

July 31, 2006

**Honorable Mayor and Members of the
Hermosa Beach City Council**

**Regular Meeting of
August 8, 2006**

SUBJECT: CONSIDERATION OF AN INCREASE IN THE CITY'S IN-LIEU PARKING FEE

Recommendation:

That the City Council adopt the attached resolution approving an increase in the City's in-lieu parking fee from \$12,500 to \$28,900 per space.

Background:

Section 17.44. 040E of the Zone Code establishes requirements for the payment of fees to provide for off-site parking in-lieu of providing the required parking on the project site:

"E. Parking in-lieu fees. When the city council provides for contributions to an improvement fund for a vehicle parking district in-lieu of parking spaces so required, said in-lieu fee contributions shall be considered to satisfy the requirements of this chapter..."

The amount of the in-lieu parking fee is to be adopted by City Council resolution. The fee amount was last changed in June of 1999, when it was set at \$12,500. From preliminary information on construction costs and comparison with other cities' fees, it was determined that the current fee amount is not sufficient to finance the cost of providing the off-site spaces. The City commissioned the attached study by Nagasaki and Associates to determine the appropriate revised in-lieu fee amount based upon a comparative analysis of in lieu fees in other cities and the cost per stall to construct subterranean parking. The study determined that:

"Many fees are typically based on the purported cost per space for construction of alternative parking structures to accommodate development in the 'in-lieu parking' districts. We ... sought secondary information for developing the cost to construct a parking structure in the city of Hermosa Beach. This is based a hypothetical parking structure located within the city including costs of construction, financing and land acquisition..." (p.3)

The study concludes that allowing for the estimated costs of construction and land acquisition:

"[the data] indicates a range of \$25,882 to \$33,849 per space, with an average of \$28,884. It is interesting to note that these figures are generally consistent with the in-lieu fees being charged [by other cities] which in many cases reflect the cost to build a new parking structure..."

"... we have concluded with an in-lieu parking fee of \$28,900 per space as appropriate for the City of Hermosa Beach. This figure considers both the cost basis, as well as competitive rates charged by other municipalities." (p.4)


Thus, the attached study finds that the average construction cost is \$28,844, which is generally consistent with the fees charged by most area cities for in lieu parking and that the City's in-lieu parking fee should be revised to \$28,900. Staff believes that the data presented are realistic and the conclusions are reasonable given the prevailing fees in other cities and therefore recommends adoption of the attached resolution.

Development Impacts with the Proposed Fee Change:

The proposed fee change dramatically increases already costly in lieu parking fees. Two recently proposed downtown office-retail projects that substantially relied on in lieu parking for project development may find the cost prohibitive.¹ Promoting office and retail use remains a goal in the downtown and the Council may want to exercise flexibility for certain projects that promote economic development goals. For example, the Council may want to consider options for in lieu parking such as allowing smaller businesses to lease in lieu spaces to accommodate smaller business expansions. Another option may be to allow discounted in lieu fees for certain projects that promote an important revitalization goal or to allow certain businesses to pay in lieu parking over time.² This effectively subsidizes the cost of parking to facilitate an important project or goal. If the City Council wants to pursue any of these changes they can be accomplished with a future amendment to the downtown Parking Ordinance.³ Any proposed changes to the downtown in lieu parking program will also require Coastal Commission approval.

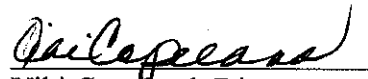
Fiscal Impact:

Per the findings of the study, the revised fee will provide for deposits to the City's Downtown Enhancement Fund for funding the construction of public parking facilities in the city.

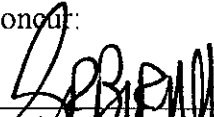


Sol Blumenfeld, Director
Community Development

Approved for Fiscal Impact:



Viki Copeland, Director
Finance

Concur:


Stephen R. Burrell,
City Manager

Notes:

1. A proposed retail/office project at 400 Pier Avenue recently reduced the project scope to accommodate more parking on site and reduce parking demand and another retail-office project at 1429 Hermosa Avenue that is proposing to use in lieu parking may need to reevaluate the project based upon the Council's decision regarding the in lieu fee increase.
2. Some cities like the City of San Clemente authorize time payments from 5 to 10 years with a minimum initial cash payment of one-half the value of the spaces and the balance paid over the term and interest accruing on the unpaid balance of the in lieu fee at 10% annually.
3. The current in lieu parking ordinance requires providing 25% of parking on-site for projects with floor area ratios over 1:1 and project with less than 1:1 floor area may provide 100% of project parking in lieu.

Attachments:

1. Study by Nagasaki and Associates
2. Draft Resolution



NAGASAKI & ASSOCIATES
REAL ESTATE CONSULTANTS

July 10, 2006

Mr. Sol Blumenfeld
Community Development Director
City of Hermosa Beach
1315 Valley Drive
Room 103
Hermosa Beach, CA 90254

Re: In-Lieu Parking Fees
Downtown Parking District
Hermosa Beach, California

File No. 06-191

Dear Mr. Blumenfeld:

In accordance with your request, we have completed an analysis of the In-Lieu Parking Fees for the City of Hermosa Beach. Please recognize this report is a consulting analysis and provides an opinion of the fee to be paid "in-lieu of" the required parking spaces needed for development of a project in the Downtown District of the city. This is not a formal appraisal document, but provides in summary report format, our investigations and conclusions of the appropriate in-lieu parking fee.

The client and intended user of this report is the City of Hermosa Beach and its Community Development Director for the purpose of updating the current in-lieu parking fee charged for development in the Downtown Hermosa Beach district. Use by others is not implied nor permitted.

Based on our investigations and analyses, we have concluded the appropriate In-Lieu Parking Fee for the downtown district of the City of Hermosa Beach, as of the current date, should be:

TWENTY EIGHT THOUSAND NINE HUNDRED DOLLARS PER SPACE

(\$28,900 PER SPACE)

Scope of Work

In our scope of work we undertook the following studies:

- Reviewed the existing ordinance;
- Researched charges for In-lieu parking fees for cities in Southern California;
- Researched parking garage costs on a per space basis;
- Reconciled and considered the application of both costs and similar fees as compared to Hermosa Beach;
- Arrived at a conclusion of final charges appropriate for the city;
- Prepared a written report outlining our conclusions in a summary report format.

Existing Ordinance

According to the city of Hermosa Beach Municipal Code the following is the current ordinance:

17.44.040 Parking requirements for the downtown district.

The following requirements apply within in the boundary of the downtown district, as defined by the map incorporated by this reference.

A. The amount of parking shall be calculated for each particular use as set forth in Section 17.44.030 with the exception of the following:

Retail, general retail commercial uses: one space for each 333.33 square feet of gross floor area (or 3 spaces per 1000 square feet).

Offices, general: one space for each 333.33 square feet of gross floor area (or 3 spaces per 1000 square feet).

Office, medical: one space for each 333.33 square feet of gross floor area (or 3 spaces per 1000 square feet).

B. When the use of an existing building or portion thereof is less than 5,000 square feet gross floor area is changed from a non-restaurant use to a restaurant use, the parking requirement shall be calculated as set forth in Section 17.44.030, with no parking credit allowed for the existing or prior use.

C. When the use of an existing building or a portion thereof is changed to a more intensive use with a higher parking demand (with the exception of restaurants less than 5,000 square feet gross floor area as noted above), the requirement for additional parking shall be calculated as the difference between the required parking as stated in this chapter for that particular use as compared to a base requirement of 1 space per 250 square feet gross floor area.

D. For expansions to existing buildings legally nonconforming to parking requirements, parking requirements shall only be applied to the amount of expansion.

E. Parking in-lieu fees. When the city council provides for contributions to an improvement fund for a vehicle parking district in-lieu of parking spaces so required, said in-lieu fee contributions shall be considered to satisfy the requirements of this chapter.

The Director of the Community Development Department shall be responsible for the calculations required under this chapter and shall calculate and collect the in-lieu contribution.

The following allowances through in-lieu fee contributions for parking may be allowed with a parking plan as approved by the Planning Commission and as prescribed in Section 17.44.210:

a. Building sites with a ratio of building floor area to building site of one to one or less may pay an "in-lieu" fee for all required spaces.

b. Building sites where buildings will exceed a one to one gross floor area to building site area ratio shall be required to provide a minimum of twenty-five (25) percent of the required parking on-site.

Scope of Investigations for Competitive Fees

We began our search by contacting municipalities across Los Angeles and Orange Counties regarding their practices of in-lieu parking fees. As might be expected, many cities in the suburban areas of the counties do not have such fees, as parking is required within specific developments and not allowed to be off-site. Typically, these fees applied to densely developed urban or downtown dining/entertainment areas which provided parking in structures owned by the individual cities or county. Ultimately, adequate parking is available to the immediate area, consolidated within these structures, but whose cost of development or acquisition are offset by the imposition of the in-lieu fees.

We initially contacted over 25 cities, concentrating on those cities with known fees, within beach communities, or areas with densely developed downtown or dining/entertainment districts. The results from the various cities are shown below:

Manhattan Beach has \$28,935 per space in designated parking districts. Persons purchase merchant parking permits at a rate of \$0.90 per day. Up to five offsite spaces are allowed within 300 ft.

El Segundo's per space cost is \$17,500 and in-lieu parking is only available in the downtown specific area. Financing options are available. Before June 2004, fees were \$12,500 per space.

Huntington Beach's in-lieu fee per parking space is \$15,563.30 in the downtown area only.

Beverly Hills per space parking fees are levied only in the business triangle area around Wilshire and Santa Monica boulevards. Rodeo Drive fees are \$33,338.80 per space; Beverly Drive is \$26,671; and, other locations within the triangle are set at \$20,003.20

West Hollywood has an in-lieu fee of \$20,000 per space for development throughout the city.

Santa Monica allows in-lieu parking for office developments greater than 15,000 sf. Fees are \$2.25 psf for the first 15,000 sf and \$5.00 psf for areas exceeding 15,000 sf; based on this the minimum fee would be \$33,750 for the first 15,000 sf of development; however, this is a one time charge and would permit the multiple spaces within that fee.

Torrance has not implemented an in-lieu policy. However, merchants can buy spaces from other businesses but must be reviewed by the planning commission. The cost of entitlements is \$2,400 and does not include the cost per space.

Long Beach designated per space fee of \$3,000.

Seal Beach's in-lieu fee is \$3,500 per space and applies to Main Street only.

Based on these fees, we gave most consideration to the Manhattan Beach fee, similar in location and downtown flavor of the subject. We considered the El Segundo and Huntington Beach fees to be less than the subject due to the less intensive development of the downtown areas. The Beverly Hills fee was higher due to the Rodeo Drive location, but the other Triangle and Beverly Drive locational features were considered comparable to Hermosa Beach. West Hollywood's fee is similar to slightly inferior due to the lack of densely developed retail/entertainment districts.

Construction Costs

Many fees are typically based on the purported cost per space for construction of alternative parking structures to accommodate development in the "in-lieu parking" districts. We were unable to uncover any recent direct cost figures for garages in the various cities surveyed. Therefore we sought secondary information for developing the cost to construct a parking structure in the city of Hermosa Beach. This is based a hypothetical parking structure located within the city including costs of construction, financing and land acquisition. The first component for construction is the estimated costs of direct construction of the building structure.

The first resource we reviewed was **Marshall Valuation**, a nationally recognized cost manual. This provides a range of costs per space of \$15,608 for average and \$23,012 for high costs. This includes current and local multipliers, as well as 15% soft or indirect costs (for surveys or feasibility studies, financing costs, miscellaneous fees).

RS Means Construction Cost Data is another nationally recognized cost publication. We contacted their senior editor to provide us with a cost per space. As with many cost manuals, the more accurate method to calculate the direct cost is on a per square foot basis of proposed building area. They indicated that their costs are based on actual figures and that a locally adjusted cost per space based on their national averages would be \$18,364 per space including 15% or indirect costs.

Finally, we reviewed a January 2004 article in **The Parking Professional**, prepared by Joey D. Rowland, P.E. of Carl Walker, Inc., a national parking consulting firm. His firm keeps a data base of actual construction costs for projects they have developed on a national basis. Based on the figures published in that article, adjusted for location and to current time, including 15% indirect costs would be \$15,045 per space.

Based on these figures, the range is from \$15,045 to \$23,012 per space, with an average of \$18,007 per space. This provides the tools to consider actual construction of the garage, but we would need to consider the acquisition cost of land to develop this hypothetical structure.

We do not have a specific site to consider for this potential garage, so we cannot provide an appraisal of land to form this basis. However, we did consider the cost for land in the Hermosa Beach area. In a separate study we conducted, we researched land sales within a five mile radius of the city for the various land use types including commercial, residential and industrial properties. We researched sales from January 2000 to the current date. Utilizing this information, including the average and median price psf for the various land uses, we estimated the cost of land in the city. These figures were weighted by their various proportions of land use within the city's General Plan. Based on this information, the weighted average price psf for land in Hermosa Beach is \$101 psf. This was considered reasonable, given the high cost of residential land and the weighted proportion of 55% of the land uses in the city.

We used this figure to estimate the approximate cost for the land component for a potential garage. The land acquisition would include a site and at least a three-story design. Based on this the potential cost per space for land in the city of Hermosa Beach would be \$10,937 per space. This would be added to the cost figures already shown and is calculated in the following table:

Source	Construction Cost	Land Cost	Total Cost
Marshall Valuation Average	\$15,608	\$10,837	\$26,445
High	\$23,012	\$10,837	\$33,849
R.S. Means	\$18,364	\$10,837	\$29,201
Carl Walker, Inc.	\$15,045	\$10,837	\$25,882
Average	\$18,007	\$10,837	\$28,844

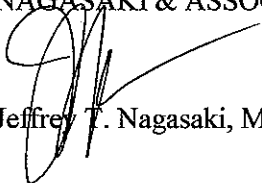
This indicates a range of \$25,882 to \$33,849 per space, with an average of \$28,884. It is interesting to note that these figures are generally consistent with the in-lieu fees being charged which in many cases reflect the cost to build a new parking structure.

Conclusion

Based on both of these studies, we have concluded with an in-lieu parking fee of \$28,900 per space as appropriate for the City of Hermosa Beach. This figure considers both the cost basis, as well as competitive rates charged by other municipalities. We hope this information assists the city in its updating of existing fees.

Sincerely,

NAGASAKI & ASSOCIATES



Jeffrey T. Nagasaki, MAI

JN:abl

CERTIFICATION AND RESTRICTION UPON DISCLOSURE AND USE

I certify that, to the best of my knowledge and belief, . . .

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report.
- I have no bias with respect to the property that is the subject of this report or to the parties involved.
- My compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the *Uniform Standards of Professional Appraisal Practice*.
- No one provided significant professional assistance to the persons signing this letter.
- One (or more) of the signatories of this appraisal report is a Member (Associate or Affiliate) of the Appraisal Institute. The Bylaws and Regulations of the Institute require each Member and Associate or Affiliate to control the use and distribution of each appraisal signed by such Member or Associate or Affiliate. Therefore, except as hereinafter provided, the party for whom this report was prepared may distribute copies of this appraisal, in its entirety, to such third parties as may be selected by the party for whom this appraisal was prepared; however, selected portions of this appraisal shall not be given to third parties without the prior written consent of the signatories of this report. Further, neither all nor any part of this appraisal shall be disseminated to the general public by the use of advertising media, public relations media, news media, sales media or other media for public communication without the prior written consent of the signatories of this report.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this letter Jeffrey T. Nagasaki, MAI has completed the requirements of the continuing education program of the Appraisal Institute. As of the date of this letter Jeffrey T. Nagasaki, MAI (No. AG003078) has satisfied the requirements as Certified General Real Estate Appraisers, licensed by the State of California.
- I have not personally inspected the property which is the subject of this report.


CA# AG003078

QUALIFICATIONS OF JEFFREY T. NAGASAKI, MAI

EXPERIENCE

Nagasaki & Associates, 2005 to present; Principal responsible for providing a broad variety of real estate consultation and valuation services for the public and private sectors. Property rights appraised include fee simple, leased fee, and leasehold interest. Services include traditional market value studies, market rent studies, historic valuation studies, value diminution analysis, partial interests for estate planning and family limited partnerships. Assignments deal with all major property types including commercial retail and office, hotel, industrial, marina, multiple residential, acreage, residential subdivisions, and special purpose properties. He is qualified as an approved appraiser under the MAP program for the U.S. Department of Housing and Urban Development. Mr. Nagasaki's experience includes over 28 years of appraisal experience, and he is fully competent and qualified to complete most assignments under the requirements of USPAP competency provision.

Lea Associates, Inc., 1985 - 2005; Principal and Senior Vice President responsible for providing real estate appraisal and consultation services. Property types included retail, office, industrial, creative office, residential income, vacant land, and hotels. Property rights appraised include fee simple, leased fee, and leasehold interest.

Security Pacific National Bank, 1978 - 1985; Assistant Vice President with responsibility for valuation of real property, proposed and existing, including retail, office, industrial, residential income units, vacant land, special purpose properties, single-family residences, condominiums, and residential subdivisions.

EDUCATION

Continuous participation in numerous seminars relating to real estate appraisal theory and practice. A sample of these seminars include:

- Limited Appraisals and Reporting Options
- Environmental Risk and the Real Estate Process
- Litigation Seminar
- Partial Acquisition
- Easement Valuation
- Shopping Centers Analysis
- Impact of Detrimental Conditions
- National IRS Symposium on Valuation
- Case Study in Limited Partnership Valuation
- Affordable Housing Projects
- Marketability discounts for real estate interests
- Partial interests theory and case law
- Public Interest Value program
- Valuation of Leases, Leasehold & Leased fees
- Going Concern Value and Real Property

Successful completion of the following Appraisal Institute's courses and examinations:

- Highest and Best Use Analysis
- Standards of Professional Practice
- Comprehensive Examination
- Demonstration Appraisal Report
- Basic Valuation Procedures
- Residential Valuation
- Case Studies in Real Estate Valuation
- Capitalization Theory and Techniques, Part A
- Capitalization Theory and Techniques, Part B
- Valuation Analysis and Report Writing
- Real Estate Appraisal Principles

California State University, Long Beach, Bachelor of Science degree in Business Administration specializing in Real Estate Finance and Financial Management, May 1978.

QUALIFICATIONS OF JEFFREY T. NAGASAKI, MAI (Cont'd)

EXPERT TESTIMONY

Mr. Nagasaki has qualified as an expert witness in real estate matters and has testified before:

- Los Angeles County Superior Court
- San Bernardino County Superior Court
- Riverside County Superior Court
- Orange County Superior Court

Further, he has appeared in binding and non-binding arbitration hearings as an expert witness in real estate valuation.

ASSOCIATIONS

Member of the Appraisal Institute, with an MAI Designation
Certified General Real Estate Appraiser - AG003078, State of California
Institute of Real Estate Management (IREM) - Associate Member

RESOLUTION 06-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HERMOSA BEACH SETTING A REVISED FEE IN LIEU OF PROVIDING REQUIRED PARKING SPACES IN ACCORDANCE WITH THE HERMOSA BEACH MUNICIPAL CODE

The City Council of the City of Hermosa Beach does hereby resolve as follows:

Section 1. Section 17.44.040 of the Hermosa Beach Municipal Code provides that a fee in lieu of providing required parking spaces shall be set by the City Council.

Section 2. A City-commissioned study carried out by a qualified real estate consulting firm, Nagasaki & Associates, determined that an increase in the existing in-lieu parking fee to \$28,900 per parking space is necessary because that is the cost to construct new parking in lieu of providing parking spaces onsite by a development.

Section 2. The City Council, pursuant to applicable law, held a duly noticed hearing on August 8, 2006 to consider the proposed increase in the fee amount.

Section 3. Based on the foregoing, the City Council hereby:

1. Sets the fee amount to be paid in lieu of providing onsite parking spaces at \$28,900 for each required space not provided for in a project; and
2. Directs that all collected fees and interest shall be placed in a Downtown Enhancement Fund to build and operate public parking; and
3. Repeals previous fee Resolution 99-6001.

PASSED, APPROVED, and ADOPTED this 8th day of August, 2006.

PRESIDENT of the City Council and MAYOR of the City of Hermosa Beach, California

ATTEST:

APPROVED AS TO FORM:

CITY CLERK

CITY ATTORNEY