



May 4, 2018

Council President Herb Wesson, Jr.
Los Angeles City Council
200 N. Spring St., Room 430
Los Angeles, CA 90012

RE: Street Damage Restoration Fee; Council Files #15-0600-S22, #14-1571.

Dear Council President Wesson,

In partnership with our 400 business and non-profit members, Central City Association is committed to building Downtown Los Angeles' vibrancy and increasing investment in the region. While we agree that an update to the fee amount of the Street Damage Restoration Fee (SDRF) should be considered, we believe that certain proposed changes to the SDRF are unreasonable and would have a significant negative impact on Downtown LA.

The process for the SDRF update has left us with not enough time to review the Study's methodology, data, and findings. With nearly 600 pages of technical studies and various departmental and committee reports associated with the SDRF update, it is essential that the public be given adequate time to review the Bureau of Street Services' proposal, and a chance to provide substantive input before the full Council votes on the proposal.

If approved as proposed, the Street Damage Restoration Fee would increase by at least 1,300% for more than 100 entities that excavate in the City. That change would result in a total cost increase of more than 800% for those entities, from \$8.3 million in FY 2017-2018 to a projected \$70.5 million according to the latest City budget. Such a dramatic increase cannot proceed without the opportunity for meaningful consideration and input. **We ask that City Council delay further consideration of the proposal for at least 60 days while CCA, our members, and other impacted stakeholders review the extensive technical studies developed by Shahin and Associates.**

Based on a preliminary review of summary reports, we have initial comments which are listed below. We will follow up with more detailed input in the coming weeks.

Age and Condition Restrictions

We strongly disagree with the proposal that a road's age and condition should no longer factor into the fees paid into the Street Damage Restoration Fund. It is reasonable to reassess the useful life of LA roadways and consider adjusting fee payments based on that reassessment, but even the City Controller's report did not propose that consideration for age and roadway condition should be eliminated entirely.

Dr. Shahin and Associates' calculations of roadway damage and reductions to useful life appear to be based on impacts to new roadways, which is not a condition that most roads in Los Angeles can claim. There is a clear difference in impact from roadway cuts on roads of different ages and conditions. The impact of a cut on a new road is greater than the impact of a cut on a 10-year-old road. The impact on a 10-year-old road with previous utility cuts is different than for a 10-year-old road without previous cuts. And for older roads in especially poor condition, a cut and subsequent repair may have the effect of improving roadway quality, not degrading it. Would companies that cut into the same road location within a few weeks of each other both be required to pay the full cost of reconstruction, even though those funds may not even be spent on the same location? Any changes to the SDRF must acknowledge these differences and charge accordingly. That essential nexus is currently missing from this proposal.

Width of Influence

The inclusion of "width of influence" is excessive. In particular, this proposal does not account for the Bureau of Engineering's new Street Asphalt Standard (S-477), which requires T-cuts – a higher standard of backfill material and repaving requirements than previous regulations. Given that the purpose of the Asphalt Standard is to prevent trenching failures and to extend the useful life of roadways receiving cuts, it is highly likely that the width of influence estimates by Dr. Shahin and Associates have overstated the impact of cuts subject to the Asphalt Standard and an updated Street Damage Restoration Fee. The SDRF must take into account this new standard.

Concrete Streets

The concrete slab replacement requirement is unreasonable and should be eliminated from the SDRF update. Similar to considerations for roadway age and condition, there must be some nexus between the impact of utility cuts and compensatory action – it is clear that such a nexus is lacking when the smallest cut into concrete requires a full slab replacement, regardless of size, age, condition, or any other valid metric. We recommend that the City refer this back to the Bureau of Engineering and instruct them to develop a Concrete Standard similar to the standard created for asphalt streets. This would improve roadway conditions in the near-term and would not have any impact on the City budget.

Nexus and Equity

CCA is in agreement with the City that we are overdue for an update to the Street Damage Restoration Fee. Addressing increasing costs, emergency work exemptions, and the impact of different types of roadway work are reasonable expectations of our city government. Our main concern with this study and its resulting proposals, aside from the lack of engagement and limited opportunity for public review and comment, lies in the lack of a justifiable nexus between the work performed and the fee collected.

In FY 2014-2015, the Bureau of Street Services (BSS) budget was \$165 million, and with those funds it repaved and resurfaced 855 lane-miles and maintained another 1,545 lane-miles with slurry seal. The Fee increase, as proposed, would grow annual SDRF collections by more than \$60 million to offset the impact of approximately 1.6 million square feet (30 lane-miles) of roadway cuts. Conservatively limiting ourselves to the 855 lane-miles that received more intensive reconstruction work, this would represent a nearly 40% increase in the BSS budget to pay for a 3.5% increase in lane-mile repairs. Even accounting

for “width of influence” impacts, there is a clear breakdown in the nexus between cost and impact in this study.

Finally, we believe that the proposed SDRF would have a disproportionate impact on Downtown stakeholders without commensurate benefits. No place in Los Angeles is experiencing more development activity than Downtown, with thousands of new homes and jobs arriving each year. Multiple and large cuts accompany each of these projects, and each would be required to pay a dramatically higher SDRF with no guarantee that the revenue generated from those cuts would be used to repave those streets or other streets in Downtown.

New projects in Downtown are already funding major infrastructure upgrades, including the sidewalk replacements, landscaping, and utility upgrades required of every new project, and large investments such as the Wilshire Grand development agreement which provided \$8 million for 7th Street streetscape improvements. We do not want to see the Street Damage Restoration Fee become a means by which Downtown – one of the few places creating the housing and jobs that everyone agrees our city needs – becomes the primary funding source for road reconstruction throughout Los Angeles. That is a cost that should be shared proportionately throughout the city.

It is clear from our initial review that there are very significant shortcomings with the Street Damage Restoration Fee update as currently proposed. We hope that the City will address these concerns to ensure that the finalized SDRF satisfies a clear impact nexus, reasonably accounts for roadway age and condition, and distributes both the costs and benefits of the program fairly. CCA agrees that the existing SDRF is need of modernization, and we are committed to working with our elected leaders and City departments to find a solution that meets these standards.

Sincerely,



Jessica Lall
President & CEO

Cc: Mayor Eric Garcetti
Los Angeles City Council
President Kevin James, Board of Public Works Commission