Report

Parks and Recreation Development Impact Fee Study

The Economics of Land Use

Prepared for:

City of Santa Monica

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1. INTRODUCTION, RESULTS, AND RECOMMENDATIONS

This Development Impact Fee Report provides the City of Santa Monica (the City) with the necessary technical documentation to support the adoption of a Citywide Development Impact Fee Program to fund parks and recreation capital facilities, including land acquisition, parks improvements, and facilities. It has been prepared by Economic & Planning Systems, Inc. (EPS) under the management of the Community & Cultural Services Department, the Planning and Community Development Department, and the City Attorney's office. The new parks and recreation development impact fee schedule is intended to replace the City's current Parks and Recreation Facilities Tax as well as the parks component of the Housing and Parks In-Lieu Fee.

Report Background and Legal Context

The City of Santa Monica's current tax and fee schedule includes two one-time charges on new development that support parks and recreation improvements - a flat one-time $200 per residential unit Parks and Recreational Facilities Tax (Santa Monica Municipal Code Section 6.8) and, as of July 2013, a $5.11 per square foot Housing and Parks In-Lieu Fee (Santa Monica Municipal Code Section 9.04.10.12) on general office only, that is adjusted monthly using an inflation index. The $5.11 per square foot fee applies to the first 15,000 square feet of general office development and increases to $11.35 per square foot for additional development above this size. About half of the revenues from the Housing and Parks in-lieu fee are available to fund parks and recreation improvements. Together, these charges provide only modest revenues to the City due to the low tax on residential development, relative to most cities with parks and recreation fees, and the limited number of general office uses that pay the mitigation fee.

The establishment of a new set of parks and recreational capital facilities fees has become prudent in light of: (1) the limited revenues being generated by existing parks funding sources, (2) the loss of other sources of potential capital improvement funding (e.g., redevelopment), (3) the City's ongoing commitment to expanding and improving its parks and recreational amenities, and, (4) the increasing number of California jurisdictions that are successfully generating parks and recreation capital facilities revenues through development impact fees under the Mitigation Fee Act and/or parkland in-lieu fees under the Quimby Act.

The Mitigation Fee Act (AB1600 et seq.) allows the City of Santa Monica to adopt parks and recreation development impact fees on new development to fund the associated, additional costs of providing parks and recreation capital facilities. Unlike Quimby Act parkland in-lieu fees, an alternative form of parks and recreation development fees, the Mitigation Fee Act allows for fees to be charged to all new development that increases the need for capital facilities.[1] As a result, the Mitigation Fee Act is the preferred statutory authority for establishing the new parks and recreation development impact fee schedule in the City of Santa Monica.

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[1] Quimby Act fees under the Subdivision Map Act can only be charged on new, subdivided residential development. In other words, the Quimby Act fees would not apply to apartment development or any nonresidential development, a substantial portion of forecasted future development in the City.

This Report provides the necessary technical analysis to support a schedule of fees to be established by an Impact Fee Ordinance and Resolution. The Mitigation Fee Act allows the City to adopt, by Resolution, the Parks and Recreation Fee Schedule consistent with the supporting technical analysis and findings provided in this Report. The Resolution approach to setting the fee allows periodic adjustments of the fee amount as may be necessary over time, without amending the enabling Ordinance.

The technical analysis in this Report estimates the parks and recreation fee schedule that will fund new development's "fair share" contribution to future City investments in parks and recreation capital facilities. The key requirements of the Mitigation Fee Act that determine the structure, scope, and amount of the proposed Fee Program are as follows:

- **Collected for Capital Facility and Infrastructure Improvements**. Development impact fee revenue can be collected and used to cover the cost of capital facilities and infrastructure required to serve new development and growth in the City. However, impact fee revenue cannot be used to cover the operation and maintenance costs of these or any other facilities and infrastructure.

- **Cannot Fund Existing Needs**. Impact fee revenue cannot be collected or used to cover deficiencies in existing City capital equipment and facilities. The portion of capital costs required to meet the needs of the City's existing population must be funded through other sources. Capital facility investments that increase service standards for existing and new development must be split on a "fair share" basis according to the proportion attributable to each.

- **Must Be Based on a Rational Nexus**. An impact fee must be based on a reasonable nexus, or connection, between new growth and development and the need for a new facility or improvement. As such, an impact fee must be supported by specific findings that explain or demonstrate this nexus. In addition, the impact fee amount must be structured such that the revenue generated does not exceed the cost of providing the facility or improvement for which the fee is imposed.

The City can choose to charge parks and recreation development impact fees below the maximum, supportable fee schedule. Such downward adjustments in the fee schedule, if selected, are typically based on policy considerations related to considerations of development feasibility, fee levels in peer cities, or the unique characteristics of individual development types, such as affordable housing.

Maximum and Recommended Fee Schedules

Table 1 shows the City's maximum supportable parks and recreation fee schedule as well as the recommended fee schedule. The maximum fee schedule is based on the nexus findings and technical analysis contained in this Report and represents the maximum parks and recreation fees the City could charge consistent with the Mitigation Fee Act. The recommended fee schedule reflects a downward adjustment based on considerations of the parks and recreation fees charged in others cities and development feasibility analysis conducted for the City. The new parks and recreation development impact fees will apply to new residential and nonresidential development to fund a share of future parks and recreation capital facilities investments in the City. The fee estimates include a 2 percent fee program administration fee, consistent with other Mitigation Fee Act program administrative costs in many other California jurisdictions.[2]

Table 1 Maximum and Recommended Development Impact Fees[1]

Fee Categories	Persons/ Household	Estimated Maximum Fee	Recommended Fee[2]	
Residential (Average)	1.667	$20,238	$5,060	per Dwelling Unit
Single Family Units	2.515	$30,543	$7,636	per Dwelling Unit
Multi Family Units (Studio/1 bedroom)	1.363	$16,554	$4,138	per Dwelling Unit
Multi Family Units (2+ bedrooms)	2.196	$26,661	$6,665	per Dwelling Unit
Nonresidential				
Office/ Creative Space		$9.24	$2.31	per Sq. Ft.
Medical Office/ Hospital		$5.08	$1.27	per Sq. Ft.
Retail		$5.98	$1.49	per Sq. Ft.
Hotel		$12.45	$3.11	per Sq. Ft.
Industrial		$5.18	$1.30	per Sq. Ft.

[1] Includes fee program implementation and administrative costs.
[2] Recommended fees include a discount of 75 percent across the board. The City will determine whether to remove this discount over time.

Sources: City of Santa Monica; Economic & Planning Systems, Inc.

As shown in **Table 1**, the maximum parks and recreation development impact fees are $20,238 per average residential unit, ranging from $16,554 to $30,543 depending on the estimated occupancy densities for different housing product types and between $5.08 per square foot and $12.45 per square foot for nonresidential uses. Under the maximum fee schedule, new development would generate new revenues capable of funding sufficient parks and recreation improvements and land acquisition to maintain the current service standard in the City. The maximum parks and recreation development impact fee levels are particularly driven by the substantial investments that would be required to acquire additional land for parks in the City with land acquisition costs accounting for about 72.6 percent of the maximum fee level.

[2] The 2 percent administration cost is designed to cover the costs of preparation of the development impact fee as well as the required reporting, auditing, collection and other annual administrative costs involved in overseeing the program. Development impact fee programs throughout California have applied similar administrative charges.

Fee comparisons with other cities indicate that at these maximum levels, the City would be adopting parks and recreation fees at the highest end of the spectrum for California jurisdictions on both future residential and nonresidential development.[3] In addition, development feasibility analysis conducted by HR&A has indicated that the collective increases in transportation, parks and recreation, and affordable housing fees will pose feasibility challenges to new development if adopted at the maximum, allowable levels. As a result, the recommended parks and recreation development impact fee schedule is below the maximum fee level. Specifically, a substantial reduction of the maximum fee (75 percent) is recommended that results in overall recommended fee levels at 25 percent of the maximum level. This reduction seeks to balance the importance of investments in parks and recreation facilities to maintaining quality of life in the City with the cost burdens new fees place on new development.

As shown in **Table 1**, the recommended fee level is an average of $5,060 per residential unit, ranging from $4,138 to $7,636 per unit. For nonresidential development, the recommended fee level ranges from $1.27 per square foot (medical office/hospital development) to $3.11 per square foot (hotel development).

Methodology, Assumptions, and Sources

The results of this study are based on a variety of assumptions and sources. Details on the methodology, assumptions, and sources are described in detail in **Chapters 4**, **5**, and **6**. Selected underlying assumptions and sources are summarized below:

- **Policy Framework**. The 1997 Parks and Recreation Master Plan and the associated General Plan Open Space Element outlined a series of strategies and potential investments to provide for a substantial expansion in parks and recreation facilities in the City in the 2000 to 2020 timeframe. The Master Plan provides policy support for the establishment of new parks and recreation fees. The Master Plan recognized the need for major investments and envisioned contributions from a range of financing sources and from all types of park users. At this time, the Master Plan has not been updated for the 2010 to 2030 period (though it continues to guide investment strategies). In addition, no specific parks and recreation facilities or parkland standards have been formally adopted.

- **New Development Contribution.** Because the City has not established a list of required parks and recreation improvements for the 2010 to 2030 period, the current levels of provision of parks and recreation facilities and parkland by the City were used as the basis for determining the fair share contribution of new development. Specifically, the current replacement value of all City parks and recreation facilities was estimated along with the current number of City park acres. These current values and acres were converted into “per service population” metrics. For example, the City’s existing parkland of 131.4 acres was divided by the estimated service population to obtain an existing level of service of 1.19 acres per 1,000 service population. This existing standard could then be applied to the

[3] See Chapter 7 for detailed information on fee comparisons. Fee comparisons considered one-time fees/taxes specifically for parks and recreation facilities and parkland in other cities. In other words, comparisons included consideration of Quimby Act in-lieu parkland fees and one-time special taxes for parks and recreation capital purposes.

forecasted service population growth to help determine the fair share contribution of new development and the associated fee levels.

- **Growth and Development**. The impact fee calculations are based on estimates of new and existing development, population, employment, and overnight visitors for the 2010 to 2030 period. Some of these estimates relied on estimates of persons per household, square feet per employee, and overnight visitorship per hotel room. These estimates relied on a number of sources including the Land Use and Circulation Element (LUCE) and its EIR, Census 2010, the Census American Community Survey, and California Department of Finance. The LUCE was the key source for estimates of new development in the City.

- **Park Demand and Cost Allocation**. Capital costs were allocated to new development as well as between different new land uses based, in part, on relative levels of demand. Service population was used as the measure of demand, with equivalencies established between residents, employees, and overnight visitors based on studies of other jurisdictions. This resulted in estimates of one employee as the equivalent of 0.2 residents and one overnight visitor as the equivalent of 0.15 residents. Costs were then allocated appropriately using these relative demand factors and the relevant estimates of existing and future growth and development.

- **Current Parks and Recreation Facilities Replacement Costs.** City staff inventoried its full set of parks and recreation facilities. Subsequently, City staff developed planning-level estimates of 2013 per square foot facilities values.

- **Current Parkland and Value**. A list of current City parks and recreation areas along with the associated acreage was developed by City staff. EPS interviewed City staff and reviewed information on recent land acquisition purchases to determine a planning-level estimate of per acre land value.

- **Fee Comparisons**. Parks and recreation fee comparisons were based on a review of fee schedules in a range of different cities. Fee comparisons are useful for general, comparison purposes to inform City decisions concerning fee levels. As discussed in **Chapter 7**, fee comparisons do not always capture the complete funding picture and, due to frequent refinements and revisions, fee schedules are constantly changing.

Fee Program Implementation and Administration

The Mitigation Fee Act includes a series of reporting requirements designed to ensure that development impact fee revenues are properly accounted for, used appropriately, and that, where funds are ultimately not used, are reimbursed. In addition, jurisdictions adopting fee programs should determine their preferred approach to updating the fee schedule and whether they intend to allow for exemptions, credits, and reimbursements (under any additional circumstances). The following fee program implementation and administration parameters are recommended for the City of Santa Monica’s new parks and recreation development fee.

Credits, Reimbursement, and Exemptions

Under certain and limited circumstances, as determined by the City, the Impact Fee Resolution could allow developers subject to the fee to obtain credits, reimbursements, or exemptions. In cases of redevelopment, the demolition of space should provide a fee credit in a similar manner to the City's recently adopted transportation impact fee. In other words, the gross fee obligation should be calculated based on the scale of the proposed new development, with a fee credit to be applied for existing square footage to be removed (or retained) using the applicable fee for the existing square footage (land uses).

All other fee credits and/or reimbursements should not be allowed by right but rather should be subject to review by City staff and Council to ensure that such credits or reimbursements are warranted and appropriate. Potential examples where fee credits and reimbursements might be considered include: (1) cases where the City would prefer on-site dedication of parkland and associated park improvements rather than fee payments, or, (2) cases where a Development Agreement specifically envisions extraordinary, direct investments in parks and recreation facilities of equal to or greater value to the City than the applicable parks and recreation fees. Exemptions where the City elects not to impose fees for certain categories of development, such as affordable development are also an option, though alternative funding sources to offset a loss in fee revenue would need to be provided.

Securing Supplemental Funding

The maximum, supportable development impact fee is set to cover the parks and recreation facilities investments that will maintain citywide capital facilities standards as new growth occurs. To the extent that the City's goals envision an overall increase in parks and recreation facilities and parkland standards, supplemental funding will be required to cover these service-level increasing investments. In addition, to the extent that exemptions are provided for particular types of development, supplemental funding will be required to make up for this lost funding. For the City of Santa Monica, any required supplemental funding (i.e., funding not from new development) is most likely to be provided by State and federal grant funding and/or the City's General Fund, though could also come from a number of other sources.

Annual Review and Periodic Study Update

The Mitigation Fee Act/AB 1600 (at Gov. C. §§ 66001(c), 66006(b)(1)) stipulates that each local agency that requires payment of a fee make specific information available to the public annually within 180 days of the last day of the fiscal year. This information includes the following:

- A description of the type of fee in the account
- The amount of the fee
- The beginning and ending balance of the fund
- The amount of fees collected and interest earned
- Identification of the improvements constructed
- The total cost of the improvements constructed
- The fees expended to construct the improvement
- The percentage of total costs funded by the fee

For the purposes of the new parks and recreation fee, a single account should be established into which all fee revenues are placed. Because of the dynamic nature of growth and capital equipment requirements, the City should monitor inventory activity, the need for improvements, and the adequacy of the fee revenues and other available funding. To the extent, particular issues are identified, adjustments to the fee program may be required.

Without particular issues requiring immediate attention, it is recommended that the Impact Fee Ordinance allows for an automatic annual adjustment to the fees based on the percent change in the appropriate Construction Cost Index as published by Engineering News Record for the preceding 12 months period. Over time, development forecasts may be revised, new policy documents and associated goals for parks and recreation capital improvements might be adopted (e.g., through revised Mater Plan), costs will change and evolve, and new information on the sources of park demand (e.g., through intercept surveys) may become available, making periodic technical updates prudent. Costs associated with this monitoring, reporting, and updating effort are included in the parks and recreation development impact fee schedule and are assumed to add 2 percent to fee program capital costs.

Surplus Funds

The Mitigation Fee Act/AB 1600 also requires that if any portion of a fee remains unexpended or uncommitted in an account for five years or more after deposit of the fee, the City Council shall make findings once each year: (1) to identify the purpose to which the fee is to be put, (2) to demonstrate a reasonable relationship between the fee and the purpose for which it was charged, (3) to identify all sources and amounts of funding anticipated to complete financing of incomplete improvements, and (4) to designate the approximate dates on which the funding identified in (3) is expected to be deposited into the appropriate fund (§66001(d)).

If adequate funding has been collected for planned improvements, an approximate date must be specified as to when the cost of the improvement will be incurred. If the findings show no need for the unspent funds, or if the conditions discussed above are not met, and the administrative costs of the refund do not exceed the refund itself, the local agency that has collected the funds must refund them (Gov. C §66001(e)(f)).

Report Organization

Following this chapter, **Chapter 2** provides the policy and financing context to the establishment of a new parks and recreation development impact fee in the City of Santa Monica and **Chapter 3** provides the required nexus findings under the Mitigation Fee Act. **Chapter 4** describes the existing and future development and associated demographic, economic, and visitor information. It also describes the applied measures of relative demand by land use for parks and recreation facilities. **Chapter 5** estimates the new parks and recreation facilities and land costs that could be allocated to new development and **Chapter 6** estimates the maximum, supportable fees under the Mitigation Fee Act. **Chapter 7** provides information on parks and recreation fees charged in other California jurisdictions to inform the City's policy decision concerning the appropriate fee schedule for adoption.

2. POLICY AND FINANCING CONTEXT

Parks and Recreation Master Plan

With substantial community input, the City of Santa Monica completed its Parks and Recreation Master Plan in March 1997. The purpose of the Master Plan was "to guide the improvement of the City's parks and recreational facilities over the next twenty years." The Master Plan was based on the (General Plan) Open Space Element the draft of which was prepared simultaneously and outlines specific actions to help implement Open Space objectives and policies. The final Open Space Element was adopted in 2001.

The Parks and Recreation Master Plan has helped guide City investments in a broad range of parks, open space, and recreation facilities. The Master Plan builds on and complements the City's long history of park development as well as the recreational assets represented by the beach, additional State recreation lands, and school district investments. The Master Plan called for the "largest expansion of the park and recreational system in the history of the city", including the goal of adding tens of acres of new parks and thereby increasing the parks inventory by as much as 50 percent. The Master Plan vision and goals were captured in a broad array of Parks and Open Space strategies and Recreation Program strategies.

Financing Principles and Strategies

The financing and implementation section of the Master Plan included a number of project consultant recommendations for financing capital and operating costs associated with the proposed facilities and improvements. The City indicated that the financing strategies would be refined in the context of short and long-term budget processes. For example, the Parks and Recreation Master Plan states:

"*Funding sources should equitably share the burden among all park and recreation facility users*. *Everyone who lives and works in and visits the City of Santa Monica benefits from amenities offered by the parks, beaches, and various recreational facilities. Therefore, funding used to implement the Master Plan should come from all users of parks and recreation facilities to the extent possible".*

Capital Facilities and Financing Sources

The Master Plan included a broad array of proposed capital facilities and improvements, envisioned for the 2000 to 2020 period, along with preliminary cost estimates. The preliminary cost estimates were for over $100 million in improvements in 1997 dollar terms. Improvement categories included capital improvements in existing parks throughout the City as well as the development of new parks and recreational facilities in the Civic Center, at the beach, and at schools. The acquisition of additional parkland was also envisioned along with investments in aquatic facilities. New ball fields, courts, and other recreational amenities are envisioned along with new park buildings of a variety of types (community center, gymnasium, etc.).

The financing and implementation chapter also identified a broad array of potential funding sources for parks and recreational capital facilities. Unrestricted funding sources (to parks) and competitive sources identified included General Fund Capital Improvement Program Funds, Tax Increment funds, Transient Occupancy Tax funds and Civic Development Funds (Civic Center only), and Community Development Block Grants. Dedicated capital funding sources, by contrast were limited to, the existing park impact fee and tax, with the Beach Fund noted as a potential source once maintenance costs were covered. The need for additional capital funding from Citywide Community Facilities District or General Obligation Bond financing was viewed as likely to accomplish the Master Plan goals in the preferred timeline.

Parks and Recreation Funding

As the City continues to move forward in achieving the Master Plan vision and responding to the new and changing needs of the community, the need for new parks and recreation funding continues. With multiple demands on unrestricted sources of City funding (General Fund Capital Improvement Program, transient occupancy taxes etc.) and the loss of other important sources of capital improvement revenue (tax increment funding), parks and recreation funding cannot rely solely on unrestricted funding sources.

The City's Municipal Code does currently place two "parks and recreation fees" on new development to fund parks and recreation capital facilities:

- **Parks and Recreation Facilities Tax** (SMMC Section 6.8, adopted July 1973).[4] The City collects a dwelling unit/parks and recreation facilities tax of $200 per unit for its Parks and Recreation Fund. The fee was set at a flat, non-increasing level and was at the same rate at the time of the adoption of the Master Plan (1997).

- **Housing and Parks In-Lieu Fee** (SMMC Section 9.04.10.12, adopted April 1986). General office development (including medical office, but excluding creative office) pays a Housing and Parks In-Lieu Fee associated with a Parks Mitigation Fund. In-lieu payments satisfy the Project Mitigation Measures of the 1984 Land Use and Circulation Element of the General Plan. In-lieu fees are paid by new general office developments of over 15,000 square feet of new construction or 10,000 square feet of additions to existing development. In-lieu fees are updated monthly based upon the most current available Consumer Price Index (CPI) figure. As of July 2013, the In-Lieu Fee was set at $5.11 per square foot for the first 15,000 square feet and $11.35 per square foot for additional square footage above this amount.

These sources have, however, only generated modest funding for a variety of reasons. For residential development, the fee is low and its value continues to erode with inflation over time. For nonresidential development, only one sub-category of development (general office) is required to pay the fee and the fee revenues are split between parks and housing purposes. In addition, the definitions of general office (that pays the fee) relative to creative office (that does not) has created implementation challenges and has reduced fee collection as the modern workforce occupying new office space is increasingly viewed as creative.

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[4] SMMC = Santa Monica Municipal Code

In the context of the need for additional funding to continue to implement the Parks and Recreation Master Plan and to meet the parks and recreational needs of a growing service population (residents, employees, and visitors), the City identified a Parks and Recreation Development Impact Fee as a potential source of direct funding for future parks and recreation capital facilities needs. The purpose of the fee, consistent with legal requirements (see below), is to provide a direct funding source from new residential and commercial development for the upgrade and/or expansion of parks and recreational facilities needed to accommodate additional occupants of the new developments. The adoption of a parks and recreation development impact fee (as described in **Chapter 7**) is common practice among California jurisdictions, though the parameters of the fee program can vary widely. The recommended parks and recreation development impact fee, if adopted, would replace one existing fee and a portion of the existing In-Lieu fee devoted to parks.

3. MITIGATION FEE ACT NEXUS FINDINGS

This chapter describes the necessary "nexus" between new development in Santa Monica and the proposed capital facilities investments, as required under the Mitigation Fee Act - Government Code Section 66000 (AB1600). The new parks and recreation development impact fees will cover up to the investments in parks and recreation facilities, improvements, and land acquisitions required to maintain existing levels of capital facilities service in the City - the “fair share” contribution of new development.

Nexus findings address: (1) the ***purpose*** of the fee and a related description of the facility for which fee revenue will be used, (2) the specific ***use*** of fee revenue, 3) the ***relationship*** between the facility and the type of development, (4) the relationship between the ***need*** for the facility and the type of development, and (5) the relationship between the amount of the fee and the ***proportionality*** of cost specifically attributable to new development. The subsections below describe the nexus findings for the Parks and Recreation Development Impact Fee.

Purpose

The fee will ensure an expansion in parks and recreation capital facilities in the City of Santa Monica as new growth occurs.

Use of Fee

Fee revenue will be used for a broad range of parks and recreation capital facilities investments, including the acquisition of land for parks, the improvement of existing and new parkland, and development of new parks and recreation facilities.

Relationship

New development in the City of Santa Monica will increase the demand for and use of parks and recreation facilities. Fee revenue will be used to help fund new parks and recreation facilities in response to the increased demand.

Need

Each new development project – residential and nonresidential - will generate incremental, new demand and use of the City’s parks and recreation facilities by new residents, workers, and/or visitors. New revenues to fund investments in additional parks and recreation capital improvements are necessary to maintain parks and recreation capital facilities service standards.

Proportionality

The maximum, supportable parks and recreation fee schedule was based on a parks and recreation capital facilities cost estimate derived by applying the proportionate increase in service population associated with new development to the existing service standard/value of parks and recreation capital facilities. As a result, the fee program cost estimates are directly proportional to the relative increase in new development.

4. *DEVELOPMENT FORECAST AND NEW PARKS DEMAND*

This chapter describes existing and projected future development in the City of Santa Monica and estimates the associated demographic and economic growth that support the park and recreation development impact fee calculations. Forecasts of population and employment growth rely on the growth projections of dwelling units and nonresidential building space developed for the City's 2010 Land Use and Circulation Element (LUCE) Final EIR (EIR). The chapter also estimates and describes the City's existing and new park and recreation service population (level of demand) associated with residents, employees, and hotel guests, which is the basis for determining the cost share allocatable to new development as well as allocating fee program costs between residential and nonresidential land uses.

Existing (2010) and forecasted (2010 to 2030) demographic, economic, and visitorship information are used for the following primary purposes in the fee calculation:

- Estimates of existing development and associated, population, employment, and average overnight visitor levels are used to define baseline conditions and help determine current service standards;
- Estimates related to population, employment, and visitor density (e.g., persons per household, square feet per employee, hotel guests per occupied room) are used to estimate population growth associated with the City's LUCE EIR's projected increase of 4,955 units, employment growth associated with the projected net increase of 3.1 million building square feet of employment type land uses, and average daily overnight visitor levels associated with the projected increase of about 2,100 rooms.
- Forecasts of future population and employment growth in the City are the basis for determining associated growth in the parks service population and thus the future need for park capital facilities which can be funded by the fee.

Existing and Forecast Demographic and Employment Growth

Residential Development and Population Growth

According to Census 2010, the City had a total population of 89,736 and an inventory of 50,912 dwelling units. With a household population of 87,551 and 46,917 occupied units, the City has an average household size (persons per occupied unit) of 1.866 persons per household, with multifamily units and single-family units averaging 1.667 and 2.515, respectively.[5] With respect to occupancy, a comparison of total units to occupied units suggests that the City had a vacancy rate of 7.8 percent. However, excluding units counted vacant by nature of their use such as second homes occupied only seasonally, the City's core residential vacancy rate was 4.4 percent.

[5] Average household sizes for single-family and multifamily units based on American Community Survey data from 2007 to 2011.

The LUCE EIR forecasts an increase of 4,955 units to the City's inventory of housing units by 2030 of which only four units would be single-family units. The other 4,951 units or 99.9 percent would be composed of multifamily units.[6] To forecast the growth in household population corresponding to this increase in dwelling units, EPS conservatively applies the 4.4 percent vacancy rate and estimates that of the 4,955 total new units, 4,737 units will be occupied on average. Based on an average household size of 1.667 (the current estimate for persons per household in multifamily developments), the new occupied units will result in population growth of 7,895 by 2030. Compared to the 2010 (baseline) population, this represents an 8.8 percent growth in the City's population as shown in **Table 2**.

Table 2 Baseline and Projected Growth in Housing and Resident Population

Conditions	Housing Units Total	Housing Units Occupied (Households)	Population Total	Population in Households	Avg. HH Size[1]
Baseline (2010 Census)	50,912	46,917	89,736	87,551	1.866
Projected Growth[3]	4,955	4,737	7,895	7,895	1.667
Buildout (2030 Projection)	**55,867**	**51,654**	**97,631**	**95,446**	
% Change (2010-2030)	*9.7%*		*8.8%*		

[1] Average household (HH) size measures the average number of persons in occupied units only. Baseline HH size is based on all units citywide. Because future units are projected to be almost 100% multifamily units, the HH size used to estimate future population is based on the current HH size in multifamily units.

[2] Baseline employment data and projected growth are from the City's 2010 LUCE Final EIR.

[3] Projected growth in housing units from the City of Santa Monica LUCE Final EIR, 2010. Estimate of 4,737 occupied units assumes a vacancy of 4.4% based on 2010 census data. Population growth was estimated by applying the 1.667 persons per household to the occupied housing unit projections.

Source: Santa Monica LUCE Final EIR, April 2010; Census 2010; and Economic & Planning Systems.

Nonresidential Development and Job Growth

The City's LUCE EIR forecast that the City's inventory of nonresidential building space related to employment uses will increase from 28.2 million to 31.3 million square feet by 2030, a net increase of 3.1 million building square feet. This net increase is based on a gross increase of 3.5 million square feet of nonresidential uses including office, retail, medical office, hospital, hotel, institutional and a projected reduction of about 380,000 in industrial space. Using employee density assumptions for each land use, the LUCE EIR forecast net employment growth of 7,724 jobs associated with new nonresidential development as shown in **Table 3**.

[6] Page 4.10-12 Santa Monica LUCE FEIR, Volume 1.

Table 3 Employment and Projected Growth in Nonresidential Uses

Employment Uses	New Bldg. Sq. Ft.	Sq. Ft. per Employee	Employment Growth
Office	448,980	275	1,633
Retail	566,803	425	1,334
Creative/Post-Production	699,709	275	2,544
Medical Office	187,327	500	375
Hospital	763,123	500	1,526
Hotel (Employees)	626,578	1,500	418
Institutional	196,029	300	653
Educational	0	300	0
Projected Growth (Gross)	**3,488,549**		**8,483**
Industrial	(379,137)	500	(758)
Projected Growth (Net)	**3,109,412**		**7,724**
Baseline Employment			100,949
Projected Growth (Gross) [1]			8,483
Buildout (2030 Projection)			**109,432**
% Change (2010-2030)			*8.4%*

[1] The fee analysis excludes industrial space for purposes of showing gross new sq. ft. upon which the fee would be assessed. To the extent that a project includes new sq. ft. that replaces existing industrial sq. ft. such a project would be eligible for fee credits.

Source: Santa Monica LUCE EIR, 2010.

Hotel Development and Overnight Visitor Growth

In addition to employment growth, hotel development will increase the City's visitors. With an estimated inventory of 3,700 hotel rooms and occupancy rates over 80 percent, the City maintains an overnight visitor population (hotel guests) of over 6,000, about 7 percent of the City's resident population. New hotel development will generate new out-of-town overnight visitors, increasing the City's service population.

Table 4 shows the current hotel development and EPS's estimate of the associated overnight visitor population. Based on the City's LUCE EIR projected growth in hotel square feet of 626,600, EPS estimates an increase of 3,540 in the associated, average visitor population by 2030. This estimate is based on the assumption that average occupancy rates and occupants per room will remain consistent over the planning period.

Table 4 Hotel Development and Projected Growth

Item Description	Baseline 2010	Buildout 2030	2010-2030 Net Growth
Hotel Sq. Ft.	1,108,000	1,734,578	626,578
Hotel Rooms[1]	3,712	5,811	2,099
Occupancy Rate (2012)	84.3%	84.3%	
Estimate of Occupied Rooms	3,129	4,899	1,770
Avg. Persons/Room	2.0	2.0	
Estimated Guest Population	**6,258**	**9,798**	**3,539**

[1] Projected hotel rooms derived by dividing projected total hotel square feet by average hotel room size of approx. 298 sq. ft.; average room size calculated using citywide hotel sq. ft. data from the LUCE EIR and hotel room inventory data from the Santa Monica Convention and Visitors Bureau.

Source: Santa Monica 2010 LUCE EIR; PKF Consulting; Santa Monica Convention & Visitors Bureau; and Economic & Planning Systems.

Service Population and New Parks Demand

The City's existing resident population, employment, and visitor population related to hotels form the basis for determining its baseline level of demand (service population) and inform the estimate of current service standards for parks and recreation facilities. Building on the existing and forecast estimates of population, employment, and visitors—the key drivers of parks and recreation demand—described in the previous section, this section estimates the existing service population and shows how growth in residents, employees, and hotel guests will increase the service population and generate new demand for parks and recreation facilities.

Studies have shown that the degree or extent to which the three groups of park users (residents, employees, and visitors) utilize parks is different; residents in general use parks at a higher level than nonresident users. Therefore, to derive a comprehensive service population that combines all parks users, residents, employees, and hotel guests, we need to express the demand generated by each group on an equivalent basis.

Table 5 summarizes the service population estimates by user group under existing conditions and projected growth. As shown, the City is estimated to have a baseline parks-related service population of 110,865 that is forecast to increase by 10,123 or 9.1 percent by 2030.

The following sections describe the methodology and assumptions used to determine residence-equivalency factors for each of the three user groups.

Table 5 Baseline and 2030 Projected Service Population

Park User Group		Population/ Employment 2010	Population/ Employment 2030	Residence Equivalency Factors	Estimated Service Population 2010	Estimated Service Population 2030	Growth	% Growth
	Formula:	a	b	c	d = a*c	e = b*c	f = e - d	g = f / d
Residents		89,736	97,631	1.00	89,736	97,631	7,895	8.8%
Hotel Guests[1]		6,258	9,798	0.15	939	1,470	531	56.6%
Employees[2]		100,949	109,432	0.20	20,190	21,886	1,697	8.4%
Total Service Population					**110,865**	**120,987**	**10,123**	**9.1%**

[1] Demand equivlency factor is based on a review of available visitor park use studies for cities throughout the U.S. The percent of visitors indicating usage of parks in the City was assumed to be a reasonable indication of the use equivalency relative to residents. The proportionate use by vistors varied considerably, though it tended to fall in the 10 to 30% range for cities with a broad inventory of parks. The results from a 2007 study for the San Diego Convention & Visitors Bureau that specifically measured the share of overnight visitors that visited a park and recreation destination during their stay in the City was viewed as most comparable and was used as the basis of the resident-equivalency assumption for Santa Monica.

[2] Demand equivalency factor reflects the equivalency assumptions assumed in parks and recreation fee studies for the cities of San Francisco and Palo Alto. These studies relied on Park User Intercept Surveys to measure park usage of non- resident employees relative to residents. Other studies showed higher resident-equivalency factors for employees, while others did not attribute any demand for employees. If park user surveys are conducted in the future in the City of Santa Monica, the equivalency factors would be updated.

Source: Santa Monica LUCE FEIR, April 2010; Census 2010; and Economic & Planning Systems.

Residents – Relative Demand and Service Population

For purposes of this study, demand equivalency is measured relative to park demand by residents. Because residents, on average, typically demonstrate the highest levels of use of public parks and recreation facilities, one resident is assigned a residence-equivalency factor of 1.0. This means that the existing and future growth in the service population related to City's residents is equal to the existing and future growth in resident population, i.e., represents a baseline service population of 89,736 and growth of 7,895.

Employees - Relative Demand and Service Population

Demand factors for other users, employees and hotel guests, would ideally be estimated by surveying the City's park users and determining the usage of employees and hotel guests relative to residents. In the absence of such primary data, results from surveys conducted in other cities were considered. There is a limited amount of research measuring aggregate City park use by employees relative to residents. Relevant studies were identified for the cities of Glendale, Los Angeles, Redwood City, and Palo Alto, California, and Eugene, Oregon, several of which specifically informed parks and recreation development impact fee studies (Glendale, Redwood City, and Palo Alto). Other cities, such as San Francisco, made assumptions concerning employee-resident equivalency based on studies conducted elsewhere (in this case in Arizona).

And some cities ignored workers' use/demand for parks and recreation facilities and tied all demand to residential development.

Applying results from other cities poses challenges for a number of reasons, including differences in the amount of parks, differences in the proximity of parks to employment areas, and differences in the propensity of the local workforce to access park amenities. Of the cities reviewed, the conclusions from the Palo Alto, Glendale, Redwood City, and San Francisco were considered most relevant based on the clarity of their data for impact fee purposes as well as their California location, general employment characteristics and scale, and availability of parks.

Results from the Palo Alto study showed a resident-equivalency factor of 0.2 for an employee. This means that the demand for parks generated by 1 employee was equivalent to one-fifth the demand generated by a resident. The estimate was based on the number of employees using parks relative to total employment in the City compared to the number of residents using parks relative to the city's total population. The San Francisco study assumed a similar resident-equivalency factor of 0.2. A similar methodology was used in the Redwood City study which determined a resident-equivalency factor of 0.5 per employee, while the City of Glendale identified a residency-equivalency factor of 0.45 per employee. Given this broad range of equivalency factors of between 0.2 and 0.5 and the exclusive focus by some fee programs on residential development, EPS has assumed a 0.2 resident-equivalency factor for Santa Monica employees for the purposes of this study.

With existing employment of 100,949 employees and gross employment growth of 8,483, the estimated factor of 0.2 implies a baseline service population of 20,190 and projected growth of 1,697 in the service population associated with the City's employment land uses.

Hotel Guests - Relative Demand and Service Population

Research on hotel guests' use of a city's parks is also limited. The Santa Monica Convention and Visitors' Bureau conducts an annual survey of visitors to the City which among other things asks which destinations the respondents visit during their stay in Santa Monica. However, the results do not include visits to city parks among the identified destinations. Therefore, it was not possible to isolate from the results, how likely hotel guests were to visit city parks relative to other destinations/attractions during their stay. Data on visits to Santa Monica Pier, Santa Monica Beach, and Pacific Park (on the Pier) was reported but is not applicable to this study because these parks and recreation amenities are not part of the City's inventory of park facilities.

The Trust for Public Land recently summarized the findings of a range of studies on the propensity of visitors to use local parks and recreation facilities. Reported results from park use studies at City parks from a diverse set of cities across several States (Delaware, Washington, Colorado, California, and Pennsylvania) indicated that between 5 percent (Wilmington, Delaware) and 40 percent (Philadelphia) of overnight visitors (for all purposes) visited the local parks. On average, about 20 percent of overnight visitors who spent time in parks had come specifically for the park amenities. Visitor studies in several cities—San Diego, Denver, and Seattle—indicated, directly or indirectly, that between 15 and 25 percent of overnight visitors spent time in parks in these cities.

The results from studies conducted for the San Diego Convention and Visitors' Bureau and the California Travel and Tourism Commission provided the most meaningful results for application to this study. The San Diego study estimated the number of overnight visitors that visited parks in the City. About 20 percent of overnight visitors were found to spend time in the City's parks (including its beaches), with 5 percent in San Diego to visit the parks as their primary reason and the remaining 15 percent of overnight visitors visited a park in the City, incidental to their visit.[7] While San Diego is different from Santa Monica in many respects, amongst the available studies of park use by visitors, we believe that as major Southern California tourist destinations, San Diego provides the best current indicator of the likelihood for overnight visitors in Santa Monica to visit a park.

Based on the above discussion, this analysis assigned a resident-equivalency factor of 0.15 to hotel guests/overnight visitors. As a result, overnight visitors represent an estimated baseline service population of 939 and a projected growth of 531 between 2010 and 2030.

[7] Visitors whose primary purpose of travel was to visit a park (not incidental) most likely visit major attractions such as Balboa Park in San Diego or Santa Monica Beach in Santa Monica. By looking only at incidental visits, we discount the share of visits to major attractions that are not representative of a regular city park.

5. PARKS AND RECREATION FACILITIES AND COSTS

This chapter estimates the supportable level of parks and recreation capital facilities costs funding that can be charged to new development under the new fee schedule, consistent with the Mitigation Fee Act. The capital facilities cost allocation is based on existing service standards and is divided into two primary components, for purposes of analysis, investments in parkland acquisition and investment in parks and recreation improvements and facilities.

Parkland

Existing Parkland and Current Ratio

According to data provided by the City's Community and Cultural Services Department, the City's inventory of parks includes 29 community and neighborhood parks, a swim center, and a community garden on approximately 131.4 acres of parkland. This total does not include park acreage under joint-use with school districts and the State Beach. Including these two park resources, the park acreage within the City and accessible to residents totals 392 acres.

Based on the 131.4 acres of City parkland alone, the existing service standard is 1.19 acres per 1,000 service population (resident-equivalents), as shown in **Table 6**.

Table 6 Estimated Required Parkland Investment to Serve New Growth

Item Description	Amount
Citywide Park Acres	131.4
Baseline Demand for Parks (resident-equivalents)	110,865
Existing Parkland Standard (Acres per 1,000 resident-equivalents)	1.19
2010-30 Growth in Parks Demand	10,123
Required Parkland Acquisition for New Development (Acres)	12.0
Cost per Acre[1]	$7,623,000
Total Parkland Acquisition Cost	**$91,476,000**

[1] Land cost of $175 per sq.ft. is based on a review of a number of recent appraisals conducted for properties in the City of Santa Monica.

Source: City of Santa Monica; and Economic & Planning Systems.

New Parkland and Estimated Cost Required to Serve New Development

To maintain the existing service standard, the City will need to increase parkland by 12.0 acres based on the projected growth in service population of 10,123. To identify planning-level estimates of land acquisition costs, EPS interviewed City staff and reviewed recent valuation appraisals for properties in the City. The area of focus was the area bounded by Lincoln Boulevard (west), Wilshire Boulevard (north), Centinela Avenue (east), and the Santa Monica Freeway (south). This is the general area where future parkland acquisitions are most likely to occur, as indicated by City staff. Based on these appraisals, EPS estimated an average land cost of $175 per square foot or $7,623,000 per acre. As shown in **Table 6**, based on the projected need for 12.0 acres and the per-acre land cost estimate, the total cost to acquire new parkland to serve new development is approximately $91.5 million.

Parks and Recreation Capital Facilities

Existing Facilities and Estimated Value

City staff developed inventory estimates of different City parks improvement by square footage and associated planning-level estimates of current park improvement costs. Currently, the City has over 5.7 million square feet of improved park area on 131.4 acres containing a wide range of improvements and facilities including baseball fields, soccer fields, dog parks, basketball courts, tennis courts, children's playgrounds, a skate park, a swim center, and community rooms. Other facilities include accessory buildings such as maintenance facilities, and amenities such as parking lots, restrooms, bathrooms and kitchens. **Table 7** shows a summary of inventory and replacement value for each facility type. As shown in the table, the City's inventory of park facilities has a total estimated value of $378.6 million based on replacement cost.

Table 7 Cost Estimates of Existing City Parks & Recreation Facilities

General Improvement	Total Sq. Ft.	Cost per Sq. Ft.	Total Cost
Courts	271,500	$160	$43,440,000
Dog Parks	113,700	$25	$2,842,500
Fields - Baseball	701,100	$29	$20,331,900
Fields - Soccer	135,000	$12	$1,620,000
Community Gardens	36,400	$13	$473,200
Park Parking Lots	475,125	$8	$3,801,000
Park Buildings	127,200	$378	$48,081,600
Parks	3,346,253	$55	$184,043,915
Park - Botanical Gardens	375,894	$117	$43,979,598
Playground	160,600	$55	$8,833,000
Skatepark	26,000	$35	$910,000
Swimming Pool Facility	52,300	$388	$20,292,400
Total Existing Park & Recreation Facilities	**5,821,072**		**$378,649,113**

Source: City of Santa Monica

Required Growth in Facilities and Cost Allocation to New Development

In order to continue providing parks and recreation services at standards currently provided to existing residents, the city's inventory of parks and recreation facilities will need to be increased at a rate corresponding to the growth in demand generated by new development. As shown in **Table 5**, demand for park and recreation services as measured by service population is forecast to grow by 9.1 percent during the planning period. Based on the current estimated value of $378.6 million, a 9.1 percent expansion of the existing inventory of facilities to accommodate future demand from new development would cost an estimated $34.6 million, as shown in **Table 8**. This represents the fair share contribution required from new development to address the impact of increased demand on park improvements (excluding parkland) and maintain existing service standards.

Total Costs Associated with New Development

Table 8 also shows the total estimated investment in parks and recreation capital facilities (park improvements and parkland) required to maintain existing standards of service. As shown, this totals $126 million in 2013 dollars, including $35 million in parks improvements (27 percent) and $91 million (73 percent) in land acquisition costs. This is the maximum, supportable fee-funded cost for inclusion in the development impact fee program.

Table 8 Total Parks Fee Program Costs

Program Cost Items	Estimated Costs
Capital Facilities/Improvements	
Value of Existing Parks & Recreation Facilities	$378,649,113
Projected Increase in Parks Demand	9.1%
Park Facility Improvements to Serve New Growth	$34,573,315
Land Acquisition	
Required Parkland Acquisition to Serve New Growth	$91,476,000
Total Parks Fee Program Costs	**$126,049,315**

Source: City of Santa Monica; and Economic & Planning Systems.

6. DEVELOPMENT IMPACT FEE CALCULATIONS BY LAND USE

The maximum, supportable parks and recreation development impact fee schedule was determined based on the development forecasts and relative parks demand by land use identified in **Chapter 4** and new development's fair share contribution to future parks and recreation capital facilities estimated in **Chapter 5**. This chapter describes the technical steps in estimating the maximum fee schedule.

Cost Allocation by Land Use

Total fee program costs are allocated to each land use category based on the contribution of each land use to the total increase in parks demand as measured by service population. **Table 9** shows the total service population increase of 10,123 associated with new development and the relative distribution of resident-equivalents by fee category (detailed calculations of service population by land use are shown in **Table A-1** in **Appendix A**). For fee purposes, nonresidential land use categories with similar employment densities (and hence fee levels) were combined to simplify fee program implementation and administration. Specifically, office and creative/post-production uses were combined as were medical office and hospital uses. For overnight lodgings, resident-equivalent calculations combine service population associated with both guests and employees.

Table 9 Distribution of New Service Population by Land Use Category

Fee Categories	Resident-Equivalents[1]	% of Total
Residential	7,895	78%
Nonresidential		
Office & Creative/Post-Production	835	8%
Medical Office/ Hospital	380	4%
Retail	267	3%
Hotel[2]	614	6%
Institutional	131	1%
Total	**10,123**	**100%**

[1] See Table A-1 for calculation of resident-equivalents by residential and employment uses.
[2] Resident-equivalents based on guests and employees.

Source: City of Santa Monica; and Economic & Planning Systems.

As shown in **Table 9**, residential land uses are expected to account for 78 percent of the projected increase in parks demand. Among the 22 percent of new parks demand associated with nonresidential uses, office and creative/post-production uses account for 8 percent, medical office/hospital uses account for 4 percent, and hotels/overnight lodging for 6 percent. Retail uses account for about 3 percent of expected future parks demand and institutional uses (public uses) for about 1 percent.

As shown in **Table 10**, total fee program costs are allocated to each land use category based on these relative contributions to new park demand.

Table 10 Fair-Share Cost Allocation by Land Use Fee Category

Land Use Fee Categories	Cost Allocation	Capital Improvements	Land Acquisition	Total Costs
Residential	78%	$26,965,743	$71,347,463	$98,313,206
Nonresidential				
Office & Creative/Post-Production	8%	$2,853,268	$7,549,336	$10,402,604
Medical Office/ Hospital	4%	$1,298,471	$3,435,566	$4,734,036
Retail	3%	$910,995	$2,410,362	$3,321,357
Hotel	6%	$2,098,492	$5,552,306	$7,650,797
Institutional	1%	$446,346	$1,180,968	$1,627,314
Subtotal Nonresidential	22%	$7,607,572	$20,128,537	$27,736,109
Total Fee Program Costs	**100%**	**$34,573,315**	**$91,476,000**	**$126,049,315**

Source: City of Santa Monica; and Economic & Planning Systems.

Maximum Fee Estimates

The maximum, new parks and recreation development impact fee schedule was derived from the above cost allocations by land use category and the forecast of new development. Specifically, costs allocated to the residential land use category were divided by the projected number of new units to estimate the maximum fee per residential unit, while costs allocated to nonresidential uses were divided by the projected new building square feet for the respective land use category to estimate the maximum fee per square foot.

As shown in **Table 11**, the maximum, supportable fees range from $16,554 to $30,543 per residential unit and between $5.08 and $12.45 for future nonresidential development. This is the fee schedule that under the current development forecasts would result in the generation of $126 million in fee revenues (2013 dollar terms) between 2010 and 2030.

Table 11 Estimated Maximum Parks Fee per Unit

Fee Categories	New Growth	Costs per Unit: Capital Improvements	Costs per Unit: Land Acquistion	Costs per Unit: Total Cost
Residential Uses	Units[1]	per Unit	per Unit	per Unit
Single Family Units	-	$8,213	$21,731	$29,944
Multi Family Units (Studio/1 bedroom)	-	$4,451	$11,778	$16,229
Multi Family Units (2+ bedrooms)	-	$7,169	$18,969	$26,138
Subtotal/Average Residential	4,955	$5,442	$14,399	$19,841
Employment Uses	Sq. Ft.	per sq. ft.	per sq. ft.	per sq. ft.
Office & Creative/Post-Production	1,148,689	$2.48	$6.57	$9.06
Medical Office/ Hospital	950,450	$1.37	$3.61	$4.98
Retail	566,803	$1.61	$4.25	$5.86
Hotel	626,578	$3.35	$8.86	$12.21
Institutional	196,029	$2.28	$6.02	$8.30
Subtotal Nonresidential	3,488,549			

[1] The LUCE EIR does not provide breakdowns of future residential units by type as shown here. The differences in fee levels by unit type are based on relative differences in persons per household.

Source: Santa Monica LUCE Final EIR 2010; Economic & Planning Systems.

The costs of establishing, monitoring, reporting, and updating the fee program can be included in the development impact fee schedule. Actual funding requirements for these functions will vary by year, though are typically estimated at about 2 percent of fee program capital facilities costs in other fee programs throughout California. In addition, because institutional uses are primarily public uses, they will not be charged a fee, with the loss of fee revenues being made up from other funding sources. A fee for industrial development is also shown (set at the same rate as medical office/hospital) based on its similar assumed square feet per employee. The City expects a net loss in industrial development in the City, though the fee level is shown to support estimates of fee credits in cases of redevelopment of industrial space. **Table 12** shows the resulting maximum fee schedule with administrative costs added and institutional uses removed.

Table 12 Maximum Development Impact Fee Estimates with Administrative Costs

Fee Categories	Estimated Fee[1]	
Residential (Average)	$20,238	per Unit
Single Family Units	$30,543	per Unit
Multi Family Units (Studio/1 bedroom)	$16,554	per Unit
Multi Family Units (2+ bedrooms)	$26,661	per Unit
Nonresidential		
Office/ Creative	$9.24	per Sq. Ft.
Medical Office/ Hospital	$5.08	per Sq. Ft.
Retail	$5.98	per Sq. Ft.
Hotel	$12.45	per Sq. Ft.
Industrial[2]	$5.18	per Sq. Ft.

[1] Administrative costs estimated to add 2% to fee program cost (and fees).
[2] Set equal to hospital because of similar employee generation rates per sq. ft.

Sources: City of Santa Monica; Economic & Planning Systems, Inc.

7. PARKS AND RECREATION FEE COMPARISONS

This chapter compares both the maximum, supportable development impact fees with the park fees (including Quimby Act park in-lieu fees and parks and recreation development impact fees) adopted in selected Los Angeles/Orange County and San Francisco Bay Area communities. The purpose of this comparison is to inform City policy decisions concerning the adoption of a new parks and recreation fee schedule. It also compares the maximum parks and recreation fees – see **Table 1** - with the fees in these other communities.

Context

As new Statewide referenda and legislation have limited the funding sources for and increased the difficulty of establishing local financing tools to fund capital facilities, Quimby Act park in-lieu fees and Mitigation Fee Act development impacts have become increasing important sources of parks and recreation funding in jurisdictions throughout California. Fee comparisons can provide helpful context to City policymakers in understanding how others are using these fees to fund parks and recreation facilities. In comparing fee schedules, there are, however, several important considerations to bear in mind:

- **Other Sources of Capital Facilities Funding from New Development**. A number of California cities still rely, in part or predominantly on other sources of parks and recreation facilities funding from new development, meaning that parks and recreation fee comparisons do not always tell the full story concerning the relative contributions of new development. In particular, some cities impose exactions on new development through conditions of approval of development entitlements. In these cases, developers privately set aside parkland and construct improvements and facilities which are dedicated to the City. These investments can be substantial though do not show up in a formal development fee schedule.[8] It should also be noted that some cities have Quimby Act dedication requirements, but do not provide an in-lieu fee alternative.
- **Differing Development Values**. Different California cities command very different values of new development based on both the demand for new development and the supply constraints on new development. Cities with higher development values will, on average, be able to carry a higher fee burden than those with lower development values, limiting the utility of absolute fee level comparisons without a broader value context. Furthermore, differences in parks and recreation fees, especially Quimby Act fees or the components of Mitigation Fees associated with land acquisitions, will directly reflect differences in development values/market strength as these fees are directly tied to land values.

[8] Another example is the establishment of financing districts, such as assessment districts or Community Facilities Districts (CFDs), can result in ongoing revenue streams from new development that can be used to issue bonds to fund parks and recreation capital facilities.

- **Differing City Priorities and Discounts**. Different parks and recreation fee levels may indicate different City priorities. For example, some cities may place a higher priority on investments in parks and recreation facilities relative to other cities. A number of cities do reduce their fees below the maximum, supportable fee levels, often in reference to fees charged at other cities or concerns about impacts on development feasibility. In some cases, the reductions relative to the maximum fee levels are phased-out over time, in some cases they are maintained through time, and, in some cases, they are in exchange for the provision of other public benefits.

Fee Comparisons

Table 13 compares the one-time fees on new development for parks and recreation facilities and land (Quimby Act, Mitigation Fee Act, and other) for selected jurisdictions. **Table B-1** in **Appendix B** provides additional detail on the fee programs, including the uses of the fee revenues, the year the fee was established, and the effective date of the fee currently shown. Fees for particular product types (single family residential, multifamily (condominium), multifamily (apartment), and office development) are shown. The Quimby Act allows cities to charge parkland fees on subdivided residential development (single family and condominium development) based on the standard of three acres per 1,000 residents (and, in select cases, up to five acres per 1,000 residents). As a result, many cities solely adopt Quimby Act fees. For the City of Santa Monica, where much of the future development is expected to be multifamily rental development and non-residential development, the Quimby Act would be of more limited use and, furthermore, would result in fees on subdivided residential development substantially above those under the Mitigation Fee Act approach.

The fee program information in **Table 13** combined with a closer look at the nexus studies and enabling ordinances and resolutions associated with some of the fees established under the Mitigation Fee Act indicate the following:

- **City of Santa Monica parks and recreation fees for multifamily development would be at the highest end of the range among cities surveyed if adopted at the maximum, supportable level**. At the maximum level of between $16,500 and $26,700 per multifamily unit, the City of Santa Monica fee level would charge among the highest fees among those cities surveyed for condominium and multifamily development. The City of Santa Monica fee level would be above the base fee in the City of Pasadena for one-bedroom condominium and apartment multifamily development ($16,400 per unit). It should be noted, however, that the City of Pasadena fee schedule includes a range of exemptions and discounts with discounts of up to 30 percent in market rate unit fees (fee reduced to $11,500 per unit for one-bedroom units) if all required inclusionary units are developed on-site. Other discounts include potential 35 to 50 percent fee discounts on workforce housing and a flat $756 per unit for the following housing types: low or moderate income units, skilled nursing units, student housing residences, among others.

Table 13 Comparison of Park Fees*

Cities	Single Family	Multifamily (Condo)	Multifamily (Rental)	Office	Type of Fee
Unit Assumptions:	*1,800 sq.ft., 3 bdrms*	*850 sq.ft., 1 bdrm*	*850 sq.ft., 1 bdrm*	*per sq. ft.*	
Los Angeles/ Orange Counties					
Beverly Hills	$12,780	$6,035	$6,035	$7.10	Special Tax
Glendale[1]	$6,370	$6,370	$6,370	$3.26	Mitigation/Quimby
Long Beach	$4,613	$3,563	$3,563	n/a	Mitigation
Manhattan Beach[2]	$1,817	$1,817	n/a	n/a	Quimby**
Newport Beach[2]	$26,125	$26,125	n/a	n/a	Quimby**
Pasadena	$20,981	$16,428	$16,428	n/a	Mitigation
Redondo Beach	$4,500	$4,500	n/a	n/a	Quimby**
West Hollywood	$5,380	$5,380	n/a	n/a	Quimby**
Los Angeles[3]	$3,216	$3,216	$200	n/a	Quimby/Special Tax
San Francisco Bay Area					
Palo Alto[4]	$10,410	$3,446	$3,446	$4.42	Mitigation
Fremont	$29,093	$19,668	$19,668	n/a	Mitigation/ Quimby Act
Fairfield	$10,409	$7,091	$7,091	n/a	Mitigation/Special Tax
Livermore	$13,334	$7,950	$7,950	$2.42	Mitigation
Concord[5]	$11,470	$9,914	$9,914	n/a	Quimby**

* Fee data from review of Cities' fee information and schedules posted online and interviews with City staff.
** Applicable to residential developments that require the preparation of a subdivision map. Typically, apartment projects do not require a subdivision map and thus may not be subject to quimby fees.
[1] Current fee will expire on 11/30/2013, adopted fee level effective 12/1/2013 is $10,500/unit and $4.89/ office sq. ft.
[2] Multifamily rental projects are exempt from Park fees in Manhattan Beach. In Newport Beach, the in-lieu fee only applies to new residential subdivisions.
[3] Includes a construction tax of $200/unit for impact mitigation purposes. Quimby portion is $3,016/unit.
[4] Multifamily units over 900 sq.ft. are charged $6,814/unit. For residential subdivisions of 50 units or more, parkland dedication in-lieu fees of $52,909/SFR
[5] Fee nexus is Quimby based, but fees are applicable to all residential development, including subdivisions and individual permit approvals.

Source: Various California cities; Economic & Planning Systems, Inc.

- **Compared to the relatively small sample of the surveyed cities that charge parks and recreation fees, the maximum City of Santa Monica parks and recreation fees would be the highest relative to the cities surveyed.** The maximum fees of $9.24 per square foot for office/creative space would be higher than office fees for the surveyed cities charging such fees (identified range of between $2.42 per square foot and $7.10 per square foot for office development in other cities). This includes the City of Beverly Hills and the City of Palo Alto.
- **The hotel fee appears to be relatively unique and, at its maximum level, particularly high relative to the other cities surveyed**. A number of cities with parks and recreation development fees do not establish a unique hotel fee. In cases where such hotel fees are applied they are often applied at a general commercial rate or are derived based on employment generation alone. As described in this report, the use of employment generation alone as the driver of hotel-related demand would miss the substantive use and demand for parks from overnight visitors. In accounting for estimated overnight visitors and their estimated propensity to use parks and recreation amenities, this fee study appropriately ties the hotel fee level with service demand. The maximum fee recommended fee of $12.45 per square foot would the highest nonresidential development fees among all cities surveyed. It should, however, be noted that many hotel developments are subject to Development Agreements that may require exactions that will not be shown in formal development fee schedules.