



June 14, 2018

Councilmember Bob Blumenfield
Chair, Public Works & Gang Reduction Committee
Los Angeles City Council
200 N. Spring St.
Los Angeles, CA 90012

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

Dear Councilmember Blumenfield,

In partnership with our 400 business and non-profit members, Central City Association (CCA) is committed to building Downtown Los Angeles' vibrancy and increasing investment in the region. Downtown LA is the County's leader on transit, walking, and bicycling and home to its greatest concentration of new development. Downtown LA has grown faster than any other city center in America but still needs to increase its residential population to be comparable to other downtowns. The Street Damage Restoration Fee (SDRF) update will have a significant impact on our neighborhood and affect the production of housing by increasing costs at a time when our region is facing a housing crisis.

CCA has regularly supported initiatives to increase transportation funding including Measure M and SB 1, as well as other important infrastructure funding sources such as Measure HHH and Proposition 68. At the same time, roads and other public infrastructure are a shared responsibility that must be funded fairly and equitably. We believe that the current SDRF proposal falls short on those metrics, and that such a narrowly targeted funding source — added to other recent requirements like the Affordable Housing Linkage Fee and increased park fee — will further worsen our ability to affordably provide new housing and other essential public works.

Last month we submitted a letter about our concerns with the proposed Street Damage Restoration Fee update, and we have since had the opportunity to meet with City staff to better understand the proposal. This letter builds upon those interactions as well as our comments from last month. Our concerns are outlined below.

Process

Although the direction to study the fee originated in the Public Works and Gang Reduction (PWGR) Committee in 2014, it was under internal review and technical study for the past four years with no stakeholder input on the scope of the study or methodology used. When the study was released on April 16th, 2018, the public was only given two business days to review more than 500 pages of technical information before it was approved by the Board of Public Works and the PWGR Committee on April 18th, 2018. It appeared the next day in the Mayor's FY 18-19 budget.

After these rapid same-day approvals by the Board and Committee, CCA members were understandably concerned that they would not have the chance to review the technical studies and consultant's report before the increased fee was considered by City Council. This concern was a primary motivation behind our previous letter.

These actions gave a very strong impression that the City was not going to allot the time needed for affected stakeholders to provide input before approval. We greatly appreciate that you will be hearing this item again in PWGR committee to allow for more input.

At meetings of the Budget Committee in May, Councilmember Englander expressed concerns about setting policy through the budget process, and asked for the SDRF to be considered in an independent setting. We agree that this is critical because the current proposal represents a fee increase of nearly 800%, from \$8.3 million to \$70.5 million per year — comparable in scale to the Affordable Housing Linkage Fee, which included multiple City Council committee hearings, a robust public debate, and several rounds of amendments before being approved. We believe the SDRF update warrants similar attention and consideration.

Technical Study

Additionally and perhaps most importantly, the technical study is inherently flawed because it's based on data that is no longer applicable.

On March 19th, 2018, the City approved new "T-Trench and Pavement Restoration" standards that are designed to limit roadway degradation caused by trench repairs. (These new standards come with their own costs, increasing the material cost of backfilling by up to 200% or more.) The technical study, however, was performed on trench repairs that pre-dated these new standards, making the study's findings invalid for any forward-looking roadway cuts.

Rather than coordinate the updates of the asphalt restoration standards and the SDRF, or proceeding with one or the other, the City pursued both. As a result, the updated asphalt restoration standards effectively invalidate the technical study for the SDRF. To increase the SDRF beyond adjustments for inflation, a new technical study must be performed that evaluates the impact of roadway cuts under the new T-Trench and Pavement Restoration standards. Without that study it's impossible for the City to know whether it's overestimating the impact of modern roadway cuts.

Fee Allocation

Finally, while the above issues apply to the fee increase as a whole, CCA also has Downtown-specific concerns about how SDRF revenues would be allocated.

DTLA is home to more construction activity than anywhere in the city. As a result, it experiences a large number of roadway cuts and will contribute heavily to the SDRF revenue fund. We believe this will result in Downtown collecting more SDRF than can be spent in a reasonable radius of where the fee is generated.

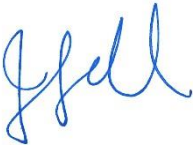
If the SDRF generates more revenues from Downtown than would be spent maintaining and reconstructing Downtown roads, it follows that the proposed fee is higher than can be legally justified. There must be a clear and direct nexus between where SDRF funds are collected and where they're spent, and we recommend that such a nexus requirement be included in the proposal.

Conclusion

With these concerns in mind, we believe an appropriate compromise is for the City to update its fees to account for cost inflation and to perform a new study that evaluates the impact of roadway cuts under the City's new T-Trench and Pavement Restoration standards. We also believe a similar study should be undertaken for concrete streets; the current proposal to replace the entire concrete street section when cuts are performed is not proportionate to the damage incurred. This approach would immediately increase SDRF revenues by 2-3 times or more, with an opportunity to further adjust the fee table once up-to-date impact studies are complete.

CCA appreciates the City's efforts to improve our roadways and we want to be a part of the solution. We hope that these concerns and the alternative approach outlined above help move us toward a solution that works for all.

Sincerely,



Jessica Lall
President & CEO

Cc: Mayor Eric Garcetti
Council President Herb Wesson
Los Angeles City Council
President Kevin James, Board of Public Works Commission
Greg Good, Chief of Legislative & External Affairs, Office of Mayor Garcetti