

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: December 16, 2016

To: The Council

From: Miguel A. Santana, City Administrative Officer



Subject: **SIDEWALK PROGRAM – FINANCING AND DELIVERY OPTIONS**

On March 29, 2016, the Council instructed this Office to report back with financing and delivery options for the Sidewalk Repair Program that will accelerate the overall work plan to the shortest timeframe possible (C.F. 14-0163-S3, Instruction 32). The Council indicated that the options for achieving this may include a Public Private Partnership.

We have identified options for accelerating the overall work plan. These options can be used together or separately to achieve the degree of acceleration desired by the Council and Mayor. The options are:

Appropriate City funds in excess of the annual amount required by the Willits Settlement (See Attachment A).

- This can occur at any time that the Council and Mayor choose, for any amount and from any funding source for which sidewalk repair is an eligible expenditure.
- The Willits Settlement documents allow for excess commitments in any given year to be credited toward the target commitment in future years.

Increase reliance on, and participation in, incentive programs, grant programs and third party funding alternatives to leverage the expenditure of City funds.

- City sidewalk incentive programs can be modified or extended. The current proposal is for the City to have an incentive program for the first three years. Use of this approach should be based upon the success of the incentive program.
- City agencies can focus on applying for grants (i.e. Safe Routes to Schools) and implementing grant projects that create safe and ADA compliant sidewalks.
- City capital projects could be expanded to allow for the repair of additional sidewalks as part of the capital program.
- The City could maximize the use of City development agreements, permitting approvals for non-City projects and discretionary actions to require an ADA compliant sidewalk to be in place.

Issue debt to accelerate the expenditure of the funds committed under the Willits Settlement.

- The debt service could be paid for from the General Fund or other eligible special funds such as Gas Tax, Measure R, and the Local Transportation Fund. Whether the debt would count against the City debt limitations and whether the debt would be structured as a General Fund obligation or a Special Revenue obligation would be determined at the time the Council decides to explore the option.
- The Willits Settlement does not require that the City use General Fund monies to comply with the Settlement. Therefore, the City would be able to structure a debt issuance in a manner that minimizes impact to the City debt limits and maximizes the use of Special Funds.
- A debt instrument should be used for capital work that is specific and “ready to go” to avoid paying for unnecessary interest costs. This may be best used to fund specifically identified projects instead of general sidewalk repair.

Use a Public-Private Partnership (P3) with an availability payment structure to repair and maintain sidewalks.

This Office has begun looking at whether this would be an appropriate tool to use to expedite sidewalk repair. It is our understanding that this has not been done before. At the current time, we are undecided as to whether we will recommend this tool and are gathering information. We intend to discuss the potential for this with outside experts in a manner that requires no additional appropriation of funds. After this discussion, we may have additional information to provide. However, at this time, we are considering this possibility for the following reasons:

- This structure can be beneficial to accelerate the delivery of improvements and simultaneously provide a third-party construction warranty and liability protection. This may also be beneficial for the establishment of street trees planted as a result of removing trees to allow the repair of sidewalks.
- Additionally, if sidewalk work is combined with parkway improvements (i.e. Green Streets) which are more labor intensive to maintain, this may be more valuable to the City.
- Use of an availability payment allows for payment deductions if the infrastructure is not maintained at an agreed upon level.
- This structure also incentivizes the builder to complete the work to ensure that maintenance requirements are minimal.
- This option may be best initiated through a pilot program in areas where maintenance is projected to be significant.

Each of the options to accelerate the overall Sidewalk Repair work are projected to be viable over the life span of the Sidewalk Repair Program. It is anticipated that the City should, and will, consider the use of each option. The actual option chosen and the timing will depend on the characteristics of the Program as it develops. However, there are some actions that are recommended at this time.

RECOMMENDATIONS

That the Council and Mayor:

1. Instruct all City departments, offices and agencies applying for grant funds for capital projects to ensure that sidewalks related to the projects are included to the maximum amount possible;
2. Instruct the Department of City Planning, Department of Building and Safety and the City Engineer to report back on ways to maximize sidewalk repair through the use of development agreements, permitting arrangements for third party capital projects and discretionary City approvals;
3. Instruct the City Administrative Officer to report back on a potential pilot arrangement for a public/private partnership (P3) for sidewalk repair and maintenance in consultation with the Bureaus of Engineering and Street Services and Sanitation, the City Attorney and the Chief Legislative Analyst. The P3 may include parkways and street trees, if warranted.

FISCAL IMPACT STATEMENT

There is no fiscal impact from the recommendations in this report.

Willits Settlement Agreement Briefing

Tuesday, February 16th 2016

Exhibit A ANNUAL COMMITMENT SCHEDULE

Year	Fiscal Year	Amount
1	14-15 15-16	\$ 31,000,000
2	16-17	\$ 31,000,000
3	17-18	\$ 31,000,000
4	18-19	\$ 31,000,000
5	19-20	\$ 31,000,000
6	20-21	\$ 35,743,000
7	21-22	\$ 35,743,000
8	22-23	\$ 35,743,000
9	23-24	\$ 35,743,000
10	24-25	\$ 35,743,000
11	25-26	\$ 41,211,697
12	26-27	\$ 41,211,697
13	27-28	\$ 41,211,697
14	28-29	\$ 41,211,697
15	29-30	\$ 41,211,697
16	30-31	\$ 47,517,066
17	31-32	\$ 47,517,066
18	32-33	\$ 47,517,066
19	33-34	\$ 47,517,066
20	34-35	\$ 47,517,066
21	35-36	\$ 54,787,177
22	36-37	\$ 54,787,177
23	37-38	\$ 54,787,177
24	38-39	\$ 54,787,177
25	39-40	\$ 54,787,177
26	40-41	\$ 63,169,615
27	41-42	\$ 63,169,615
28	42-43	\$ 63,169,615
29	43-44	\$ 63,169,615
30	44-45	\$ 63,169,615
Total		\$ 1,367,142,775