

Attachment 4

In-Lieu Parking Study Executive Summary

EXECUTIVE SUMMARY

Since 1976, the City of Beverly Hills has administered an in-lieu parking program within the Business Triangle. The program was created as an option for prospective developers, or those wishing to change the uses of existing buildings, to pay a fee in lieu of building the required amount of parking on-site. The program was intended to foster a more vibrant and sustainable business environment, and to enhance the pedestrian experience by encouraging redevelopment of properties into restaurants, retail shops, theatres, museums, and other pedestrian-attracting uses. Revenue gained from the in-lieu parking program is earmarked for provision, operation and maintenance of public parking.

The most recent update to the program came in 2013, when a pilot leasing option was introduced to allow food sales and service commercial users to pay the in-lieu parking fee as an annual “lease” rather than paying the full lump sum. This option is due to expire in October 2014.

The City is interested in assessing the performance of the in-lieu program performance and exploring potential expansion of the program to five commercial corridors within Beverly Hills with a particular focus on the Southeast Area: South Robertson Boulevard, Wilshire Boulevard, Olympic Boulevard, South Santa Monica Boulevard, and South Beverly Drive.

Nelson\Nygaard has been contracted by the City of Beverly Hills to:

- Evaluate the City’s existing in-lieu program in the Business Triangle district;
- Determine the cost and feasibility of constructing new public parking in the potential expansion areas of the in-lieu program; and
- Make recommendations on parking needs and maximizing parking resources in these expansion areas.

EXISTING PARKING CONDITIONS IN THE BUSINESS TRIANGLE

Assessment of the in-lieu program is done in the context of an understanding of wider parking conditions and policies for the City. Based on the current inventory of parking spaces, there are 11,517 parking spaces in the Business Triangle, including 584 on-street spaces, 4,474 public off-street space, and more than 6,186 private off-street spaces.

Pricing policies between these different sources of parking differ markedly. City-operated facilities are priced well below the private market values with most facilities offering free parking for one and two hours followed by an hourly rate of \$6 up to a daily maximum of \$22. Private garages generally charge between \$6 and \$15 per hour.

Despite the provision of free and below-market parking in City-operated facilities, studies show parking occupancy is close to optimal within the Business Triangle, though public perception would suggest a shortage. Based on a parking survey conducted in October 2012 by Kimley-Horn as well as more recent data on public garages, parking utilization at peak times (1 p.m. on

Thursday) was 76% on-street, 76% in private garages, and 87% in public garages, bringing total parking utilization to just 80%, which is a little lower than the target of 85% utilization and suggests that there is still a surplus of parking within the Business Triangle.

Parking occupancy is not evenly distributed, however, with some facilities at almost 100% capacity while others fall below 50%. This unevenness suggests a need for the use of parking pricing to appropriately spread parking availability throughout the district. It may also suggest the need for different strategies regarding where to place monthly parking in the area as well as improved wayfinding information to help people to find available parking spaces. It is noted that the City may have other policies and priorities that interfere with optimal utilization of parking. For example, free 1-hour parking is seen as a means of attracting shoppers and visitors to the city.

IN-LIEU PROGRAM PERFORMANCE

The in-lieu parking program is one tool for achieving the community vision outlined in the Beverly Hills General Plan. This vision encompasses attracting new businesses, enhancing residential quality of life, creating a built environment that enlivens pedestrian activity, and limiting negative externalities caused by vehicles. In this context, the in-lieu program is an element in Beverly Hills' efforts to remain a competitive destination for businesses and a desirable home for residents.

Since its inception in 1976, more than \$13 million has been raised by the City through the in-lieu parking program. This is equivalent to \$19.1 million (in 2014 dollars) paid in lieu of 748 parking spaces. Although a great deal of public parking has been created over the lifetime of the program, the revenues from in-lieu fees have been used for parking maintenance rather than increasing parking supply since the fees collected are dwarfed by the cost of land acquisition and parking construction in this high-value urban area.

From a development and planning sense, however, the program can be viewed as a success. The relatively constant rate of participation in the program denotes that the in-lieu option has helped to facilitate investment in the Business Triangle, and has allowed the City to maintain a high standard of urban design and streetscape uninterrupted by fragmenting and unsightly parking lots or curb cuts/driveways in the sidewalk that may impede the pedestrian experience.

Based on this evaluation, a number of features of the present in-lieu parking program and wider parking policies seem to be working well:

- The City has provided parking through creative use of subterranean space and retail wrapping to mask structured above-grade parking facilities. While this is a very expensive way to provide parking, it has facilitated high rates of vehicle access with limited negative impacts to the pedestrian realm.
- The provision of installment options for payment of the in-lieu program provides flexibility for developers and lessees, and ensures a relatively consistent revenue stream for the City.
- Likewise, the new in-lieu lease option provides similar benefits to the installment option, though the low contribution rates are even less likely to generate sufficient funds to embark on potential parking-related projects.

Relative to program goals and comparable programs, there are a number of features of Beverly Hills' in-lieu parking program that could be improved:

- Many land uses and activities are prohibited from participating in the in-lieu program, which means that developers are required to provide more parking while existing parking resources reach only 80% peak occupancy even with free and below market rates.
- The City's current minimum parking requirements are similar to comparable communities, but not in line with industry best practice which is shifting away from minimum parking regulations and toward a market-based approach.
- The application fee for Beverly Hills' in-lieu parking program is an order of magnitude higher than that of comparable communities.
- The in-lieu fee itself for Beverly Hills is also considerably higher than the fee in many comparable cities.
- There is a need to allow more flexible use of in-lieu revenues for projects that increase parking capacity or reduce trips in the most effective and efficient manner possible.
- One means of increasing capacity includes shared parking arrangements as a way to fill vacancies in underutilized private parking facilities *before* considering the development of new parking supply.
- The policy of free parking for the first one to two hours undermines the business of private operators and incentivizes driving and reparking.
- Likewise, nearly-free parking for City employees does not encourage sustainable commute patterns or reflect the cost to provide, operate, and maintain parking facilities.

PARKING AND DEVELOPMENT IN COMPARABLE CITIES

Examining the City's in-lieu parking fees in relation to comparable cities, such as Culver City, Santa Monica, and West Hollywood, helps to gauge the impact that the program has on the regional competitiveness of the City in attracting high-end retail and desirable commercial firms.

The minimum parking requirements of Culver City (1 space per 350 sf) are equivalent to that of Beverly Hills for general office, retail, and restaurant space; however Culver City allows for businesses to enter a 10-year lease program for space in public garages at the cost of \$80 per month. Over the course of the 10-year lease developers in Culver City would end up paying \$23,800 to provide the required amount of parking for 1,000 sf of development (2.9 spaces) compared to payment of between \$87,300 and \$137,300 (based on location) for an in-lieu payment and application fee in Beverly Hills paid over four years.

Minimum parking requirements in the City of Santa Monica are slightly higher than that of Beverly Hills, but uses a scheme which charges the in-lieu parking fee based on the assessed value of new development. By using a present value rate, the fee in Santa Monica works out to \$1.50/sf annually or \$12,993 in a 10-year period. Santa Monica's existing in-lieu fee program is set to expire in 2016. It will likely be replaced with a new in-lieu fee with an initial cost of \$20,000 per space, which is still lower than the lowest fee offered by Beverly Hills.

The City of West Hollywood has higher minimum parking requirements than Beverly Hills and does not offer a traditional in-lieu program. Instead the City offers a parking credit program for businesses less than 10,000 square feet located within its parking district. The program is not designed to fund construction of new spaces, but to facilitate the creation of small independent businesses and restaurants. Over the course of ten years the \$382.50 annual fee and \$650 application fee for the credit program would cost a business \$12,247—far less than the fee in Beverly Hills.

Although Beverly Hills has equivalent or lesser minimum parking requirements than that of comparable cities, its higher in-lieu fees can be seen as discouraging to small business.

EXISTING AND FUTURE PARKING CONDITIONS IN THE EXPANSION AREAS

The City of Beverly Hills is considering expanding the in-lieu parking program to five commercial corridors: South Beverly Drive, South Santa Monica Boulevard, South Robertson Boulevard, Wilshire Boulevard, and Olympic Boulevard. Along these corridors there is only one City-owned parking garage so on-street and private parking facilities play a more dominant role. Based on an inventory of private parking, there are almost 5,000 private parking spaces throughout the expansion areas, with many located along Wilshire Boulevard.

Occupancy data indicates that parking is most scarce along South Beverly Drive, where occupancies reach 83% in the peak (1 pm on Thursday). This occupancy level is close to ideal and suggests the need for shared parking arrangements, wayfinding and pricing aids to encourage optimal use of all parking resources. Other corridors have lower occupancies of around 70% on South Robertson, 60% on Olympic Boulevard, 50% on South Santa Monica Boulevard and 40% on Wilshire Boulevard. The distribution of parking between on-street and private off-street facilities suggests the need for integrated approaches to parking provision along these corridors such as shared parking through public private partnerships.

Calculations of the built ratio of parking (the amount of parking per square foot of development provide insight on the quantity of parking and potential blended parking rates. The built ratio of parking ranges from 0.72 off-street spaces per 1,000 square feet on South Santa Monica Boulevard (south of Wilshire Boulevard), to 2.9 off-street spaces per 1,000 square feet on South Robertson Boulevard. When translated to the equivalent square footage, all corridors except Santa Monica and Wilshire Boulevard dedicate more area to parking than land uses.

Comparisons to code requirements were misleading, with 140% of required parking provided on South Beverly where there is the lowest parking availability, and only 50% of required parking provided on South Santa Monica where there is a surplus of parking. Based on the ratio of improvements to land value, it may be possible to add between 1.74 and 2.98 million square feet of development along the expansion area, which translates to between 782 and 1,740 additional net parking spaces under a 30% build out scenario, and 2,690 to 5,550 spaces under an 85% build out scenario.

COST AND FEASIBILITY OF CONSTRUCTING NEW PUBLIC PARKING IN EXPANSION AREAS

As part of this study, new parking supply costs were examined in order to provide decision makers with more specific information needed to assess the feasibility of potential options. New parking supply costs include both construction and real estate costs. Construction costs for parking structures will be comparable from site to site, but real estate and land costs vary by corridor.

Several garage scenarios were developed to reflect different types of facilities (surface, above grade and below grade, with and without automated parking) and potential assemblage of parcels within the expansion areas. Based upon the CPI and Engineering Cost Index, the cost of constructing different parking facilities varies greatly depending on size and design. The lowest-

cost facility for potential opportunity sites within the study area would be a surface lot accommodating 76 stalls at a cost of \$6,247 per stall (\$0.48 million total). In contrast, a below grade structure could provides 159 stalls with a more appealing and efficient use of space but at a cost of \$86,178 per stall (or a total cost of \$10.9 million). The two facilities which provide the greatest parking capacity of 300 stalls include an above grade structure with automated operation and a combination above/below grade structure with automated operation. These facilities come at a cost of \$37,523 per stall (\$11.3 million total) and \$49,792 per stall (\$14.9 million total) respectively.

In addition to construction costs, new public parking within the expansion areas would require acquisition of land. These land costs vary according to location. The most inexpensive site is located on Olympic Boulevard, where land values are \$260 per square foot (\$6.4 million for a 159 stall garage). On South Robertson Boulevard, land values are somewhat higher at \$420 per square foot (\$9.3 million for a 152 stall garage). South Santa Monica Boulevard land values are \$600 per square foot (\$14.4 million for a 159 stall garage). And finally, land values on South Beverly Drive are \$990 per square foot (or \$21.8 million for a 159 space garage).

It should be noted that approximately \$13 million in revenue has been generated by the in-lieu program since its inception in 1976. This four-decade income is insufficient to fund even the lowest cost facility when construction and land costs are combined.

DEVELOPMENT FEASIBILITY ANALYSIS

In order to determine whether developers require a parking in-lieu fee as an incentive to develop new mixed-use projects along the Robertson Boulevard and Olympic Boulevard corridors, this analysis evaluated the feasibility of developing three prototype projects under existing parking requirements and a parking in-lieu fee. Development prototypes include:

- 3-Story Mixed Use Office/Retail on Robertson Boulevard,
- 3-Story Mixed Use Office/Retail on Robertson Boulevard, and
- 3-Story Mixed Use Rental Residential/Retail on Olympic Boulevard.

The development feasibility models show the residual land value that an owner could charge for his/her site and still attract a developer. Negative land values or those that are below current market values indicate the need for subsidies or other incentives to attract desired development projects. Under current market conditions, none of the development prototypes are feasible and would require a subsidy to attract a developer.

Although expanding the parking in-lieu fee program to the Robertson Boulevard and Olympic Boulevard corridors would improve feasibility conditions, it would not make the prototype projects feasible without an additional subsidy or incentive, or changes in existing market conditions. The City could consider reducing parking requirements and/or allowing automated parking to meet parking requirements as an additional incentive.

INDUSTRY BEST PRACTICES

As Beverly Hills continues to attract high level development and businesses to the city, particularly in underserved areas, the City will need to consider new techniques to correctly price parking, provide new capacity, and raise funds for new parking. Several strategies have been used in other California cities to meet these goals.

- Parking Impact Fees, such as those in Palo Alto, allow a city to collect revenue from new developments that are driving demand for additional parking and its associated impacts.
- Parking Improvement Districts (PIDs), such as Austin's Parking Benefit District, are defined geographic areas which return revenue generated from on-street and off-street parking facilities within the district to finance neighborhood improvements.
- Parking Assessment Zones, such as the Old Pasadena Management District, involve defined geographic areas in which property owners are assessed in order to generate a new revenue stream, which is then leveraged for funding parking enhancements.
- Parking User Fees, such as Redwood City's Dynamic Pricing approach, establish market values for parking spaces and adjust prices according to levels of demand to ensure that a city can actively manage parking supply through all periods of the day and year.
- Public-Private Partnerships, such as the shared parking arrangement between Washington Elementary School and San Diego's Centre City Development Corporation, is an effective use of underutilized existing capacity which can save a city millions of dollars in the construction of new facilities and allow for space to be allocated to higher and more attractive uses.

These strategies could be considered for use within the potential expansion areas of Beverly Hills' in-lieu parking program.

ZONING STANDARDS ON ROBERTSON BOULEVARD

Zoning standards were examined more closely in relation to potential development along the South Robertson Boulevard corridor, relative to similar corridors in Los Angeles (North Robertson Boulevard), Santa Monica (Main Street) and Palo Alto (University Avenue).

Based on this assessment, it appears that there are many potential improvements that could be made to Beverly Hills' zoning code, including greater organization and readability. On the other hand, the City of Beverly Hills tends to be no more restrictive in categories such as height limits, minimum parking requirements, and permitted uses.

One regulation which is more restrictive in Beverly Hills is the special setback requirements that apply to South Robertson Boulevard. Combined with the City's minimum parking requirements, these regulations determine a feasible FAR of less than 1.1 for new development along the corridor even though the maximum allowed FAR is 2. As a result, a typical restaurant and commercial development along South Robertson would be required to set aside more than 40% of the site for parking and setback, thereby limiting the potential profitability of the development. For larger restaurant-related projects, higher parking requirements apply, which lower the feasible FAR to less than 0.7, and mean that more than two-thirds of the site would be set aside for parking and setback.

If a developer is able to assemble multiple parcels (with dining and bar areas kept below 1,000 sf), greater economies of scale could be achieved to boost the ability of developers to make profit on redevelopment projects. By assembling several parcels, developers may also be able to achieve an FAR of 2 by providing subterranean parking. Given the high land values in Beverly Hills and the high cost of subterranean parking, however, parking and setback requirements may affect the viability of potential redevelopment opportunities.

Expansion of the in-lieu program would allow developers to forego this parking requirement. In addition, the City could consider revising its parking requirements as part of its efforts to encourage greater revitalization and redevelopment along these corridors.

RECOMMENDATIONS ON PARKING NEEDS AND RESOURCES

Based on this assessment a number of strategies are recommended for meeting parking needs and maximizing the efficient use of parking resources. These recommendations are listed below:

- Collect and use parking data to shape parking policy
- Create parking partnerships with private parking operators, schools, and abutting cities
- Reduce minimum parking requirements and give credit for more efficient parking arrangements such as automated, tandem or valet parking
- Retain the in-lieu parking program including the lease option, and expand the program to the potential expansion areas
- Allow more flexible use of in-lieu revenues for streetscape improvements, travel demand management (TDM) strategies, wayfinding, and transit enhancement in any of the in-lieu areas
- Improve parking and wayfinding aids to help motorists locate available parking more easily
- Adjust the parking pricing structure to better distribute demand between on-street and off-street, public and private facilities