

January 4, 2007

Honorable Mayor and Members of
the Hermosa Beach City Council

Regular Meeting of
January 9, 2007

PARKING IN-LIEU PROGRAM ALTERNATIVE PAYMENT PROGRAM

Recommendation:

That the City Council review and consider an alternative payment program as set forth below.

Background:

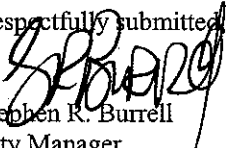
The City Council, on August 8, 2006, approved a major increase in the City's in lieu program from \$12,500 to \$28,900 per space. The increase was based on a comparative analysis of both the cost of construction as well as fees charged in other cities. The report was prepared by Nagasaki and Associates. Staff was directed to return with a proposal for an alternative payment program that would allow the cost of paying for any approved parking in lieu to be spread over a period of time.

It is important to keep in mind that very few parking in lieu spaces have been approved and, over the life of the program (almost thirty years), a total of five spaces have been paid for by a business/property owner. The primary reason why so few have been approved is that generally adding parking is necessary for the business to be successful. The need or use of the parking in lieu may grow in the future as existing businesses wish to expand and find it economical to pay the in lieu fee. We have seen this come up a few times in the recent past and it is expected that this will continue. In many cases, the use of the in lieu parking and fee payment would be helpful to maintain a successful business and with an alternative payment program that would allow them to spread the cost over a few years. Bigger projects built from the ground up are generally in a different position and would be expected to pay for any in lieu fees when the project is completed.

The alternative payment program would be available to businesses expanding and required to pay the parking in lieu fee as a result of their Planning Commission approval. An initial payment of 25% of the amount due would be required on the execution of the alternative payment agreement and the remaining 75% would be paid over a three year period with interest at the rate the city earns. The city would have full recovery on the payment and we would include a "due on sale" clause in the event the property is sold. A promissory note and recordation of a deed of trust against the property will be done to guaranty payment. Upon payment in full, the property would be "entitled" with parking rights in perpetuity.

If the alternative payment program is approved staff will return with a resolution to implement the program.

Respectfully submitted,


Stephen R. Burrell
City Manager

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)

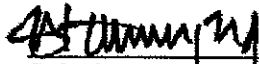
Thus, the attached study finds that the average construction cost is \$28,844, which is generally consistent with the fees charged by most area cities for in lieu parking and that the City's in-lieu parking fee should be revised to \$28,900. Staff believes that the data presented are realistic and the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

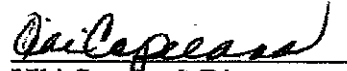
Fiscal Impact:

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