

CITY OF LOS ANGELES
INTER-DEPARTMENTAL MEMORANDUM

Date: April 16, 2015

To: Honorable City Council
c/o City Clerk, Room 395, City Hall
Attn: Mike Bonin, Chair, Transportation Committee

From: Seleta J. Reynolds,  General Manager
Department of Transportation

Subject: **PROGRESS REPORT ON THE FORMULATION OF MULTIPLE-PROVIDER CARSHARE PERMIT PROGRAM (C.F. 13-0192)**

RECOMMENDATIONS

That the City Council:

1. DIRECT the Los Angeles Department of Transportation (LADOT) to revise the Rules and Guidelines for Fixed Space portion of the Multiple-Provider Carshare Permit Pilot Program pursuant to Council instruction regarding metered space cost recovery, and space conversion pricing structure.
2. DIRECT the LADOT to prepare Point-to-Point Guidelines Point Carshare consistent with Council instruction in the next 90 days for implementation and study in a location designated by the City that meet the goals of the study.
3. DIRECT the LADOT to make any administrative changes to the Rules necessary for implementation and program management.
4. DIRECT the LADOT to return to Council in 90 days with an update on the Fixed Space and Point-to-Point Multiple-Provider Carshare Permit Pilot Program.

DISCUSSION

Since the report given to the Transportation Committee on November 12, 2014, the City Attorney has prepared changes to the Carshare Ordinance, which allows LADOT to charge permit fees to ensure full cost recovery for metered parking spaces if those spaces were fully occupied. In light of pricing concerns and raised by Zipcar at the prior hearing, LADOT met with representatives of interested carsharing companies to survey interest in participating in the City pilot under a full cost recovery, which is reflected in the current Guidelines. Industry representatives have concerns about their participation, especially where meter use is and has been less than 100%. Whether pursuing full opportunity cost recovery would chill participation or merely drive the market to less costly meters or off street alternatives remain untested. LADOT has received input from Denver, Colorado, San Jose, California, Ann Arbor, Michigan, Chicago, Illinois, Pasadena, California, San Diego, San Francisco and Portland, Oregon regarding their recapture plans for meter fees. Notwithstanding, the LADOT has explored and will present alternative pricing strategies from which the Council can select.

In an attempt to further scale back the upfront costs, providers have requested the City to consider allowing the permittees to be responsible for installation and removal of pavement markings, signs and any other improvements required to activate a space.

Background

Meter Cost Recover Issues

Full Opportunity Cost

At the prior meeting, the Transportation Committee recommended that any provider compensate the City for all of the hours a meter would otherwise be *available* for public use. The cost would be measured meter by meter and the LADOT could easily supply the permittees with the charges and provide a set quarterly invoice. This is the method used by the Department in charging Valet companies for use of the right-of-way. While this cost recovery model as it is consistent with the methodology used under the Valet in the City of Los Angeles, it could generate far more revenue than the City actually receives on metered spaces. Insisting on this method could increase costs of operation to the companies, the ultimate users and could have a chilling effect on the program undercutting the City's ultimate goal of broad adoption of car-light living alternative.

While the representatives did not state an absolute unwillingness to participate if the City insists on full opportunity cost recovery, they did indicate they would have to determine if those costs were feasible under their current business model. Moreover, the representatives of the companies indicated that the opportunity cost was an unfair and unrealistic charge as the City does not recover 100% of in service hours on any meter.

Actual Revenue

Under this plan, the City would recover revenue based on the most current data for the prior 12 months. While meter recovery in areas is changeable based on popularity and can vary widely in zones, this strategy would most closely approximate the current recovery per meter. While this would not provide any uniformity of pricing structure for providers, it would more accurately reflect the foregone revenue. The City is able to supply the most recent 12 month cost recovery on a meter-by-meter basis. This figure could be impacted by fluctuations in neighborhood popularity. By allowing for use by the provider in excess of the actual use of the meter, other providers under the point-to-point, as well as the public, may claim that the City is providing the companies a lucrative benefit for less than market value.

The representatives from the industry preferred a method that was more reliable to calculate, even if less reflective of the actual recovery rates.

Tiered Pricing Strategy - LADOT's Recommendation

Industry representatives prefer a zone plan, which would break the City meters into approximately five cost zones, with a set per month charge for each. The Department will review ad-hoc requests by industry for meters generating in excess of \$3,600 per and may allow for conversion of those spaces into the Pilot Program provided that actual estimated foregone revenue be paid by the user.

This course would improve predictability for the industry and the City, but contains inherent risk to the City as the monthly zone structure may not capture the full revenue gathered if the meters remained in service. To illustrate the potential impact on revenue, the highest collection from a City meter has been in excess of

\$12,000 per year. That meter is in a zone in which industry representatives recommend compensation at \$150 per month, equaling \$1,800 per year. If the City agreed to such a plan, it could lose \$10,200 per year on that single transaction. While this example is the most extreme, it is not uncommon for recovery by meters within geographic zones to vary. As staff has reliable access to true recovery rates and can provide the information easily, use of that data would be the most reliable to ensure the City receive adequate compensation.

Should the City Council elect to forego full opportunity cost recovery at least for the duration of this pilot, LADOT would recommend that recovery be set to recover actual revenue in order to limit or eliminate unforeseen impacts to the Special Parking Revenue Fund.

To lessen possible shortfalls based on a geographic zone pricing scheme, the Department could recommend a tiered pricing plan, which would limit potential fiscal impacts by eliminating anomalous high revenue generating meters from the pool of meters while providing an ample selection of meters from which industry can select the the locations that best suit the companies' business models. By eliminating all meters generating more than \$300 per month from general selection and setting up five payment levels with a selection of meters within those price points, the companies will be able to simplify programming once meters are selected and the City will be able to predict the revenue more easily. By not wholly excluding high value meters but requiring reimbursement of the estimated actual foregone revenue, LADOT believes this is the best middle ground to encourage increased participation of companies under the carshare program while lessening the risks to the City. The Department's recommendation for such a pricing model is set forth in the model below:

PROPOSED TIER PRICING WITH METER LIMITATIONS

| Tier Number | Annual Meter Revenue (Gross Range) | Monthly Tier Fee | Annual Fee for Use | Number of Meters Estimated for Selection |
|--------------------|---|-------------------------|---------------------------|---|
| 5 | 2751-3600 | \$300 | \$3,600 | 2706 |
| 4 | 2001-2750 | \$230 | \$2,750 | 2824 |
| 3 | 1251-2000 | \$170 | \$2,000 | 8635 |
| 2 | 751-1250 | \$105 | \$1,250 | 14,937 |
| 1 | 0-750 | \$65 | \$750 | 6694 |
| | | | | Total: 35,796 |

- ** Pricing excludes all meters generating revenue greater than \$3,600/year
Inclusion of meters with revenue exceeding \$3,600 will be determined on a case by case basis and subject to actual foregone meter costs.
- + LADOT will supply Parking Meter Zone location information to applicants to speed space selection within cost structure.

Other Jurisdictions

To determine how other municipal governments are recapturing meter revenue, LADOT sent a survey to other municipal agencies with the following results:

| Locality | Charge meter recovery/permit fee? | Method |
|-------------------|-----------------------------------|---|
| Ann Arbor, MI | No | Carsharing is not a pilot, but there is no charge as it is considered as an element in encouraging people to use a wider variety of transportation options. |
| Chicago, IL | Not Applicable | Robust program of approximately 500 cars not in the public right-of-way, not a pilot program |
| Denver, CO | Yes | 1/3 full opportunity cost when displacing a meter, analogous treatment to Valet, "Found" curb space varies per location: Downtown at \$750 per space, Targeted Low Income Areas \$250/space \$500 for all other spaces. Permit fee is calculated on the meter revenue loss. |
| Pasadena, CA | No/Yes | This is a small 18 car pilot. Pasadena is foregoing meter revenue at this time, but is charging a nominal \$50.00 per year permit fee. |
| Portland, OR | Yes | Average of Actual Revenue on block face in prior year |
| San Diego, CA | Yes/No | This is a pilot program. Meter fees are being recovered in full, but there is not a permit fee being charged at this time. |
| San Francisco, CA | Yes | This is a two year pilot program, which will involve 250 spaces by May 2015. The City is charging a component of the aggregated administrative costs, enforcement, maintenance, average daily meter revenue. They will evaluate the data and adjust the fees currently set at \$225/\$150/\$50 per month depending on location. |
| San Jose, CA | N/A | This is a small 26 car pilot program. They have been able to avoid meter revenue loss by removing unneeded red striping. The City is charging a \$35 permit fee and \$225 for space marking. |

Space Conversion Costs

The Guidelines set forth one time fees for conversion of curb spaces to carshare space ranging from \$1,060 for unmetered spaces to \$1,460 for metered ones. The rates were set to ensure monies were collected to remove spaces from public use and to remove the spaces from the carshare program. One potential partner company wanted to explore the high cost of conversion of street spaces and proposed that the company provide the pavement markings and other conversion labor and materials. This is not an option as Section 80.07 of the Los Angeles Municipal Code specifies that "the Department of Transportation shall have the exclusive authority to install, place, maintain or remove any traffic control device or other type of sign in the City of Los Angeles". While changes were recently enacted, those limited LADOT's ability to delegate its authority to other city agencies for the limited purpose of installation or removal of temporary no parking signs.

While the City Council has the ability to modify the Municipal Code to allow for such delegation, the liability for the work performed would continue to rest with the City. LADOT does not recommend such a modification at this time as this is a twenty-four month pilot program with approximately 250 vehicles participating. If vehicles are placed in the typical two car pairings (commonly referred to as a pod), the anticipated conversion costs (absent engineering review time) could be lessened to \$1,860. It may be possible to further lessen the upfront cost to \$990 for pod placement, provided the company provide a bond to ensure the City can call on adequate funds should a provider be unable or unwilling to provide funds at the time a carshare pod is removed from service under this program. Should the City Council modify the LAMC to allow for carshare provider companies to contract the conversion work, this would not eliminate all costs of conversion as City engineering staff would be required to perform field checks for all work performed, initial estimates of those costs difficult to calculate, would be approximately \$400 per space/pod.

Parallel Developments

Point- to-Point Carshare Guidelines

Pursuant to City Council instruction, the Department has been working with a task force from the Mayor's and Council staff as well as with industry to formulate guidelines to incorporate a one-way model into the City Carshare Pilot Program.

The goals of industry are to provide a multi-jurisdictional program, which raises additional complications in placing limits on fleet size. LADOT recommends that the City charge the same \$950 administrative permit fee used in the fixed space without proration or apportion permit costs. The Department further recommends it bill actual meter rates on all point to point vehicles, whether operating under a City of Los Angeles permit or that of another City.

Since this is an untested service in this locale, LADOT recommends that participation under this modality be limited to 200 cars, incorporating 50 vehicles in the first year and evaluating the effects of the program in determining whether to authorize an increase or decrease in vehicles based evaluation of the program success and staffing demands. This would also require limiting the geographic participation area to ensure adequate training for uniform enforcement as well as provide the educational outreach for participating members. The LADOT would recommend piloting the program in a small, more segregated area of the City near the South Bay cities where point-to-point carsharing already has some presence in order to determine

whether multijurisdictional carsharing will benefit Angelinos and what degree of program will be manageable under the allotted staffing.

At this time, LADOT does not recommend changing meter enforcement elsewhere unless the point-to-point model demonstrates proven success at this level.

CARB Grant: Placement of Electric Vehicles in Disadvantaged Communities

On April 8, 2015, the Mayor's Office of Sustainability submitted an application for funds to explore and place up to 150 electric vehicles in disadvantaged communities. If the successful in obtain grant funds, there could be as many as 150 additional carsharing vehicles available in areas of high population density with low vehicle ownership rates. LADOT will provide input on space selection.

SJR:DBA:tlm

Attachment

Draft Point-to-Point Guidelines