the total population, the household population is 3,743,783 (people living in non-group quarters) living in 1,320,960 occupied housing units. The average household size is 2.83, with an average of 3.3 people per single family dwelling unit and 2.4 people per multifamily dwelling unit. The vacant rate is 7.1%.[1]

## City of Los Angeles Park and Recreational Facilities

Based on the current inventory for all public parks and recreation facilities, there are over 36,000 acres of park land in the City. These include Department of Recreation and Park lands, county lands, and state and federal lands. The current service level for all park is 9.4 acres per thousand residents.[2] The City's inventory of park and recreational facilities totals 15,978 acres.[3] Based on city-owned park and recreation facilities, the existing service standard is 4.2 acres per thousand residents as shown in Table 3.

*Table 3: Existing Park and Recreation Facility Service Standard*

| | **Existing Park Service Standard (All Parks)[1]** | **Existing Park Service Standard (City-owned Parks)[2]** |
|---|---|---|
| Citywide Park Acres | 36,080 | 15,978 |
| Existing Population[3] | 3,827,261 | 3,827,261 |
| **Park Service Standard (Acres per 1,000 Residents)** | **9.4** | **4.2** |

*1. Park acreages calculated from 2009 Citywide Community Needs Assessment.*
*2. Park acreages calculated by the Recreation and Parks Department for all City-owned parks.*
*3. Existing population data from the US Census (2009-2013 American Community Survey).*

## Recently-Constructed Park and Recreation Facilities

As shown in Table 4, the Department of Recreation and Parks compiled an inventory of fourteen different park and recreation projects developed by the City between 2011 and 2014. These projects ranged from 0.08 acres (~3,500 SF) to 30 acres in size. Projects include park landscaping, amenities, fencing, and a variety of park and recreation facilities, including sports fields, children's play areas, fitness equipment,

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[1] 2014. U.S. Census Bureau. American Community Survey 5-Year Estimates.
[2] 2011. Los Angeles Recreation and Parks Department. Community-Wide Needs Assessment.
[3] 2014. Darryl Ford. Personal communication December 3, 2014.

walking trails, and support structures. The total cost for the new park and recreation projects was nearly $21 million, at an average cost of $577,897 per acre.[4]

*Table 4: Recent Park and Recreation Facility Costs*

| Park and Recreation Project | Month Opened | Total Project Cost | Size in Acres | Cost per Acre |
|---|---|---|---|---|
| 111th Place | Dec 2012 | $103,875 | 0.09 | $1,154,167 |
| 61st Street | April 2013 | $326,352 | 0.12 | $2,719,600 |
| Concord and Lowell (El Sereno Arroyo Playground) | Dec 2012 | $780,000 | 0.82 | $951,220 |
| Country Club Park Heritage Plaza | Oct 2011 | $218,721 | 0.08 | $2,734,013 |
| Denker and Torrance | Dec 2012 | $326,017 | 0.15 | $2,173,447 |
| Devonshire Arleta | May 2014 | $1,369,329 | 1.82 | $752,379 |
| Fulton Avenue Park (Fulton/Vanowen) | Jan 2013 | $470,719 | 0.39 | $1,206,972 |
| La Mirada Park | June 2013 | $855,046 | 0.17 | $5,029,682 |
| Orchard Ave | Dec 2012 | $266,384 | 0.14 | $1,902,743 |
| Sepulveda Basin Sports Complex (Phase 1) | April 2013 | $9,560,810 | 30.00 | $318,694 |
| Spring Street Park | June 2013 | $3,162,763 | 0.80 | $3,953,454 |
| Tiara Street Park (North Hollywood Multi-Purpose Intergenerational Center) | Oct 2013 | $2,376,985 | 1.56 | $1,523,708 |
| Wall Street Park | Dec 2013 | $390,232 | 0.09 | $4,335,911 |
| Drum Barracks Park | Dec 2013 | $781,968 | 0.09 | $8,688,533 |
| | | **$20,989,201** | **36.3** | **$577,897** |

[4] The figure only includes the cost to improve the land. It does not include the cost for land acquisition.

# 4. Development Forecast and Demand for New Park and Recreational Facilities

This section outlines the approach and methodology to calculating park and recreation facility fees. It describes projected future development in the City of Los Angeles and uses the projected growth to estimate future demand for park and recreation facilities. These estimates of future park and recreation facility demand provide the basis for determining the maximum justifiable fee.

## Impact Fee Calculation Methodology

There are several different methods to calculate the demand for new park and recreation facilities in order to calculate development impact fees. This study uses a standards-based approach to establish a reasonable relationship between new residential development and the need for park and recreational facilities. Standards-based methods use unit costs for land acquisition and park and recreation improvements. These costs are applied to new development according to the service standard. The ratio of park acres per thousand residents is a common measure for calculating new development's demand for additional park and recreational facilities. Park and recreation facility standards may be based on an adopted policy standard, existing level of service, or land dedication standard established by the Quimby Act. This approach is used when needs are defined by a service standard, and costs can be determined without reference to the total size or capacity of the system.

### Mitigation Fee Act

The California Fee Mitigation Act does not specify a level of service standard for park and recreational facilities. However, a reasonable approach to calculating a facility standard is to use a community's existing service standard. Based on this approach, new residential development would be required to fund new park and recreation facilities at the same standard as existing residential development provided park and recreation facilities to date. As described in Section 3, the City provides 4.2 acres of per thousand residents.

### Quimby Act

Under the Quimby Act, the park land dedication and in-lieu fee may be set between three acres and five acres per thousand residents depending on the existing service standard in the community. If the community's current standard is less than three acres per thousand residents, the park land dedication requirement and in-lieu fee may be established at three acres per thousand residents. If the service standard exceeds three acres per thousand residents, the community may require developers to dedicate land or pay fees up to five acres per thousand residents.

## Population and Housing Unit Growth

Based on the 2035 Regional Growth Projections provided by the Southern California Association of Governments (SCAG), City's population is expected to increase to 4,320,600, a 13% increase in the City's population. SCAG forecast occupied housing growth to 1,626,600, a 23% increase in the total number of occupied housing units. To estimate the total housing units produced, a 7.1% vacancy rate was applied to occupied housing units. The average household size is forecast to drop to 2.66 people per housing unit.

*Table 5: Existing and Projected Population and Housing Unit Growth*

| | Total Population | Total Housing Units | Occupied Housing Units | People per Occupied Housing Unit |
|---|---|---|---|---|
| Existing[1] | 3,827,261 | 1,422,368 | 1,320,960 | 2.90 |
| Projected Buildout[2] | 4,320,600 | 1,742,569[3] | 1,626,600 | 2.66 |
| **Projected Growth** | **493,339** | **320,201** | **305,640** | **1.61** |
| *Percent Change (2013-2035)* | *13%* | *23%* | *23%* | *-8%* |

*1. Existing data from the US Census (2009-2013 American Community Survey)*
*2. Projected buildout data from the Southern California Association of Government's 2012 Adopted Regional Growth Forecast*
*3. Total housing units estimated by assuming a vacancy rate of 7.1% based on 2013 U.S. Census.*

## Non-Residential Development and Employment Growth

SCAG projects that the City of Los Angeles will add 171,600 new jobs by 2035 requiring the City to add millions of square feet of new non-residential development.[5] These new employees will increase demand for existing park and recreation sites and facilities. Although the Mitigation Fee Act allows the City to impose a park and recreation fee on non-residential development, and many jurisdictions have done so, the City determined that no fee will be applied to non-residential development.

## New Park and Recreation Land to Serve Future Development

Projected growth is the basis for estimating future demand for park and recreation facilities. The population growth, described in the previous section, will increase demand for park and recreation sites and facilities and is used to calculate the required parkland acquisition to serve new growth. Park and recreation impact fees are based on the estimated cost of acquiring residential land for new facilities and the cost to improve the land for park and recreational purposes. The cost of land fluctuates from year to year, so in order to provide a more stable estimate of the cost of residential land, land transactions from 2011-2013 were reviewed. The average value per acre of residential land in the City of Los Angeles during this period was $2,594,807.[6]

Table 6 shows the cost for park and recreational land to serve future development. New residential development would be required to fund new park and recreation facilities at the same standard as existing residential development provided park and recreation facilities to date, 4.2 acres of per thousand

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[5] Southern California Association of Governments. 2012. Regional Transportation Plan (2012-2035) Growth Forecast.
[6] Residential land value per acre is based on the average assessed land value for parcels sold between 2011 and 2013. The calculation excludes non-residential parcels, condominiums, condominium conversions, and outliers (parcels with a land value 2.5 standard deviations from the mean). Value calculated using Los Angeles County Assessor information.

residents. New residential development will generate demand for 2,060 acres at a cost of approximately $5,344,209,475.

*Table 6: Estimated Parkland Investment to Serve New Growth*

| Park Service Standard | Current service standard for City-owned parks[1] |
|---|---|
| Park Service Standard (Acres per 1,000 Residents) | 4.2 |
| Projected Population Growth (2013 to 2035)[2] | 493,339 |
| Required Parkland Acquisition for New Development (Acres) | 2,060 |
| Land Cost per Acre[3] | $2,594,807 |
| **Total Park Acquisition Cost** | **$5,344,209,475** |

*1. Park acreages calculated by the Recreation and Parks Department for all City-owned parks.*
*2. Projected population growth estimated using SCAG regional growth projections for 2035.*
*3. Residential land value per acre is based on the average assessed land value for parcels sold between 2011 and 2013. The calculation excludes non-residential parcels, condominiums, condominium conversions, and outliers (parcels with a land value 2.5 standard deviations from the mean). Value calculated using Los Angeles County Assessor information.*

## Park and Recreation Land Improvements to Serve New Development

New park and recreation land will need to be improved to the standards currently provided to existing residents. Examples of improvements will vary by site and may include a variety of park and recreation facilities, including sports fields, children's play areas, fitness equipment, walking trails, and support structures. Using the average cost of new park and recreation facility per acre from Table 4, Table 7 shows the improvement costs of $1,190,224,449.

*Table 7: Estimated Park and Recreation Facility Improvements to Serve New Growth*

| Park Service Standard | Current service standard for City-owned parks |
|---|---|
| Park Service Standard (Acres per 1,000 Residents) | 4.2 |
| Park Facility Cost per Acre | $577,897 |
| **Park Facility Improvement Cost** | **$1,190,224,449** |

## Total Park and Recreation Land and Improvement Costs to Serve Future Development

Table 8 shows the total park fee program costs including park land acquisition and park facility improvement costs. This totals approximately $6.5 billion. Eighty-two percent of the park and recreation fee is attributed to land acquisition costs. These total cost estimates represent the maximum fee-funded cost for a new residential impact fee.

*Table 8: Estimated Parkland Investment to Serve New Growth*

| | |
|---|---|
| Park Service Standard | Current service standard for City-owned parks |
| Park Service Standard (Acres per 1,000 Residents) | 4.2 |
| Parkland Acquisition Cost | $5,344,209,475 |
| Park Facility Improvement Cost | $1,190,224,449 |
| **Total Park Fee Program Costs** | **$6,534,433,924** |

# 5. Park and Recreational Facility Funding Sources

The Department of Recreation and Parks receives funding for capital improvements from a variety of sources. This section describes those funding sources and estimates how much revenue will be available annually from each source in the future.

## Park and Recreational Facility Funding Sources

The following is a summary of the capital improvement funding sources that have been available to the Department of Recreation and Parks during the last ten years and the amounts awarded to Recreation and Parks under each.

### Proposition A (Annual Countywide Assessment)

Proposition A (A-1) was approved in November 1992 and a second Proposition A (A-2) was approved in November 1996. Proposition A authorized an annual assessment on nearly all of the 2.25 million parcels of real property in Los Angeles County. Proposition A (A-1) expires in June 2015 and Proposition A (A-2) expires in June 2019. Recreation and Parks has been / will be awarded $105 million in park capital improvement funding from Prop A (1&2) over the life of those assessments.

### Proposition K (Annual Citywide Assessment)

The Proposition K (L.A. for Kids Program) was approved in November 1996. Proposition K authorized the City to collect up to $25 million in annual assessments for a total funding of $750 million over the life of the program. The ballot measure included a number specified projects that had to be completed and required that the City run a competitive grant process to award the rest of the capital funds. Prop K is currently in its 17th year of a 30-year authority. The ballot measure specifies expenditure ratios that the City must achieve over the 30-year life of the program for capital expenses (82%), maintenance (15%) and administration (3%). Over the life of the Prop K assessment a maximum of $615 million (or $20.5 million annually) of the assessed funds are available for capital improvements.

### Quimby and Finn Fees

The City of Los Angeles' Quimby regulations require developers to dedicate land, or pay an in-lieu fee, as a condition of subdivision map approval. In 1985, park fees were also extended to market-rate, multi-unit residential projects requesting a zone change. Known as the Finn Fees for the City Councilman who introduced them, they are collected and administered exactly the same as Quimby. Between 2003 and 2013, the City received $161,203,412 in Quimby and Finn fees. Thirty-five percent of the Quimby and Finn fees were received from development projects in the Hollywood, Central City, and Wilshire Community Planning Areas.

### State and Federal Grant Programs

During the last ten years (starting in FY 2003), the Recreation and Parks Department was awarded $159,712,416 for capital improvements from the following State and Federal grant programs:

- Prop 40 (Specified) = $21,003,000
- Prop 40 (RZH) = $17,802,136
- Prop 40 (Per Capita) = $16,744,000
- Prop 40 (Specified - UAP) = $9,500,000
- Prop 40 (Urban Parks) = $18,600,000
- Prop 84 (Statewide Parks Rd 1) = $18,669,278
- Prop 84 (Statewide Parks Rd 2) = $7,875,000
- Prop 1C (Housing Related Parks 2010) = $1,068,789
- Prop 1C (Housing Related Parks 2011) = $1,891,300
- Prop 1C (Housing Related Parks 2013) = $8,221,950
- CDBG (Active) = $9,740,780
- CDBG (Complete) = $17,604,771
- Miscellaneous Grant Programs = $10,991,412

### Proportion of Funding by Source

Table 9 shows the approximate, average annual amount of funding available from each source during the last ten years. On average, over the last decade awards from Propositions A and K comprised the largest proportion of capital funds available to the City (43%). Development fees (Quimby and Finn) accounted for 29% of the annual funding available to the City. State and Federal grant programs represented approximately 28% of the annual capital funds available to the City.

*Table 9: Revenue Sources for Capital Improvements*

| Capital Funding Sources | Estimated Annual Amount Available to the City[5] | Proportion from Source |
|---|---|---|
| Proposition A[1] | $3,888,889 | 7% |
| Proposition K[2] | $20,500,000 | 36% |
| Quimby and Finn fees[3] | $16,120,341 | 29% |
| State and Federal grant programs[4] | $15,971,242 | 28% |
| **Total** | **$56,480,472** | |

*1. Proposition A estimated by dividing the total awarded value ($105 million) by lifetime of the assessment (27 years).*
*2. Proposition K estimated by multiplying the total funding ($750 million) by the capital expenditure ratio (82%) and dividing by the lifetime of the assessment (30 years).*
*3. Summarized from data provided by Recreation and Parks.*
*4. State and Federal grant programs estimated by dividing the awarded grants ($159,712,416) by time period (10 years).*
*5. Actual annual funding fluctuated from year to year.*

## Proportion of Future Capital Funding from Park and Recreation Facility Funding Sources

Several sensitivity tests were conducted to understand how changes to these funding sources would impact park and recreation site and facility financing in the future. The sensitivity analysis helped to define the range of funding available from these existing sources in order to better understand the amount of future funding necessary from new residential development. In particular, Propositions A and K are set to expire in 2019 and 2026, respectively. Sensitivity tests looked at funding available from these sources if they are allowed to expire and/ or are renewed. In all sensitivity tests, capital revenue from State and Federal grants programs are assumed to remain constant.

Table 10 shows the range of funding available to the City if Propositions A and K expire and/or are renewed. If Proposition A and K are allowed to expire, the City could expect to receive approximately $641 million from these sources. If both Propositions are renewed, the City could generate approximately $888 million. Per housing unit, local propositions and State and Federal grant programs may reduce total park fee program costs between $2,043 and $2,829 as shown in Table 11.

*Table 10: Sensitivity Analysis of Funding Sources for Capital Improvements*

| | **Proposition A[1]** | **Proposition K[2]** | **State and Federal Grant Programs[3]** | **Total (Excluding Impact Fees)** |
|---|---|---|---|---|
| **Current Expiration Date** | | | | |
| Est. Annual Amount Available | $3,888,889 | $20,500,000 | $15,971,242 | |
| Expires | 2019 | 2026 | N/A | |
| Number of Years Available (2014 to 2035) | 6 | 13 | 22 | |
| **Total Contribution Towards Park Acquisition and Park Facility Cost** | **$23,333,333** | **$266,500,000** | **$351,367,315** | **$641,200,649** |
| **Test 1: Proposition A renewal, Proposition K expires, maintain State and Federal grant programs** | | | | |
| Total Contribution Towards Park Acquisition and Park Facility Cost | $85,555,556 | $266,500,000 | $351,367,315 | $703,422,871 |
| **Test 2: Proposition A expires, Proposition K renewal, maintain State and Federal grant programs** | | | | |
| Total Contribution Towards Park Acquisition and Park Facility Cost | $23,333,333 | $451,000,000 | $351,367,315 | $825,700,649 |
| **Test 3: Proposition A and K renewal, maintain State and Federal grant programs** | | | | |
| Total Contribution Towards Park Acquisition and Park Facility Cost | $85,555,556 | $451,000,000 | $351,367,315 | $887,922,871 |

*1. Proposition A estimated by dividing the total awarded value ($105 million) by lifetime of the assessment (27 years).*
*2. Proposition K estimated by multiplying the total funding ($750 million) by the capital expenditure ratio (82%) and dividing by the lifetime of the assessment (30 years).*
*3. State and Federal grant programs estimated by dividing the awarded grants ($159,712,416) by time period (10 years).*

Over time, the City can reasonably expect that a larger proportion of park and recreation site acquisition and facility improvements will need to be funded through development impact fees. Based on these sensitivity tests, local propositions and State and Federal grant programs may contribute between 11% and 15% depending on the expiration or renewal of Propositions A and K.

Table 11 shows the proportion of park and recreation facility fees covered by non-development sources and development impact fees in the future. For the purposes of this analysis, it is assumed that both Proposition A and K expire. As such, the City collects approximately $641 million from Propositions A and K and State and Federal grant programs by 2035. Much of this funding would be available to the City through 2026, when Proposition K expires. Development impact fees would need to contribute $5,893,233,275 to provide the needed capital improvements to maintain the existing park level of service for City-owned facilities.

*Table 11: Total Park Program Costs Covered by Development Impact Fees*

| Park Service Standard | Current service standard for City-owned parks |
|---|---|
| Park Service Standard (Acres per 1,000 Residents) | 4.2 |
| Total Park Fee Program Costs (Parkland Acquisition + Park Facility Improvement) | $6,534,433,924 |
| Estimated Contributions from Propositions and State and Federal Grant Programs (Current Expiration Date) | $641,200,649 |
| **Total Park Fee Program Costs Covered by Development Impact Fees** | **$5,893,233,275** |

# 6. Development Impact Fee Calculation

This section describes the maximum supportable park and recreation site and facility fee and recommended park and recreation site facility fees for the City. The maximum fee is based on the technical analysis incorporated into this Fee Study and represents the upper limit on what the City may charge new development based on the Mitigation Fee Act. The recommended fee represents a downward adjustment of the maximum fee based on a financial feasibility analysis of housing prototypes as well as the City's affordable housing goals.

## Maximum Fee Calculation

The maximum justifiable park and recreation site and facility fee was calculated based on the residential development forecast and the demand for new parks and recreation facilities described in the previous section. The costs allocated to each residential unit were estimated by dividing the total park fee program costs covered by development fees by the projected housing growth.

Table 12 shows the maximum fee for park and recreation sites and facilities. The fee is $18,364 per unit for all residential dwelling unit types. This fee would generate approximately $5.9 billion in revenue for park and recreation facilities by 2035, generating enough revenue to provide the needed capital improvements to maintain the existing park level of service for City-owned facilities.

*Table 12: Estimated Maximum Justifiable Park and Recreation Fee per Residential Dwelling Unit*

| Park Service Standard | Current service standard for City-owned parks |
|---|---|
| Park Service Standard (Acres per 1,000 Residents)[1] | 4.2 |
| Total Park Acquisition Cost | $5,344,209,475 |
| Park Facility Improvement Cost | $1,190,224,449 |
| **Total Park Fee Costs for New Development** | **$6,534,433,924** |
| Estimated Contributions from Propositions and State and Federal Grant Programs (Current Expiration Date) | $641,200,649 |
| **Total Park Fee Program Costs Covered by Development Impact Fees** | **$5,893,233,275** |
| Projected Housing Unit Growth (2013 to 2035)[2] | 320,201 |
| **Cost per Unit** | **$18,364** |

*1. Park acreages calculated by RAP for all City-owned parks.*
*2. Projected population growth estimated using SCAG regional growth projections for 2035.*

Assuming for-rent apartments are produced in the same relative proportion (~60% of units from 2004-2014), and assuming the same relative proportion of people live in rental apartments as now (as defined by the U.S. Census), then the maximum justifiable apartment fee would be $16,153. Similarly, all other units, including single family dwellings and condominiums, would be $21,665. [7]

## Residential Feasibility Analysis

A preliminary financial feasibility and sensitivity analysis of a proposed revised Quimby Fee on multi-family residential developments in the City of Los Angeles that involve a tract or subdivision map, and a proposed new parks fee that would apply to apartment developments that do not include a tract or subdivision map was completed. The analysis was based on financial feasibility models we created for five development prototypes that together reflect new construction multi-family developments now being proposed and built in the City. The prototypes include a 453-unit high-rise condominium; a 29-unit low-rise condominium; a 522-unit high-rise apartment; a 46-unit low-rise apartment; and an 11-unit small-lot single-family subdivision.

The analysis measures the financial feasibility impact of adding the maximum justifiable park and recreation facility fee to a base-case development budget for each prototype and then lesser increments of fee amounts per unit, and measuring the changes in specific financial feasibility indicators. A particular fee amount per unit is considered "feasible" only if both of these metrics do not cause a change of more than 15 percent in both of these metrics, which represents an upper limit of absorbable change during project development. Feasibility metrics included: 1) percentage change in residual land value; and 2) percentage change in developer profit margin.

The financial feasibility analysis found that the park and recreation impact fee is sensitive to scale of development, tenure type (i.e., for-rent vs. for-sale) and submarket area. A park and recreation facility fee at the scale of the maximum justifiable fee of $18,364 per unit is only feasible for the low-rise condominium prototype in the higher-priced submarket areas of the City. For all prototypes tested, the analysis indicates that a fee level of $7,500 per unit is likely to be supportable in both higher-price and mid-price submarkets. Results are shown in Table 13. The values highlighted in green represent changes in land value and developer profit which would be financially feasible. The values in red represent changes that would render a prototype financially infeasible. Finally, values in yellow represent marginal cases, where the analysis shows that the changes in feasibility metrics fall just outside the defined range of acceptability, but where the fee level would likely be supportable.

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[7] Differences in fee levels by unit type are based on the differences in persons per dwelling unit (U.S Census 2014), and new housing construction (LA Housing Activity Data 2014).

*Table 13: Proposed Park and Recreation Impact Fee Feasibility Analysis*

| Park and Recreation Fee Level | Downtown Los Angeles | | | | | San Fernando Valley | |
|---|---|---|---|---|---|---|---|
| | High-rise Condo | Low-rise Condo | High-rise Apt | Low-rise Apt | Small-lot Subdivision | Low-rise Condo | Low-rise Apt |
| $18,364 | | | | | | | |
| $15,000 | | | | | | | |
| $12,500 | | | | | | | |
| $10,000 | | | | | | | |
| $7,500 | | | | | | | |
| $5,000 | | | | | | | |

These fee amounts tested for feasibility represent the cash payments by developers. Thus, they can be considered the gross fee amount without any credit for on-site private or public open space, or the net cash payment after credits. Thus, in setting the actual fee amount, it may be important to consider how any credits for on-site open space will offset the listed fee.

## Recommended Fee

The recommended fee represents a downward adjustment of the maximum fee based on a financial feasibility analysis of housing prototypes in the City. As shown in Table 14, the City proposes collecting two park and recreation impact fees:

- Quimby In-Lieu Fees shall be collected in lieu of park dedication.
- A Park and Recreation Facility Fee shall be collected for all other residential dwelling units.

These fees would apply to all new residential development, except for affordable housing units, to fund a share of future park and recreation site and facility fees. New residential dwelling units which are rented or sold to persons or households of very-low, low, or moderate income shall receive an affordable housing incentive.

*Table 14: Maximum and Recommended Park and Recreation Facility Fees*

| | Maximum Fee | Recommended Fee |
|---|---|---|
| Cost per Unit | $18,364 | $12,500 (Quimby In-Lieu Fee)<br>$7,500 (Park and Recreation Facility Fee) |
| Housing Units Affordable to a Household at or below 120% of AMI | $18,364 | $0 |

# 7. Park and Recreation Fee Comparisons

Table 15 shows the adopted park and recreation fees for selected jurisdictions in California. The table includes information on the type of fee (Mitigation Fee Act/Quimby), the cost per unit (single family dwelling unit, multifamily dwelling unit, other), the fee index, and indexing frequency. The park fee varies significantly by jurisdiction, with per unit single family costs ranging from $4,613 in Long Beach to $38,900 in certain San Jose neighborhoods. Where communities distinguish between single family dwelling units and multifamily dwelling units, multifamily dwelling units tend to have lower fees, ranging from $3,563 in Long Beach to $27,500 in certain San Jose neighborhoods. The City of Pasadena varies residential park and recreation fees by number of bedroom, while San Diego varies fees by community planning area.

If adopted at the maximum level, the City of Los Angeles park and recreation impact fee would fall within the middle range of the reference communities. If adopted at the recommended level, the Los Angeles park and recreation impact fees fall among the lower end of reference cities. Note: these reference city fees represent the adopted fee level, not necessarily the maximum fee level for each jurisdiction.

*Table 15: Reference City Comparison*

| City | Type of Fee | Single Family (per unit) | Multifamily (per unit) | Other Residential Types (per unit) | Fee Index | Fee Index Frequency |
|---|---|---|---|---|---|---|
| Glendale (2014) | Quimby / Mitigation | $17,850 (Q)<br>$19,883 (M) | $15,335 (Q)<br>$17,080 (M) | | Land Values Survey and may consider construction costs based upon the Engineering News Record, Construction Cost Index | Every 2 years |
| Hermosa Beach (2013) | Quimby / Mitigation | $7,019 | $7,019 | $14,096 for Condos | United States Bureau of Labor Statistics for the Los Angeles-Anaheim-Riverside Standard Metropolitan Statistical Area CPI for June All Urban Consumers | Annually |
| Long Beach (2013) | Mitigation | $4,613 | $3,563 | $2,620 per mobile home unit<br>$1,781 per accessory unit | Construction Cost Index for the Los Angeles metropolitan area | Annually |
| Pasadena (2010) | Mitigation | Varies by number of bedrooms:<br>Studio: $15,566.64<br>5 or more bedrooms: $28,815 | | $806.72 per affordable, student, skilled nursing unit | Consumer Price Index | Annually |
| Sacramento (2013) | Quimby / Mitigation | $5,534<br>$2,571 per infill unit | $3,261<br>$1,518 per infill unit | $4,168 per duplex unit<br>$3,261 per mobile home | Construction cost index for San Francisco | Annually |
| San Diego (2014) | Mitigation | Fees vary by community, ranges from $547 to $10,939 | | | Construction Cost Index for Los Angeles | Annually |
| San Francisco (2011) | Eastern Neighborhoods Mitigation Fee | Varies by tier, ranges from $9.25 to $18.49 per square foot; % allocated to parks | | | Annual Infrastructure Construction Cost Inflation Estimate (AICCIE) published by the Office of the City | Annually |
| | Balboa Park Mitigation Fee | $9.25 per square foot; 30% allocated to parks | | | | |

| City | Type of Fee | Single Family (per unit) | Multifamily (per unit) | Other Residential Types (per unit) | Fee Index | Fee Index Frequency |
|---|---|---|---|---|---|---|
| | | | | | Administrator's Capital Planning Program | |
| San Jose (2013) | Quimby / Mitigation | Fees vary by MLS location, ranges from $8,700 to $38,900 | Ranges from $7,700 to $3,4800 for 2-4 units $6,100 to $27,500 for 5+ units | SRO range from $2,600 to $11,800 Accessory units range from $1,300 to $5,900 and | Residential Land Value Studies | Annually |

** Fee update in process.*

# 8. Mitigation Fee Act Nexus Findings

This section describes the "nexus" between new residential development in Los Angeles and the proposed park and recreational site and facility improvements. This impact fee will support investment in park and recreation site acquisition and improvement to park and recreation sites to maintain the existing level of services already provided by the City. The Mitigation Fee Act (Code of California Sections 66000 through 66025) requires that the following information be provided in order to justify the imposition of new fees.

- **Identify the Purpose of the Fee -** New residential development in the City increases demand on existing park and recreational facilities and creates a need for additional facilities. Park and recreation facility land will need to be acquired and park and recreational improvements will have to be constructed to meet the increased demand.
- **Identify How the Fee is to be Used** - Proceeds from the park and recreational facility fee will be used for the acquisition of land for park and recreation sites, development of existing and new park and recreational sites, and improvement of existing and new park and recreational facilities. Park and recreation fees may be used to pay for program costs including administrative costs, nexus studies, and park master plans.
- **Determine How a Reasonable Relationship Exists between the Fee's Use and the Type of Development Project on which the Fee is Imposed** - New residential development increases demand on existing park and recreational facilities and creates a need for additional facilities. Proceeds from the park and recreational facility fee will be used to help fund the acquisition, development, and improvement of park and recreational sites and facilities to serve new development. The fee's use is reasonably related to new residential development on which the fee is imposed.
- **Determine How a Reasonable Relationship Exists between the Need for the Public Facility and the Type of Development Project on which the Fee is Imposed -** Each new residential housing unit will generate demand for park and recreational facilities by adding new residents to the City. The park and recreation facility fee is necessary to provide funding for facilities to meet the City's existing park service levels.
- **Determine How There is a Reasonable Relationship between the Amount of the Fees and the Cost of the Public Facilities or Portion of the Public Facilities Attributable to the Development on which the Fees are Imposed -** The amount of park and recreational facility fee has been determined by calculating the additional acres needed to meet the existing park service standard and the cost of park land and facilities required to meet the demand of each new unit of residential development. As such, the park and recreation fee program cost estimates are proportional to the relative increases in new residential development.

# 9. Fee Program Administration and Implementation

This section contains general recommendations for the administration and implementation of the park and recreation facility fee study based on the findings of this Fee Study. Additional requirements may be found in the Mitigation Fee Act.

## Adoption Requirements

The Mitigation Fee Act establishes that any fee imposed by a City must meet the general adoption requirements.

- The City shall conduct at least one open public meeting as part of a regularly scheduled meeting.
- At least 14 days prior to the first meeting, the City should alert interested parties who file a written request with the City for mailed notice of a meeting on a new fee to be enacted by the City.
- At least 10 days prior to the meeting, the City shall make available to the public the data indicating the amount of cost, or the estimated cost, required to provide the public facilities and the revenue sources anticipated to fund those public facilities. This Fee Study would provide the appropriate information.
- The new fee shall be effective no earlier than 60 days following the final action on the adoption of the fee.

## Accounting Requirements

Park and recreation facility fees should be deposited into a separate fund or account to avoid any commingling of fees with other revenues and funds. The fees collected shall be used solely for the purpose in which the fee was collected. Any interest income earned by in money in the park and recreation facility fund or account shall be expended for the purpose for which the fee was originally collected.

## Annual Review

The Mitigation Fee Act requires that City's that require payment of a fee make specific information available to the public within 180 days after the last day of each fiscal year. The information includes the following:

- A brief description of the type of fee in the account or fund.
- The amount of the fee.
- The beginning and ending balance of the account or fund.
- The amount of the fees collected and the interest earned.
- An identification of each public improvement on which fees were expended and the amount of the expenditures on each improvement, including the total percentage of the cost of the public improvement that was funded with fees.
- An identification of an approximate date by which the construction of the public improvement will commence if the local agency determines that sufficient funds have been collected to

complete financing on an incomplete public improvement, as identified in paragraph (2) of subdivision (a) of Section 66001, and the public improvement remains incomplete.

- A description of each interfund transfer or loan made from the account or fund, including the public improvement on which the transferred or loaned fees will be expended, and, in the case of an interfund loan, the date on which the loan will be repaid, and the rate of interest that the account or fund will receive on the loan.
- The amount of refunds made pursuant to subdivision (e) of Section 66001 and any allocations pursuant to subdivision (f) of Section 66001.

## Five-Year Reporting Requirements

The City must make findings for the park and recreation fee account with respect to that portion of the account or fund remaining unexpended, whether committed or uncommitted, for the fifth fiscal year following the receipt of any park and recreation impact fees and every five years thereafter. The findings include the following:

- Identify the purpose to which the fee is to be put.
- Demonstrate a reasonable relationship between the fee and the purpose for which it is charged.
- Identify all sources and amounts of funding anticipated to complete financing in incomplete improvements
- Designate the approximate dates on which the funding is expected to be deposited into the appropriate account or fund.

# Attachment 4: Feasibility Analysis

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*Preliminary Working Draft*
*Not for Public Distribution*

## Memorandum

| | |
|---|---|
| To: | Matt Raimi and Eric Yurkovich, Raimi + Associates |
| From: | Paul J. Silvern, Thomas Jansen and Benton Heimsath |
| Date: | April 1, 2015 |
| Re: | Preliminary Financial Feasibility Analysis of the Proposed Revised Quimby Fee and New Parks Fee in the City of Los Angeles |

HR&A Advisors, Inc. ("HR&A") has completed a preliminary financial feasibility and sensitivity analysis of a proposed revised Quimby Fee on multi-family residential developments in the City of Los Angeles ("City") that involve a tract or subdivision map ("Revised Quimby Fee"), and a proposed new parks fee that would apply to apartment developments that do not include a tract or subdivision map ("New Parks Fee"). The analysis is based on financial feasibility models we created for five development prototypes that together reflect new construction multi-family developments now being proposed and built in the City. These prototypes include a 453-unit high-rise condominium; a 29-unit low-rise condominium; a 522-unit high-rise apartment; a 46-unit low-rise apartment; and an 11-unit small-lot single-family subdivision. The analysis measures the financial feasibility impact of adding the maximum justifiable Revised Quimby and New Parks Fee (i.e., $18,364 fee per unit[1]) to a base-case development budget for each prototype (e.g., in the Downtown submarket with no new fees), an then lesser increments of fee amounts per unit, and measuring the changes in specific financial feasibility indicators. We also considered the feasibility implications of alternative fee levels for some of the prototypes in a different City real estate submarket area. Following a brief overview about the modeling approach, and a summary of key conclusions, this memorandum describes the five prototypes used in the analysis, summarizes how we conducted the financial feasibility analysis, and discusses the feasibility metrics used in the analysis. The details of the base case financial models are included in the Appendix to this memo.

### *Overview of the Feasibility Modeling Approach*

To conduct the financial feasibility analysis, we first created base-case financial feasibility models for each of the five prototypes – i.e., including only the currently applicable existing Quimby Fee for the condominium and small-lot subdivision prototypes, but no fee for the apartment prototypes. We then systematically added alternative incremental new fee amounts to the development budget

[1] This is the maximum justifiable Citywide fee that resulted from analysis prepared by Raimi + Associates, based on a Citywide service standard of 4.2 acres of parks needed per 1,000 population, average Citywide costs to acquire park land and develop park facilities, and projected population growth across the City to 2035.

for each prototype and measured the changes in two feasibility metrics: (1) percentage change in residual land value; and (2) percentage change in developer profit margin. As explain below, a particular Revised Quimby Fee or New Parks Fee amount per unit is considered "feasible" only if both of these metrics do not cause a change of more than 15 percent in both of these metrics, which represents an upper limit of absorbable change during project development, based on our real estate development advisory experience.

The base case analysis confirms what can be gleaned from even casual observation of where new construction is now occurring in the City. Namely, that market-rate multi-family developments like the five prototypes tested are only being developed (and hence assumed to be financially feasible) in certain areas of the City. These tend to be "higher-price" submarkets like Downtown, the Westside and certain pockets of Hollywood and Koreatown, for high-rise condominium and apartment development. Low-rise apartment and condominium development is also being developed in "mid-price" submarkets, such as many areas of the San Fernando Valley, and some areas of Koreatown and Hollywood. But small-lot subdivisions like the scale of the one modeled for this analysis appear to be feasible only in Downtown-adjacent areas, such as Silver Lake and Echo Park or in "higher-priced" submarkets like the Westside. However, practically no new market rate multi-family development that resembles our prototypes is currently being developed in "lower-price" submarkets, such as South Los Angeles, at least not without subsidies. Therefore, we determined that it was not useful to test all five prototypes in multiple submarket areas, because for those situations where the prototypes are already infeasible in the base case, the added cost of the Revised Quimby Fee or New Parks Fee would simply render those prototypes "more infeasible." Accordingly, we elected to test all five prototypes in Downtown (including Silver Lake/Echo Park for the small-lot subdivision), which is one of the higher-price submarkets. Presumably, fee levels that can be feasibly absorbed in Downtown could also be absorbed by prototypes in other submarkets with even higher (e.g., Westside) or roughly comparable pricing (e.g., areas of Hollywood and Koreatown). We also elected to test fee feasibility implications for low-rise apartment and condominium prototypes in the San Fernando Valley, as representative of similar mid-price submarkets.

### *Key Conclusions*

The principal conclusions we draw from the preliminary analyses include the following:

- The financial feasibility of the Revised Quimby Fee or New Parks Fee is sensitive to scale of development, tenure type (i.e., for-rent vs. for-sale) and submarket area. Although a flat fee per unit across the entire City for all forms of multi-family and single-family subdivision developments is clearly preferable from a fee administration perspective, this approach tends to force the fee amount to the lowest common denominator suggested by the five prototypes tested.
- A Revised Quimby Fee and New Parks Fee at the scale of the maximum justifiable fee of $18,364 per unit is only feasible for the low-rise condominium prototype in the higher-priced submarket area.
- For all prototypes tested, the analysis indicates that a fee level of $7,500 per unit is likely to be supportable in both higher-price and mid-price submarkets, although only marginally so for the apartment prototypes.

- The analysis further shows that in the Downtown (i.e., higher-price submarkets), a Revised Quimby Fee and New Parks Fee would be feasible as follows:
    - Up to $18,364 per unit for the low-rise condo prototype;
    - Up to $15,000 per unit for the small-lot subdivision prototype;
    - Up to $12,500 per unit for the high-rise condo prototype;
    - Up to $10,000 for the low-rise apartment prototype; and
    - Up to $5,000 per unit for the high-rise apartment prototype, but we generally believe that $7,500 per unit is likely to be supportable by this prototype.
- The analysis also shows that in the San Fernando Valley (i.e., mid-price submarkets), a Revised Quimby Fee and New Parks Fee would be feasible as follows:
    - Up to $12,500 per unit for the low-rise condo prototype; and
    - Up to $5,000 per unit for the low-rise apartment prototype, though we generally believe that $7,500 per unit is likely to be supportable by this prototype.
- These fee amounts tested for feasibility represent the cash payments by developers. Thus, they can be considered the gross fee amount without any credit for on-site private or public open space, or the net cash payment after credits. Thus, in setting the actual fee amount, it may be important to consider how any credits for on-site open space will offset the listed fee.

### *The Five Development Prototypes*

The physical specifics of the development program for each of the five development prototypes used in the analysis (i.e., site area; gross and net floor areas; residential and retail net floor areas; dwelling unit count; number of parking spaces; and how parking is accommodated) are based, in part, on five active development project applications recently submitted to the Los Angeles Department of City Planning for permit approvals. Table 1 summarizes the physical parameters assumed for the five prototypes.

**TABLE 1**
**Physical Parameters of Development Prototypes**

| | High-Rise Condo | Low-Rise Condo | High-Rise Apt | Low-Rise Apt | Small Lot Subdiv |
|---|---|---|---|---|---|
| Land Area (sf) | 37,529 | 30,929 | 38,958 | 27,200 | 21,824 |
| Gross Residential Building Area (GSF | 430,291 | 56,814 | 518,878 | 59,906 | 20,417 |
| Gross Retail Building Area (GSF) | 6,904 | - | 4,500 | - | - |
| Amenity Building Area (GSF) | - | - | 5,705 | - | - |
| Gross Building Area (GSF) | 437,195 | 56,814 | 529,083 | 59,906 | 20,417 |
| FAR (Gross Bldg. Area / FAR Land A | 11.65 | 1.51 | 14.10 | 2.20 | 0.94 |
| Residential (NSF) | 391,850 | 52,050 | 482,775 | 53,480 | 20,417 |
| Retail (NSF) | 5,523 | - | 4,500 | - | - |
| Amenity (NSF) | - | - | 6,130 | - | - |
| Net Building Area (NSF) | 397,373 | 52,050 | 493,405 | 53,480 | 20,417 |
| Building Efficiency | 90.9% | 91.6% | 91.2% | 89.3% | 100.0% |
| Condominiums | | | | | |
| Market Rate | 450 | 29 | 522 | 46 | 11 |
| Affordable | - | - | - | - | - |
| Other Condo Units | 3 | - | - | - | - |
| Total Units | 453 | 29 | 522 | 46 | 11 |
| Parking - | | | | | |
| Residential | 450 | 64 | 528 | 62 | 25 |
| Retail | - | - | 5 | - | - |
| Subterranean Parking | 143 | 64 | 205 | 62 | - |
| At Grade Parking | - | - | - | - | 3 |
| Above Grade Parking | 307 | - | 328 | - | 22 |
| Total Parking | 450 | 64 | 533 | 62 | 25 |

*Prepared by HR&A Advisors, Inc.*

### *The Financial Feasibility Models*

The financial feasibility models created for this analysis are Excel spreadsheet "static" pro forma models typically used in the real estate industry to establish an initial determination about whether a proposed project appears financially feasible. The models consist of a development budget, profile of net operating income, and estimate of net project value based on stabilized operation of the completed development. For purposes of these models, the development budget does not include a land value or cost, but rather derives the cost of land that could be supported by a market-responsive profit margin to the developer, or "residual land value." The following sections summarize the key assumptions used in developing each of these components of the baseline financial feasibility models.

Development Budgets

The total development cost for each prototype includes direct or "hard" construction costs, indirect or "soft" construction costs (e.g., professional fees and City permits, existing Quimby Fees, among others) and financing costs. Unlike sales and rent prices, these construction costs do not generally vary by submarket within the region, although construction and financing costs may actually vary slightly based on market positioning. The development budget assumptions for hard costs, soft costs and financing costs are summarized below.

- *Hard Costs*. HR&A assumed Type IIIB construction (i.e., wood frame over a concrete podium) for the low-rise and small lot subdivision prototypes and Type I construction (i.e., steel frame) for the high-rise prototypes. Costs per square foot for shell and core construction were derived from Marshall & Swift Commercial Cost Estimator software ("Marshall & Swift"),[2] with Los Angeles-area values as of March 2015. Because the Marshall & Swift results include allowances for some costs other than building construction (i.e., for design fees) that we account for separately as soft costs, the Marshall & Swift values were adjusted to 80 percent of the calculated result. The hard construction costs were about $138 per square foot for the low-rise prototypes, $152 per square foot for the small lot subdivision prototype, and $278 per square foot for the two Type I construction prototypes. The details of the hard construction cost calculations are included in the Appendix.

  Parking, as currently required by the City's Zoning Code, was assumed for each prototype. Each prototype includes subterranean, at-grade, or structured parking, or a mix of these. Subterranean parking was assumed at a cost of $32,039 per space, structured parking at $25,167 per space, and at grade parking at $5,000 per space, based on various data sources, including Marshall & Swift parking construction cost estimates. For the small lot subdivision project, the structured parking was considered to be tuck-under, and a lower per unit cost of $22,807 was used.

  Other elements of hard cost include demolition, grading and site preparation ($7 per square foot of land area) and landscaping ($25 per square foot), the latter of which was only calculated for a small fraction of the project site.

- *Soft Costs*. Soft costs include design, engineering, consulting and related professional fees (6-7 percent of total hard costs); development, entitlement and project management (4-5 percent of total hard costs); taxes, insurance, legal and accounting costs (3 percent of total hard costs); and a soft cost contingency (3 percent all other soft costs).

  Soft costs also include a variety of City Planning, building permit and other construction-related permits and utility connection fees. Planning-related fees are based on assumptions about the discretionary approval process applicable to each prototype (as determined by City staff) and the City's current fee schedule. Building permit fees were estimated using an online calculator provided by the Los Angeles Department and Building and Safety (LADBS).[3]

  These include existing Quimby Fees applicable to the condominium and small lot subdivision prototypes based on zoning district. Apartment developments are not assessed any park fees in the baseline prototypes. We assumed that the Downtown high-rise and low-rise condominium prototypes would be located in R5 zones, with an existing Quimby fee of $6,831 per unit, while the small-lot subdivision prototype and the San Fernando Valley submarket condominium prototype would be located in R3 zones, with an existing Quimby fee of $3,557 per unit. These fees are included in the soft cost portion of the development budgets. When we apply Revised

[2] Marshall & Swift is a service that provides regularly updated cost data for building construction and equipment for a wide range of construction classes and building types, including regional variations in construction costs. Marshall & Swift is frequently relied on by the appraisers, among other real estate industry specializations.

[3] Building Permit Fee Calculator, retrieved from LADBS website: http://netinfo.ladbs.org/feecalc.nsf/cef2203faf5fd7df8825779900644031?OpenForm

Quimby and New Parks Fees to the projects, they replace the existing Quimby Fees in our model. As such, the $5,000 Revised Quimby and New Parks Fee scenarios represent a net decrease in fee of $1,831 per unit for the Downtown condominium and apartment prototypes, and a net increase of $1,443 for the small lot subdivision and San Fernando Valley prototypes.

In total, soft costs for the five development prototypes ranged from 20 to 23 percent of hard construction costs, with higher costs for condominium and high-rise prototypes, reflecting their additional development complexity.

- *Construction Financing Costs*. For the five prototypes, we assumed construction periods ranging from 12 months to 26 months, depending on the size and complexity of the development project. We also assumed an interest-only construction loan equal to 80 percent of hard and soft construction costs, an interest rate of 5.5 percent, an average outstanding loan balance of 65 percent, and a 1.8 percent construction loan fee. For the apartment prototypes, which are generally held by the developer beyond the construction phase, we assumed an additional 1.8 percent fee associated with the permanent loan.

Table 2 summarizes the development costs for each prototype without the proposed new fees; the new fee amounts are discussed further below. The total development cost for the five prototypes ranges from a high of $223.8 million for the high-rise apartment in the Downtown submarket to a low of $13.5 million for both the low-rise apartment in the San Fernando Valley submarket and the small-lot subdivision in the Downtown submarket. Once again, these totals do not include the cost of land, which is a derived value, as discussed below. All of the calculation details are provided in the Appendix.

**TABLE 2**
**Hard and Soft Development Costs of Prototypes[1]**

| | DTLA High-Rise Condo | DTLA Low-Rise Condo | DTLA High-Rise Apt | DTLA Low-Rise Apt | DTLA Small Lot Subdiv | SFV Low-Rise Condo | SFV Low-Rise Apt |
|---|---|---|---|---|---|---|---|
| **Hard Costs** | | | | | | | |
| Hard Construction-Buildings | $ 121,533,016 | $ 7,841,787 | $ 147,076,368 | $ 8,268,562 | $ 3,110,860 | $ 7,841,787 | $ 8,268,562 |
| Hard Construction-Demolition, Grading & Site Prep | $ 273,800 | $ 225,648 | $ 284,225 | $ 198,443 | $ 159,221 | $ 225,648 | $ 198,443 |
| Hard Construction-Landscaping | $ 117,278 | $ 193,306 | $ 121,744 | $ 170,000 | $ 409,200 | $ 193,306 | $ 17,000 |
| Hard Construction-At Grade Parking (per space) | $ - | $ - | $ - | $ - | $ 15,000 | $ - | $ - |
| Hard Construction-Subt. Parking (per space) | $ 4,581,544 | $ 2,050,481 | $ 6,567,948 | $ 1,986,404 | $ - | $ - | $ - |
| Hard Construction-Tuck Under Parking (per space) | $ 7,726,184 | $ - | $ 8,254,685 | $ - | $ 501,746 | $ 1,610,670 | $ 1,610,670 |
| Hard Cost Contingency (x Subtotal) | $ 6,711,591 | $ 515,561 | $ 8,115,249 | $ 531,170 | $ 209,801 | $ 493,571 | $ 512,384 |
| Subtotal Construction | $ 140,943,413 | $ 10,826,784 | $ 170,420,219 | $ 11,154,579 | $ 4,405,829 | $ 10,364,982 | $ 10,760,059 |
| **Soft Costs** | | | | | | | |
| Design, Engineering & Consulting Services | $ 9,866,039 | $ 649,607 | $ 11,929,415 | $ 669,275 | $ 264,350 | $ 621,899 | $ 645,604 |
| Permits & Fees | $ 4,533,090 | $ 426,323 | $ 5,545,190 | $ 613,502 | $ 166,270 | $ 416,414 | $ 441,966 |
| Existing Quimby and Parks Fee | $ 3,073,950 | $ 198,099 | $ - | $ - | $ 39,127 | $ 103,153 | $ - |
| Taxes, Insurance, Legal & Accounting | $ 4,228,302 | $ 324,804 | $ 5,112,607 | $ 334,637 | $ 132,175 | $ 310,949 | $ 322,802 |
| Development and Entitlement Management | $ 7,047,171 | $ 541,339 | $ 8,521,011 | $ 446,183 | $ 220,291 | $ 518,249 | $ 430,402 |
| Soft Cost Contingency | $ 862,457 | $ 64,205 | $ 933,247 | $ 61,908 | $ 24,666 | $ 59,120 | $ 55,223 |
| Subtotal Soft Costs | $ 29,611,009 | $ 2,204,376 | $ 32,041,469 | $ 2,125,505 | $ 846,879 | $ 2,029,784 | $ 1,895,997 |
| **Construction Financing Costs** | | | | | | | |
| Subtotal Hard Costs + Soft Costs | $ 170,554,422 | $ 13,031,160 | $ 202,461,688 | $ 13,280,084 | $ 5,252,708 | $ 12,394,767 | $ 12,656,056 |
| Loan to Cost Ratio | 80% | 80% | 80% | 80% | 80% | 80% | 80% |
| Loan Principal | $ 136,443,537 | $ 10,424,928 | $ 161,969,350 | $ 10,624,067 | $ 4,202,166 | $ 9,915,813 | $ 10,124,844 |
| Loan Fees | $ 2,387,762 | $ 182,436 | $ 2,834,464 | $ 185,921 | $ 73,538 | $ 173,527 | $ 177,185 |
| Interest Rate | 5.5% | 5.5% | 5.5% | 5.5% | 5.5% | 5.5% | 5.5% |
| Outstanding Principal Balance | 65% | 65% | 65% | 65% | 65% | 65% | 65% |
| Construction Period (months) | 26 | 24 | 26 | 15 | 24 | 24 | 12 |
| Construction Loan Interest | $ 13,210,861 | $ 931,728 | $ 15,682,345 | $ 593,454 | $ 375,569 | $ 886,226 | $ 452,454 |
| Permanent Loan Points | $ - | $ - | $ 2,834,464 | $ 185,921 | $ - | $ - | $ 177,185 |
| Subtotal Construction Loan | $ 15,598,623 | $ 1,114,164 | $ 21,351,272 | $ 965,296 | $ 846,879 | $ 1,059,753 | $ 806,824 |
| **Total Development Cost (TDC)** | **$ 186,153,045** | **$ 14,145,324** | **$ 223,812,960** | **$ 14,245,380** | **$ 5,252,708** | **$ 13,454,519** | **$ 13,462,879** |
| Per GSF | $ 426 | $ 249 | $ 423 | $ 238 | $ 257 | $ 237 | $ 225 |
| Per Unit | $ 410,934 | $ 487,770 | $ 428,760 | $ 309,682 | $ 477,519 | $ 463,949 | $ 292,671 |

[1]See Appendix A for all calculations, notes, and assumptions.
*Prepared by HR&A Advisors, Inc.*

Completed Prototype Valuation

The next component of the analysis includes estimating the net sale value of each prototype at stabilization. This is calculated differently for for-sale condominium and rental prototypes and with or without ground floor retail. The residential component value of for-sale prototypes is calculated by adding the total sales revenue of each unit, and subtracting fees for marketing and cost of sale (4 percent of sales price), homeowners' association (HOA) fees through project absorption for unsold units ($100 to $500 monthly per unit, with higher fees associated with condominium projects), and warranties ($500 per unit). The value of the residential component of rental apartments is calculated by deriving the stabilized net operating income, which equals gross rental income less vacancy allowance (3.5% across all prototypes), operating expenses (35% of gross income) and replacement reserves ($150 per unit). The net operating income for each prototype is then divided by an income capitalization rates (or "cap rate") derived from third party data sources (i.e., 4 percent in the Downtown submarket and 4.25 percent in the San Fernando Valley submarket, based on Real Estate Research Corp., 2014 Q4 data and a CBRE survey conducted in 2014).

In the case of the high-rise condominium and high-rise apartment prototypes in Downtown, the net sale value also includes the capitalized value of the retail space (6 percent cap rate), based on its net operating income (i.e., $3.80 per square foot triple net monthly rent (blend of retail and restaurant use) minus a 5 percent vacancy allowance and 3 percent management fee), minus the cost of sale (3 percent).

As shown in Table 3, the resulting completed prototype values range from $8.6 million for the small lot subdivision project prototype in Downtown to $283 million for the Downtown high-rise apartment prototype. Further calculation details are shown in the Appendix.

## TABLE 3
## Project Values of Completed Prototypes[1]

| | DTLA High-Rise Condo | DTLA Low-Rise Condo | DTLA High-Rise Apt | DTLA Low-Rise Apt | DTLA Small Lot Subdiv | SFV Low-Rise Condo | SFV Low-Rise Apt |
|---|---|---|---|---|---|---|---|
| **Sales - Residential** | | | | | | | |
| **Total Units** | | | | | | | |
| 3 Bedroom Units | $ - | $ 16,380,000 | $ - | $ - | $ - | $ 10,374,000 | $ - |
| 2 Bedroom Units | $ 83,853,000 | $ 14,850,000 | $ - | $ - | $ - | $ 9,405,000 | $ - |
| 1 Bedroom Units | $ 130,613,700 | $ - | $ - | $ - | $ - | $ - | $ - |
| Penthouse | $ 3,420,000 | $ - | $ - | $ - | $ - | $ - | $ - |
| Studio Units | $ 29,250,000 | $ - | $ - | $ - | $ - | $ - | $ - |
| House | $ - | $ - | $ - | $ - | $ 8,932,438 | $ - | $ - |
| Total Unit Sales Price | $ 247,136,700 | $ 31,230,000 | $ - | $ - | $ 8,932,438 | $ 19,779,000 | $ - |
| Less: Marketing and Cost of Sale | $ (8,649,785) | $ (1,093,050) | $ - | $ - | $ (312,635) | $ (692,265) | $ - |
| Less: HOA Fees Through Full Building Absorption | $ (906,000) | $ (58,000) | $ - | $ - | $ (4,400) | $ (58,000) | $ - |
| Less: Warranties | $ (226,500) | $ (14,500) | $ - | $ - | $ (5,500) | $ (14,500) | $ - |
| Net Sales Revenue | $ 237,354,416 | $ 30,064,450 | $ - | $ - | $ 8,609,902 | $ 19,014,235 | $ - |
| **Net Operating Income - Residential and Retail** | | | | | | | |
| Gross Apartment Rental Income | $ - | $ - | $ 18,435,669 | $ 1,924,800 | $ - | $ - | $ 1,294,800 |
| Plus: Miscellaneous Revenue (per unit/mo.) | $ - | $ - | $ 18,270 | $ 1,610 | $ - | $ - | $ 1,610 |
| Less: Vacancy Allowance | $ - | $ - | $ (645,248) | $ (67,368) | $ - | $ - | $ (45,318) |
| Effective Gross Income (EGI) | $ - | $ - | $ 17,808,691 | $ 1,859,042 | $ - | $ - | $ 1,251,092 |
| Less: Annual Operating Expenses (% x EGI) | $ - | $ - | $ (6,233,042) | $ (650,665) | $ - | $ - | $ (437,882) |
| Less: Replacement Reserve (per unit/year) | $ - | $ - | $ (78,300) | $ (6,900) | $ - | $ - | $ (6,900) |
| Net Apartment Income | $ - | $ - | $ 11,497,349 | $ 1,201,477 | $ - | $ - | $ 806,310 |
| Gross Retail Income (NNN) | $ 314,822 | $ - | $ 205,200 | $ - | $ - | $ - | $ - |
| Less: Vacancy Allowance (x Gross Income) | $ (15,741) | $ - | $ (10,260) | $ - | $ - | $ - | $ - |
| Effective Gross Income (EGI) | $ 299,081 | $ - | $ 194,940 | $ - | $ - | $ - | $ - |
| Less: Management Fee (x EGI) | $ (8,972) | $ - | $ (5,848) | $ - | $ - | $ - | $ - |
| Net Retail Income | $ 290,109 | $ - | $ 189,092 | $ - | $ - | $ - | $ - |
| Net Operating Income (NOI) | $ 290,109 | $ - | $ 11,686,441 | $ - | $ - | $ - | $ - |
| Cap Rate | 6% | n/a | 4% | 4% | n/a | n/a | 4.25% |
| Project Value (NOI x Cap Rate) | $ 4,835,147 | $ - | $ 292,161,021 | $ 30,036,933 | $ - | $ - | $ 18,971,995 |
| Less: Cost of Sale | $ (145,054) | $ - | $ (8,764,831) | $ (901,108) | $ - | $ - | $ (569,160) |
| Net Project Sale Value | $ 4,690,093 | | $ 283,396,190 | $ 29,135,825 | $ - | $ - | $ 18,402,835 |
| **Total Project Value (For Sale + Rental)** | **$ 242,044,508** | **$ 30,064,450** | **$ 283,396,190** | **$ 29,135,825** | **$ 8,609,902** | **$ 19,014,235** | **$ 18,402,835** |
| Per GSF | $ 554 | $ 529 | $ 536 | $ 486 | $ 422 | $ 335 | $ 307 |
| Per Unit | $ 534,315 | $ 1,036,705 | $ 542,905 | $ 633,387 | $ 782,718 | $ 655,663 | $ 400,062 |

[1] See Appendix A for all calculations, notes, and assumptions.

*Prepared by HR&A Advisors, Inc.*

Baseline Feasibility Analysis

Finally, HR&A calculated the baseline feasibility for each prototype, using two commonly used investment return metrics – *residual land value* and *developer profit*. Residual land value was derived by subtracting the total development cost and an allowance for developer profit from net project value, as discussed above. The remainder represents the maximum cost of land that the prototype could support and yield the assumed market-responsive developer profit margin. For the baseline scenario, we assumed a developer profit of 12.5 percent for all prototypes, which in our experience is a typical return threshold for Los Angeles development projects (i.e., midpoint of a 10-15 percent range). HR&A verified the resulting residual land values against recent land sales for comparable existing development to ensure that the results are reasonable for current market conditions in each subarea.

Table 4 summarizes the resulting residual land values and developer profit margin calculations for the five prototypes in both higher-price and mid-range submarkets. Further calculation details are included in the Appendices. These two return measures were then subjected to a sensitivity analysis to assess the extent to which changes in the Revised Quimby Fee and New Parks Fee would affect project feasibility.

**TABLE 4**
**Baseline Return Metrics for Development Prototypes**

| | DTLA High-Rise Condo | DTLA Low-Rise Condo | DTLA High-Rise Apt | DTLA Low-Rise Apt | DTLA Small Lot Subdiv | SFV Low-Rise Condo | SFV Low-Rise Apt |
|---|---|---|---|---|---|---|---|
| **Residual Land Value Test** | | | | | | | |
| Net Project Sale Value | $ 242,044,508 | $ 30,064,450 | $ 283,396,190 | $ 29,135,825 | $ 8,609,902 | $ 19,014,235 | $ 18,402,835 |
| Less: Total Development Cost | $ (186,153,045) | $ (14,145,324) | $ (223,812,960) | $ (14,245,380) | $ (5,701,815) | $ (13,454,519) | $ (13,462,879) |
| Less: Developer Profit | $ (30,255,564) | $ (3,758,056) | $ (35,424,524) | $ (3,641,978) | $ (1,076,238) | $ (2,376,779) | $ (2,300,354) |
| Total Residual Land Value | $ 25,635,900 | $ 12,161,069 | $ 24,158,706 | $ 11,248,467 | $ 1,831,850 | $ 3,182,936 | $ 2,639,602 |
| Residual Land Value PSF | **$ 683** | **$ 393** | **$ 620** | **$ 414** | **$ 84** | **$ 103** | **$ 97** |
| **Developer Profit Test** | | | | | | | |
| Net Project Value | $ 242,044,508 | $ 30,064,450 | $ 283,396,190 | $ 29,135,825 | $ 8,609,902 | $ 19,014,235 | $ 18,402,835 |
| Less: Total Development Cost | $ (186,153,045) | $ (14,145,324) | $ (223,812,960) | $ (14,245,380) | $ (5,701,815) | $ (13,454,519) | $ (13,462,879) |
| Less: Land Value | $ (25,635,900) | $ (12,161,069) | $ (24,158,706) | $ (11,248,467) | $ (1,831,850) | $ (3,182,936) | $ (2,639,602) |
| Developer Profit | $ 30,255,564 | $ 3,758,056 | $ 35,424,524 | $ 3,641,978 | $ 1,076,238 | $ 2,376,780 | $ 2,300,354 |
| Profit as % of Project Value | 12.5% | 12.5% | 12.5% | 12.5% | 12.5% | 12.5% | 12.5% |

*Prepared by HR&A Advisors, Inc.*

### *Maximum Justifiable Revised Quimby Fee and New Parks Fee and Alternative Fee Amounts Tested*

Table 5 shows the total fee level associated with the maximum justifiable Revised Quimby Fee and New Parks Fee (i.e., $18,364 per unit) for each prototype, and the cost per-square-foot and as a percentage of total development cost, along with incrementally lower fee amounts, as well as the existing Quimby Fee assumed in the baseline scenarios, as applicable.

## TABLE 5
## Potential Revised Quimby Fee and New Parks Fee Amounts

| Potential Quimby & Parks Fee per Unit | Total Quimby Fees, by Prototype: High-Rise Condo | Low-Rise Condo | High-Rise Apt | Low-Rise Apt | Small Lot Subdiv |
|---|---|---|---|---|---|
| *$18,364* | | | | | |
| Total Fee Amount | $8,319,000 | $533,000 | $9,586,000 | $845,000 | $202,000 |
| Fee per Gross Sq. Ft. | $19 | $9 | $18 | $14 | $10 |
| % of TDC | 4% | 4% | 4% | 6% | 3% |
| *$15,000* | | | | | |
| Total Fee Amount | $6,795,000 | $435,000 | $7,830,000 | $690,000 | $165,000 |
| Fee per Gross Sq. Ft. | $16 | $8 | $15 | $12 | $8 |
| % of TDC | 4% | 3% | 3% | 5% | 3% |
| *$12,500* | | | | | |
| Total Fee Amount | $5,662,500 | $362,500 | $6,525,000 | $575,000 | $137,500 |
| Fee per Gross Sq. Ft. | $13 | $6 | $12 | $10 | $7 |
| % of TDC | 3% | 3% | 3% | 4% | 2% |
| *$10,000* | | | | | |
| Total Fee Amount | $4,530,000 | $290,000 | $5,220,000 | $460,000 | $110,000 |
| Fee per Gross Sq. Ft. | $10 | $5 | $10 | $8 | $5 |
| % of TDC | 2% | 2% | 2% | 3% | 2% |
| $7,500 | | | | | |
| Total Fee Amount | $3,397,500 | $217,500 | $3,915,000 | $345,000 | $82,500 |
| Fee per Gross Sq. Ft. | $8 | $4 | $7 | $6 | $4 |
| % of TDC | 2% | 2% | 2% | 2% | 1% |
| *$5,000* | | | | | |
| Total Fee Amount | $2,265,000 | $145,000 | $2,610,000 | $230,000 | $55,000 |
| Fee per Gross Sq. Ft. | $5 | $3 | $5 | $4 | $3 |
| % of TDC | 1% | 1% | 1% | 2% | 1% |
| *Current Estimated Quimby Fee* | | | | | |
| *R5* | | | | | |
| Fee/Unit | $6,831 | $6,831 | n/a | n/a | n/a |
| Total Fee Amount | $3,094,000 | $198,000 | n/a | n/a | n/a |
| *R3* | | | | | |
| Fee/Unit | n/a | n/a | n/a | n/a | $3,557 |
| Total Fee Amount | n/a | n/a | n/a | n/a | $39,000 |

At the maximum justifiable fee of $18,364 per unit, the total Revised Quimby and New Parks Fee ranges from $9.6 million ($18 per square foot and a 4 percent share of total development cost) for the high-rise apartment prototype, to a low of $202,000 for the small lot subdivision prototype ($10 per square foot and an 3 percent share of total development cost).

It is important to note that the above values do not actually represent the full cost of the potential New Quimby and Parks Fees. Because this item is one of a number of "soft costs," they are also associated with an incremental increase in the soft cost contingency and financing costs. On the other hand, the net increase in total fee-related costs would be slightly lower for the condominium and small-lot subdivision prototypes, because they are already subject to the City's existing Quimby Fee.

Furthermore, in some cases, the City applies a parks fee to new apartment buildings that require a zone change as part of the entitlement process. This parallel park fee for zone change is commonly known as a "Finn Fee", and the fee amount is set at the same level as the existing Quimby Fee on a per-unit basis.[4] However, that the Finn Fee is applied only on a case-by-case basis, we did not include this as an existing fee in the baseline apartment prototypes analysis.[5] Therefore, the New Parks Fee is treated as net new development soft cost for the high-rise and low-rise apartment prototypes. But for those cases that would be subject to the Finn Fee, the cost impact of the New Parks Fees tested above would be somewhat lower if the Finn Fee were to be netted out, just as in the case of the prototypes that would be subject to the existing Quimby Fee.

### Financial Feasibility of Proposed New Fees

We then systematically tested the financial feasibility implications of the fee amounts shown in Table 5 by adding the fee amounts as a replacement for the existing Quimby Fee, when applicable, or as an additional soft cost to the base case feasibility models. We then measured changes in the two feasibility metrics (i.e., residual land value and developer profit margin), and determined whether the change rendered the prototype financially feasible or infeasible, as follows:

- *Change in Residual Land Value (RLV)*. After establishing the baseline RLV for each prototype, we compared the change in the baseline RLV with the resulting RLV after applying Revised Quimby Fee and New Parks Fee. In general, it is our experience that ***a decrease in residual land value of more than 15 percent would tend to render a development project infeasible*** (i.e., the greatest reduction in value that could be successfully accommodated through negotiations between a land seller and a developer).
- *Change in Developer Profit Margin*. We also analyzed change in developer profit by taking the estimated base case residual land value for each of the baseline scenarios and adding it to the development budget. We then compared the change in developer profit margin (completed project value less total development and land costs) as a percentage of net completed project value as compared with the base cases. In our ***experience, a reduction in developer profit of more than 15 percent (and not less than 10 percent) would tend to render a development infeasible***.

For a Revised Quimby Fee and New Parks Fee scenario to be determined "financially feasible," changes in **both** residual land value and developer profit must fall within acceptable range described above.

However, in some cases the difference between "feasible" and "not feasible" was not clear-cut, and subject to specific physical parameters of the prototype. For instance, the high-rise apartment prototype we analyzed probably represents the very top range of density for high-rise development in Los Angeles. At 14:1 floor-to-area ration ("FAR"), this particular high-rise apartment prototype has both more units and a smaller overall land area than we would expect to see in the near future. Because of this, the effect of changes to RLV per square foot are likely to be magnified as compared to a typical project. We believe that in almost all cases, a fee level of $7,500 per unit would be supported by a high-rise apartment project in a well-performing submarket. Similarly,

[4] LA Municipal Code, Section 12.33.

[5] This approach is conservative, because the changes to RLV and developer profit would be lower under a scenario in which an apartment building would be subject to Finn Fee.

for the low-rise prototype in the San Fernando Valley, we believe that a developer profit of 10.4 percent would probably not make the project infeasible, even though the percent change technically falls outside of the designated range. In these instances, we indicated that the fee level would be "marginally" feasible.

Table 6 summarizes the results of the feasibility analysis for the five prototypes in a higher-price market, as well as the two prototypes in a mid-price market area, and shows the extent to which the additional Revised Quimby Fee and New Parks Fees affect the financial feasibility of each prototype. Only the values highlighted in **green** represent changes in land value and developer profit which would be financially feasible. The values in **red** represent changes that would render a prototype financially infeasible. Finally, values in **yellow** represent marginal cases, where the analysis shows that the changes in feasibility metrics fall just outside the defined range of acceptability, but where we believe that the fee level would likely be supportable.

## TABLE 6
## Proposed New Quimby Fee Feasibility Analysis, Downtown Los Angeles

**Residual Land Values with Quimby & Parks Fees**

| Potential Quimby & Parks Fee per Unit | DTLA High-Rise Condo | | DTLA Low-Rise Condo | | DTLA High-Rise Apt | | DTLA Low-Rise Apt | | DTLA Small Lot Subdiv | | SFV Low-Rise Condo | | SFV Low-Rise Apt | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *RLV* | *% Change* | *RLV* | *% Change* | *RLV* | *% Change* | *RLV* | *% Change* | *Dev Profit* | *% Change* | *RLV* | *% Change* | *RLV* | *% Change* |
| $18,364 | $ 533 | -22% | $ 381 | -3% | $ 346 | -44% | $ 380 | -8% | $ 76 | -10% | $ 88 | -15% | $ 64 | -34% |
| $15,000 | $ 573 | -16% | $ 385 | -2% | $ 391 | -37% | $ 386 | -7% | $ 77 | -8% | $ 91 | -12% | $ 69 | -29% |
| $12,500 | $ 607 | -11% | $ 387 | -2% | $ 429 | -31% | $ 390 | -6% | $ 79 | -6% | $ 94 | -9% | $ 74 | -24% |
| $10,000 | $ 640 | -6% | $ 390 | -1% | $ 468 | -25% | $ 395 | -5% | $ 80 | -5% | $ 96 | -7% | $ 79 | -19% |
| $7,500 | $ 674 | -1% | $ 392 | 0% | $ 506 | -18% | $ 385 | -7% | $ 82 | -2% | $ 99 | -4% | $ 83 | -14% |
| $5,000 | n/a | | n/a | | $ 544 | -14% | $ 390 | -6% | $ 83 | -1% | $ 101 | -2% | $ 88 | -9% |

**Developer Profits with Quimby & Parks Fees**

| Potential Quimby & Parks Fee per Unit | DTLA High-Rise Condo | | DTLA Low-Rise Condo | | DTLA High-Rise Apt | | DTLA Low-Rise Apt | | DTLA Small Lot Subdiv | | SFV Low-Rise Condo | | SFV Low-Rise Apt | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *Dev Profit* | *% Change* | *Dev Profit* | *% Change* | *Dev Profit* | *% Change* | *Dev Profit* | *% Change* | *Dev Profit* | *% Change* | *Dev Profit* | *% Change* | *Dev Profit* | *% Change* |
| $18,364 | 10.2% | -18% | 11.3% | -10% | 8.7% | -30% | 9.4% | -25% | 10.4% | -17% | 10.0% | -20% | 7.6% | -39% |
| $15,000 | 10.8% | -14% | 11.6% | -7% | 9.4% | -25% | 9.9% | -21% | 10.9% | -13% | 10.5% | -16% | 8.4% | -33% |
| $12,500 | 11.3% | -10% | 11.9% | -5% | 9.9% | -21% | 10.3% | -18% | 11.2% | -10% | 11.0% | -12% | 9.1% | -27% |
| $10,000 | 11.8% | -6% | 12.2% | -2% | 10.4% | -17% | 10.8% | -14% | 11.6% | -7% | 11.4% | -9% | 9.8% | -22% |
| $7,500 | 12.4% | -1% | 12.4% | -1% | 10.9% | -13% | 11.2% | -10% | 11.9% | -5% | 11.8% | -6% | 10.4% | -17% |
| $5,000 | n/a | | n/a | | 11.5% | -8% | 11.6% | -7% | 12.3% | -2% | 12.3% | -2% | 11.1% | -11% |

Feasible*
Marginally Feasible
Not Feasible

*A particular Quimby Fee or New Parks Fee amount per unit is considered "feasible" only these fees do not cause a change of more than 15 % in both RLV and Developer Profit.

This analysis provides mixed guidance for setting a uniformly applicable, financially feasible Revised Quimby Fee and New Parks Fee.

First, the analysis clearly demonstrates that, of all the prototypes tested, the maximum justifiable fee of $18,364 per unit is only feasible for the low-rise condo prototype in higher-price submarket area. Second, a fee amount of $5,000 per unit can clearly be supported by all prototypes, but that is an amount that would actually be less than the existing Quimby Fee in the R5 District, which applies to the two condominium prototypes in certain areas of the City. A per-unit fee of $7,500 can likely be supported by all prototypes, although the analysis shows that this fee level is only marginally supported by the high-rise apartment prototype in Downtown and low-rise apartment prototype in the San Fernando Valley.

Finally, the analysis also shows that an even higher per-unit fee amount is feasible for some, but not all of the prototypes. For example, a fee of up to $15,000 per unit would be feasible for the small lot subdivision in a higher-priced market. A fee of up to $12,000 would be feasible for a high-rise condominium in a higher-priced market and a low-rise condominium in a mid-priced market. A fee up to $10,000 per unit would be feasible for all prototypes except the high-rise prototype in a high-price submarket and the low-rise apartment prototype in a mid-price submarket.

It should also be noted that the fee amounts tested for feasibility represent the cash payments by developers. They can therefore be considered the gross fee amount without any credit for on-site private or public open space, or the net cash payment after credits. Thus, in setting the actual fee amount, it may be important to consider how any credits for on-site open space will offset the listed fee.

### General Limiting Conditions

The results reported above are sensitive to all of the assumptions used in the analyses described in this memo. Changes in some of these assumptions, particularly leasable floor areas, hard construction costs, rents and sale prices, and income capitalization rates could alter the analysis results and conclusions based on those results. All dollar amounts in the analysis are stated in 2015 dollars.

In HR&A's experience, there are rarely any bright-line thresholds for determining financial feasibility in the real estate industry. That is because of differences in the levels of experience, investment objectives and access to capital among developers working in the City, all of which can be affected by timing within a real estate market cycle for one or more land uses. There will always be some developers who require higher, or accept lower, thresholds of financial feasibility to proceed with a project, or who have a particular sensitivity to one feasibility metric (or a different metric than employed in this analysis) above all others. However, lines must be drawn somewhere in conducting the kind of analysis presented in this memo. For this analysis, we have used what we believe, based on our experience and industry standards, are reasonable metrics and reasonable feasibility thresholds for each metric to support decision making by the City.

We are available to answer any questions that you or Department of City Planning staff may have about any of the information presented in this memo.

## Appendix – Base Case Financial Feasibility Models (No New Fees)

Downtown Los Angeles Submarket

- Parks Fee Prototype – High-Rise Condominium
- Parks Fee Prototype – Low-Rise Condominium
- Parks Fee Prototype – High-Rise Apartment
- Parks Fee Prototype – Low-Rise Apartment
- Parks Fee Prototype – Small-Lot Subdivision

San Fernando Valley Submarket

- Parks Fee Prototype – Low-Rise Condominium
- Parks Fee Prototype – Low-Rise Apartment

## Park Fee Prototype, High Rise Condominium

### Downtown Los Angeles

| | Per Unit | Total |
|---|---|---|
| **Development Program**[1] | | |
| Land Area (sf) | | 37,529 |
| Gross Residential Building Area (GSF) | | 430,291 |
| Gross Retail Building Area (GSF) | | 6,904 |
| Gross Building Area (GSF) | | 437,195 |
| FAR (Gross Bldg. Area / FAR Land Area) | | 11.65 |
| Residential (NSF) | 865 | 391,850 |
| Retail (NSF) | | 5,523 |
| Net Building Area (NSF) | | 397,373 |
| Building Efficiency | | 90.9% |
| Condominiums | | |
| Market Rate | | 450 |
| Affordable | 0% | - |
| Other Condo Units (storage, commercial, amenity) | | 3 |
| Total Units | | 453 |
| Parking - | | |
| Residential | | 450 |
| Retail | | - |
| Subterranean (2 levels) | | 143 |
| At Grade Parking | | - |
| Above Grade (6 levels) | | 307 |
| Total Parking | | 450 |

| **Hard Costs** | | Per Bldg. GSF | Per Unit/Space | Total |
|---|---|---|---|---|
| Hard Construction-Buildings[2] | | $278 | $ 270,073 | $ 121,533,016 |
| Hard Construction-Demolition, Grading & Site Preparation (per site SF)[2] | $7 | | | $ 273,800 |
| Hard Construction-Landscaping (per site SF) [2] | $25 | | | $ 117,278 |
| Hard Construction-At Grade Parking (per space)[2] | | $ - | $ 5,000 | $ - |
| Hard Construction-Subt. Parking (per space)[2] | | $ 10.65 | $ 32,039 | $ 4,581,544 |
| Hard Construction-Tuck Under Parking (per space)[2] | | $ 17.96 | $ 25,167 | $ 7,726,184 |
| Hard Cost Contingency (x Subtotal)[3] | 5.0% | $ 15.60 | n/a | $ 6,711,591 |
| Subtotal Construction | | $ 322.18 | | **$ 140,943,413** |
| **Soft Costs** | | | | |
| Design, Engineering & Consulting Services (x Hard Costs)[3] | 7.0% | $ 22.93 | $ 21,779 | $ 9,866,039 |
| Permits & Fees (x Hard Costs)[4] | 3.2% | $ 10.53 | $ 10,007 | $ 4,533,090 |
| Existing Quimby and Parks Fee | 3.2% | $ 10.29 | $ 10,000 | $ 4,500,000 |
| Taxes, Insurance, Legal & Accounting (x Hard Costs)[3] | 3.0% | $ 9.83 | $ 9,334 | $ 4,228,302 |
| Development and Entitlement Management (x Hard Costs)[3] | 5.0% | $ 16.38 | $ 15,557 | $ 7,047,171 |
| Soft Cost Contingency (x Subtotal)[3] | 3.0% | $ 2.10 | $ 1,998 | $ 905,238 |
| Subtotal Soft Costs | 24.4% | $ 72.23 | $ 68,609 | **$ 31,079,840** |

| **Construction Financing Costs**[4] | | Per Bldg. GSF | Per Unit | Total |
|---|---|---|---|---|
| **Subtotal Hard Costs + Soft Costs** | | | | **$ 172,023,253** |
| Loan to Cost Ratio | 80% | | | |
| Loan Principal | | | | $ 137,618,603 |
| Loan Fees (%) | 1.8% | $ 5.60 | $ 5,316 | $ 2,408,326 |
| Interest Rate | 5.50% | | | |
| Outstanding Principal Balance | 65% | | | |
| Construction Period (months) | 26 | | | |
| Construction Loan Interest | | $ 30.97 | $ 29,414 | $ 13,324,634 |
| Permanent Loan Points | 0.0% | $ - | $ - | $ - |
| Subtotal Construction Loan | | $ 36.56 | $ 34,731 | **$ 15,732,960** |
| **Total Development Cost (TDC)** | | **$ 436.35** | **$ 414,473** | **$ 187,756,213** |

## Park Fee Prototype, High Rise Condominium (cont'd)
### Downtown Los Angeles

| | | | | | Per Unit | Total |
|---|---|---|---|---|---|---|
| **Sales - Residential**[5] | | | | | | |
| | | Number | Net SF | Sales Price/NSF | Sales Price/ Unit | Total Sales Price |
| **TOTAL UNITS** | | 453 | | | | |
| 2 Bedroom Units | 27% | 121 | 1,100 | $ 630 | $ 693,000 | $ 83,853,000 |
| 1 Bedroom Units | 57% | 259 | 800 | $ 630 | $ 504,300 | $ 130,613,700 |
| Penthouse | 0.2% | 1 | 4,750 | $ 720 | $ 3,420,000 | $ 3,420,000 |
| Studio Units | 16% | 72 | 650 | $ 625 | $ 406,250 | $ 29,250,000 |
| Total Unit Sales Price | | | | | | $ 247,136,700 |
| Less: Marketing and Cost of Sale[3] | 4% | | | | | $ (8,649,785) |
| Less: HOA Fees Through Full Building Absorption[3] | | 151 | | | $ (6,000) | $ (906,000) |
| Less: Warranties [3] | | 453 | | | $ (500) | $ (226,500) |
| Net Sales Revenue | | | | $ 606 | | **$ 237,354,416** |
| **Net Operating Income - Retail** | | | | | | |
| Gross Retail Income (NNN)[5] | | | | | $ 3.80 | $ 314,822 |
| Less: Vacancy Allowance (x Gross Income)[3] | | 5% | | | $ (0.19) | $ (15,741) |
| Effective Gross Income (EGI) | | | | | $ 3.61 | $ 299,081 |
| Less: Management Fee (x EGI)[3] | | 3% | | | $ - | $ (8,972) |
| Net Retail Income | | | | | $ 3.61 | $ 290,109 |
| **Net Operating Income (NOI)** | | | | | $ 3.50 | **$ 290,109** |
| **Residual Land Value** | | | | | | |
| Residential Net Sales Value (from above) | | | | | $ 237,354,416 | |
| Retail Net Operating Income (from above) | | | | | $ 290,109 | |
| Retail Cap Rate[6] | | 6.00% | | | | |
| Retail Project Value (NOI x Cap Rate) | | | | | $ 4,835,147 | |
| Less: Cost of Sale for Retail[3] | | 3.0% | | | $ (145,054) | |
| Net Project Value | | | | | | $ 242,044,508 |
| Less: Total Development Cost (from above) | | | | | | $ (187,756,213) |
| Less: Developer Profit[3] | | 12.5% | | | | $ (30,255,564) |
| Total Residual Land Value | | | | | | **$ 24,032,732** |
| Residual Land Value PSF | | | | | | **$ 640** |
| **Developer Profit Test** | | | | | | |
| Net Project Value (from above) | | | | | | $ 242,044,508 |
| Less: Total Development Cost (from above) | | | | | | $ (187,756,213) |
| Less: Land Value (from above) | | | | | | $ (25,635,900) |
| Developer Profit | | | | | | **$ 28,652,395** |
| Profit as % of Project Value | | | | | | 11.8% |

**SOURCES & NOTES:**

1 Based on an active application for a similarly scaled new construction development project.

2 HR&A estimate based on Marshall & Swift Cost Estimator software, 2014 Q2 data for LA area. Includes demolition and site work, but factored to remove soft costs listed separately.

3 HR&A assumptions typical for this type of project and/or calculations.

4 Based on estimates from the City of LA Department of Building and Safety.

5 HR&A, based on review of market comps for similarly scaled new construction condominiums and ground floor retail spaces.

6 Based on HR&A review of third party data sources (e.g., Real Estate Research Corp., 2014 Q4 data; CBRE survey, 2014; CoStar data for sale of buildings within Downtown Los Angeles since 2010).

*Prepared by: HR&A Advisors, Inc.*

## Park Fee Prototype, Low-Rise Condominium Building
### Downtown Los Angeles

| | Per Unit | Total |
|---|---|---|
| **Development Program**[1] | | |
| Land Area (sf) | | 30,929 |
| Gross Residential Building Area (GSF) | | 56,814 |
| Gross Retail Building Area (GSF) | | - |
| Gross Building Area (GSF) | | 56,814 |
| FAR (Gross Bldg. Area / FAR Land Area) | | 1.51 |
| Residential (NSF) | 1,850 | 52,050 |
| Retail (NSF) | | - |
| Net Building Area (NSF) | | 52,050 |
| Building Efficiency | | 91.6% |
| Condominiums | | |
| Market Rate | | 29 |
| Affordable | 0% | - |
| Other Condo Units (storage, commercial, amenity) | | - |
| Total Units | | 29 |
| Parking - | | |
| Residential | | 64 |
| Retail | | - |
| Subterranean (2 levels) | | 64 |
| At Grade Parking | | - |
| Tuck Under Parking | | - |
| Total Parking | | 64 |

| | | Per Bldg. GSF | Per Unit/Space | Total |
|---|---|---|---|---|
| **Hard Costs** | | | | |
| Hard Construction-Buildings[2] | | $138 | $ 122,528 | $ 7,841,787 |
| Hard Construction-Demolition, Grading & Site Preparation (per site SF)[2] | $7 | | | $ 225,648 |
| Hard Construction-Landscaping (per site SF)[2] | $25 | | | $ 193,306 |
| Hard Construction-At Grade Parking (per space)[2] | | $ - | $ 5,000 | $ - |
| Hard Construction-Subt. Parking (per space)[2] | | $ 36.09 | $ 32,039 | $ 2,050,481 |
| Hard Construction-Tuck Under Parking (per space)[2] | | $ 65.16 | $ 25,167 | $ - |
| Hard Cost Contingency (x Subtotal)[3] | 5.0% | $ 9.07 | n/a | $ 515,561 |
| Subtotal Construction | | $ 248.35 | | **$ 10,826,784** |
| **Soft Costs** | | | | |
| Design, Engineering & Consulting Services (x Hard Costs)[3] | 6.0% | $ 11.43 | $ 22,400 | $ 649,607 |
| Permits & Fees (x Hard Costs)[4] | 3.9% | $ 7.50 | $ 14,701 | $ 426,323 |
| Existing Quimby and Parks Fee | 2.7% | $ 5.10 | $ 10,000 | $ 290,000 |
| Taxes, Insurance, Legal & Accounting (x Hard Costs)[3] | 3.0% | $ 5.72 | $ 11,200 | $ 324,804 |
| Development and Entitlement Management (x Hard Costs)[3] | 5.0% | $ 9.53 | $ 18,667 | $ 541,339 |
| Soft Cost Contingency (x Subtotal)[3] | 3.0% | $ 1.18 | $ 2,309 | $ 66,962 |
| Subtotal Soft Costs | 23.6% | $ 40.47 | $ 79,277 | **$ 2,299,034** |

| | | Per Bldg. GSF | Per Unit | Total |
|---|---|---|---|---|
| **Construction Financing Costs**[4] | | | | |
| **Subtotal Hard Costs + Soft Costs** | | | | **$ 13,125,818** |
| Loan to Cost Ratio | 80% | | | |
| Loan Principal | | | | $ 10,500,655 |
| Loan Fees (%) | 1.8% | $ 3.23 | $ 6,337 | $ 183,761 |
| Interest Rate | 5.50% | | | |
| Outstanding Principal Balance | 65% | | | |
| Construction Period (months) | 24 | | | |
| Construction Loan Interest | | $ 16.52 | $ 32,362 | $ 938,496 |
| Permanent Loan Points | 0.0% | $ - | $ - | $ - |
| Subtotal Construction Loan | | $ 19.75 | $ 38,699 | **$ 1,122,257** |
| **Total Development Cost (TDC)** | | **$ 250.78** | **$ 491,313** | **$ 14,248,076** |

**Park Fee Prototype, Low-Rise Condominium Building (cont'd)**
**Downtown Los Angeles**

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | | | Per Unit | Total |
| **Sales - Residential** | | | | | | |
| | | Number | Net SF | Sales Price/NSF | Sales Price/ Unit | Total Sales Price |
| **TOTAL UNITS** | | 29 | | | | |
| 3 Bedroom Units | 48% | 14 | 1,950 | $ 600 | $ 1,170,000 | $ 16,380,000 |
| 2 Bedroom Units | 52% | 15 | 1,650 | $ 600 | $ 990,000 | $ 14,850,000 |
| 1 Bedroom Units | 0% | - | - | $ - | $ - | $ - |
| Studio Units | 0% | - | - | $ - | $ - | $ - |
| Total Unit Sales Price | | | | | | $ 31,230,000 |
| Less: Marketing and Cost of Sale[3] | 4% | | | | | $ (1,093,050) |
| Less: HOA Fees Through Full Building Absorption[3] | | 10 | | | $ (6,000) | $ (58,000) |
| Less: Warranties [3] | | 29 | | | $ (500) | $ (14,500) |
| Total Sales Revenue | | | | $ 578 | | **$ 30,064,450** |
| **Residual Land Value** | | | | | | |
| Total Project Sale Value | | | | | $ 30,064,450 | |
| Less: Total Development Cost (from above) | | | | | $ (14,248,076) | |
| Less: Developer Profit | | 12.5% | | | $(3,758,056) | |
| Total Residual Land Value | | | | | | **$ 12,058,318** |
| Residual Land Value PSF | | | | | | **$ 390** |
| **Developer Profit Test** | | | | | | |
| Net Project Sale Value | | | | | | $ 30,064,450 |
| Less: Total Development Cost (from above) | | | | | | $ (14,248,076) |
| Less: Land Costs | | | | | | $ (12,161,069) |
| Developer Profit | | | | | | **$ 3,655,305** |
| Developer Profit (%) | | | | | | 12.2% |

**SOURCES & NOTES:**

1 Based on an active application for a similarly scaled new construction development project.

2 HR&A estimate based on Marshall & Swift Cost Estimator software, 2014 Q2 data for LA area. Includes demolition and site work, but factored to remove soft costs listed separately.

3 HR&A assumptions typical for this type of project and/or calculations.

4 Based on estimates from the City of LA Department of Building and Safety.

5 HR&A, based on review of market comps for similarly scaled new construction condominiums.

*Prepared by: HR&A Advisors, Inc.*

## Park Fee Prototype, High-Rise Apartment Building

### Downtown Los Angeles

| | Per Unit | Total |
|---|---|---|
| **Development Program**[1] | | |
| Land Area (sf) | | 38,958 |
| Gross Residential Building Area (GSF) | | 518,878 |
| Gross Retail Building Area (GSF) | | 4,500 |
| Amenity Building Area (GSF) | | 5,705 |
| Gross Building Area (GSF) | | 529,083 |
| FAR (Gross Bldg. Area / FAR Land Area) | | 14.10 |
| Residential (NSF) | 925 | 482,775 |
| Retail (NSF) | | 4,500 |
| Amenity (NSF) | | 6,130 |
| Net Building Area (NSF) | | 493,405 |
| Building Efficiency | | 91.2% |
| Apartments | | |
| Market Rate | | 522 |
| Affordable | 0% | - |
| Other Condo Units (storage, commercial, amenity) | | - |
| Total Units | | 522 |
| Parking - | | |
| Residential | | 528 |
| Retail | | 5 |
| Subterranean (3 levels) | | 205 |
| At Grade Parking | | - |
| Structured (7 levels) | | 328 |
| Total Parking | | 533 |

| Unit Mix[1,5] | % | Number | Net Rentable SF | Mo. Rent/NRSF | Mo. Rent | Total Mo. Rent |
|---|---|---|---|---|---|---|
| **TOTAL UNITS** | | 522 | | | | |
| *Market Rate* | | | | | | |
| Penthouse | 0% | 1 | 7,000 | $ 3.17 | $ 22,176 | $ 22,176 |
| 3 Bedroom Units / Townhouse | 2% | 12 | 1,650 | $ 3.10 | $ 5,108 | $ 61,301 |
| 2 Bedroom Units | 31% | 164 | 1,125 | $ 3.15 | $ 3,544 | $ 581,175 |
| 1 Bedroom Units / Loft | 50% | 263 | 775 | $ 3.26 | $ 2,523 | $ 663,630 |
| 1 Bedroom + Den | 16% | 82 | 825 | $ 3.08 | $ 2,537 | $ 208,024 |
| | | 522 | | | | |

| Hard Costs | | Per Bldg. GSF | Per Unit/Space | Total |
|---|---|---|---|---|
| Hard Construction-Buildings[2] | | $278 | $ 275,941 | $ 147,076,368 |
| Hard Construction-Demolition, Grading & Site Preparation (per site : | $7 | | | $ 284,225 |
| Hard Construction-Landscaping (per site SF) [2] | $25 | | | $ 121,744 |
| Hard Construction-At Grade Parking (per space)[2] | | $ - | $ 5,000 | $ - |
| Hard Construction-Subt. Parking (per space)[2] | | $ 12.66 | $ 32,039 | $ 6,567,948 |
| Hard Construction-Tuck Under Parking (per space)[2] | | $ 15.91 | $ 25,167 | $ 8,254,685 |
| Hard Cost Contingency (x Subtotal)[3] | 5.0% | $ 15.64 | n/a | $ 8,115,249 |
| Subtotal Construction | | $ 322.19 | | **$ 170,420,219** |

| Soft Costs | | | | |
|---|---|---|---|---|
| Design, Engineering & Consulting Services (x Hard Costs)[3] | 7.0% | $ 22.99 | $ 22,853 | $ 11,929,415 |
| Permits & Fees (x Hard Costs)[4] | 3.3% | $ 10.69 | $ 10,623 | $ 5,545,190 |
| Existing Quimby and Parks Fee | 3.1% | $ 9.87 | $ 10,000 | $ 5,220,000 |
| Taxes, Insurance, Legal & Accounting (x Hard Costs)[3] | 3.0% | $ 9.85 | $ 9,794 | $ 5,112,607 |
| Development Management (x Hard Costs)[3] | 5.0% | $ 16.42 | $ 16,324 | $ 8,521,011 |
| Soft Cost Contingency (x Subtotal)[3] | 3.0% | $ 2.10 | $ 2,088 | $ 1,089,847 |
| Subtotal Soft Costs | 24.3% | $ 72.11 | $ 71,682 | **$ 37,418,069** |

## Park Fee Prototype, High-Rise Apartment Building (cont'd)

**Downtown Los Angeles**

| | | | | |
|---|---|---|---|---|
| | | | Per Unit | Total |
| **Construction Financing Costs[4]** | | | | **Total** |
| **Subtotal Hard Costs + Soft Costs** | | | | **$ 207,838,288** |
| Loan to Cost Ratio | 80% | Per Bldg. GSF | Per Unit | |
| Loan Principal | | | | $ 166,270,630 |
| Loan Fees (%) | 1.8% | $ 5.61 | $ 5,574 | $ 2,909,736 |
| Interest Rate | 5.50% | | | |
| Outstanding Principal Balance | 65% | | | |
| Construction Period (months) | 26 | | | |
| Construction Loan Interest | | $ 31.03 | $ 30,841 | $ 16,098,807 |
| Permanent Loan Points | 1.8% | $ 5.61 | $ 5,574 | $ 2,909,736 |
| Subtotal Construction Loan | | $ 42.24 | $ 41,989 | **$ 21,918,279** |
| **Total Development Cost (TDC)** | | **$ 442.79** | **$ 440,147** | **$ 229,756,568** |
| **Net Operating Income - Residential** | | Per Unit/Mo. | Per NSF/Mo. | Annual |
| Gross Apartment Rental Income | | | | |
| Market Rate Apartments[5] | | $ 2,943 | $ 3.18 | $ 18,435,669 |
| Plus: Miscellaneous Revenue (per unit/mo.) | $35 | | | $ 18,270 |
| Less: Vacancy Allowance[3] | 3.5% | $ (103) | $ (0.11) | $ (645,248) |
| Effective Gross Income (EGI) | | $ 2,840 | $ 3.07 | $ 17,808,691 |
| Less: Annual Operating Expenses (% x EGI)[3] | 35.0% | $ (995) | $ (1.08) | $ (6,233,042) |
| Less: Replacement Reserve (per unit/year)[3] | $150 | $ (13) | $ (0.01) | $ (78,300) |
| Net Apartment Income | | $ 1,833 | $ 1.98 | $ 11,497,349 |
| **Net Operating Income - Retail** | | | | |
| Gross Retail Income (NNN)[5] | | | $ 3.80 | $ 205,200 |
| Less: Vacancy Allowance (x Gross Income)[3] | 5% | | $ (0.19) | $ (10,260) |
| Effective Gross Income (EGI) | | | $ 3.61 | $ 194,940 |
| Less: Management Fee (x EGI)[3] | 3% | | $ - | $ (5,848) |
| Net Retail Income | | | $ 3.61 | $ 189,092 |
| **Net Operating Income (NOI)** | | | $ 2.02 | **$ 11,686,441** |
| **Residual Land Value** | | | | |
| Net Operating Income (from above) | | | $ 11,686,441 | |
| Cap Rate[6] | 4.00% | | | |
| Project Value (NOI x Cap Rate) | | | $ 292,161,021 | |
| Less: Cost of Sale[3] | 3.0% | | $ (8,764,831) | |
| Net Project Sale Value | | | | $ 283,396,190 |
| Less: Total Development Cost (from above) | | | | $ (229,756,568) |
| Less: Developer Profit[3] | 12.5% | | | $ (35,424,524) |
| Total Residual Land Value | | | | **$ 18,215,099** |
| Residual Land Value PSF | | | | **$ 468** |
| **Developer Profit Test** | | | | |
| Net Project Sale Value | | | | $ 283,396,190 |
| Less: Total Development Cost (from above) | | | | $ (229,756,568) |
| Less: Land Costs | | | | $ (24,158,706) |
| Developer Profit | | | | **$ 29,480,917** |
| Developer Profit (%) | | | | 10.4% |

**SOURCES & NOTES:**

1 Based on an active application for a similarly scaled new construction development project.

2 HR&A estimate based on Marshall & Swift Cost Estimator software, 2014 Q2 data for LA area. Includes demolition and site work, but factored to remove soft costs listed separately.

3 HR&A assumptions typical for this type of project and/or calculations.

4 Based on estimates from the City of LA Department of Building and Safety.

5 HR&A, based on review of market comps for similarly scaled new construction apartments and ground floor retail spaces.

6 Based on HR&A review of third party data sources (e.g., Real Estate Research Corp., 2014 Q4 data; CBRE survey, 2014; CoStar data for sale of buildings within Downtown Los Angeles since 2010).

## Park Fee Prototype, Low-Rise Apartment Building
**Downtown Los Angeles**

| | Per Unit | Total |
|---|---|---|
| **Development Program**[1] | | |
| Land Area (sf) | | 27,200 |
| Gross Residential Building Area (GSF) | | 59,906 |
| Gross Retail Building Area (GSF) | | - |
| Amenity Building Area (GSF) | | - |
| Gross Building Area (GSF) | | 59,906 |
| FAR (Gross Bldg. Area / FAR Land Area) | | 2.20 |
| Residential (NSF) | - | 53,480 |
| Retail (NSF) | | - |
| Amenity (NSF) | | - |
| Net Building Area (NSF) | | 53,480 |
| Building Efficiency | | 89.3% |
| Apartments | | |
| Market Rate | | 46 |
| Affordable | 0% | - |
| Other Condo Units (storage, commercial, amenity) | | - |
| Total Units | | 46 |
| Parking - | | |
| Residential | | 62 |
| Retail | | - |
| Subterranean (1 level) | | 62 |
| At Grade Parking | | - |
| Structured | | - |
| Total Parking | | 62 |

| **Unit Mix**[1,5] | % | Number | Net Rentable SF | Mo. Rent/NRSF | Mo. Rent | Total Mo. Rent |
|---|---|---|---|---|---|---|
| **TOTAL UNITS** | | 46 | | | | |
| *Market Rate* | | | | | | |
| 3 Bedroom Units | 22% | 10 | 1,875 | $ 2.88 | $ 5,400 | $ 54,000 |
| 2 Bedroom Units | 26% | 12 | 1,250 | $ 3.00 | $ 3,750 | $ 45,000 |
| Loft | 35% | 16 | 850 | $ 3.18 | $ 2,700 | $ 43,200 |
| Studio | 17% | 8 | 700 | $ 3.25 | $ 2,275 | $ 18,200 |
| | | 46 | | | | |

| **Hard Costs** | | Per Bldg. GSF | Per Unit/Space | Total |
|---|---|---|---|---|
| Hard Construction-Buildings[2] | | $138 | $ 133,364 | $ 8,268,562 |
| Hard Construction-Demolition, Grading & Site Preparation (per site SF)[2] | $7 | | | $ 198,443 |
| Hard Construction-Landscaping (per site SF)[2] | $25 | | | $ 170,000 |
| Hard Construction-At Grade Parking (per space)[2] | | $ - | $ 5,000 | $ - |
| Hard Construction-Subt. Parking (per space)[2] | | $ 33.16 | $ 32,039 | $ 1,986,404 |
| Hard Construction-Tuck Under Parking (per space)[2] | | $ - | $ 25,167 | $ - |
| Hard Cost Contingency (x Subtotal)[3] | 5.0% | $ 8.87 | n/a | $ 531,170 |
| Subtotal Construction | | $ 180.05 | | **$ 11,154,579** |
| **Soft Costs** | | | | |
| Design, Engineering & Consulting Services (x Hard Costs)[3] | 6.0% | $ 11.17 | $ 14,549 | $ 669,275 |
| Permits & Fees (x Hard Costs)[4] | 5.5% | $ 10.24 | $ 13,337 | $ 613,502 |
| Existing Quimby and Parks Fee | 4.1% | $ 7.68 | $ 10,000 | $ 460,000 |
| Taxes, Insurance, Legal & Accounting (x Hard Costs)[3] | 3.0% | $ 5.59 | $ 7,275 | $ 334,637 |
| Development Management (x Hard Costs)[3] | 4.0% | $ 7.45 | $ 9,700 | $ 446,183 |
| Soft Cost Contingency (x Subtotal)[3] | 3.0% | $ 1.26 | $ 1,646 | $ 75,708 |
| Subtotal Soft Costs | 25.6% | $ 43.39 | $ 56,507 | **$ 2,599,305** |

**Park Fee Prototype, Low-Rise Apartment Building (cont'd)**

**Downtown Los Angeles**

| | | | Per Unit | Total |
|---|---|---|---|---|
| **Construction Financing Costs[4]** | | | | **Total** |
| **Subtotal Hard Costs + Soft Costs** | | | | **$ 13,753,884** |
| Loan to Cost Ratio | 80% | Per Bldg. GSF | Per Unit | |
| Loan Principal | | | | $ 11,003,107 |
| Loan Fees (%) | 1.8% | $ 3.21 | $ 4,186 | $ 192,554 |
| Interest Rate | 5.50% | | | |
| Outstanding Principal Balance | 65% | | | |
| Construction Period (months) | 15 | | | |
| Construction Loan Interest | | $ 10.26 | $ 13,361 | $ 614,627 |
| Permanent Loan Points | 1.8% | $ 3.21 | $ 4,186 | $ 192,554 |
| Subtotal Construction Loan | | $ 16.69 | $ 21,733 | **$ 999,735** |
| **Total Development Cost (TDC)** | | **$ 246** | **$ 320,731** | **$ 14,753,619** |
| **Net Operating Income - Residential** | | Per Unit/Mo. | Per NSF/Mo. | Annual |
| Gross Apartment Rental Income | | | | |
| Market Rate Apartments[5] | | $ 3,487 | $ 3.00 | $ 1,924,800 |
| Plus: Miscellaneous Revenue (per unit/mo.) | $35 | | | $ 1,610 |
| Less: Vacancy Allowance[3] | 3.5% | $ (122) | $ (0.10) | $ (67,368) |
| Effective Gross Income (EGI) | | $ 3,365 | $ 2.89 | $ 1,859,042 |
| Less: Annual Operating Expenses (% x EGI)[3] | 35.0% | $ (1,179) | $ (1.01) | $ (650,664.70) |
| Less: Replacement Reserve (per unit/year)[3] | $150 | $ (13) | $ (0.01) | $ (6,900) |
| Net Apartment Income | | $ 2,174 | $ 1.87 | $ 1,201,477 |
| **Net Operating Income (NOI)** | | | $ 1.87 | **$ 1,201,477** |
| **Residual Land Value** | | | | |
| Net Operating Income (from above) | | | $ 1,201,477 | |
| Cap Rate[6] | 4.00% | | | |
| Project Value (NOI x Cap Rate) | | | $ 30,036,933 | |
| Less: Cost of Sale[3] | 3.0% | | $ (901,108) | |
| Net Project Sale Value | | | | $ 29,135,825 |
| Less: Total Development Cost (from above) | | | | $ (14,753,619) |
| Less: Developer Profit[3] | 12.5% | | | $ (3,641,978.07) |
| Total Residual Land Value | | | | **$ 10,740,227** |
| Residual Land Value PSF | | | | **$ 395** |
| **Developer Profit Test** | | | | |
| Net Project Sale Value | | | | $ 29,135,825 |
| Less: Total Development Cost (from above) | | | | $ (14,753,619) |
| Less: Land Costs | | | | $ (11,248,467) |
| Developer Profit | | | | **$ 3,133,738** |
| Developer Profit (%) | | | | 10.8% |

**SOURCES & NOTES:**

1 Based on an active application for a similarly scaled new construction development project.

2 HR&A estimate based on Marshall & Swift Cost Estimator software, 2014 Q2 data for LA area. Includes demolition and site work, but factored to remove soft costs listed separately.

3 HR&A assumptions typical for this type of project and/or calculations.

4 Based on estimates from the City of LA Department of Building and Safety.

5 HR&A, based on review of market comps for similarly scaled new construction apartments.

6 Based on HR&A review of third party data sources (e.g., Real Estate Research Corp., 2014 Q4 data; CBRE survey, 2014; CoStar data for sale of buildings within Downtown Los Angeles since 2010).

*Prepared by: HR&A Advisors, Inc.*

## Park Fee Prototype, Small Lot Subdivision
### Downtown Los Angeles

| | | Per Unit | Total |
|---|---|---|---|
| **Development Program**[1] | | | |
| Land Area (sf) | | | 21,824 |
| Gross Residential Building Area (GSF) | | | 20,417 |
| Gross Retail Building Area (GSF) | | | - |
| Gross Building Area (GSF) | | | 20,417 |
| FAR (Gross Bldg. Area / FAR Land Area) | | | 0.94 |
| Residential (NSF) | | 1,856 | 20,417 |
| Retail (NSF) | | | - |
| Net Building Area (NSF) | | | 20,417 |
| Building Efficiency | | | 100.0% |
| Houses | | | |
| Market Rate | | | 11 |
| Affordable | | 0% | - |
| Total Units | | | 11 |
| Parking - | | | |
| Residential | | | 25 |
| Retail | | | - |
| Subterranean | | | - |
| At Grade Parking | | | 3 |
| Above Grade (Tuck Under) | | | 22 |
| Total Parking | | | 25 |

| **Hard Costs** | | Per Bldg. GSF | Per Unit/Space | Total |
|---|---|---|---|---|
| Hard Construction-Buildings[2] | | $ 152 | $ 124,434 | $ 3,110,860 |
| Hard Construction-Demolition, Grading & Site Preparation (per site SF)[2] | $7 | | | $ 159,221 |
| Hard Construction-Landscaping (per site SF)[2] | $25 | | | $ 409,200 |
| Hard Construction-At Grade Parking (per space)[2] | | $ 0.73 | $ 5,000 | $ 15,000 |
| Hard Construction-Subt. Parking (per space)[2] | | $ - | $ 32,039 | $ - |
| Hard Construction-Tuck Under Parking (per space)[2] | | $ 24.57 | $ 22,807 | $ 501,746 |
| Hard Cost Contingency (x Subtotal)[3] | 5.0% | $ 10.28 | n/a | $ 209,801 |
| Subtotal Construction | | $ 187.95 | | **$ 4,405,829** |
| **Soft Costs** | | | | |
| Design, Engineering & Consulting Services (x Hard Costs)[3] | 6.0% | $ 12.95 | $ 24,032 | $ 264,350 |
| Permits & Fees (x Hard Costs)[4] | 3.8% | $ 8.14 | $ 15,115 | $ 166,270 |
| Existing Quimby and Parks Fee | 2.5% | $ 5.39 | $ 10,000 | $ 110,000 |
| Taxes, Insurance, Legal & Accounting (x Hard Costs)[3] | 3.0% | $ 6.47 | $ 12,016 | $ 132,175 |
| Development and Entitlement Management (x Hard Costs)[3] | 5.0% | $ 10.79 | $ 20,026 | $ 220,291 |
| Soft Cost Contingency (x Subtotal)[3] | 3.0% | $ 1.31 | $ 2,436 | $ 26,793 |
| Subtotal Soft Costs | 23.3% | $ 45.05 | $ 83,625 | **$ 919,879** |

| **Construction Financing Costs**[4] | | Per Bldg. GSF | Per Unit | **Total** |
|---|---|---|---|---|
| **Subtotal Hard Costs + Soft Costs** | | | | **$ 5,325,707** |
| Loan to Cost Ratio | 80% | | | |
| Loan Principal | | | | $ 4,260,566 |
| Loan Fees (%) | 1.8% | $ 3.65 | $ 6,778 | $ 74,560 |
| Interest Rate | 5.50% | | | |
| Outstanding Principal Balance | 65% | | | |
| Construction Period (months) | 24 | | | |
| Construction Loan Interest | | $ 18.65 | $ 34,617 | $ 380,788 |
| Permanent Loan Points | 0.0% | $ - | $ - | $ - |
| Subtotal Construction Loan | | $ 22.30 | $ 41,395 | **$ 455,348** |
| **Total Development Cost (TDC)** | | $ 283.15 | $ 525,550 | **$ 5,781,055** |

## Park Fee Prototype, Small Lot Subdivision (cont'd)
### Downtown Los Angeles

| | | | | | Per Unit | Total |
|---|---|---|---|---|---|---|
| **Sales - Residential**[5] | | | | | | |
| | | Number | Net SF | Sales Price/NSF | Sales Price/ Unit | Total Sales Price |
| **TOTAL UNITS** | | 11 | | | | |
| House | 100% | 11 | 1,856 | $ 438 | $ 812,040 | $ 8,932,438 |
| Total Unit Sales Price | | | | | | $ 8,932,438 |
| Less: Marketing and Cost of Sale[3] | 4% | | | | | $ (312,635) |
| Less: HOA Fees Through Full Building Absorption[3] | | 4 | | | $ (1,200) | $ (4,400) |
| Less: Warranties [3] | | 11 | | | $ (500) | $ (5,500) |
| Total Sales Revenue | | | | | | **$ 8,609,902** |
| **Residual Land Value** | | | | | | |
| Project Value (Total Sales Revenue) | | | | | | $ 8,609,902 |
| Less: Total Development Cost (from above) | | | | | | $ (5,781,055) |
| Less: Developer Profit[3] | | 12.5% | | | | $ (1,076,238) |
| Total Residual Land Value | | | | | | **$ 1,752,609** |
| Residual Land Value PSF | | | | | | **$ 80** |
| **Developer Profit Test** | | | | | | |
| Net Project Sale Value | | | | | | $ 8,609,902 |
| Less: Total Development Cost (from above) | | | | | | $ (5,781,055) |
| Less: Land Costs | | | | | | $ (1,831,850) |
| Developer Profit | | | | | | **$ 996,997** |
| Developer Profit (%) | | | | | | 11.6% |

**SOURCES & NOTES:**

1 Based on an active application for a similarly scaled new construction development project.

2 HR&A estimate based on Marshall & Swift Cost Estimator software, 2014 Q2 data for LA area. Includes demolition and site work, but factored to remove soft costs listed separately.

3 HR&A assumptions typical for this type of project and/or calculations.

4 Based on estimates from the City of LA Department of Building and Safety.

5 HR&A, based on review of market comps for similarly scaled new construction condominiums

*Prepared by: HR&A Advisors, Inc.*

## Park Fee Prototype, Low-Rise Condominium Building
### San Fernando Valley

| | | Per Bldg. GSF | Per Unit | Total |
|---|---|---|---|---|
| **Development Program[1]** | | | | |
| Land Area (sf) | | | | 30,929 |
| Gross Residential Building Area (GSF) | | | | 56,814 |
| Gross Retail Building Area (GSF) | | | | - |
| Gross Building Area (GSF) | | | | 56,814 |
| FAR (Gross Bldg. Area / FAR Land Area) | | | | 1.51 |
| Residential (NSF) | | | 1,850 | 53,650 |
| Retail (NSF) | | | | - |
| Net Building Area (NSF) | | | | 53,650 |
| Building Efficiency | | | | 94.4% |
| Condominiums | | | | |
| Market Rate | | | | 29 |
| Affordable | | | 0% | - |
| Other Condo Units (storage, commercial, amenity) | | | | - |
| Total Units | | | | 29 |
| Parking - | | | | |
| Residential | | | | 64 |
| Retail | | | | - |
| Subterranean (2 levels) | | | | |
| At Grade Parking | | | | - |
| Tuck Under Parking | | | | 64 |
| Total Parking | | | | 64 |
| **Hard Costs** | | **Per Bldg. GSF** | **Per Unit/Space** | **Total** |
| Hard Construction-Buildings[2] | | $138 | $ 122,528 | $ 7,841,787 |
| Hard Construction-Demolition, Grading & Site Preparation (per site SF)[2] | $7 | | | $ 225,648 |
| Hard Construction-Landscaping (per site SF) [2] | $25 | | | $ 193,306 |
| Hard Construction-At Grade Parking (per space)[2] | | $ - | $ 5,000 | $ - |
| Hard Construction-Subt. Parking (per space)[2] | | $ - | $ 32,039 | $ - |
| Hard Construction-Tuck Under Parking (per space)[2] | | $ 65.16 | $ 25,167 | $ 1,610,670 |
| Hard Cost Contingency (x Subtotal)[3] | 5.0% | $ 8.69 | n/a | $ 493,571 |
| Subtotal Construction | | $ 211.87 | | **$ 10,364,982** |
| **Soft Costs** | | | | |
| Design, Engineering & Consulting Services (x Hard Costs)[3] | 6.0% | $ 10.95 | $ 21,445 | $ 621,899 |
| Permits & Fees (x Hard Costs)[4] | 4.0% | $ 7.33 | $ 14,359 | $ 416,414 |
| Existing Quimby and Parks Fee | 2.8% | $ - | $ 10,000 | $ 290,000 |
| Taxes, Insurance, Legal & Accounting (x Hard Costs)[3] | 3.0% | $ 5.47 | $ 10,722 | $ 310,949 |
| Development and Entitlement Management (x Hard Costs)[3] | 5.0% | $ 9.12 | $ 17,871 | $ 518,249 |
| Soft Cost Contingency (x Subtotal)[3] | 3.0% | $ 1.14 | $ 2,232 | $ 64,725 |
| Subtotal Soft Costs | 23.8% | $ 39.11 | $ 76,629 | **$ 2,222,237** |
| **Construction Financing Costs[4]** | | | | **Total** |
| **Subtotal Hard Costs + Soft Costs** | | | | **$ 12,587,219** |
| Loan to Cost Ratio | 80% | Per Bldg. GSF | Per Unit | |
| Loan Principal | | | | $ 10,069,775 |
| Loan Fees (%) | 1.8% | $ 3.10 | $ 6,077 | $ 176,221 |
| Interest Rate | 5.50% | | | |
| Outstanding Principal Balance | 65% | | | |
| Construction Period (months) | 24 | | | |
| Construction Loan Interest | | $ 15.84 | $ 31,034 | $ 899,986 |
| Permanent Loan Points | 0.0% | $ - | $ - | $ - |
| Subtotal Construction Loan | | $ 18.94 | $ 37,111 | **$ 1,076,207** |
| **Total Development Cost (TDC)** | | **$ 240.49** | **$ 471,153** | **$ 13,663,426** |

**Park Fee Prototype, Low-Rise Condominium Building (cont'd)**
**San Fernando Valley**

**Sales - Residential**[5]

| | | Number | Net SF | Sales Price/NSF | Sales Price/ Unit | Total Sales Price |
|---|---|---|---|---|---|---|
| **TOTAL UNITS** | | 29 | | | | |
| 3 Bedroom Units | 48% | 14 | 1,950 | $ 380 | $ 741,000 | $ 10,374,000 |
| 2 Bedroom Units | 52% | 15 | 1,650 | $ 380 | $ 627,000 | $ 9,405,000 |
| Total Unit Sales Price | | | | $ 369 | $ 682,034 | $ 19,779,000 |
| Less: Marketing and Cost of Sale[3] | 3.5% | | | $ (13) | $ (23,871) | $ (692,265) |
| Less: HOA Fees Through Full Building Absorption[3] | | 10 | | $ (1) | $ (6,000) | $ (58,000) |
| Less: Warranties [3] | | 29 | | $ (0) | $ (500) | $ (14,500) |
| Total Sales Revenue | | | | $ 354 | $ 655,663.28 | **$ 19,014,235** |

**Residual Land Value**

| | | | |
|---|---|---|---|
| Total Project Sale Value | | $ 19,014,235 | |
| Less: Total Development Cost (from above) | | $ (13,663,426) | |
| Less: Developer Profit[3] | 12.5% | $ (2,376,779) | |
| Total Residual Land Value | | | **$ 2,974,029** |
| Residual Land Value PSF | | | **$ 96** |

**Developer Profit Test**

| | |
|---|---|
| Net Project Sale Value | $ 19,014,235 |
| Less: Total Development Cost (from above) | $ (13,663,426) |
| Less: Land Costs | $ (3,182,936) |
| Developer Profit | **$ 2,167,873** |
| Developer Profit (%) | 11.4% |

**SOURCES & NOTES:**

1 Based on an active application for a similarly scaled new construction development project.

2 HR&A estimate based on Marshall & Swift Cost Estimator software, 2014 Q2 data for LA area. Includes demolition and site work, but factored to remove soft costs listed separately.

3 HR&A assumptions typical for this type of project and/or calculations.

4 Based on estimates from the City of LA Department of Building and Safety.

5 HR&A, based on review of market comps for similarly scaled new construction condominiums.

*Prepared by: HR&A Advisors, Inc.*

**Park Fee Prototype, Low-Rise Apartment Building**
**San Fernando Valley**

| | Per Unit | Total |
|---|---|---|
| **Development Program[1]** | | |
| Land Area (sf) | | 27,200 |
| Gross Residential Building Area (GSF) | | 59,906 |
| Gross Retail Building Area (GSF) | | - |
| Amenity Building Area (GSF) | | - |
| Gross Building Area (GSF) | | 59,906 |
| FAR (Gross Bldg. Area / FAR Land Area) | | 2.20 |
| Residential (NSF) | - | 53,480 |
| Retail (NSF) | | - |
| Amenity (NSF) | | - |
| Net Building Area (NSF) | | 53,480 |
| Building Efficiency | | 89.3% |
| Apartments | | |
| Market Rate | | 46 |
| Affordable | 0% | - |
| Other Condo Units (storage, commercial, amenity) | | - |
| Total Units | | 46 |
| Parking - | | |
| Residential | | 62 |
| Retail | | - |
| Subterranean (1 level) | | |
| At Grade Parking | | - |
| Structured | | 64 |
| Total Parking | | 62 |

| **Unit Mix[1,5]** | | Number | Net Rentable SF | Mo. Rent/NRSF | Mo. Rent | Total Mo. Rent |
|---|---|---|---|---|---|---|
| **TOTAL UNITS** | | 46 | | | | |
| *Market Rate* | | | | | | |
| 3 Bedroom Units | 39% | 18 | 1,400 | $ 1.93 | $ 2,700 | $ 48,600 |
| 2 Bedroom Units | 39% | 18 | 1,100 | $ 2.14 | $ 2,350 | $ 42,300 |
| 1 Bedroom Units | 22% | 10 | 850 | $ 2.00 | $ 1,700 | $ 17,000 |
| | 0% | - | | | $ - | $ - |
| | | 46 | | | | |

| **Hard Costs** | | Per Bldg. GSF | Per Unit/Space | Total |
|---|---|---|---|---|
| Hard Construction-Buildings[2] | | $138 | $ 133,364 | $ 8,268,562 |
| Hard Construction-Demolition, Grading & Site Preparation (per site SF)[2] | $7 | | | $ 198,443 |
| Hard Construction-Landscaping (per site SF) [2] | $25 | | | $ 170,000 |
| Hard Construction-At Grade Parking (per space)[2] | | $ - | $ 5,000 | $ - |
| Hard Construction-Subt. Parking (per space)[2] | | $ - | $ 32,039 | $ - |
| Hard Construction-Tuck Under Parking (per space)[2] | | $ 26.89 | $ 25,167 | $ 1,610,670 |
| Hard Cost Contingency (x Subtotal)[3] | 5.0% | $ 8.55 | | $ 512,384 |
| Subtotal Construction | | $ 173.47 | | **$ 10,760,059** |
| | | | | |
| **Soft Costs** | | | | |
| Design, Engineering & Consulting Services (x Hard Costs)[3] | 6.0% | $ 10.78 | $ 14,035 | $ 645,604 |
| Permits & Fees (x Hard Costs)[4] | 4.1% | $ 7.38 | $ 9,608 | $ 441,966 |
| Existing Quimby and Parks Fee | 4.3% | $ 7.68 | $ 10,000 | $ 460,000 |
| Taxes, Insurance, Legal & Accounting (x Hard Costs)[3] | 3.0% | $ 5.39 | $ 7,017 | $ 322,802 |
| Development Management (x Hard Costs)[3] | 4.0% | $ 7.18 | $ 9,357 | $ 430,402 |
| Soft Cost Contingency (x Subtotal)[3] | 3.0% | $ 1.15 | $ 1,501 | $ 69,023 |
| Subtotal Soft Costs | 24.4% | $ 39.56 | $ 51,517 | **$ 2,369,797** |

## Park Fee Prototype, Low-Rise Apartment Building (cont'd)
### San Fernando Valley

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Construction Financing Costs[4]** | | | | | | | **Total** |
| **Subtotal Hard Costs + Soft Costs** | | | | | | **$** | **13,129,856** |
| Loan to Cost Ratio | 80% | Per Bldg. GSF | | Per Unit | | | |
| Loan Principal | | | | | | $ | 10,503,884 |
| Loan Fees (%) | 1.8% | $ | 3.07 | $ | 3,996 | $ | 183,818 |
| Interest Rate | 5.50% | | | | | | |
| Outstanding Principal Balance | 65% | | | | | | |
| Construction Period (months) | 12 | | | | | | |
| Construction Loan Interest | | $ | 7.84 | $ | 10,204 | $ | 469,392 |
| Permanent Loan Points | 1.8% | $ | 3.07 | $ | 3,996 | $ | 183,818 |
| Subtotal Construction Loan | | $ | 13.97 | $ | 18,196 | **$** | **837,028** |
| **Total Development Cost (TDC)** | | **$** | **233.15** | **$** | **303,628** | **$** | **13,966,884** |
| **Net Operating Income - Residential** | | Per Unit/Mo. | | Per NSF/Mo. | | | Annual |
| Gross Apartment Rental Income | | | | | | | |
| Market Rate Apartments[5] | | $ | 2,346 | $ | 2.02 | $ | 1,294,800 |
| Plus: Miscellaneous Revenue (per unit/mo.) | $35 | | | | | $ | 1,610 |
| Less: Vacancy Allowance[3] | 3.5% | $ | (82) | $ | (0.07) | $ | (45,318) |
| Effective Gross Income (EGI) | | $ | 2,264 | $ | 1.95 | $ | 1,251,092 |
| Less: Annual Operating Expenses (% x EGI)[3] | 35.0% | $ | (793) | $ | (0.68) | $ | (437,882) |
| Less: Replacement Reserve (per unit/year)[3] | $150 | $ | (13) | $ | (0.01) | $ | (6,900) |
| Net Apartment Income | | $ | 1,458 | $ | 1.25 | $ | 806,310 |
| **Net Operating Income (NOI)** | | | | $ | 1.26 | **$** | **806,310** |
| **Residual Land Value** | | | | | | | |
| Net Operating Income (from above) | | | | $ | 806,310 | | |
| Cap Rate[6] | 4.25% | | | | | | |
| Project Value (NOI x Cap Rate) | | | | $ | 18,971,995 | | |
| Less: Cost of Sale[3] | 3.0% | | | $ | (569,160) | | |
| Net Project Sale Value | | | | | | $ | 18,402,835 |
| Less: Total Development Cost (from above) | | | | | | $ | (13,966,884) |
| Less: Developer Profit[3] | 12.5% | | | | | $ | (2,300,354) |
| Total Residual Land Value | | | | | | **$** | **2,135,597** |
| Residual Land Value PSF | | | | | | **$** | **79** |
| **Developer Profit Test** | | | | | | | |
| Net Project Sale Value | | | | | | $ | 18,402,835 |
| Less: Total Development Cost (from above) | | | | | | $ | (13,966,884) |
| Less: Land Costs | | | | | | $ | (2,639,602) |
| Developer Profit | | | | | | **$** | **1,796,350** |
| Developer Profit (%) | | | | | | | 9.8% |

**SOURCES & NOTES:**

1 Based on an active application for a similarly scaled new construction development project.

2 HR&A estimate based on Marshall & Swift Cost Estimator software, 2014 Q2 data for LA area. Includes demolition and site work, but factored to remove soft costs listed separately.

3 HR&A assumptions typical for this type of project and/or calculations.

4 Based on estimates from the City of LA Department of Building and Safety.

5 HR&A, based on review of market comps for similarly scaled new construction apartments.

6 Based on HR&A review of third party data sources (e.g., Real Estate Research Corp., 2014 Q4 data; CBRE survey, 2014; CoStar data for sale of buildings within the San Fernando Valley since 2010).

*Prepared by: HR&A Advisors, Inc.*

# Attachment 5: Additional Background Information

## Additional Background

### Existing Conditions Analysis

The “Issues to be addressed in revising the Los Angeles Parks Fee Program” white paper provides background information on the City’s park fee regulations, examines the primary policy issues regarding park fees, and discusses approaches that have been explored to address them. This memorandum builds upon the initial work of a combined Department of Recreation and Parks (RAP) and Department of City Planning (DCP) working group that researched, analyzed, and summarized issues associated with the park fee programs in a report entitled “Issues to be addressed in revising Quimby”.This report describes the State amendments to the Quimby Act (AB 1359), incorporates additional issues raised by a 2014 Parks Advisory Committee and stakeholder interviews, and adds reference city analysis. This document is intended to evoke and inform internal discussion and analysis of the current policy and municipal code framework.

Geographic information systems (GIS) mapping and analysis to explore key issues were summarized for the City and for each community plan area. Technical analysis included the following:

- Park level of service, including existing deficiencies by facility-type and community planning area.
- Park access.
- Recent park and recreation facility construction.
- Location of public and charter school facilities.
- Housing unit construction, including condominium conversions and affordable housing.
- Housing projects that made in-lieu payments for Quimby or Finn fees.

The technical analysis also assessed future housing and population growth (Southern California Association of Government projections), the required parkland acquisition for future growth, and the estimated cost to provide parkland and park facility improvements for future development.

### Fee and Financial Analysis

*Fee Study*

This Park and Recreation Site and Facility Fee Study (Fee Study) documents the technical analysis and nexus findings to support the adoption of a citywide impact fee and an updated park in-lieu fee to enable the acquisition, expansion, and improvement of park and recreational facilities for the future residents of the City of Los Angeles. The purpose of this Fee Study is twofold. First, some residential dwelling units, e.g. market rate apartments, may not pay park and recreation fees to the City. This report documents the technical analysis and nexus findings to support a citywide impact fee on residential development that does not subdivide the land. Second, the existing Quimby In-Lieu Fees, though updated each year to account for inflation and market changes, are still considerably out of date and do not accurately reflect present land values or park development costs. This Fee Study documents the necessary technical analysis to increase park and recreation site and facility impact fees for residential subdivision projects.

*Financial Feasibility Analysis of the Proposed Revised Quimby Fee and New Parks Fee in the City of Los Angeles*

HR&A Advisors, Inc. completed a financial feasibility and sensitivity analysis of a proposed revised Quimby Fee on residential developments in the City that involve a tract or subdivision map, and a proposed new parks fee that would apply to apartment developments that do not include a tract or subdivision map. The analysis is based on financial feasibility models created for five development prototypes that together reflect new construction multi-family developments now being proposed and built in the City. These prototypes include a 453-unit high-rise condominium; a 29-unit low-rise condominium; a 522-unit high-rise apartment; a 46-unit low-rise apartment; and an 11-unit small-lot single-family subdivision. The analysis measures the financial feasibility impact of adding the maximum justifiable Revised Quimby and New Parks Fee to a base-case development budget for each prototype, and then lesser increments of fee amounts per unit, and measuring the changes in specific financial feasibility indicators.

*Recommended Approach to Annual Inflation Adjustments for the Revised Quimby Fee and Proposed New Parks Fee in the City of Los Angeles*

The purpose of this memorandum is to identify and evaluate alternative factors, or combination of factors, for use by the in making uniform annual inflation adjustments to two pending development fees that are under consideration by the City to mitigate the parks and recreation facility impacts of new residential development.

## Research and Policy

Parks and open spaces are key to community health and well-being. Unfortunately, these key resources are not equitably distributed across the City. In addition to the inequities in acreage and access to parks and open spaces, considerable disparities exist in the quality of existing parks.

**Plan for a Healthy Los Angeles**
In 2012 the DCP received a five-year Community Transformation Grant from the Los Angeles County Department of Public Health (DPH) via the Centers for Disease Control and Prevention (CDC) to fund a two-phased project. The first phase focused on the development of a health and wellness element; the second focused on implementation of high-priority programs.

Adopted in March 2015, the Plan for a Healthy Los Angeles is the City new Health and Wellness Element of the General Plan. As such, it will guide future growth and development decisions by incorporating a health and well-being lens into future decision-making processes. This is critical because today neighborhoods directly influence an individual’s accessibility and opportunities for health and well-being. The Plan for a Healthy Los Angeles includes comprehensive goals and policies that promote equity and increased access to opportunities for health and well-being for all Angelenos.

The Plan contains citywide goals, objectives and policies as well as a set of implementation programs to achieve the Plan’s goals. Goal three, Bountiful Parks and Open Spaces, calls for equity in the distribution of resources and parks, enhancing and improving the quality of existing parks, and promoting other non-traditional active spaces.

As part of the process, the project team evaluated existing general plan (Framework Element, the Open Space Element, and the Service Systems Element) policies that address parks and open spaces. With the goal of improving health equity in the City, the following equity-based policy topics were developed: park funding and allocation, park expansion, the Los Angeles River, parks and recreational programing, park safety, local partnerships, and active spaces.

**Los Angeles Neighborhood Land Trust Policy Brief**
In March 2014 the Los Angeles Neighborhood Land Trust published a policy brief analyzing the current Quimby Ordinance. The Land Trust proposed a number of improvements to enhance Quimby's applicability to park poor communities in Los Angeles.

- Change the service radius for community parks from 2 miles to 5-10 miles.
- Add to definition of quality types of parks and recreation facilities, including community gardens.
- Change credits for on-site recreational amenities with corresponding mechanisms to incentivize publically accessible facilities.
- Adjust fee deferrals for mixed-income housing projects to affordable units (exempting non-profit housing developers).
- Encourage land dedication, especially publically accessible and / or off-site dedication in park-poor communities.
- Adjust fee schedules for in-lieu payments
- Other options: mitigation fees

**The City Project Policy Report**
In 2006 the City Project published a policy report using geographic information systems to map park disparities based on race, ethnicity, income, poverty, youth, and access to vehicles. The report found that children of color disproportionately live in low-income communities without enough access to parks or access to transportation to reach parks in other neighborhoods. The report recommended ten principles to ensure that all Angelenos benefit from parks and open spaces.

## Park Analysis

Based on the current inventory for all public parks and recreation facilities, there are over 36,000 acres of park land in the City. These include Department of Recreation and Park lands, county lands, and state and federal lands. The current service level for all park is 9.4 acres per thousand residents.[1] The City's inventory of park and recreational facilities totals 15,978 acres.[2] Based on city-owned park and recreation facilities, the existing service standard is 4.2 acres per thousand residents as shown in Table 1.

*Table 1: Existing Park and Recreation Facility Service Standard*

| | **Existing Park Service Standard (All Parks)**[1] | **Existing Park Service Standard (City-owned Parks)**[2] |
|---|---|---|
| Citywide Park Acres | 36,080 | 15,978 |
| Existing Population[3] | 3,827,261 | 3,827,261 |
| **Park Service Standard (Acres per 1,000 Residents)** | **9.4** | **4.2** |

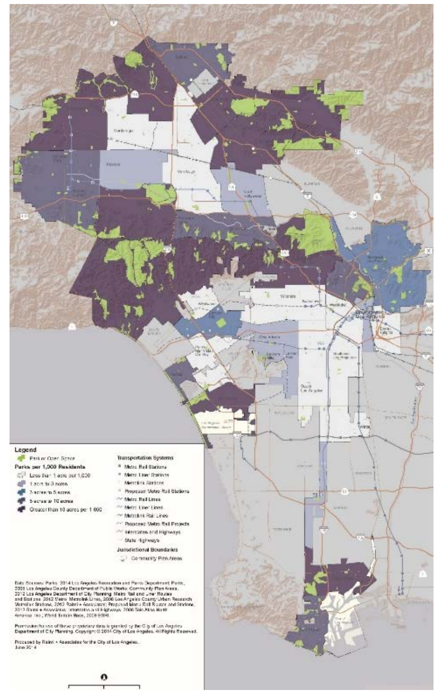
*1. Park acreages calculated from 2009 Citywide Community Needs Assessment.*
*2. Park acreages calculated by the Recreation and Parks Department for all City-owned parks.*
*3. Existing population data from the US Census (2009-2013 American Community Survey).*

[1] 2011. Los Angeles Recreation and Parks Department. Community-Wide Needs Assessment.
[2] 2014. Darryl Ford. Personal communication December 3, 2014.

Despite a relatively high level of service Citywide, 16 Community Plan Areas (CPAs) have less than 2 acres of park per 1,000.

Ten CPAs had 1 acre or less of open space and five CPAs had less than half an acre of open space, including South Los Angeles (0.5), Southeast Los Angeles (0.4), Westlake (0.4), Wilshire (0.3), and Mission Hills-Panorama City-North Hills (0.4).

In general CPAs with lower ratios of parks per 1,000 residents tend to have more people of color, higher rates of poverty, more childhood obesity, and less access to vehicles. Whereas, CPAs with higher ratios of parks per 1,000 residents tend to have a higher percentage of white people, less poverty, better access to vehicles, and lower rates of childhood obesity.



| Community Plan Area | Parks per 1,000 Residents | Percentage of Population that Identified as Non-White or Latino | Hardship Index | Percentage of Population with Income Less than 200 Percent of the Federal Poverty Level | Prevalence of Childhood Obesity | Percentage of Households without Access to a Vehicle |
|---|---|---|---|---|---|---|
| Wilshire | 0.3 | 59% | 48 | 44% | 26% | 14% |
| Westlake | 0.4 | 69% | 79 | 70% | 28% | 34% |
| Southeast Los Angeles | 0.4 | 70% | 85 | 72% | 30% | 11% |
| Mission Hills - Panorama City - North Hills | 0.4 | 57% | 61 | 48% | 28% | 5% |
| South Los Angeles | 0.5 | 74% | 72 | 62% | 30% | 11% |
| Central City | 0.6 | 64% | 61 | 70% | 25% | 22% |
| Van Nuys - North Sherman Oaks | 0.6 | 41% | 51 | 45% | 22% | 6% |
| Boyle Heights | 0.7 | 52% | 81 | 66% | 32% | 13% |
| Granada Hills - Knollwood | 15.2 | 38% | 38 | 21% | 19% | 2% |
| Chatsworth - Porter Ranch | 17.4 | 41% | 37 | 22% | 19% | 2% |
| Hollywood | 27.1 | 35% | 40 | 42% | 24% | 10% |
| Bel Air - Beverly Crest | 28.6 | 14% | 17 | 7% | 12% | 1% |
| Encino - Tarzana | 45.3 | 19% | 35 | 22% | 16% | 2% |
| Sunland - Tujunga - Lake View Terrace - Shadow Hills - East La Tuna Canyon | 80.7 | 31% | 43 | 31% | 24% | 1% |
| Brentwood - Pacific Palisades | 95.9 | 14% | 25 | 12% | 11% | 1% |

- *Darker green shows the top 15% for each metric. Lighter green shows bottom 15%.*
- *Darker orange shows the top 15% for each metric. Lighter orange shows bottom 15%.*

**Community Needs Assessment**

To assess recommendations in the 2008 Audit, the City of Los Angeles Department of Recreation and Parks completed a Community Needs Assessment in 2011. The objectives of the overall planning process are: to preliminary prioritize and address the tremendous needs for additional recreation and park land, to identify existing facilities needing improvements to meet current and future community needs, to identify recreation program needs, to perform demographic analysis, to prevent future maintenance problems, and to offer positive alternatives to an increasingly dense and urbanized population.

The Community Needs Assessment included a comprehensive community outreach and input process that engaged community leaders, stakeholders and the public across the City through a series of one-on-one interviews, focus groups and community forums followed by a statistically valid, city-wide household survey.

The Community Needs Assessment recommended preliminary service levels in the context of the potential challenges associated with the acquisition of park land, including acquisition costs and/or opportunity costs. The Community Needs Assessment project is a critical step in the Department of Recreation and Parks development of a Citywide Recreation and Parks Master Plan and a Five-year Capital Improvement Plan supporting a new vision for the City of Los Angeles' Recreation and Parks Department. The Community Needs Assessment will also serve as the foundation for other long range planning initiatives.


- *Darker green shows the top 15% for each metric. Lighter green shows bottom 15%.*
- *Darker orange shows the top 15% for each metric. Lighter orange shows bottom 15%.*