



City of
**Santa
Monica**



**FHWA Value Capture Webinar
March 24, 2021**

Santa Monica Context - DAs

- **City of Santa Monica**
 - Development Agreements approved since 1981
 - Over 40 DAs, last approval Sept 2020, two pending 2021
- **DAs as a community development tool**
 - ***Why, Who, How, What to Keep in Mind***
 - Opportunities and challenges for smaller cities
- **Project types**
 - Larger scale office campus: ~1M SF (early years)
 - Office and hotel development
 - Private school and church expansion
 - Hospital campus rebuild/expansion
 - Biotech
 - Housing projects, all sizes



What is a DA?

- **Established by California law** (Gov't Code § 65864 – 65869.5)
- **Negotiated contract** between City and Applicant
 - Legislative Act – broad discretion
 - Vested right for developer
 - Individually negotiated, not precedent setting
 - Shared outcomes – strategic negotiation
- **General Plan/Specific Plan consistency**
- **Voluntary**
 - No need to establish nexus or rough proportionality between community benefits and project, within limits
- **Tailor community benefits**
 - Suit location, context, development proposal
 - Range and magnitude of benefits varies by project
 - Informed by community values/priorities



Why Pursue a DA?

- Provides highest level of community control over projects

Project Characteristics	By-Right	Discretionary	DA
Zoning Code Technical Review	X	X	X
Public Process (Community Mtgs, Public Hearings)		X	X
Environmental Review		X	X
Community Benefits – broad range		Voluntary	X
Ground Level Open Space			X
Coordination between properties			X
TDM Programs	Limited	Limited	X
Transit or Infrastructure Improvements			X
Exceed Zoning Development Standards		Limited	X
Building Mass and Scale		Limited	X
Building Design, Colors, Materials	X	X	X



Who Should be Involved?

- **Who will lead** negotiations, *set direction*, project manage?
 - Negotiating on behalf of City Council, community
 - Technical expertise – project review
 - Policy depth
 - Political awareness
 - Negotiation skills
 - Consider strengths: should be well-suited for lengthy, intense process
- **City team**
 - Project Manager (Santa Monica: City Planning Division)
 - City Attorney representative (land use law/CEQA, negotiations, contracts)
 - Internal review groups: PW, Community Services, Sustainability, Mobility
 - Environmental consultant
 - Fiscal/economic consultant
- **Applicant team**
 - Level of interaction will vary based on City/Agency's culture and approach
 - High level of interaction in Santa Monica



How to Start Negotiations

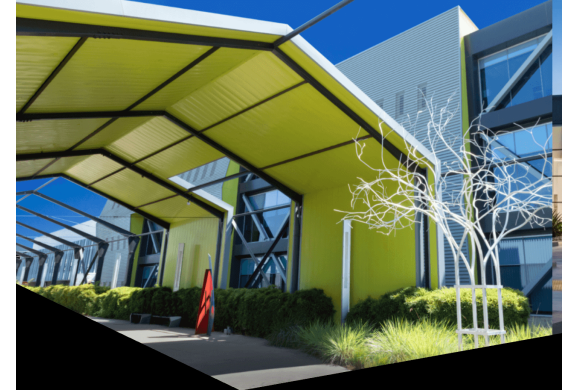
- **Shape project proposal**

- Applicant's project concept + City's land use policies
- What mix of uses and where?
- *Project value + community benefits*
- What development parameters will be considered via DA?
 - Santa Monica has been focused on building height & density
- Early community feedback
 - Anticipate potential controversy, city staff & applicant must make meaningful adjustments during early and later stages of review
- Seek Council authorization to proceed with negotiations
- Expect significant, comprehensive project review - multiple rounds:
 - site planning, design, historic preservation, mobility, public works utilities/engineering, sustainability



How to Identify Community Benefits

- **Start with baseline requirements**
 - General Plan/Specific Plan priorities
 - Impact fees & code
 - Inclusionary housing
 - *Starting points for negotiations not requirements, will need to weigh trade-offs*
- **Identify other community priorities**
 - Difficult-to-fund infrastructure
 - Programs that impact fees do not fund (e.g., child care facilities vs. child care subsidies)
 - Unmet community needs
 - Current needs for Santa Monica in 2020-2021 & beyond, include: addressing economic recovery, affordable housing, homelessness



Community Benefit Examples

- **Affordable Housing**
 - On-site/off-site above base requirement
- **Congestion Management**
 - New vehicle, ped, bike linkages
 - Land dedications
 - Transp. Infrastructure contribution
 - Enhanced TDM programs
 - Bicycle facilities
 - Shared parking
- **Historic Preservation**
- **Social/Health Services: in-kind & grants**
- **Sustainability**
 - EV chargers & stub outs
 - LEED Platinum or equivalent
 - Solar and Purple Pipe
 - Rainwater/grey water capture/re-use
- **Child Care**
 - Tuition or operating subsidies
 - Physical facility
- **Arts Programming and Installations**
- **Open Space**
 - Public park
 - Publicly-accessible private open space
 - Wider sidewalks, courtyards, landscaping
- **Education and Training**
 - Internships & job training programs
 - First Source Hiring
 - Economic equity funds
- **Enhanced revenue/tax payments**
- **Community meeting space**
- **Community programming**
- **Wi-Fi access for seniors**



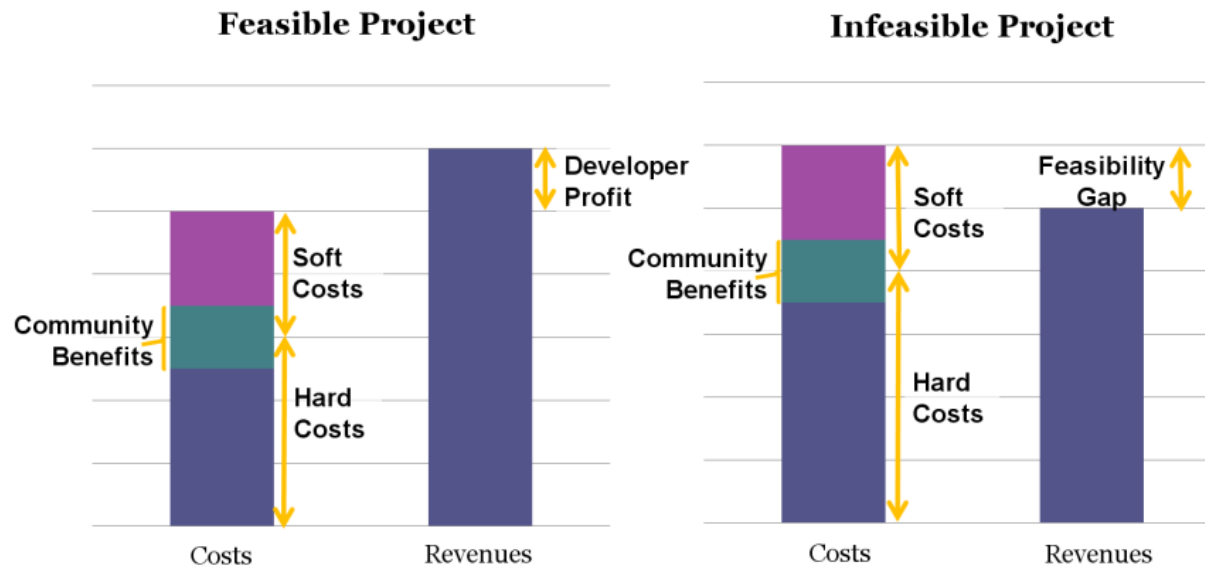
How to Evaluate Community Benefits

- **Be clear about what value project creates**
 - Consider value of additional development potential (vested rights and/or bigger development envelope) vs. project's overall value to City
- **Prioritize & address community needs**
 - Set by community, decision-makers, land use policy/plans
 - Have realistic expectations about magnitude of benefits
 - Combine financing mechanisms and individually-negotiated DAs to achieve City's overall vision
 - e.g., new light rail station upgrades, new streets
 - Term of community benefit obligations vs. term of DA
- **Use economic analyses to inform decisions**
 - Expect to spend substantial time on this step
 - Complex analysis; data collection, vet assumptions/metrics with applicant



Economic Analyses

- **Fiscal Impact Analysis & Economic Impact Analysis**
- **Value Enhancement Analysis** – Santa Monica customized to inform negotiations
 - assess ‘value’ of additional development potential derived from DA
- **Feasibility Analysis** – Project + community benefits vs. cost and reasonable rate of return
 - Regardless of measurement technique, a project is feasible, or achieves enhanced value, only if completed project value exceeds development costs



Case Study DA

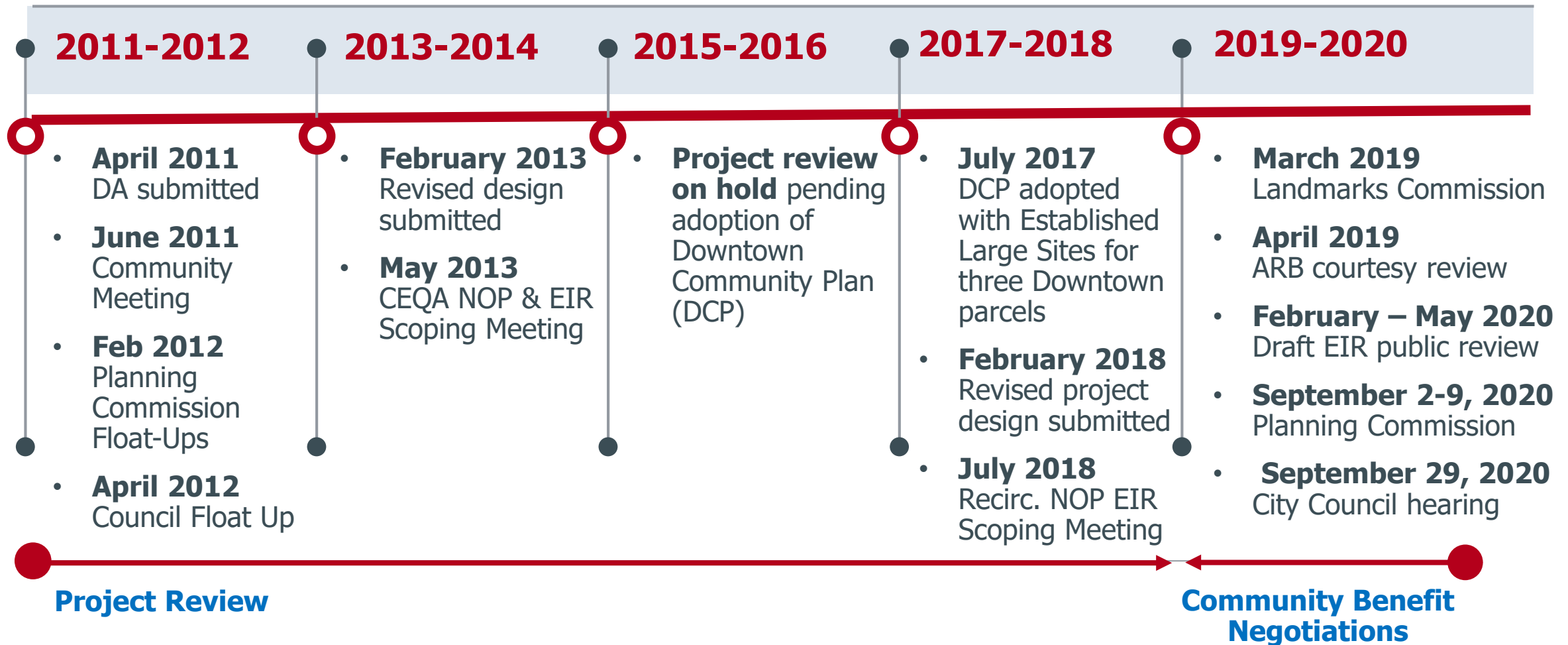
- **Mixed-Use Hotel, Retail, Residential Project**
 - Redevelop existing hotel on 4.5-acre site
 - ~506,000 SF above grade, ~240,000 SF net new
 - Up to 130' tall building, varying heights
 - 2.6 FAR
 - *Area Plan: DA requirement for up to 130' and 3.0 FAR*
- 312 hotel guest rooms (11 net new)
- Preserve two Landmark features (tree and building)
- New food/bev space, meeting/banquet space, spa/fitness, retail
- 60 for-sale residential condominium units
- 14,000 SF publicly-accessible open space
- ~428 parking spaces in on-site subterranean garage
- Funding and land for 42 deed-restricted affordable apartments



Case Study DA - Project Timeline



Public Review Process – smaller/less controversial projects do not take as long



Community Benefits - Enhanced Fees/Contributions	Negotiated Amount	Base Fee per Code	Incremental Enhancement
Affordable Housing Commercial Linkage Fee Contribution	\$770,000	\$440,000	\$330,000
Enhanced Transportation Infrastructure Contribution	\$1,400,000	\$890,000	\$510,000
Reed Park Ambassadors Program Contribution	\$200,000	\$0	\$200,000
Affordable Lodging Contribution	\$75,000	\$0	\$75,000
Parks and Recreation Contribution	\$250,000	\$880,000	\$0
Early Childhood Initiatives Contribution	\$1,350,000	\$1,350,000	\$0
Economic Equity/Opportunity Fund Contribution	\$550,000	\$0	\$550,000
Historic Preservation Palisades Park Contribution	\$50,000	\$0	\$50,000
Total	\$4,645,000	\$3,560,000	\$1,715,000

Community Benefits - Other Monetized Items	With 9% TCAC Gap Financing	With 4% TCAC Gap Financing	Without TCAC Financing
Affordable Housing - 2nd Street Land Value	\$12,750,000	\$12,750,000	\$12,750,000
Minimum 42 units - gap financing	\$3,041,000	\$14,720,000	\$27,550,000
Affordable Housing - Services \$10,000/yr @ 55 years	\$550,000	\$550,000	\$550,000
Affordable Housing - Transportation Passes @ 55 years	TBD	TBD	TBD
Publicly-Accessible Open Space - direct costs*	\$752,000	\$752,000	\$752,000
Public Art - minimum \$750,000 value	\$750,000	\$750,000	\$750,000
Historic Preservation - direct costs	\$11,600,000	\$11,600,000	\$11,600,000
Historic Preservation - Interpretive Feature	TBD	TBD	TBD
Community Support - meeting space/other discounts \$25,000 value @ 55 years	\$1,375,000	\$1,375,000	\$1,375,000
Sustainability - on-site capture/reuse water systems	\$2,100,000	\$2,100,000	\$2,100,000
Total	\$32,918,000	\$44,597,000	\$57,427,000
Total Value - Monetized Community Benefits	\$37,563,000	\$49,242,000	\$62,072,000

Key Points & Policy Considerations

- **Managing development interest**

- Flexibility due to case-by-case review/negotiation
- Adaptable over time, development standards tailored for each site

Policy Considerations:

- Flexibility = lack of predictability for developers and community
- How to prioritize project types
(e.g., housing for whom – unit mix, affordability? Hotel? Office? How much retail?)

- **Which community benefits – at what magnitude to justify increased height/FAR?**

- Seek decision-maker and community input
- Use whole city/organization's expertise, seek outside support for specific areas
- Staff's best judgement in negotiations

Policy Considerations:

- Effectiveness of outreach process – how to improve?
- How to ensure community benefits address needs of underserved and underrepresented communities?
- How to respond to changing community priorities?

Key Points & Policy Considerations

- **Complex economic analyses**

- May dominate discussion at public hearings; analysis will be disputed
 - do not spend all your time defending the numbers

Policy Considerations:

- How much should feasibility analysis matter? Value to community and developer doesn't always translate to dollars/revenue

- **Time-consuming process**

- Intense, lengthy process: *do not lose sight of shared outcomes*
- Negotiate best deal on community's behalf; remember both parties must agree on terms
- Controversial projects may be litigated

Policy Considerations:

- Is there a more equitable, predictable, easily-administered alternative to DAs?

- **Monitoring**

- Demonstrate 'good faith compliance' annually; recoup costs for staff time
- Transparency, maintain community trust in process



CITY HALL



City of
**Santa
Monica**

Thank you!

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