Department of City Planning · Code Studies Section

QUICK-GUIDE

Parks Dedication and Fee Program (aka Quimby) Update

Introduction

As the Los Angeles population grows, it is critical to the health and sustainability of the City to maintain abundant and accessible parks. Current required park dedication and fees (Quimby and Finn fees) are outdated and need revision as called out by five Council motions, a Mayoral Directive, the Mayor's Sustainability pLAn, and the Plan for a Healthy Los Angeles element of the General Plan. In response, the Department of City Planning, working closely with the Department of Recreation and Parks, proposes the following update.

Proposal

The goals are to facilitate appropriate expenditure, modernize fees in accordance with citywide housing priorities, and encourage land dedication.

Goal 1: Appropriate Expenditure

Existing Limitation	Proposed Solution
Fee expenditure radius from project site is too small to make meaningful land acquisition.	Expand the radius around a project site within which the collected fees can be spent.
Park fee expenditure is subject to inflexible and outdated definitions and limited to a subset of park types.	Revise outdated definitions of recreation site and facilities which impede expenditure and expand definitions to include regional parks.

Goal 2: Modernize Fees (Fee Studies Attached)

Existing Limitation	Proposed Solution
Only subdivisions and multifamily projects requiring a zone change are assessed a land dedication requirement or in-lieu fee.	Create a parks mitigation fee for non-subdivision projects so that park needs of all residents are maintained. Exempt affordable units and the legalization of illegal units from the fee.
The current fee is outdated and has not kept up with the cost of land acquisition and parks facility capital improvement cost	Update the subdivision project in-lieu fee to match the cost of land and park build out. Exempt affordable units and the legalization of illegal units from the fee.

Goal 3: Encourage Land Dedication

Existing Limitation	Proposed Solution
Developer credits for park amenities beyond Zoning Code requirement is limited.	Expand credit options for private or public parks provided beyond Zoning Code requirements.
Applicants are notified of land dedication requirement at the end of project development, often making dedication infeasible.	Require a predevelopment meeting for large projects to review land dedication options at the early stages of project approval.

How can I provide input?

A staff hearing will be held from 6-7:30pm on October 22, 2015 in Deaton Auditorium, LAPD Headquarters, 100 West 1st Street, Los Angeles, 90012 (see attached Hearing Notice). Please direct questions and comments to deborah.kahen@lacity.org.

Department of City Planning · Code Studies Section

NOTICE OF PUBLIC HEARING

Parks Dedication and Fee Program (aka Quimby) Update

Council Districts: All

CASES: CPC-2015-2328-CA-GPA
ENV-2015-2329-CE

This notice is to inform you of a public hearing for case number CPC-2015-2328-CA-GPA, a proposed zoning code amendment that has been initiated by the Planning Director, and also responds to five City Council Motions (Council Files #12-1178, 12-1178-S1, 07-3619, 07-3387-S2, and 05-1562). All interested persons are invited to attend the public hearing at which you may listen, speak, or submit written information relating to the proposed project.

PLACE**:** **Deaton Hall Auditorium**
100 W 1st St, Los Angeles, CA 90012

TIME: **Thursday, October 22, 2015, 6-7:30pm**

LAST DAY TO ADDRESS COMMENTS TO STAFF: NOV 30, 2015
After this date, comments are to be addressed to the City Planning Commission

STAFF: Deborah Kahen: deborah.kahen@lacity.org, 213-978-1202

PROPOSED PROJECT: An ordinance amending Sections 12.21, 12.33, 17.03, 17.07, 17.12, and 19.01 of the Los Angeles Municipal Code to: clarify application of Quimby fees to the Greater Downtown Housing Incentive Area open space incentive; create a parks mitigation fee for non-subdivision residential projects, with an exemption for affordable units and option of in-lieu land dedication; update the existing Quimby in-lieu fee for land dedication required of subdivision projects, with an exemption for affordable units; expand credit options toward the dedication or fee amount for projects providing amenities beyond open space code requirements; specify radii from the project site within which each park type can be built; and require a predevelopment meeting to review land dedication options for large projects. The ordinance also amends the Public Recreation Plan of the Service Systems Element of the Los Angeles City General Plan to revise the definitions of recreation site and facilities and remove the radius around a project site within which the collected fees must be spent.

PURPOSE: The purpose of the hearing is to obtain testimony from affected and/or interested persons regarding this project. The hearing will be conducted by a Hearing Officer who will consider all the testimony presented at that time and any written communication received prior to or at the hearing from affected and/or interested persons regarding this proposed code amendment, as well as the merits of the draft ordinance as it relates to existing land use regulations. After the hearing, Code Studies staff will finalize a report including a recommendation that will be considered by the City Planning Commission at a later date.

EXHAUSTION OF ADMINISTRATIVE REMEDIES: If you challenge a City action in court, you may be limited to raising only those issues you or someone else raised at the public hearing described in this notice, or in written correspondence on these matters delivered to the Department before the action on this matter. Any written correspondence delivered to the Department before the action on this matter will become a part of the administrative record. Note: This may not be the last hearing on this matter.

ADVICE TO PUBLIC: The exact time this report will be considered during the meeting is uncertain since there may be several other items on the agenda.

WRITTEN COMMUNICATION: Written communications should cite the Case Number indicated at the top of this notice and may be mailed to the attention of the staff contact identified above at the Los Angeles Department of City Planning, Code Studies Section, City Hall - Room 701, 200 North Spring Street, Los Angeles CA 90012.

REVIEW OF THE FILE: The complete file including application and an environmental assessment is available for public review at the Department of City Planning, City Hall - Room 763, 200 North Spring Street, Los Angeles CA 90012 between the hours of 8:00 AM to 5:00 PM, Monday through Friday. Please call the staff contact indicated at the top of this notice several days in advance to assure its availability. Case files will not be available for inspection on the day of the hearing.

ACCOMMODATIONS: As a covered entity under Title II of the Americans with Disabilities Act, the City of Los Angeles does not discriminate on the basis of disability. The hearing facility and its parking are wheelchair accessible. Sign language interpreters, assistive listening devices, or other auxiliary aids and/or services may be provided upon request. *Como entidad cubierta bajo el Título II del Acto de los Americanos con Desabilidades, la Ciudad de Los Angeles no discrimina. La facilidad donde la junta se llevará a cabo y su estacionamiento son accesibles para sillas de ruedas. Traductores de Lengua de Muestra, dispositivos de oído, u otras ayudas auxiliaries se pueden hacer disponibles si usted las pide en avance.*

Other services, such as translation between English and other languages, may also be provided upon request. *Otros servicios, como traducción de Inglés a otros idiomas, también pueden hacerse disponibles si usted los pide en avance.*

To ensure availability or services, please make your request no later than three working days (72 hours) prior to the hearing by calling the staff person referenced in this notice. *Para asegurar la disponibilidad de éstos servicios, por favor haga su petición al mínimo de tres días (72 horas) antes de la reunión, llamando a la persona del personal mencionada en este aviso.*

ORDINANCE NO. ________________________

An ordinance amending Sections 12.21, 12.33, 17.03, 17.07, 17.12, and 19.01 of the Los Angeles Municipal Code to: create a parks mitigation fee for non-subdivision residential projects, with an exemption for affordable units and option of in-lieu land dedication; update the existing Quimby in-lieu fee for land dedication required of subdivision projects, with an exemption for affordable units; expand credit options toward the dedication or fee amount for projects providing amenities beyond open space code requirements; specify radii from the project site within which each park type can be built; require a predevelopment meeting to review land dedication options for large projects; and clarify application of Quimby fees to the Greater Downtown Housing Incentive Area open space incentive. The ordinance also amends the Public Recreation Plan of the Service Systems Element of the Los Angeles City General Plan to revise the definitions of recreation site and facilities and remove the radius around a project site within which the collected fees must be spent.

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

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

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

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

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

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

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

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

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

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

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

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

WHEREAS, five City Council motions called for reviewing the requirements regarding the service radius for park acquisition and to recommend how the General Plan and the Municipal Code should be amended to the City's goals (Council File 05-1562); developing a proposed fee charged to developers of new market rate apartments to be used to purchase open space (Council File 07-3387-S2), a reexamination of the park fee policies, including adjusting park fee credits to reflect current costs of construction (Council File 07-3619), a status update on efforts to revise the Quimby and Finn fee ordinances, (CF 12-1178), and a request to exempt affordable housing development from the greater downtown housing incentive area fee for a reduction in open space during the same efforts to revise the Quimby and Finn fees (CF 12-1178-S1);

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

WHEREAS, the City has completed a Nexus Study of recreation and park impact fees and a review of reference city policies and impact fees;

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

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

NOW, THEREFORE,

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

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

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

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

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

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

SEC. 12.33. PARK AND RECREATION IMPACT FEES AND LAND DEDICATION.

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

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

1. **Residential Projects that Subdivide the Land Containing 50 Units or more**. A subdivision containing more than 50 parcels or dwelling units shall be required to participate in an early consultation pursuant to Subsection D and may be required to dedicate land, pay a park and recreation facility fee, or provide a combination of land dedication and fee.

2. **All Other Residential Projects.** For residential projects that subdivide the land containing fewer than 50 units or residential projects that do not subdivide the land and are seeking a building permit for a project application that contains net new dwelling units, the project shall

pay a park and recreational impact fee pursuant to Subsection D. Applicants may choose to dedicate land or new park and recreational facilities, and/or improve existing park and recreational facilities in lieu of payment of the park and recreation facility impact fee.

3. **Exemptions.** The following types of development shall not be required to pay the park and recreation impact fee:

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

   (b) Replacement of existing dwelling units on the same lot.

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

   (d) The legalization of an existing dwelling unit.

   (e) Affordable housing pursuant to Subsection E.

   (f) Non-residential development.

C. **Residential Projects that Subdivide the Land Containing 50 Units or more.**

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

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

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

   LD = (DU* P * F)

   LD: Land to be dedicated in acres.
   DU: Total number of new market-rate dwelling units.
   P: Average number of people per occupied dwelling unit as determined by the most recent version of the U.S. Census for the City of Los Angeles.
   F: Park service factor (0.00286).

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

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

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

   (a) Neighborhood: within a 1 mile distance

   (b) Community: within a 5 mile distance

   (c) Regional: within a 15 mile distance

4. **Review of Land Dedication.** Upon receiving the project application for the tentative tract map, the project application with land dedication shall be transmitted to the Board of Recreation and Parks Commissioners, who shall make the final determination whether to accept dedication of land, as described below.

   (a) If land dedication is proposed, the General Manager of the Department of Recreation and Parks shall determine whether the land dedication proposal complies with existing park and recreational standards and requirements as established in the respective departmental regulations and guidelines. If the General Manager of the Department Recreation and Parks determines the land dedication proposal meets the standards and requirements, the General Manager of the Department Recreation and Parks shall prepare a report to the Board of Recreation and Parks Commissioners regarding the proposed dedication. The Board of Recreation and Parks Commissioners may accept or decline the land dedication.

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

D. **Park and Recreation Impact Fees.**

1. **Fees and Fee Schedule.** The Department of Recreation and Parks shall collect a Quimby In-Lieu Fee for subdivision units and a Park and Recreation Facility Fee for all other residential dwelling units. These fees are collectively referred to as park and recreation impact fees. The park and recreation impact fees shall be charged pursuant to Section 19.01.

2. **Fee Calculation**. The Department of Recreation and Parks shall calculate the amount of the park and recreation impact fees due for each residential development project by determining the number of new market-rate dwelling units in the proposed project and multiplying the number of units by the park and recreation impact fee amount per dwelling unit according to the following formula:

   Project park and recreation impact fee = (DU * PRF)
   DU: Total number of new market-rate dwelling units.
   PRF: Park and recreation impact fee per unit

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

    (a) Neighborhood: within a 1 mile distance

    (b) Community: within a 5 mile distance

    (c) Regional: within a 15 mile distance

4. **Phase-in Period.** The park and recreation impact fees shall be phased-in over a period of three years.

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

6. **Fee Payment Timing.**

    (a) **Residential Projects that Subdivide the Land**. The Quimby In-Lieu Fee for residential subdivisions shall be calculated and collected prior to final tract approval.

    (b) **Residential Projects that Do Not Subdivide the Land**. For other residential development projects, the Park and Recreation Facility Fee shall be calculated and collected at the date of final inspection, or the date of the Certificate of Occupancy, whichever is earlier.

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

E. **Affordable Housing Incentive.**

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

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

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

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

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

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

F. **Credits**

1. **Public Land Dedication, New Park and Recreational Facilities, or Improvement to Existing Park and Recreational Facilities**.

(a) In lieu of paying the park and recreation impact fee, land, with or without recreational facility improvements, may be dedicated to the City of Los Angeles for public park and recreational purposes. The amount of land to be dedicated shall be determined pursuant to following formula, and credit shall be granted, square foot for square foot, for any land dedicated to the City:

LD = (DU* P * F)

LD: Land to be dedicated in acres.
DU: Total number of new market-rate dwelling units.
P: Average number of people per occupied dwelling unit as determined by the most recent version of the U.S. Census for the City of Los Angeles.
F: Park service factor (0.172).

(b) In lieu of paying the park and recreation impact fee or land dedication, the City may permit improvements to be made to an existing City park or recreational facility or upon land being dedicated as a City park or recreational facility to be installed or constructed.

(c) The amount of credits shall not exceed 100 percent of the calculated requirement for the park and recreation impact fee or land dedication.

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

Data or similar. Credits may be awarded for onsite or offsite land dedication and/or park improvements.

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

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

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

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

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

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

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

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

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

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

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

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

(2) The use of the private facilities, whether public or private, is restricted for park and recreational purposes by recorded covenants acceptable to the Department of Recreation and Parks which run with the land in favor of the future owners of property within the tract and which cannot be defeated or eliminated without the consent of the City Council; and

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

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

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

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

3. **Dwelling Unit Construction Tax Credit.** A credit shall be allowed whenever a dwelling unit construction tax previously has been paid pursuant to Section 21.10.3 of the Municipal Code for dwelling units constructed on land for which a fee is required to be paid in accordance with the provisions of this section. Said credit shall be equal to the amount of the tax previously paid

but shall not exceed the amount of any fee required to be paid under the provisions of this section.

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

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

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

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

3. **Return of Uncommitted Fees.**

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

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

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

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

submit the required application for refund shall constitute an absolute waiver of any right to the refund.

H. **Use of Park and Recreation Impact Fee or Dedicated Lands Pursuant to This Section**

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

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

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

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

I. **When effective.** The schedule of fees and land dedication requirements shall take effect on the 60th day following the adoption of this ordinance by the City Council.

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

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

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

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

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

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

Sec. 7. Note (2) of Subsection A of Section 19.01 of the Los Angeles Municipal Code is deleted.

Sec. 8. The chart in Subsection A of Section 19.01 of the Los Angeles Municipal Code is amended to add:

Quimby In-lieu fee (subdivision units)	$12,500
Park and Recreation Facility Impact fee (non-subdivision units)	$7,500

Note: These fees shall be phased in over three years.

RESOLUTION

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

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

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

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

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

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

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

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

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

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

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

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

WHEREAS, three City Council motions called for a reexamination of the park fee policies, including adjusting park fee credits to reflect current costs of construction (Council File 07-3619), developing a proposed fee charged to developers of new market rate apartments to be used to purchase open space

(Council File 07-3387-S2), and reviewing the requirements regarding the service radius for park acquisition and to recommend how the General Plan and the Municipal Code should be amended to the City's goals (Council File 05-1562);

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

WHEREAS, the City has completed a Nexus Study of recreation and park impact fees and a review of reference city policies and impact fees;

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

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

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

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

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

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

PURPOSES

Use of the Plan

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

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

The ~~Public Recreation~~ Plan ~~- Section 1~~ emphasizes neighborhood, ~~and~~ community, and regional recreational sites and parks because of their ~~immediate~~ importance to the daily lives of the City's people, especially its children. In addition, this Plan elevates the importance of regional parks as community resources for active and passive recreational activity. It includes policies and programs to meet the needs for ~~community buildings, swimming pools and tennis courts~~ a broad range of recreational facilities. ~~Other~~

~~types of facilities will be added after additional studies have been made.~~ This ~~section of the~~ Plan is to be continually revised to meet expanding needs for ~~neighborhood and community~~ recreational sites.

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

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

Objectives of the Plan

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

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

DEFINITIONS

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

~~softball~~ ~~soccer~~ ~~handicrafts~~

~~basketball~~ ~~football~~ ~~lawn games~~

~~volleyball~~ ~~shuffleboard~~ ~~small children's~~

~~handball~~ ~~table games~~ ~~play~~

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

~~A~~ Community Recreational Sites and Facilities - should be designed to serve residents of all ages and abilities in several surrounding neighborhoods. Its ~~facilities~~ amenities serve a much wider interest range than do those of a neighborhood site. The typical community recreational site or facility may offer~~s~~

recreational facilities for organized activities ~~baseball diamonds, combined football and soccer fields, tennis and handball courts, and a swimming pool,~~ in addition to the ~~facilities~~ amenities provided for neighborhood sites and facilities and specialized facilities as may be needed to meet the needs of the community.

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

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

~~STANDARDS~~GUIDELINES

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

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

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

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

- **Community Recreational Sites and Facilities.** The following guidelines may apply to community recreational sites: ~~should be provided at a minimum of 2 acres per 1,000 persons. The following standards should apply: The minimum desirable acreage per recreation and park site is 15 acres, ideal is 20 acres.~~ Community recreational sites and facilities can be of any size, but are generally larger than neighborhood parks. Community-serving recreational amenities may be included on smaller sites that have a larger geographic draw, e.g. a swimming pool on a smaller parcel.
- If coordinated with high school or junior high school site, up to one-half the required acreage may be fulfilled by the school play area.
- The service radius of a community site ~~is approximately 2 miles~~ should generally be accessible within a relatively short bike, bus, or car trip.
- The community ~~park~~ site or facility should be easily accessible to the area served.
- The community ~~park~~ site or facility may serve several neighborhoods.
- The types of activities available at the community ~~park~~ site or facility should be determined by measuring the desires of the population served.
- The recommended service levels for community sites and facilities are 2 acres per 1,000 residents.

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

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

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

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

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

POLICIES

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

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

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

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

PROGRAMS

- Continue to include land acquisition for park and recreational purposes as a regular item in the City's Five Year Capital Improvement Program.
- Prepare a priority schedule based on greatest need for acquiring and developing park and recreational sites.
- Seek federal, state and private funds.to implement acquisition and development of parks and recreational facilities.
- Establish policies to facilitate donation of parks to the City.
- Lease or acquire unused or abandoned properties suitable for recreational activities.
- Encourage multiple use of public properties such as power line or flood control rights of way, debris basins, reservoir sites, etc., for recreation.

POLICIES - Community Buildings/Gymnasiums

- Park community buildings should be designated as large and flexible structures to permit a wide variety of recreation activities, meeting the needs of all groups and special interests, to adequately serve the current and future community.
- The availability of community buildings/gymnasiums will be based on the needs of the local population between the ages of 7 to 34. It is this age range which most uses gymnasiums.

PROGRAMS - Community Buildings/ Gymnasiums

- Use the areas of Public Community Building Deficiency identified in the Public Recreation Plan -Section 1, Background Report as guides for locating new community buildings as funds become available. A program for updating the Table and Public Community Building Maps by the Department of Recreation and Parks and the Planning Department should be initiated as important changes in population, land use and facilities occur.
- Encourage the Los Angeles City School District to remove the emergency energy curtailment program which results in the closure of two-thirds of its public gymnasium facilities one night a week on rotation, and to reactivate the closing only in times of demonstrated emergency.
- The Department of Recreation and Parks should develop standard sets of criteria and designs for local recreation center buildings.
- Design of new community buildings should, include a gymnasium with a minimum size which would permit basketball play. It is desirable that the gymnasium be large enough to permit a regulation size high school basketball court.

POLICIES - Swimming Pools

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

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

PROGRAMS - Swimming Pools

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

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

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

POLICIES - Tennis Courts

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

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

PROGRAMS - Tennis Courts

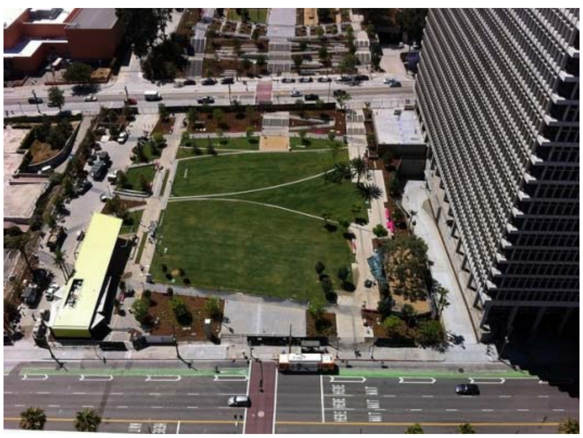
- Use the areas of Public Tennis Court Deficiency Identified in the Public Recreation Plan - Section 1 Background Report as guides for locating new tennis facilities as funds become available. A program for updating the Table and the Public Tennis Court Maps by the Department of Recreation and Parks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

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

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

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

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



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

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1. Introduction

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

Purpose of the Fee Study

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

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

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

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

Background on Existing Park and Recreation Fees

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

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

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

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

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

Legal Context

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

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

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

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

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

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

Maximum and Recommended Fees

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

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

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

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

Table 2: Maximum and Recommended Park and Recreation Facility Fees

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

2. Policy Context

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

City Working Groups and Background

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

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

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

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

Public Recreation Plan

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

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

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

Community Needs Assessment

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

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

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

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

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

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

3. Existing Demographics and Park Facilities

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

Existing Population and Housing Units

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

City of Los Angeles Park and Recreational Facilities

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

Table 3: Existing Park and Recreation Facility Service Standard

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

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

Recently-Constructed Park and Recreation Facilities

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

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

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

Table 4: Recent Park and Recreation Facility Costs

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

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

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

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

Impact Fee Calculation Methodology

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

Mitigation Fee Act

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

Quimby Act

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

Population and Housing Unit Growth

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

Table 5: Existing and Projected Population and Housing Unit Growth

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

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

Non-Residential Development and Employment Growth

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

New Park and Recreation Land to Serve Future Development

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

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

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

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

Table 6: Estimated Parkland Investment to Serve New Growth

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

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

Park and Recreation Land Improvements to Serve New Development

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

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

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

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

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

Table 8: Estimated Parkland Investment to Serve New Growth

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

5. Park and Recreational Facility Funding Sources

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

Park and Recreational Facility Funding Sources

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

Proposition A (Annual Countywide Assessment)

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

Proposition K (Annual Citywide Assessment)

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

Quimby and Finn Fees

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

State and Federal Grant Programs

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

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

Proportion of Funding by Source

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

Table 9: Revenue Sources for Capital Improvements

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

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

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

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

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

Table 10: Sensitivity Analysis of Funding Sources for Capital Improvements

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

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

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

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

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

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

6. Development Impact Fee Calculation

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

Maximum Fee Calculation

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

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

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

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

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

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

Residential Feasibility Analysis

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

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

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

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

Table 13: Proposed Park and Recreation Impact Fee Feasibility Analysis

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

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

Recommended Fee

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

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

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

Table 14: Maximum and Recommended Park and Recreation Facility Fees

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

7. Park and Recreation Fee Comparisons

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

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

Table 15: Reference City Comparison

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

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

** Fee update in process.*

8. Mitigation Fee Act Nexus Findings

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

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

9. Fee Program Administration and Implementation

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

Adoption Requirements

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

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

Accounting Requirements

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

Annual Review

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

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

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

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

Five-Year Reporting Requirements

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

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

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Memorandum

To:	Raimi + Associates, Inc.
From:	HR&A Advisors, Inc.
Date:	April 1, 2015
Re:	Draft Financial Feasibility Analysis of the Proposed Revised Quimby Fee and New Parks Fee in the City of Los Angeles

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

Overview of the Feasibility Modeling Approach

To conduct the financial feasibility analysis, we first created base-case financial feasibility models for each of the five prototypes – i.e., including only the currently applicable existing Quimby Fee for the condominium and small-lot subdivision prototypes, but no fee for the apartment prototypes. We then systematically added alternative incremental new fee amounts to the development budget for each prototype and measured the changes in two feasibility metrics: (1) percentage change in

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

residual land value; and (2) percentage change in developer profit margin. As explain below, a particular Revised Quimby Fee or New Parks Fee amount per unit is considered "feasible" only if both of these metrics do not cause a change of more than 15 percent in both of these metrics, which represents an upper limit of absorbable change during project development, based on HR&A's real estate development advisory experience.

The base case analyses confirm what can be gleaned from even casual observation of where new construction is now occurring in the City. Namely, that market-rate multi-family developments like the five prototypes tested are only being developed (and hence assumed to be financially feasible) in certain areas of the City. These tend to be "higher-price" submarkets like Downtown, the Westside and certain pockets of Hollywood and Koreatown, for high-rise condominium and apartment development. Low-rise apartment and condominium development is also being developed in "mid-price" submarkets, such as many areas of the San Fernando Valley, and some areas of Koreatown and Hollywood. But small-lot subdivisions like the scale of the one modeled for this analysis appear to be feasible only in Downtown-adjacent areas, such as Silver Lake and Echo Park or in "higher-priced" submarkets like the Westside. However, very little new market rate multi-family development that resembles our prototypes is currently being developed in "lower-price" submarkets, such as South Los Angeles, at least not without public subsidies. Therefore, we determined that it was not useful to test all five prototypes in multiple submarket areas, because for those situations where the prototypes are already infeasible in the base case, the added cost of the Revised Quimby Fee or New Parks Fee would simply render those prototypes somewhat "more infeasible." Accordingly, we elected to test all five prototypes in Downtown (including Silver Lake/Echo Park for the small-lot subdivision), which is one of the higher-price submarkets. Presumably, fee levels that can be feasibly absorbed in Downtown could also be absorbed by prototypes in other submarkets with even higher (e.g., Westside) or roughly comparable pricing (e.g., areas of Hollywood and Koreatown). We also elected to test fee feasibility implications for low-rise apartment and condominium prototypes in the San Fernando Valley, as representative of similar mid-price submarkets.

Key Conclusions

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

- The financial feasibility of the Revised Quimby Fee or New Parks Fee is sensitive to scale of development, tenure type (i.e., for-rent vs. for-sale) and submarket area. Although a flat fee per unit across the entire City for all forms of multi-family and single-family subdivision developments is clearly preferable from a fee administration perspective, this approach tends to force the fee amount to the lowest common denominator suggested by the five prototypes tested.

- A Revised Quimby Fee and New Parks Fee at the scale of the maximum justifiable fee of $18,364 per unit is only feasible for the low-rise condominium prototype in the higher-priced submarket area, because of the relatively modest number of units (29).

- For all prototypes tested, the analysis indicates that a fee level of $7,500 per unit is likely to be supportable in both higher-price and mid-price submarket, although only marginally so for the apartment prototypes.

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

The Five Development Prototypes

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

TABLE 1
Physical Parameters of Development Prototypes

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

Prepared by HR&A Advisors, Inc.

The Financial Feasibility Models

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

Development Budgets

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

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

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

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

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

  Soft costs also include a variety of City Planning, building permit and other construction-related permits and utility connection fees. Planning-related fees are based on assumptions about the discretionary approval process applicable to each prototype (as determined by City staff) and the City's current fee schedule. Building permit fees were estimated using an online calculator provided by the Los Angeles Department and Building and Safety (LADBS).[3] No additional costs were assumed for environmental mitigation measures or negotiated "community benefits," because these additional costs, if any, are very particular to actual projects rather than prototypes.

  Soft costs also include existing Quimby Fees applicable to the condominium and small lot subdivision prototypes based on zoning district. Apartment developments are not assessed any park fees in the baseline prototypes. We assumed that the Downtown high-rise and low-rise condominium prototypes would be located in R5 zones, with an existing (2014) Quimby fee of $6,831 per unit, while the small-lot subdivision prototype and the San Fernando Valley

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

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

submarket condominium prototype would be located in R3 zones, with an existing Quimby fee of $3,557 per unit.[4] These fees are included in the soft cost portion of the development budgets. When we apply Revised Quimby and New Parks Fees to the projects, they reflect the net increase above the existing Quimby Fees in our model. For example, the $5,000 Revised Quimby and New Parks Fee scenarios represent a net decrease in fee of $1,831 per unit for the Downtown condominium and apartment prototypes, and a net increase of $1,443 for the small lot subdivision and San Fernando Valley prototypes.

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

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

Table 2 summarizes the development costs for each prototype without the proposed new fees; the new fee amounts and their feasibility implications are discussed further below. The total development cost for the five prototypes ranges from a high of $223.8 million for the high-rise apartment in the Downtown submarket to a low of $13.6 million for both the low-rise apartment in the San Fernando Valley submarket and the small-lot subdivision in the Downtown submarket. Once again, these totals do not include the cost of land, which is a derived value, as discussed below. All of the calculation details are provided in the Appendix.

[4] The existing Quimby fees have since risen to $7,596 per unit in R5 and $3,557 per unit in R3 zone, effective March 1, 2015.

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

	DTLA High-Rise Condo	DTLA Low-Rise Condo	DTLA High-Rise Apt	DTLA Low-Rise Apt	DTLA Small Lot Subdiv	SFV Low-Rise Condo	SFV Low-Rise Apt
<u>**Hard Costs**</u>							
Hard Construction-Buildings	$ 121,533,016	$ 7,841,787	$ 147,076,368	$ 8,268,562	$ 3,110,860	$ 7,841,787	$ 8,268,562
Hard Construction-Demolition, Grading & Site Prep	$ 273,800	$ 225,648	$ 284,225	$ 198,443	$ 159,221	$ 225,648	$ 198,443
Hard Construction-Landscaping	$ 117,278	$ 193,306	$ 121,744	$ 170,000	$ 409,200	$ 193,306	$ 17,000
Hard Construction-At Grade Parking (per space)	$ -	$ -	$ -	$ -	$ 15,000	$ -	$ -
Hard Construction-Subt. Parking (per space)	$ 4,581,544	$ 2,050,481	$ 6,567,948	$ 1,986,404	$ -	$ -	$ -
Hard Construction-Tuck Under Parking (per space)	$ 7,726,184	$ -	$ 8,254,685	$ -	$ 501,746	$ 1,610,670	$ 1,610,670
<u>Hard Cost Contingency (x Subtotal)</u>	$ 6,711,591	$ 515,561	$ 8,115,249	$ 531,170	$ 209,801	$ 493,571	$ 512,384
Subtotal Construction	$ 140,943,413	$ 10,826,784	$ 170,420,219	$ 11,154,579	$ 4,405,829	$ 10,364,982	$ 10,760,059
<u>**Soft Costs**</u>							
Design, Engineering & Consulting Services	$ 9,866,039	$ 649,607	$ 11,929,415	$ 669,275	$ 264,350	$ 621,899	$ 645,604
Permits & Fees	$ 4,533,090	$ 426,323	$ 5,545,190	$ 613,502	$ 166,270	$ 416,414	$ 441,966
Existing Quimby and Parks Fee	$ 3,073,950	$ 198,099	$ -	$ -	$ 39,127	$ 198,099	$ -
Taxes, Insurance, Legal & Accounting	$ 4,228,302	$ 324,804	$ 5,112,607	$ 334,637	$ 132,175	$ 310,949	$ 322,802
Development and Entitlement Management	$ 7,047,171	$ 541,339	$ 8,521,011	$ 446,183	$ 220,291	$ 518,249	$ 430,402
<u>Soft Cost Contingency</u>	$ 862,457	$ 64,205	$ 933,247	$ 61,908	$ 24,666	$ 61,968	$ 55,223
Subtotal Soft Costs	$ 29,611,009	$ 2,204,376	$ 32,041,469	$ 2,125,505	$ 846,879	$ 2,127,579	$ 1,895,997
<u>**Construction Financing Costs**</u>							
Subtotal Hard Costs + Soft Costs	$ 170,554,422	$ 13,031,160	$ 202,461,688	$ 13,280,084	$ 5,252,708	$ 12,492,561	$ 12,656,056
Loan to Cost Ratio	80%	80%	80%	80%	80%	80%	80%
Loan Principal	$ 136,443,537	$ 10,424,928	$ 161,969,350	$ 10,624,067	$ 4,202,166	$ 9,994,049	$ 10,124,844
Loan Fees	$ 2,387,762	$ 182,436	$ 2,834,464	$ 185,921	$ 73,538	$ 174,896	$ 177,185
Interest Rate	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Outstanding Principal Balance	65%	65%	65%	65%	65%	65%	65%
Construction Period (months)	26	24	26	15	24	24	12
Construction Loan Interest	$ 13,210,861	$ 931,728	$ 15,682,345	$ 593,454	$ 375,569	$ 893,218	$ 452,454
<u>Permanent Loan Points</u>	$ -	$ -	$ 2,834,464	$ 185,921	$ -	$ -	$ 177,185
Subtotal Construction Loan	$ 15,598,623	$ 1,114,164	$ 21,351,272	$ 965,296	$ 846,879	$ 1,068,114	$ 806,824
Total Development Cost (TDC)	**$ 186,153,045**	**$ 14,145,324**	**$ 223,812,960**	**$ 14,245,380**	**$ 5,701,815**	**$ 13,560,675**	**$ 13,462,879**
Per GSF	$ 426	$ 249	$ 423	$ 238	$ 279	$ 239	$ 225
Per Unit	$ 410,934	$ 487,770	$ 428,760	$ 309,682	$ 518,347	$ 467,609	$ 292,671

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

Prepared by HR&A Advisors, Inc.

Completed Prototype Valuations

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

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

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

TABLE 3
Project Values of Completed Prototypes[1]

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

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

Prepared by HR&A Advisors, Inc.

Baseline Feasibility Analysis

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

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

TABLE 4
Baseline Return Metrics for Development Prototypes

	DTLA High-Rise Condo	DTLA Low-Rise Condo	DTLA High-Rise Apt	DTLA Low-Rise Apt	DTLA Small Lot Subdiv	SFV Low-Rise Condo	SFV Low-Rise Apt
Residual Land Value Test							
Net Project Sale Value	$ 242,044,508	$ 30,064,450	$ 283,396,190	$ 29,135,825	$ 8,609,902	$ 19,014,235	$ 18,402,835
Less: Total Development Cost	$ (186,153,045)	$ (14,145,324)	$ (223,812,960)	$ (14,245,380)	$ (5,701,815)	$ (13,560,675)	$ (13,462,879)
Less: Developer Profit	$ (30,255,564)	$ (3,758,056)	$ (35,424,524)	$ (3,641,978)	$ (1,076,238)	$ (2,376,779)	$ (2,300,354)
Total Residual Land Value	$ 25,635,900	$ 12,161,069	$ 24,158,706	$ 11,248,467	$ 1,831,850	$ 3,076,781	$ 2,639,602
Residual Land Value PSF	**$ 683**	**$ 393**	**$ 620**	**$ 414**	**$ 84**	**$ 99**	**$ 97**
Developer Profit Test							
Net Project Value	$ 242,044,508	$ 30,064,450	$ 283,396,190	$ 29,135,825	$ 8,609,902	$ 19,014,235	$ 18,402,835
Less: Total Development Cost	$ (186,153,045)	$ (14,145,324)	$ (223,812,960)	$ (14,245,380)	$ (5,701,815)	$ (13,560,675)	$ (13,462,879)
Less: Land Value	$ (25,635,900)	$ (12,161,069)	$ (24,158,706)	$ (11,248,467)	$ (1,831,850)	$ (3,076,781)	$ (2,639,602)
Developer Profit	$ 30,255,564	$ 3,758,056	$ 35,424,524	$ 3,641,978	$ 1,076,238	$ 2,376,779	$ 2,300,354
Profit as % of Project Value	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%

Prepared by HR&A Advisors, Inc.

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

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

TABLE 5
Potential Revised Quimby Fee and New Parks Fee Amounts

Potential Quimby & Parks Fee per Unit	Total Quimby Fees, by Prototype				
	High-Rise Condo	Low-Rise Condo	High-Rise Apt	Low-Rise Apt	Small Lot Subdiv
$18,364					
Total Fee Amount	$8,319,000	$533,000	$9,586,000	$845,000	$202,000
Fee per Gross Sq. Ft.	$19	$9	$18	$14	$10
% of TDC	4%	4%	4%	6%	4%
$15,000					
Total Fee Amount	$6,795,000	$435,000	$7,830,000	$690,000	$165,000
Fee per Gross Sq. Ft.	$16	$8	$15	$12	$8
% of TDC	4%	3%	3%	5%	3%
$12,500					
Total Fee Amount	$5,662,500	$362,500	$6,525,000	$575,000	$137,500
Fee per Gross Sq. Ft.	$13	$6	$12	$10	$7
% of TDC	3%	3%	3%	4%	2%
$10,000					
Total Fee Amount	$4,530,000	$290,000	$5,220,000	$460,000	$110,000
Fee per Gross Sq. Ft.	$10	$5	$10	$8	$5
% of TDC	2%	2%	2%	3%	2%
$7,500					
Total Fee Amount	$3,397,500	$217,500	$3,915,000	$345,000	$82,500
Fee per Gross Sq. Ft.	$8	$4	$7	$6	$4
% of TDC	2%	2%	2%	2%	1%
$5,000					
Total Fee Amount	$2,265,000	$145,000	$2,610,000	$230,000	$55,000
Fee per Gross Sq. Ft.	$5	$3	$5	$4	$3
% of TDC	1%	1%	1%	2%	1%
	2014 Estimated Quimby Fee				
R5					
Fee/Unit	$6,831	$6,831	n/a	n/a	n/a
Total Fee Amount	$3,094,000	$198,000	n/a	n/a	n/a
R3					
Fee/Unit	n/a	n/a	n/a	n/a	$3,557
Total Fee Amount	n/a	n/a	n/a	n/a	$39,000

Prepared by HR&A, Inc.

As Table 5 shows, at the maximum justifiable fee of $18,364 per unit, the total Revised Quimby and New Parks Fee ranges from $9.6 million ($18 per square foot and a 4 percent share of total development cost) for the high-rise apartment prototype, to a low of $202,000 for the small lot subdivision prototype ($10 per square foot and an 3 percent share of total development cost).

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

Furthermore, in some cases, the City applies a parks fee to new apartment buildings that require a zone change as part of the entitlement process. This parallel park fee for zone change is commonly known as a "Finn Fee", and the fee amount is set at the same level as the existing Quimby Fee on a per-unit basis.[5] However, because the Finn Fee is applied only on a case-by-case basis, we did not include this as an existing fee in the baseline apartment prototypes analysis.[6] Therefore, the New Parks Fee is treated as a net new development soft cost for the high-rise and low-rise apartment prototypes. But for those cases that would be subject to the Finn Fee, the cost impact of the New Parks Fees tested above would be somewhat lower if the Finn Fee were to be netted out, just as in the case of the prototypes that would be subject to the existing Quimby Fee.

Financial Feasibility of Proposed New Fees

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

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

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

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

[5] LA Municipal Code, Section 12.33.

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

submarket. Similarly, for the low-rise prototype in the San Fernando Valley, we believe that a reduction of 17 percent from the baseline (with a 10.4 percent developer profit margin), would probably not make the project infeasible, even though the percent change technically falls outside of the designated range. In these instances, we indicated that the fee level would be "marginally" feasible.

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

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

Residual Land Values with Quimby & Parks Fees

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

Developer Profits with Quimby & Parks Fees

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

Feasible*
Marginally Feasible
Not Feasible

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

Prepared by HR&A, Inc.

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

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

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

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

General Limiting Conditions

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

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

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

Downtown Los Angeles Submarket

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

San Fernando Valley Submarket

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

Park Fee Prototype, High Rise Condominium

Downtown Los Angeles

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

Hard Costs		Per Bldg. GSF	Per Unit/Space	Total
Hard Construction-Buildings[2]		$278	$ 270,073	$ 121,533,016
Hard Construction-Demolition, Grading & Site Preparation (per site SF)[2]	$7			$ 273,800
Hard Construction-Landscaping (per site SF)[2]	$25			$ 117,278
Hard Construction-At Grade Parking (per space)[2]		$ -	$ 5,000	$ -
Hard Construction-Subt. Parking (per space)[2]		$ 10.65	$ 32,039	$ 4,581,544
Hard Construction-Tuck Under Parking (per space)[2]		$ 17.96	$ 25,167	$ 7,726,184
Hard Cost Contingency (x Subtotal)[3]	5.0%	$ 15.60	n/a	$ 6,711,591
Subtotal Construction		$ 322.18		**$ 140,943,413**
Soft Costs				
Design, Engineering & Consulting Services (x Hard Costs)[3]	7.0%	$ 22.93	$ 21,779	$ 9,866,039
Permits & Fees (x Hard Costs)[4]	3.2%	$ 10.53	$ 10,007	$ 4,533,090
Existing Quimby and Parks Fee	2.2%	$ 7.03	$ 6,831	$ 3,073,950
Taxes, Insurance, Legal & Accounting (x Hard Costs)[3]	3.0%	$ 9.83	$ 9,334	$ 4,228,302
Development and Entitlement Management (x Hard Costs)[3]	5.0%	$ 16.38	$ 15,557	$ 7,047,171
Soft Cost Contingency (x Subtotal)[3]	3.0%	$ 2.00	$ 1,904	$ 862,457
Subtotal Soft Costs	23.4%	$ 68.82	$ 65,366	**$ 29,611,009**

Construction Financing Costs[4]		Per Bldg. GSF	Per Unit	**Total**
Subtotal Hard Costs + Soft Costs				**$ 170,554,422**
Loan to Cost Ratio	80%			
Loan Principal				$ 136,443,537
Loan Fees (%)	1.8%	$ 5.55	$ 5,271	$ 2,387,762
Interest Rate	5.50%			
Outstanding Principal Balance	65%			
Construction Period (months)	26			
Construction Loan Interest		$ 30.70	$ 29,163	$ 13,210,861
Permanent Loan Points	0.0%	$ -	$ -	$ -
Subtotal Construction Loan		$ 36.25	$ 34,434	**$ 15,598,623**
Total Development Cost (TDC)		**$ 432.62**	**$ 410,934**	**$ 186,153,045**

Park Fee Prototype, High Rise Condominium (cont'd)

Downtown Los Angeles

					Per Unit	Total
Sales - Residential[5]						
		Number	Net SF	Sales Price/NSF	Sales Price/ Unit	Total Sales Price
TOTAL UNITS		453				
2 Bedroom Units	27%	121	1,100	$ 630	$ 693,000	$ 83,853,000
1 Bedroom Units	57%	259	800	$ 630	$ 504,300	$ 130,613,700
Penthouse	0.2%	1	4,750	$ 720	$ 3,420,000	$ 3,420,000
Studio Units	16%	72	650	$ 625	$ 406,250	$ 29,250,000
Total Unit Sales Price						$ 247,136,700
Less: Marketing and Cost of Sale[3]	4%					$ (8,649,785)
Less: HOA Fees Through Full Building Absorption[3]		151			$ (6,000)	$ (906,000)
Less: Warranties [3]		453			$ (500)	$ (226,500)
Net Sales Revenue				$ 606		**$ 237,354,416**
Net Operating Income - Retail						
Gross Retail Income (NNN)[5]					$ 3.80	$ 314,822
Less: Vacancy Allowance (x Gross Income)[3]		5%			$ (0.19)	$ (15,741)
Effective Gross Income (EGI)					$ 3.61	$ 299,081
Less: Management Fee (x EGI)[3]		3%			$ -	$ (8,972)
Net Retail Income					$ 3.61	$ 290,109
Net Operating Income (NOI)					$ 3.50	**$ 290,109**
Residual Land Value						
Residential Net Sales Value (from above)					$ 237,354,416	
Retail Net Operating Income (from above)					$ 290,109	
Retail Cap Rate[6]		6.00%				
Retail Project Value (NOI x Cap Rate)					$ 4,835,147	
Less: Cost of Sale for Retail[3]		3.0%			$ (145,054)	
Net Project Value						$ 242,044,508
Less: Total Development Cost (from above)						$ (186,153,045)
Less: Developer Profit[3]		12.5%				$ (30,255,564)
Total Residual Land Value						**$ 25,635,900**
Residual Land Value PSF						**$ 683**
Developer Profit Test						
Net Project Value (from above)						$ 242,044,508
Less: Total Development Cost (from above)						$ (186,153,045)
Less: Land Value (from above)						$ (25,635,900)
Developer Profit						**$ 30,255,564**
Profit as % of Project Value						12.5%

SOURCES & NOTES:

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

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

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

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

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

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

Prepared by: HR&A Advisors, Inc.

Park Fee Prototype, Low-Rise Condominium Building

Downtown Los Angeles

		Per Bldg. GSF	Per Unit	Total
Development Program[1]				
Land Area (sf)				30,929
Gross Residential Building Area (GSF)				56,814
Gross Retail Building Area (GSF)				-
Gross Building Area (GSF)				56,814
FAR (Gross Bldg. Area / FAR Land Area)				1.51
Residential (NSF)			1,850	52,050
Retail (NSF)				-
Net Building Area (NSF)				52,050
Building Efficiency				91.6%
Condominiums				
Market Rate				29
Affordable			0%	-
Other Condo Units (storage, commercial, amenity)				-
Total Units				29
Parking -				
Residential				64
Retail				-
Subterranean (2 levels)				64
At Grade Parking				-
Tuck Under Parking				-
Total Parking				64
Hard Costs		Per Bldg. GSF	Per Unit/Space	Total
Hard Construction-Buildings[2]		$138	$ 122,528	$ 7,841,787
Hard Construction-Demolition, Grading & Site Preparation (per site SF)[2]	$7			$ 225,648
Hard Construction-Landscaping (per site SF)[2]	$25			$ 193,306
Hard Construction-At Grade Parking (per space)[2]		$ -	$ 5,000	$ -
Hard Construction-Subt. Parking (per space)[2]		$ 36.09	$ 32,039	$ 2,050,481
Hard Construction-Tuck Under Parking (per space)[2]		$ 65.16	$ 25,167	$ -
Hard Cost Contingency (x Subtotal)[3]	5.0%	$ 9.07	n/a	$ 515,561
Subtotal Construction		$ 248.35		**$ 10,826,784**
Soft Costs				
Design, Engineering & Consulting Services (x Hard Costs)[3]	6.0%	$ 11.43	$ 22,400	$ 649,607
Permits & Fees (x Hard Costs)[4]	3.9%	$ 7.50	$ 14,701	$ 426,323
Existing Quimby and Parks Fee	1.8%	$ 3.49	$ 6,831	$ 198,099
Taxes, Insurance, Legal & Accounting (x Hard Costs)[3]	3.0%	$ 5.72	$ 11,200	$ 324,804
Development and Entitlement Management (x Hard Costs)[3]	5.0%	$ 9.53	$ 18,667	$ 541,339
Soft Cost Contingency (x Subtotal)[3]	3.0%	$ 1.13	$ 2,214	$ 64,205
Subtotal Soft Costs	22.8%	$ 38.80	$ 76,013	**$ 2,204,376**
Construction Financing Costs[4]				**Total**
Subtotal Hard Costs + Soft Costs				**$ 13,031,160**
Loan to Cost Ratio	80%	Per Bldg. GSF	Per Unit	
Loan Principal				$ 10,424,928
Loan Fees (%)	1.8%	$ 3.21	$ 6,291	$ 182,436
Interest Rate	5.50%			
Outstanding Principal Balance	65%			
Construction Period (months)	24			
Construction Loan Interest		$ 16.40	$ 32,129	$ 931,728
Permanent Loan Points	0.0%	$ -	$ -	$ -
Subtotal Construction Loan		$ 19.61	$ 38,419	**$ 1,114,164**
Total Development Cost (TDC)		**$ 248.98**	**$ 487,770**	**$ 14,145,324**

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

					Per Unit	Total
Sales - Residential						
		Number	Net SF	Sales Price/NSF	Sales Price/ Unit	Total Sales Price
TOTAL UNITS		29				
3 Bedroom Units	48%	14	1,950	$ 600	$ 1,170,000	$ 16,380,000
2 Bedroom Units	52%	15	1,650	$ 600	$ 990,000	$ 14,850,000
1 Bedroom Units	0%	-	-	$ -	$ -	$ -
Studio Units	0%	-	-	$ -	$ -	$ -
Total Unit Sales Price						$ 31,230,000
Less: Marketing and Cost of Sale[3]	4%					$ (1,093,050)
Less: HOA Fees Through Full Building Absorption[3]		10			$ (6,000)	$ (58,000)
Less: Warranties [3]		29			$ (500)	$ (14,500)
Total Sales Revenue				$ 578		**$ 30,064,450**
Residual Land Value						
Total Project Sale Value					$ 30,064,450	
Less: Total Development Cost (from above)					$ (14,145,324)	
Less: Developer Profit		12.5%			$(3,758,056)	
Total Residual Land Value						**$ 12,161,069**
Residual Land Value PSF						**$ 393**
Developer Profit Test						
Net Project Sale Value						$ 30,064,450
Less: Total Development Cost (from above)						$ (14,145,324)
Less: Land Costs						$ (12,161,069)
Developer Profit						**$ 3,758,056**
Developer Profit (%)						12.5%

SOURCES & NOTES:

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

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

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

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

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

Park Fee Prototype, High-Rise Apartment Building

Downtown Los Angeles

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

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

Hard Costs		Per Bldg. GSF	Per Unit/Space	Total
Hard Construction-Buildings[2]		$278	$ 275,941	$ 147,076,368
Hard Construction-Demolition, Grading & Site Preparation (per site :	$7			$ 284,225
Hard Construction-Landscaping (per site SF) [2]	$25			$ 121,744
Hard Construction-At Grade Parking (per space)[2]		$ -	$ 5,000	$ -
Hard Construction-Subt. Parking (per space)[2]		$ 12.66	$ 32,039	$ 6,567,948
Hard Construction-Tuck Under Parking (per space)[2]		$ 15.91	$ 25,167	$ 8,254,685
Hard Cost Contingency (x Subtotal)[3]	5.0%	$ 15.64	n/a	$ 8,115,249
Subtotal Construction		$ 322.19		**$ 170,420,219**
Soft Costs				
Design, Engineering & Consulting Services (x Hard Costs)[3]	7.0%	$ 22.99	$ 22,853	$ 11,929,415
Permits & Fees (x Hard Costs)[4]	3.3%	$ 10.69	$ 10,623	$ 5,545,190
Existing Quimby and Parks Fee	0.0%	$ -		$ -
Taxes, Insurance, Legal & Accounting (x Hard Costs)[3]	3.0%	$ 9.85	$ 9,794	$ 5,112,607
Development Management (x Hard Costs)[3]	5.0%	$ 16.42	$ 16,324	$ 8,521,011
Soft Cost Contingency (x Subtotal)[3]	3.0%	$ 1.80	$ 1,788	$ 933,247
Subtotal Soft Costs	21.3%	$ 61.75	$ 61,382	**$ 32,041,469**

Park Fee Prototype, High-Rise Apartment Building (cont'd)
Downtown Los Angeles

		Per Bldg. GSF	Per Unit	Total
Construction Financing Costs[4]				**Total**
Subtotal Hard Costs + Soft Costs				**$ 202,461,688**
Loan to Cost Ratio	80%	Per Bldg. GSF	Per Unit	
Loan Principal				$ 161,969,350
Loan Fees (%)	1.8%	$ 5.46	$ 5,430	$ 2,834,464
Interest Rate	5.50%			
Outstanding Principal Balance	65%			
Construction Period (months)	26			
Construction Loan Interest		$ 30.22	$ 30,043	$ 15,682,345
Permanent Loan Points	1.8%	$ 5.46	$ 5,430	$ 2,834,464
Subtotal Construction Loan		$ 41.15	$ 40,903	**$ 21,351,272**
Total Development Cost (TDC)		**$ 431.34**	**$ 428,760**	**$ 223,812,960**
Net Operating Income - Residential		Per Unit/Mo.	Per NSF/Mo.	Annual
Gross Apartment Rental Income				
Market Rate Apartments[5]		$ 2,943	$ 3.18	$ 18,435,669
Plus: Miscellaneous Revenue (per unit/mo.)	$35			$ 18,270
Less: Vacancy Allowance[3]	3.5%	$ (103)	$ (0.11)	$ (645,248)
Effective Gross Income (EGI)		$ 2,840	$ 3.07	$ 17,808,691
Less: Annual Operating Expenses (% x EGI)[3]	35.0%	$ (995)	$ (1.08)	$ (6,233,042)
Less: Replacement Reserve (per unit/year)[3]	$150	$ (13)	$ (0.01)	$ (78,300)
Net Apartment Income		$ 1,833	$ 1.98	$ 11,497,349
Net Operating Income - Retail				
Gross Retail Income (NNN)[5]			$ 3.80	$ 205,200
Less: Vacancy Allowance (x Gross Income)[3]	5%		$ (0.19)	$ (10,260)
Effective Gross Income (EGI)			$ 3.61	$ 194,940
Less: Management Fee (x EGI)[3]	3%		$ -	$ (5,848)
Net Retail Income			$ 3.61	$ 189,092
Net Operating Income (NOI)			$ 2.02	**$ 11,686,441**
Residual Land Value				
Net Operating Income (from above)			$ 11,686,441	
Cap Rate[6]	4.00%			
Project Value (NOI x Cap Rate)			$ 292,161,021	
Less: Cost of Sale[3]	3.0%		$ (8,764,831)	
Net Project Sale Value				$ 283,396,190
Less: Total Development Cost (from above)				$ (223,812,960)
Less: Developer Profit[3]	12.5%			$ (35,424,524)
Total Residual Land Value				**$ 24,158,706**
Residual Land Value PSF				**$ 620**
Developer Profit Test				
Net Project Sale Value				$ 283,396,190
Less: Total Development Cost (from above)				$ (223,812,960)
Less: Land Costs				$ (24,158,706)
Developer Profit				**$ 35,424,524**
Developer Profit (%)				12.5%

SOURCES & NOTES:

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

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

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

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

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

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

Park Fee Prototype, Low-Rise Apartment Building

Downtown Los Angeles

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

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

Hard Costs		Per Bldg. GSF	Per Unit/Space	Total
Hard Construction-Buildings[2]		$138	$ 133,364	$ 8,268,562
Hard Construction-Demolition, Grading & Site Preparation (per site SF)[2]	$7			$ 198,443
Hard Construction-Landscaping (per site SF) [2]	$25			$ 170,000
Hard Construction-At Grade Parking (per space)[2]		$ -	$ 5,000	$ -
Hard Construction-Subt. Parking (per space)[2]		$ 33.16	$ 32,039	$ 1,986,404
Hard Construction-Tuck Under Parking (per space)[2]		$ -	$ 25,167	$ -
Hard Cost Contingency (x Subtotal)[3]	5.0%	$ 8.87	n/a	$ 531,170
Subtotal Construction		$ 180.05		**$ 11,154,579**
Soft Costs				
Design, Engineering & Consulting Services (x Hard Costs)[3]	6.0%	$ 11.17	$ 14,549	$ 669,275
Permits & Fees (x Hard Costs)[4]	5.5%	$ 10.24	$ 13,337	$ 613,502
Existing Quimby and Parks Fee	0.0%	$ -		$ -
Taxes, Insurance, Legal & Accounting (x Hard Costs)[3]	3.0%	$ 5.59	$ 7,275	$ 334,637
Development Management (x Hard Costs)[3]	4.0%	$ 7.45	$ 9,700	$ 446,183
Soft Cost Contingency (x Subtotal)[3]	3.0%	$ 1.03	$ 1,346	$ 61,908
Subtotal Soft Costs	21.5%	$ 35.48	$ 46,207	**$ 2,125,505**

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

Downtown Los Angeles

			Per Unit	Total
Construction Financing Costs[4]				**Total**
Subtotal Hard Costs + Soft Costs				**$ 13,280,084**
Loan to Cost Ratio	80%	Per Bldg. GSF	Per Unit	
Loan Principal				$ 10,624,067
Loan Fees (%)	1.8%	$ 3.10	$ 4,042	$ 185,921
Interest Rate	5.50%			
Outstanding Principal Balance	65%			
Construction Period (months)	15			
Construction Loan Interest		$ 9.91	$ 12,901	$ 593,454
Permanent Loan Points	1.8%	$ 3.10	$ 4,042	$ 185,921
Subtotal Construction Loan		$ 16.11	$ 20,985	**$ 965,296**
Total Development Cost (TDC)		**$ 238**	**$ 309,682**	**$ 14,245,380**
Net Operating Income - Residential		Per Unit/Mo.	Per NSF/Mo.	Annual
Gross Apartment Rental Income				
Market Rate Apartments[5]		$ 3,487	$ 3.00	$ 1,924,800
Plus: Miscellaneous Revenue (per unit/mo.)	$35			$ 1,610
Less: Vacancy Allowance[3]	3.5%	$ (122)	$ (0.10)	$ (67,368)
Effective Gross Income (EGI)		$ 3,365	$ 2.89	$ 1,859,042
Less: Annual Operating Expenses (% x EGI)[3]	35.0%	$ (1,179)	$ (1.01)	$ (650,664.70)
Less: Replacement Reserve (per unit/year)[3]	$150	$ (13)	$ (0.01)	$ (6,900)
Net Apartment Income		$ 2,174	$ 1.87	$ 1,201,477
Net Operating Income (NOI)			$ 1.87	**$ 1,201,477**
Residual Land Value				
Net Operating Income (from above)			$ 1,201,477	
Cap Rate[6]	4.00%			
Project Value (NOI x Cap Rate)			$ 30,036,933	
Less: Cost of Sale[3]	3.0%		$ (901,108)	
Net Project Sale Value				$ 29,135,825
Less: Total Development Cost (from above)				$ (14,245,380)
Less: Developer Profit[3]	12.5%			$ (3,641,978.07)
Total Residual Land Value				**$ 11,248,467**
Residual Land Value PSF				**$ 414**
Developer Profit Test				
Net Project Sale Value				$ 29,135,825
Less: Total Development Cost (from above)				$ (14,245,380)
Less: Land Costs				$ (11,248,467)
Developer Profit				**$ 3,641,978**
Developer Profit (%)				12.5%

SOURCES & NOTES:

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

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

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

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

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

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

Prepared by: HR&A Advisors, Inc.

Park Fee Prototype, Small Lot Subdivision

Downtown Los Angeles

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

Hard Costs		Per Bldg. GSF	Per Unit/Space	Total
Hard Construction-Buildings[2]		$ 152	$ 124,434	$ 3,110,860
Hard Construction-Demolition, Grading & Site Preparation (per site SF)[2]	$7			$ 159,221
Hard Construction-Landscaping (per site SF) [2]	$25			$ 409,200
Hard Construction-At Grade Parking (per space)[2]		$ 0.73	$ 5,000	$ 15,000
Hard Construction-Subt. Parking (per space)[2]		$ -	$ 32,039	$ -
Hard Construction-Tuck Under Parking (per space)[2]		$ 24.57	$ 22,807	$ 501,746
Hard Cost Contingency (x Subtotal)[3]	5.0%	$ 10.28	n/a	$ 209,801
Subtotal Construction		$ 187.95		**$ 4,405,829**
Soft Costs				
Design, Engineering & Consulting Services (x Hard Costs)[3]	6.0%	$ 12.95	$ 24,032	$ 264,350
Permits & Fees (x Hard Costs)[4]	3.8%	$ 8.14	$ 15,115	$ 166,270
Existing Quimby and Parks Fee	0.9%	$ 1.92	$ 3,557	$ 39,127
Taxes, Insurance, Legal & Accounting (x Hard Costs)[3]	3.0%	$ 6.47	$ 12,016	$ 132,175
Development and Entitlement Management (x Hard Costs)[3]	5.0%	$ 10.79	$ 20,026	$ 220,291
Soft Cost Contingency (x Subtotal)[3]	3.0%	$ 1.21	$ 2,242	$ 24,666
Subtotal Soft Costs	21.7%	$ 41.48	$ 76,989	**$ 846,879**

Construction Financing Costs[4]				**Total**
Subtotal Hard Costs + Soft Costs				**$ 5,252,708**
		Per Bldg. GSF	Per Unit	
Loan to Cost Ratio	80%			
Loan Principal				$ 4,202,166
Loan Fees (%)	1.8%	$ 3.60	$ 6,685	$ 73,538
Interest Rate	5.50%			
Outstanding Principal Balance	65%			
Construction Period (months)	24			
Construction Loan Interest		$ 18.39	$ 34,143	$ 375,569
Permanent Loan Points	0.0%	$ -	$ -	$ -
Subtotal Construction Loan		$ 22.00	$ 40,828	**$ 449,107**
Total Development Cost (TDC)		$ 279.27	$ 518,347	**$ 5,701,815**

Park Fee Prototype, Small Lot Subdivision (cont'd)

Downtown Los Angeles

					Per Unit	Total
Sales - Residential[5]						
		Number	Net SF	Sales Price/NSF	Sales Price/ Unit	Total Sales Price
TOTAL UNITS		11				
House	100%	11	1,856	$ 438	$ 812,040	$ 8,932,438
Total Unit Sales Price						$ 8,932,438
Less: Marketing and Cost of Sale[3]	4%					$ (312,635)
Less: HOA Fees Through Full Building Absorption[3]		4			$ (1,200)	$ (4,400)
Less: Warranties [3]		11			$ (500)	$ (5,500)
Total Sales Revenue						**$ 8,609,902**

Residual Land Value

Project Value (Total Sales Revenue)		$ 8,609,902
Less: Total Development Cost (from above)		$ (5,701,815)
Less: Developer Profit[3]	12.5%	$ (1,076,238)
Total Residual Land Value		**$ 1,831,850**
Residual Land Value PSF		**$ 84**

Developer Profit Test

Net Project Sale Value	$ 8,609,902
Less: Total Development Cost (from above)	$ (5,701,815)
Less: Land Costs	$ (1,831,850)
Developer Profit	**$ 1,076,238**
Developer Profit (%)	12.5%

SOURCES & NOTES:

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

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

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

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

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

Prepared by: HR&A Advisors, Inc.

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

			Per Unit	Total
Development Program[1]				
Land Area (sf)				30,929
Gross Residential Building Area (GSF)				56,814
Gross Retail Building Area (GSF)				-
Gross Building Area (GSF)				56,814
FAR (Gross Bldg. Area / FAR Land Area)				1.51
Residential (NSF)			1,850	53,650
Retail (NSF)				-
Net Building Area (NSF)				53,650
Building Efficiency				94.4%
Condominiums				
Market Rate				29
Affordable			0%	-
Other Condo Units (storage, commercial, amenity)				-
Total Units				29
Parking -				
Residential				64
Retail				-
Subterranean (2 levels)				
At Grade Parking				-
Tuck Under Parking				64
Total Parking				64
Hard Costs		Per Bldg. GSF	Per Unit/Space	Total
Hard Construction-Buildings[2]		$138	$ 122,528	$ 7,841,787
Hard Construction-Demolition, Grading & Site Preparation (per site SF)[2]	$7			$ 225,648
Hard Construction-Landscaping (per site SF)[2]	$25			$ 193,306
Hard Construction-At Grade Parking (per space)[2]		$ -	$ 5,000	$ -
Hard Construction-Subt. Parking (per space)[2]		$ -	$ 32,039	$ -
Hard Construction-Tuck Under Parking (per space)[2]		$ 65.16	$ 25,167	$ 1,610,670
Hard Cost Contingency (x Subtotal)[3]	5.0%	$ 8.69	n/a	$ 493,571
Subtotal Construction		$ 211.87		**$ 10,364,982**
Soft Costs				
Design, Engineering & Consulting Services (x Hard Costs)[3]	6.0%	$ 10.95	$ 21,445	$ 621,899
Permits & Fees (x Hard Costs)[4]	4.0%	$ 7.33	$ 14,359	$ 416,414
Existing Quimby and Parks Fee	1.9%	$ 3.49	$ 6,831	$ 198,099
Taxes, Insurance, Legal & Accounting (x Hard Costs)[3]	3.0%	$ 5.47	$ 10,722	$ 310,949
Development and Entitlement Management (x Hard Costs)[3]	5.0%	$ 9.12	$ 17,871	$ 518,249
Soft Cost Contingency (x Subtotal)[3]	3.0%	$ 1.09	$ 2,137	$ 61,968
Subtotal Soft Costs	22.9%	$ 37.45	$ 73,365	**$ 2,127,579**
Construction Financing Costs[4]				**Total**
Subtotal Hard Costs + Soft Costs				**$ 12,492,561**
Loan to Cost Ratio	80%	Per Bldg. GSF	Per Unit	
Loan Principal				$ 9,994,049
Loan Fees (%)	1.8%	$ 3.08	$ 6,031	$ 174,896
Interest Rate	5.50%			
Outstanding Principal Balance	65%			
Construction Period (months)	24			
Construction Loan Interest		$ 15.72	$ 30,801	$ 893,218
Permanent Loan Points	0.0%	$ -	$ -	$ -
Subtotal Construction Loan		$ 18.80	$ 36,832	**$ 1,068,114**
Total Development Cost (TDC)		**$ 238.69**	**$ 467,609**	**$ 13,560,675**

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

San Fernando Valley

Sales - Residential[5]

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

Residual Land Value			
Total Project Sale Value		$ 19,014,235	
Less: Total Development Cost (from above)		$ (13,560,675)	
Less: Developer Profit[3]	12.5%	$ (2,376,779)	
Total Residual Land Value			**$ 3,076,781**
Residual Land Value PSF			**$ 99**

Developer Profit Test	
Net Project Sale Value	$ 19,014,235
Less: Total Development Cost (from above)	$ (13,560,675)
Less: Land Costs	$ (3,076,781)
Developer Profit	**$ 2,376,779**
Developer Profit (%)	12.5%

SOURCES & NOTES:

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

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

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

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

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

Prepared by: HR&A Advisors, Inc.

Park Fee Prototype, Low-Rise Apartment Building

San Fernando Valley

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

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

Hard Costs		Per Bldg. GSF	Per Unit/Space	Total
Hard Construction-Buildings[2]		$138	$ 133,364	$ 8,268,562
Hard Construction-Demolition, Grading & Site Preparation (per site SF)[2]	$7			$ 198,443
Hard Construction-Landscaping (per site SF) [2]	$25			$ 170,000
Hard Construction-At Grade Parking (per space)[2]		$ -	$ 5,000	$ -
Hard Construction-Subt. Parking (per space)[2]		$ -	$ 32,039	$ -
Hard Construction-Tuck Under Parking (per space)[2]		$ 26.89	$ 25,167	$ 1,610,670
Hard Cost Contingency (x Subtotal)[3]	5.0%	$ 8.55		$ 512,384
Subtotal Construction		$ 173.47		**$ 10,760,059**

Soft Costs				
Design, Engineering & Consulting Services (x Hard Costs)[3]	6.0%	$ 10.78	$ 14,035	$ 645,604
Permits & Fees (x Hard Costs)[4]	4.1%	$ 7.38	$ 9,608	$ 441,966
Existing Quimby and Parks Fee	0.0%	$ -		$ -
Taxes, Insurance, Legal & Accounting (x Hard Costs)[3]	3.0%	$ 5.39	$ 7,017	$ 322,802
Development Management (x Hard Costs)[3]	4.0%	$ 7.18	$ 9,357	$ 430,402
Soft Cost Contingency (x Subtotal)[3]	3.0%	$ 0.92	$ 1,201	$ 55,223
Subtotal Soft Costs	20.1%	$ 31.65	$ 41,217	**$ 1,895,997**

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

Construction Financing Costs[4]				Total
Subtotal Hard Costs + Soft Costs				**$ 12,656,056**
Loan to Cost Ratio	80%	Per Bldg. GSF	Per Unit	
Loan Principal				$ 10,124,844
Loan Fees (%)	1.8%	$ 2.96	$ 3,852	$ 177,185
Interest Rate	5.50%			
Outstanding Principal Balance	65%			
Construction Period (months)	12			
Construction Loan Interest		$ 7.55	$ 9,836	$ 452,454
Permanent Loan Points	1.8%	$ 2.96	$ 3,852	$ 177,185
Subtotal Construction Loan		$ 13.47	$ 17,540	**$ 806,824**
Total Development Cost (TDC)		**$ 224.73**	**$ 292,671**	**$ 13,462,879**
Net Operating Income - Residential		Per Unit/Mo.	Per NSF/Mo.	Annual
Gross Apartment Rental Income				
Market Rate Apartments[5]		$ 2,346	$ 2.02	$ 1,294,800
Plus: Miscellaneous Revenue (per unit/mo.)	$35			$ 1,610
Less: Vacancy Allowance[3]	3.5%	$ (82)	$ (0.07)	$ (45,318)
Effective Gross Income (EGI)		$ 2,264	$ 1.95	$ 1,251,092
Less: Annual Operating Expenses (% x EGI)[3]	35.0%	$ (793)	$ (0.68)	$ (437,882)
Less: Replacement Reserve (per unit/year)[3]	$150	$ (13)	$ (0.01)	$ (6,900)
Net Apartment Income		$ 1,458	$ 1.25	$ 806,310
Net Operating Income (NOI)			$ 1.26	**$ 806,310**
Residual Land Value				
Net Operating Income (from above)			$ 806,310	
Cap Rate[6]	4.25%			
Project Value (NOI x Cap Rate)			$ 18,971,995	
Less: Cost of Sale[3]	3.0%		$ (569,160)	
Net Project Sale Value				$ 18,402,835
Less: Total Development Cost (from above)				$ (13,462,879)
Less: Developer Profit[3]	12.5%			$ (2,300,354)
Total Residual Land Value				**$ 2,639,602**
Residual Land Value PSF				**$ 97**
Developer Profit Test				
Net Project Sale Value				$ 18,402,835
Less: Total Development Cost (from above)				$ (13,462,879)
Less: Land Costs				$ (2,639,602)
Developer Profit				**$ 2,300,354**
Developer Profit (%)				12.5%

SOURCES & NOTES:

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

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

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

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

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

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

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