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CITY PLANNING

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May 6, 2016

Honorable Members of the Planning and Land Use Committee  
Room 395, City Hall  
200 North Spring Street  
Los Angeles, California 90012

Attention: Sharon Dickinson, Legislative Assistant

**SUBJECT: REPORT BACK ON CITYWIDE MANAGEMENT OF DEVELOPMENT  
IMPACT FEES – COUNCIL FILE 15-1311-S1**

On December 1, 2015, the Planning and Land Use Management Committee instructed the Department of City Planning (DCP) to report back on the feasibility of managing Development Impact Fees (DIF) on a citywide basis in accordance with recommendations from the City Controller audit on the same topic dated November 5, 2015. The audit results included seven recommendations, the first being that City Planning management should:

- regularly assess the potential for new development impact fees,
- monitor and charge existing fees for all City departments,
- establish a DIF condition tracking system for all departments to record payments centrally, and
- determine the necessary funding/positions to perform the aforementioned responsibilities.

As stated in the Department response to the Controller's Audit dated October 1, 2015, implementation should be integrated into a broader Capital Improvement Program (CIP) since any fees would be tied to infrastructure and the provision of public services. The Department does not manage the City's CIP; however, it is responsible for the City's General Plan which guides the City's growth and infrastructure needs.

Today, most of the DIFs collected are associated with transportation improvements and the Department of Transportation (DOT) was also included in the audit report and findings. City Planning consulted with DOT in preparing this report to determine appropriate resources for citywide management of DIFs.

### **Requested Resources**

Managing Development Impact Fees on a citywide basis would create an entirely new work program for the Department of City Planning and will require an initial investment from the General Fund. Under the State's Mitigation Fee Act, the imposition of a new fee must be justified by a nexus study that establishes a "reasonable relationship" between the impacts of new development and the facilities needed to mitigate their impact. The Department, in coordination with the Housing and Community Investment Department (HCID), is currently spearheading a nexus study for a new Housing Linkage Fee.

However, a comprehensive DIF program would require a more far-reaching nexus study (or a series of studies) addressing an array of potential impact areas. The Department would require a City Planner, City Planning Associate, Transportation Engineering Associate, and Financial Specialist to oversee this comprehensive nexus study and develop the comprehensive DIF strategy. These positions would be working directly with the consulting teams, coordinating with multiple City departments, reviewing the substantive nexus findings, preparing staff recommendation reports for City Planning Commission and City Council, and regularly re-assess the potential for new development fees.

The DIF audit also recommended that DCP play a lead role in identifying the DIF fees and usage, monitoring and charging fees for all City departments, creating a tracking system for all departments to record payments, and preparing regular reports on the collections and expenditures of DIFs throughout the City per State requirements. This component of the program will necessitate a high level of financial reporting, tracking and monitoring across City departments, requiring a greater reliance on classifications assigned to administrative and financial functions, as opposed to planning functions.

The Department is recommending that this new administrative and financial team be led by a Chief Management Analyst, possessing the experience and authority to create and manage new financial systems to be accessed by all City departments. The Chief Management Analyst would also work closely with the City Administrative Officer (CAO) in linking this financial reporting and monitoring to the City's CIP. The team will also require a Principal Accountant II and Senior Accountant II to be responsible for the \$54 million in current DIF fund balances. As additional fees are created and collected, more financial positions will need to be added.

DCP is recommending the following position authorities, contractual services, and expense funding to begin implementation of this work program:

<b>Positions</b>		<b>Total</b>
Chief Management Analyst	\$138,163	
Financial Specialist III	\$119,057	
City Planner	\$106,654	
Transportation Engineering Associate	\$97,760	
Principal Accountant II	\$93,521	
City Planning Associate	\$85,648	
Senior Accountant II	\$77,109	
Administrative Clerk	\$44,516	<b>\$762,428</b>
<b>Contractual Services (One-time funding)</b>		
Systems Development	\$200,000	
Nexus Studies	\$500,000	
Economic Consultants	\$500,000	<b>\$1,200,000</b>
<b>Expenses (One-time funding)</b>		
Personal computers/Office Supplies	\$25,550	<b>\$25,550</b>
<b>Grand Total</b>		<b>\$1,987,978</b>

After completion of required nexus studies, it is anticipated that continued funding of the positions would come from fees charged to developments. The Department has determined it requires this level of resources to implement the recommended monitoring of Development Impact Fees, conduct necessary studies, and coordinate Capital Improvement Program needs, all with the potential to collect additional funding from development projects to address their impacts on the City's infrastructure. While the contractual services and expenses are identified as one-time expenses, there may be a need to continue all required studies over a two-year period.

**Recommendation**

That the City Council, subject to approval of the Mayor:

1. Find that the Department of City Planning is the appropriate department to manage Development Impact Fees citywide; and
2. Authorize funding in the amount of \$1,987,978 for positions and expenses to support this new work program.

If there are any questions, please contact Jan Zatorski, Deputy Director of Planning at (213) 978-1273.

Sincerely,

A handwritten signature in black ink, appearing to read 'VINCENT P. BERTONI', written over a horizontal line.

VINCENT P. BERTONI, AICP  
Director of Planning

cc: Kelli Bernard, Deputy Mayor  
Ron Galperin, City Controller  
Seleta Reynolds, General Manager, DOT  
Miguel Santana, City Administrative Officer