CCA
CENTRAL CITY ASSOCIATION
OF LOS ANGELES

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Submitted in PLUM Committee
Council File No: 16-0529
Item No. 3
~~Deputy~~: Comm. from Public

May 13, 2016

The Honorable Jose Huizar, Chair
Planning & Land Use Management Committee
Los Angeles City Council
200 N. Spring Street
Los Angeles, CA 90012

Re: Council File 16-0529, Park Fee Update (aka Quimby Fees) – Request to Amend the Phase-In Period and Grandfather Clause

Dear Councilmember Huizar,

Established in 1924, the Central City Association (CCA) is Los Angeles's premier business advocacy organization, with 450 members employing over 350,000 people in the Los Angeles region. CCA represents a broad swath of the businesses that drive the Los Angeles economy and knows its continued success is dependent on new investment.

CCA believes parks make great communities and we are supportive of many of the items in the Park Fee Update. Namely, the increased flexibility on where the funds can be spent and the onsite credit provision. For far too many years, park fees have been idle in a City account instead of being spent in communities where parks are urgently needed and we are hopeful that this update will address this.

In order to encourage new investment, we need a stable and predictable business environment where developers are fully aware of new fees and have ample time to plan for them. **The Park Fee Update will greatly impact new multi-family residential development, including downtown housing projects, and we encourage you to amend the ordinance to provide sufficient time for development to adjust to the fee.**

The two amendments we are recommending are summarized as follows:

1. **Amend the Grandfather Clause**
2. **Extend the Phase-In Period**

Currently, residential development that needs a subdivision or a zone change is subject to paying a park fee. All other residential projects do not currently pay a park fee. Subdivision projects pay a Quimby fee and residential projects receiving a zone change pay a Finn fee. The fee amount is dependent on the zone the project is being built in. For example, a subdivision project being built in a R1 zone currently pays $2,789 per unit. The park fee update will impose a fee of $7,500 per unit for subdivision projects the first 12 months after the ordinance is adopted and then adjust the amount to $10,000 per unit. A non-subdivision project requesting a zone change and being built in a R3 zone currently pays $4,168 per unit. The park fee update will impose a fee of $2,500 per unit for the first 12 months after the ordinance is adopted and then adjust the amount to $5,000 per unit.

The Park Fee Update will impose a park fee on all new residential development and it will be a flat fee based on project type. Projects with a subdivision map will pay $10,000 per unit and non-subdivision projects will pay $5,000 per unit. As proposed, this will be phased-in over a two year period. For some residential projects that were not subject to a park fee, this represents a significant new cost that was not apparent to many developers when they budgeted their projects. These fee increases add significant costs to projects that are already funded and in the entitlement process. The City Planning Commission partially recognized that by adding a grandfather clause for projects that have already paid plan check fees for a building permit. This was a good first step; however, as currently proposed all other residential projects will be subject to the new park fee structure 60 days following adoption of the ordinance.

We recommend that the grandfather clause be amended to include any non-subdivision project that would otherwise not be subject to a park fee, which has submitted an application to the City Planning Department and paid all associated application fees prior to the effective date of the ordinance. Developers purchase land and create pro formas based on current fee structures and it is unfair to change it midstream.

We also believe the impact of the new park fee structure should be mitigated for subdivision projects by extending the phase-in period from two years to five years. As you know the city is facing a severe housing crisis, and we need to make sure new fees do not act as a disincentive to creating desperately needed new residential units.

From 2000 to 2014 the population in Los Angeles grew by 167,468 yet during this same period only 89,701 units of housing were built. There is an average of 6,407 units built per year, which means it will take 15 years to provide enough units to meet housing demand. And, we know this number is actually larger since demand continues to grow. It is important to consider the impacts of a fee on residential development in conjunction with this challenging housing data. **We strongly believe refining the grandfather clause and extending the phase-in period will help mitigate any negative impacts on housing production.**

We also believe you should consider adding language to this ordinance that would allow for the fee to be restructured if the City adopts a Linkage Fee on new development to support affordable and homeless housing. **There should be a mechanism built into new fee ordinances, including this one that allows for comprehensive development fee review.** The staff report from City Planning acknowledged the Linkage Fee as a consideration but there is no language within the Park Fee Update ordinance that provides for comprehensive review.

New residential development already pays significant fees including school fees, art fees, public works fees, DWP fees, and sewer facilities charges. New development also creates jobs, generates local taxes and increases property taxes. Each fee on its own may be relatively small, but when added to the myriad other fees, they represent a significant cost to the developer. This cost is then passed on to the homebuyer or to the renter, helping to keep many units unaffordable.

CCA is a strong supporter of parks and open space, especially in areas such as Downtown that have little park space but increasing density. **We hope you will recognize the importance of balancing the need for new park funding with the need to create a predictable environment for new investment.**

Thank you for your consideration and should you have any questions, please contact Marie Rumsey at mrumsey@ccala.org, 213.416.7513.

Sincerely,

Carol E. Schatz
President & CEO

CC: Council President Herb Wesson
Members of the Planning, Land Use & Management Committee