

City of Santa Monica *Transportation Impact Fee (TIF)*

City Council
February 26, 2013



Francie Stefan, Strategic & Transportation Planning

Land Use and Circulation Element

- ▶ Framework to integrate transportation and land use
- ▶ Policies and programs to encourage walking, biking and transit usage
- ▶ Goal of no new net PM peak hour vehicle trips goal
- ▶ Identifies transportation improvements
- ▶ LUCE Policy T19.7 states

“perform a nexus study and implement a transportation impact fee to mitigate negative transportation impacts of new development”



Purpose of the TIF

- ▶ To ensure that new development pays its fair share of the cost to provide the necessary transportation infrastructure to achieve no new net PM peak hour vehicle trips.



- ▶ To fund transportation capital projects that expand transportation choices

Nexus Study Process

1. Establish relationship between new development & transportation impacts
2. Identify capital projects to be funded by fee
3. Calculate trip generation by land use
4. Determine fee rates by land use, based on trip generation
5. Estimate fee generation



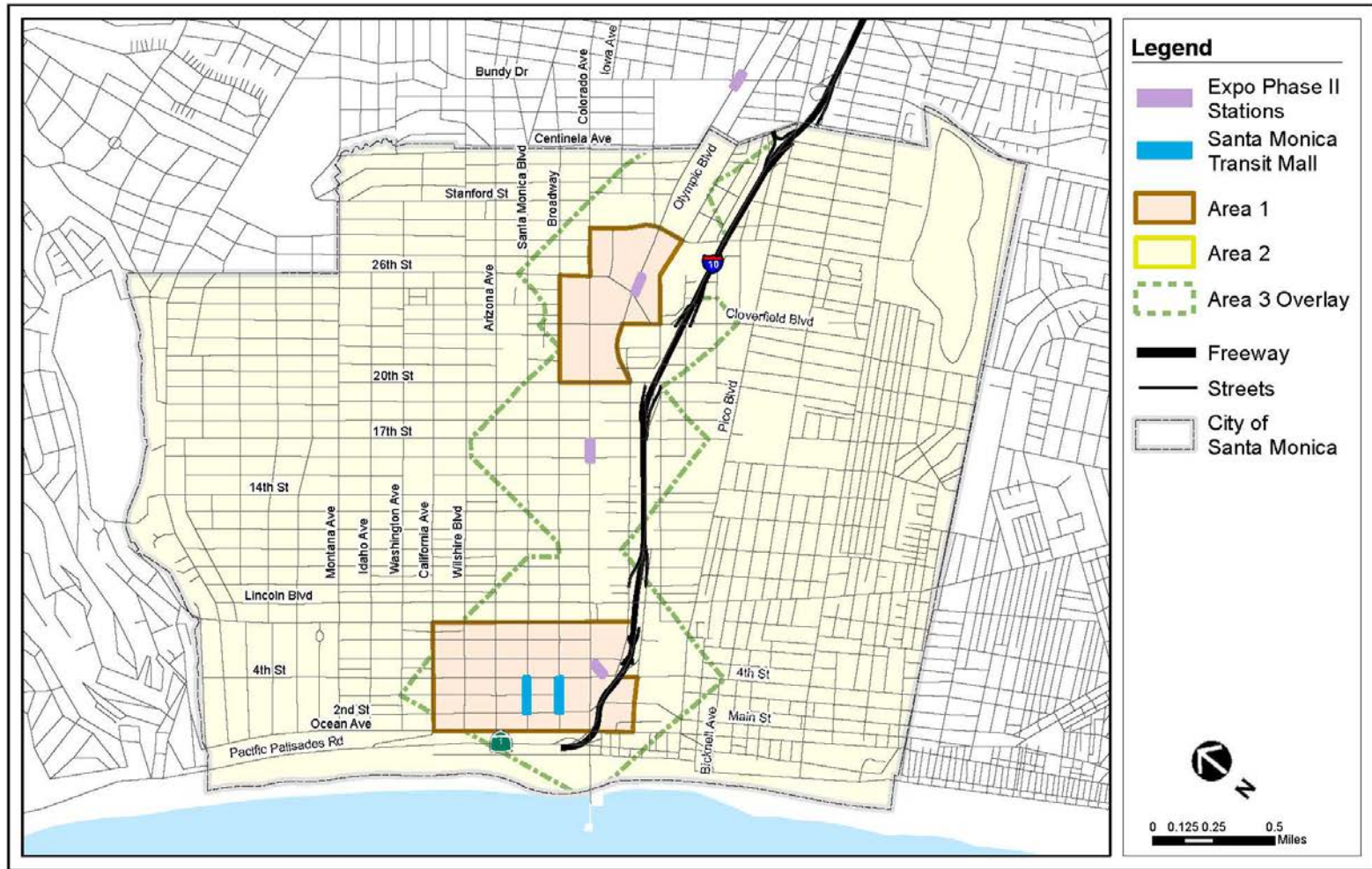
Capital Project List*

Project Category	Estimated Capital Costs
Bicycle Actions	\$33,708,781
Pedestrian Actions	\$25,024,000
TDM Actions	\$6,127,075
Transit Actions	\$10,177,750
Auto Network Actions	\$11,594,000
Project Management	\$3,000,000
Fee Administration	\$3,000,000
<i>Subtotal</i>	<i>\$118,851,020</i>
Engineering/Design	\$9,263,161
Contingency	\$32,421,062
<i>Total</i>	<i>\$134,315,829</i>

* The Capital Project List does not include operating and maintenance costs.



Map of Area 1, 2 and 3 Overlay



Recommended Fee Rate

Land Use Category	Impact Fee (per sq. ft. or dwelling unit)	
	Area 1	Area 2
Residential (dwelling unit)		
Single Family	\$7,600	\$7,800
Multi-Family	\$2,600	\$3,300
Non-Residential (sq. ft.)		
Retail	\$21.00	\$30.10
Office	\$9.70	\$10.80
Medical Office	\$28.10	\$29.80
Hospital	N/A	\$14.70
Lodging	\$3.60	\$3.60
Industrial	\$1.20	\$1.30

With these rates a total of approximately \$50 million in revenue could be generated; representing approximately 37% of the cost of necessary physical improvements.

Applicability

- ▶ Fee charged only to existing structures when new use increases vehicle trips
 - No charge to changes in tenant within same land use category or to category with lower trip generation
- ▶ New square footage, excluding parking
- ▶ Fee credit for demolition of existing square footage

Excluded Uses

- ▶ Government Facilities
- ▶ Religious Uses
- ▶ Affordable Housing, including required inclusionary units
- ▶ Additions and changes of use under 1,000SF
- ▶ Outdoor dining
- ▶ Private K-12 schools
- ▶ Daycare
- ▶ Conversion of existing non-conforming ground floor to a pedestrian-oriented use

Additional Adjustments since August 2012

- ▶ Re-occupancy of tenant spaces with extended vacancy
- ▶ Auto sales and service
- ▶ Financial Feasibility Study



Financial Feasibility Study

- ▶ 5 Prototype Mixed-Use Projects
 - Downtown, Wilshire, & Pico
- ▶ Estimated all development costs
 - Land, construction, parking, fees, design, financing, etc.
- ▶ Calculated stabilized net operating income & project value
- ▶ Two Modeling Results
 - Residual Land Value
 - Return on Total Development Costs/Developer Profit Margin



Economic Study Prototype

Example project:

Downtown Mixed-Use – 15,000SF site (2 lots)

- ▶ 61 units (6 affordable), 110 parking spaces, 5,000 SF ground floor retail **+ \$263,600 gross**
- ▶ Demolishing 7,500 SF ground floor retail **- \$157,500 credit**
- ▶ Net TIF Charge **= \$106,100 TIF fee**
- ▶ Total Project Development Cost **\$27,225,899**
- ▶ Total Project Value **\$30,616,367**
- ▶ Return on Development Cost with & without TIF (no change) **6.3%**



Economic Study Results

- ▶ Reduces developer profit within a range of \$50,000 to \$531,000 (roughly same amount as TIF fee)
- ▶ Causes very minor changes in return on total development cost (0%-1%)
- ▶ Reduces residual land values between \$3 and \$24 per SF (1%-8%)

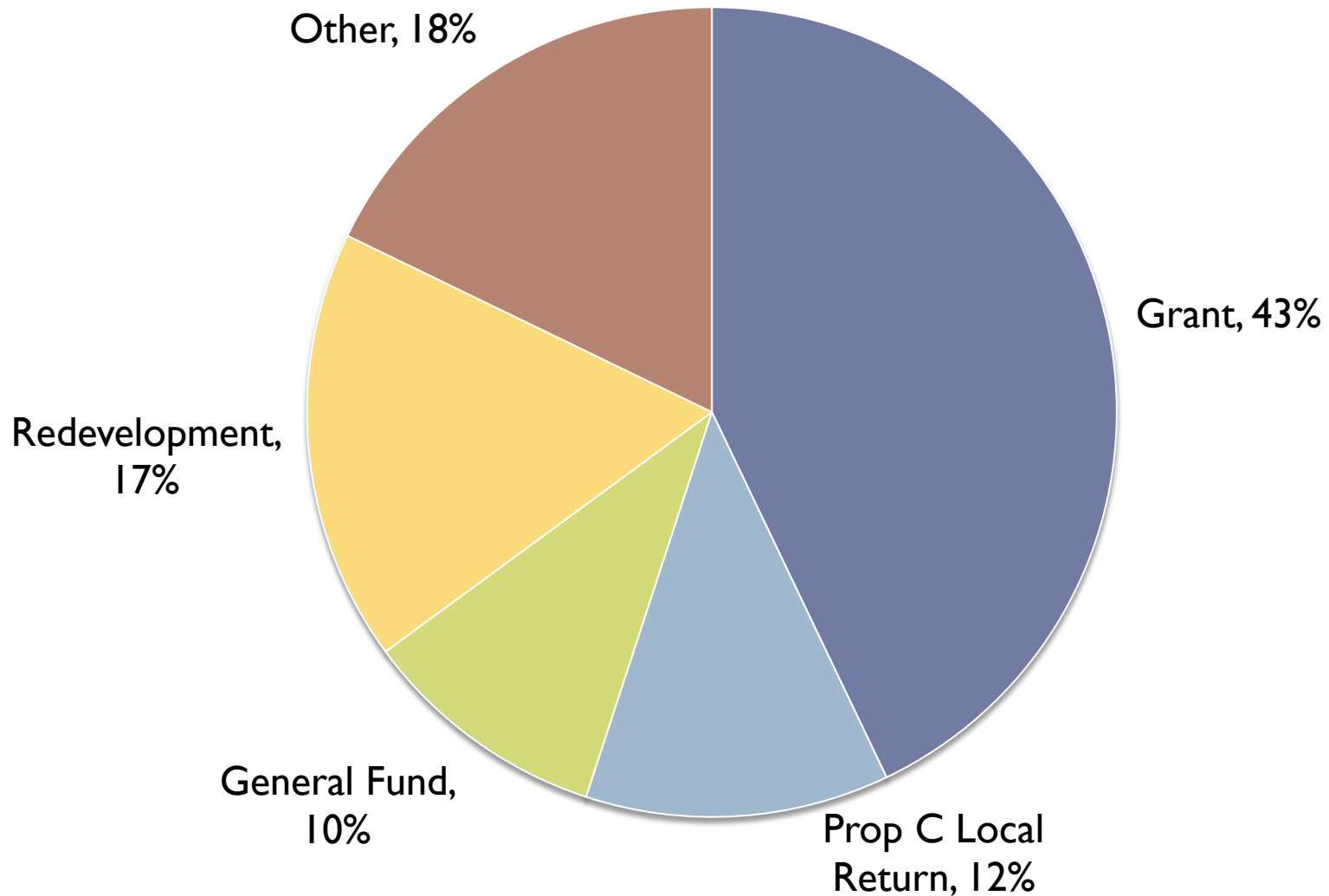


Summary

- ❖ Fee is one important tool in the toolbox for addressing traffic congestion and safety in Santa Monica
- ❖ Nexus study demonstrates the fair allocation of a portion of the capital costs across new land uses
- ❖ Other programmatic investments still needed – operations, maintenance, education
- ❖ Complements Developer on-site improvement requirements, TDM programs



How Santa Monica Finances Transportation Infrastructure



Proposed Changes to Ordinance

1. Replace Area Types Map in Section 9.73.030
2. Revise Area 1 description in Section 9.73.030(a) to match map
3. Revise Area 3 Overlay definition in Section 9.73.030(c)
4. Correct subsection references in Section 9.73.040(a)2.(C)
5. Correct Area 3 reference in Section 9.73.040(a)6 (Page 13)
6. Revise reference to credit for outdoor uses for service stations or auto dealer in Section 9.73.040(a)7
7. Revise automatic adjustment clause for vesting tentative maps in Section 9.73.040(b)1

City of Santa Monica *Transportation Impact Fee (TIF)*

City Council
February 26, 2013



Francie Stefan, Strategic & Transportation Planning

Proposed Changes to Ordinance

3. Revise 9.73.030(c) on Page 7 (CC#232) as follows (definition of Area 3 Overlay:

Area 3 Overlay shall mean a half mile walk-shed along from a transit station within the City boundary. Only Housing Development Projects as defined in Section 9.73.040(a)6 may qualify for a Transportation Impact Fee based on their location within the Area 3 Overlay.

4. Replace all instances of “Area 3” to Area 3 Overlay

Proposed Changes to Ordinance

5. Revise Section 9.73.040(a)2.(C) on Page 10 (CC#235) as follows:

\$2,600 per multi-family dwelling unit in Area 3 Overlay for Housing Development Projects that satisfy the requirements of subsection 6 (iA), (iiB), and (iiiC) of this subsection.

6. Revise Section 9.73.040(a)6 on Page 12 (CC#237) as follows:

Housing Development Projects within the Area 3 Overlay that meet the following characteristics shall pay a Transportation Impact Fee of \$2,600 per multi-family dwelling unit:

Proposed Changes to Ordinance

6. Revise Section 9.73.040(a)7 on Page 13 (CC#238) as follows:

The amount of legally permitted square footage to be demolished in an existing building or structure, or to be removed from an outdoor area used as part of a service station or for auto dealer sales, display and inventory storage, as a part of a Project shall be a credit in the calculation of the Transportation Impact Fee. Outdoor area used as part of a gas station shall not include setbacks, landscaping, parking and other paved areas used solely for access and circulation.

7. Replace Section 9.73.040(b)1 Page 13 to read as follows (CC#238):

The Project applicant shall pay fees according to the schedule of fees in place on the date the fees are paid, except that the applicant for a vesting tentative map for a development project shall pay the fees, ~~as automatically adjusted~~, in effect on the date the application for the vesting tentative map is deemed complete, as automatically adjusted.



Trip Generation Rates by Land Use

Land Use Category	PM Peak Hour Trip Generation Rate (per 1,000 sq. ft. or dwelling unit)	
	Area 1	Area 2
<i>Residential (dwelling unit)</i>		
Single Family	0.76	0.78
Multi-Family	0.26	0.33
<i>Non-Residential (sq. ft.)</i>		
Retail	2.10	3.01
Office	0.97	1.08
Medical Office	2.81	2.98
Hospital	N/A	1.47
Lodging	0.36	0.36
Industrial	0.12	0.13

Maximum & Proposed Fee Rate

Land Use Category	Area 1- Impact Fee (per sq. ft. or dwelling unit)		Area 2- Impact Fee (per sq. ft. or dwelling unit)	
	Maximum	Proposed	Maximum	Proposed
<i>Residential (dwelling unit)</i>				
Single Family	\$12,540	\$7,600	\$12,870	\$7,800
Multi-Family	\$4,290	\$2,600	\$5,445	\$3,300
<i>Non-Residential (sq. ft.)</i>				
Retail	\$34.65	\$21.00	\$49.67	\$30.10
Office	\$16.01	\$9.70	\$17.82	\$10.80
Medical Office	\$46.37	\$28.10	\$49.17	\$29.80
Hospital	N/A	N/A	\$24.26	\$14.70
Lodging	\$5.94	\$3.60	\$5.94	\$3.60
Industrial	\$1.98	\$1.20	\$2.15	\$1.30

Step 4: Comparable TIFs

Location	Retail (per 1,000 sq. ft.)	Office (per 1,000 sq. ft.)	Industrial (per 1,000 sq. ft.)	Single-family (per unit)	Multi-family (per unit)
Los Angeles					
Warner Center	\$23,882	\$10,632	\$3,109	Exempt	\$2,673
West LA	\$7,087	\$6,450	\$2,740	Exempt	Exempt
Coastal Corridor	\$46,683	\$22,194	\$6,888	Exempt	Exempt
Central City West	\$12,706	\$11,547	\$5,754	Exempt	Exempt
Pasadena	\$8,890	\$3,840	\$3,200	\$2,557	\$2,557
Culver City	\$1,000	\$1,000	\$1,000	N/A	N/A
El Segundo					
Zone 1	\$9,615	\$3,820	\$2,513	N/A	N/A
Zone 2	\$391	\$155	\$102	\$105	\$63
Zone 3	\$431	\$171	\$113	\$116	\$69
Average	\$12,298	\$6,645	\$2,824	\$926	\$1,340