

APPROVED
09-21-2016

BOARD OF RECREATION
& PARK COMMISSIONERS

BOARD REPORT

NO. 16-208

DATE September 21, 2016

C.D. 13

BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: TARGET RETAIL CENTER PROJECT – CHILD CARE FACILITY REQUIREMENTS PURSUANT TO SECTION 6.G OF THE VERMONT/WESTERN TRANSIT ORIENTED DISTRICT SPECIFIC PLAN/STATION NEIGHBORHOOD AREA PLAN – REQUEST FOR IN-LIEU CHILD CARE FEE PAYMENT PURSUANT TO SECTION 6.G.4 OF THE VERMONT/WESTERN TRANSIT ORIENTED DISTRICT SPECIFIC PLAN/STATION NEIGHBORHOOD AREA PLAN

AP Diaz	_____	V. Israel	_____
<i>for</i> *R. Barajas	<u>CSD</u>	K. Regan	_____
H. Fujita	_____	N. Williams	_____



General Manager

Approved

Disapproved _____

Withdrawn _____

RECOMMENDATIONS

1. Authorize a cash payment in-lieu of the child care facilities otherwise required to be provided by the Target Retail Center Project (Project) pursuant to Section G of the Vermont/Western Transit Oriented District Specific Plan/Station Neighborhood Area Plan Specific Plan;
2. Approve a proposed in-lieu fee payment of One Million Two Hundred Thirteen Thousand Five Hundred Dollars (\$1,213,500.00) by the Project;
3. Authorize the Department of Recreation and Parks' (RAP) Chief Accounting Employee to deposit the in-lieu fee payment into the Vermont/Western Station Neighborhood Area Plan Child Care Trust Fund (Fund 52T);
4. Find that the creation and appropriation of the in-lieu cash payment is not subject to the requirements of the California Environmental Quality Act (CEQA) as a project; and,
5. Authorize the RAP Chief Accounting Employee to make technical corrections as necessary to carry out the intent of this Report.
6. Direct Staff to return to the Board of Recreation and Park Commissioners (Board) with an expenditure plan for the use of the funds in the Vermont/Western Station Neighborhood Area Plan Child Care Trust Fund (Fund 52T).

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SUMMARY

The Target Retail Center Project (Project) is a new multi-tenant commercial retail building proposed to be developed on a 168,869 square-foot lot located at 5500 West Sunset Boulevard, in the East Hollywood community of the City. The Project scope includes the demolition of 59,561 square feet of single-story buildings, electrical substation, and surface parking lot existing at this site and the construction of a three level retail shopping center of 194,749 gross square feet, which would consist of an approximately 163,862 square foot Target store along with 30,887 square feet of other smaller retail and food uses.

The Project is located within the Hollywood Community Plan and within Subarea F of the Vermont/Western Transit Oriented District Specific Plan/Station Neighborhood Area Plan Specific Plan (SNAP).

The Project was considered by the City Planning Commission on November 12, 2015 (CPC-2015-74-GPA-SP-CUB-SPP-SPR) and was approved by the Los Angeles City Council on June 24, 2016 (Council File No. 16-0033).

Condition No. 47 of the Project's Conditions of Approval, as approved by the Los Angeles City Council, is as follows:

Childcare Facility Requirements. Prior to the issuance of a Certificate of Occupancy for the project, for every 50 square feet of net, usable, non-residential floor area, the project shall provide one square foot of Childcare Facility, plus Ground Floor Play Area, pursuant to Section G of the Station Neighborhood Area Plan (SNAP). A 3,895 square-foot indoor Childcare Facility, plus the required amount of Ground Floor Play Area, shall be required. At the Applicant's request, the Board of Recreation and Parks Commission may authorize a cash payment in lieu of some or all of the minimum indoor square footage and play area required in Subsection 6.G. Should the applicant request to utilize the in lieu fee option, the applicant shall be required to pay the City the full cost of consultant services to evaluate the project childcare needs of the proposed project. In lieu cash payments for indoor child care space and outdoor play areas shall be deposited in the City's Child Care Trust Fund, as stipulated by the SNAP.

Note that the Childcare Facility is meant to accommodate the child care needs of the Project employees for pre-school children, including infants, and not for customers or the general public.

Vermont/Western Transit Oriented District Specific Plan/Station Neighborhood Area Plan (SNAP)

The SNAP was established in 2001 and covers an approximately 2.2 square mile area within the Hollywood and Wilshire communities. The SNAP was created for the purpose of making the neighborhood more livable, economically viable, and pedestrian and transit friendly.

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The SNAP is a part of the City's General Plan and contains both land use regulations and project development guidelines and standards. In general, projects located within the SNAP are required to comply with applicable provisions of the SNAP, unless otherwise granted an exception from a SNAP provision by the City Planning Commission and/or the Los Angeles City Council.

The Department of Recreation and Parks (RAP) currently has jurisdiction over three public parks within the boundaries of the SNAP:

Barnsdall Park. A 14.59 acre community park, located at 4800 Hollywood Boulevard, which features the Barnsdall Art Center, Junior Arts Center, Municipal Art Gallery, Galley Theater, and the Hollyhock House.

Madison West Park. A 0.52 acre neighborhood park, located at 464 North Madison Avenue, which features a children's play area, covered picnic tables, and a small open field.

1171-1177 Madison Avenue. A 0.56 acre neighborhood park, located at 1171-1177 Madison Avenue, which is currently undeveloped but is proposed to be developed with a community garden and a public park.

Vermont/Western Transit Oriented District Specific Plan/SNAP Childcare Facility Requirements

SNAP Section 6.G requires all commercial and mixed-use projects located in Subareas B, C, D, and F of the SNAP with One Hundred Thousand (100,000) net square feet or more of non-residential floor area to include child care facilities to accommodate the child care needs of project employees for pre-school children, including infants.

SNAP Section 6.G.2 requires that the child care facility be used for that purpose for the life of the project, and that the child care facility be located on the ground floor of a project unless otherwise permitted by State Law.

SNAP Section 6.G.3 permits the child care facility to be located off-site of a project, provided that it is located within 5,280 feet (one mile) of a project.

Condition No. 47 of the Project's Conditions of Approval, as approved by the Los Angeles City Council, allows the Project's applicant to request that RAP authorize a cash payment in-lieu of some or all of the minimum indoor square footage and play area required to be provided pursuant to SNAP. It should be noted that RAP is not required to approve an applicant's request, and RAP's denial of a request would not relieve or eliminate a the Project's child care facility requirements under SNAP.

SNAP Section 6.G.7 requires any project that is to provide a child care facility pursuant to SNAP to submit an annual report to RAP documenting the annual number of children served by their child care facility. It also states that RAP is responsible for monitoring a project's compliance with SNAP Section 6.G and that the Department of Building and Safety is responsible for enforcing a project's compliance with those requirements.

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Vermont/Western Station Neighborhood Area Plan Child Care Trust Fund

Los Angeles Administrative Code Section 5.530 requires that any in-lieu fees collected pursuant to SNAP Section 6.G.4 be deposited into Vermont/Western Station Neighborhood Area Plan Child Care Trust Fund (Child Care Trust Fund). Any funds deposited into the Child Care Trust Fund are to be administered and managed by RAP, with the concurrence of the President of the City Council.

Pursuant to Los Angeles Administrative Code Section 5.530 C, these in-lieu fees can only be expended for the purpose of (1) acquiring facilities, developing, improving, and operating child care programs physically located within the boundaries of the SNAP, and (2) providing financial assistance with child care payments to qualified parents in the area, as determined by RAP. RAP is authorized to make expenditures from the Child Care Trust Fund with the concurrence of the President of the City Council, and in accordance with the guidelines of SNAP. Additionally, RAP is required to publically report on the status of the Child Care Trust Fund, including details on all receipts and expenditures of the Child Care Trust Fund and of the status of projects funded by the Child Care Trust Fund, within 180 days after the end of each Fiscal Year.

The balance of the Child Care Trust Fund (Fund 52T) is, as of July 14, 2016, Five Hundred Eighty-Five Thousand, Three Hundred Seventy-Nine Dollars (\$585,379.00).

Proposed In-Lieu Fee

On October 30, 2015, representatives of Target Corporation sent a letter to the Board of Recreation and Park Commissioners (Board) formally requesting that the Board authorize the payment of a fee in-lieu of the otherwise required childcare facilities.

As previously noted, SNAP allows for an in-lieu fee payment and requires RAP to make a final determination if an in-lieu fee payment is requested by a project applicant. However, SNAP does not provide a traditional fee formula for the calculation of in-lieu fee payments and SNAP provides no guidance on how RAP is to calculate or determine the efficacy of the in-lieu fee.

In order for the Board to authorize a cash payment in-lieu of some or all of the indoor childcare facility and outdoor play area space required to be provided pursuant to SNAP Section 6.G, the Board would need to determine and adopt an in-lieu fee. In order to do so, the Board would need to demonstrate that the proposed in-lieu fees are roughly proportional to the level of impact created by the project and find that there is an essential nexus between a project and the impact on the need for child care facilities.

HR&A Report. HR&A Advisors, Inc. (HR&A) was retained by Target Corporation to devise an in-lieu fee formula that could be applied to the Project based on HR&A's experience preparing and reviewing a variety of development impact fees, including child care requirements and fees, and HR&A's familiarity with nexus studies prepared by certain other jurisdictions in California that impose similar child care facility requirements on new developments. HR&A, using a series of calculation factors derived from available surveys of employees and their child care preferences, and "nexus" studies prepared to support related child care requirements in the City of West Hollywood, City and County

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of San Francisco, and the City of Santa Monica, determined that the Project's Two Hundred and Fifty (250) employees would generate a demand for eight (8) spaces for pre-school age children. The HR&A Report estimated that the total cost to develop a new 60-space child care center within the SNAP boundaries, inclusive of land acquisitions costs, is Three Million, Six Hundred Twenty-Nine Thousand, One Hundred Dollars (\$3,629,100.00), or about Sixty Thousand, Five Hundred Dollars (\$60,500.00) per space.

In summary, the HR&A Report recommended total in-lieu fee of Four Hundred Eighty-Four Thousand Dollars (\$484,000.00). This recommended fee was derived by multiplying the per space cost of Sixty Thousand, Five Hundred Dollars (\$60,500.00) by the estimated Project generated demand for eight (8) new child care spaces near where Project employees work.

On March 22, 2016, the City Council approved a motion authorizing and instructing the City Administrative Officer to hire a consultant to evaluate the projected childcare needs of the Project with respect to the requirements of the SNAP, and requesting the Board of Recreation and Parks Commissioners to consider the Project at the Board's next regularly scheduled meeting once the evaluation is completed (Council File No. 16-0033-S1).

EPS Study. Economic & Planning Systems, Inc., (EPS) was retained by the City to peer review the HR&A Report. EPS's peer review involved reviewing the HR&A Report, and speaking with City staff and the assigned City Attorney to understand the Project background, and discussing key assumptions with the primary author of the HR&A Report. The EPS Study found that the Project's Two Hundred and Fifty (250) employees would generate a demand for fifteen (15) new spaces for pre-school age children, compared to the eight (8) spaces estimated in the HR&A Report. Additionally, the EPS Study noted that the cost estimates found in the HR&A Report for the acquisition and development of a new state-licensed childcare center were based on dynamic data that is subject to change over time based on economic and market conditions. The EPS Study provided updated land acquisition cost data that found that the median price per square foot for land in the area of the Project had risen since the time the HR&A Report was completed. The EPS Study found that this identified increase in land acquisition costs would potentially increase the overall cost to develop a child care center from Sixty Thousand, Five Hundred Dollars (\$60,500.00), as stated by the HR&A Report, to about Eighty Thousand, Nine Hundred Dollars (\$80,900.00) per space.

In summary, the EPS Study recommended that a total in-lieu fee range between Nine Hundred Seven Thousand, Five Hundred Dollars (\$907,500.00) and One Million, Two Hundred Thirteen Thousand, Five Hundred Dollars (\$1,213,500.00). This recommended fee range was derived by multiplying the per space cost of between Sixty Thousand, Five Hundred Dollars (\$60,500.00) to Eighty Thousand, Nine Hundred Dollars (\$80,900.00) by the estimated Project generated demand for fifteen (15) new child care spaces near where Project employees work.

RAP Staff recommends that, if the Board authorizes a cash payment in-lieu of the child care facilities otherwise required to be provided by the Project, the Board approve a proposed in-lieu

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fee of One Million, Two Hundred Thirteen Thousand, Five Hundred Dollars (\$1,213,500.00) since that fee amount, as determined by the EPS Study, is most reflective of the current costs to fully develop a child care center within the SNAP boundaries.

Expenditure Plan

As previously noted, any in-lieu fees collected pursuant to SNAP Section 6.G.4 are deposited into the Child Care Trust Fund and can only be expended for the purpose of (1) acquiring facilities, developing, improving, and operating child care programs physically located within the boundaries of the SNAP, or (2) providing financial assistance with child care payments to qualified parents in the area.

Upon approval of this report, RAP Staff will, in coordination with Council District 13, work to develop an appropriate expenditure plan to utilize the funds in accordance with the guidelines of SNAP and the requirements of Los Angeles Administrative Code Section 5.530. Once the expenditure plan is developed, RAP Staff will return to the Board with a subsequent report with recommendation(s) for the use of the in-lieu fees.

ENVIRONMENTAL IMPACT STATEMENT

RAP Staff has determined that creation and appropriation of the in-lieu cash payment is strictly a funding mechanism for the provision of childcare services required as a condition of the Target Development, which does not involve any commitment to any specific childcare project that may result in a potentially significant physical impact on the environment. Therefore, the in-lieu cash payment is not project subject to the California Environmental Quality Act (CEQA) pursuant to Section 15378 (b)(4) of the State CEQA Guidelines. Once a project has been developed for providing the required childcare services, appropriate CEQA compliance will be conducted for approval of the project.

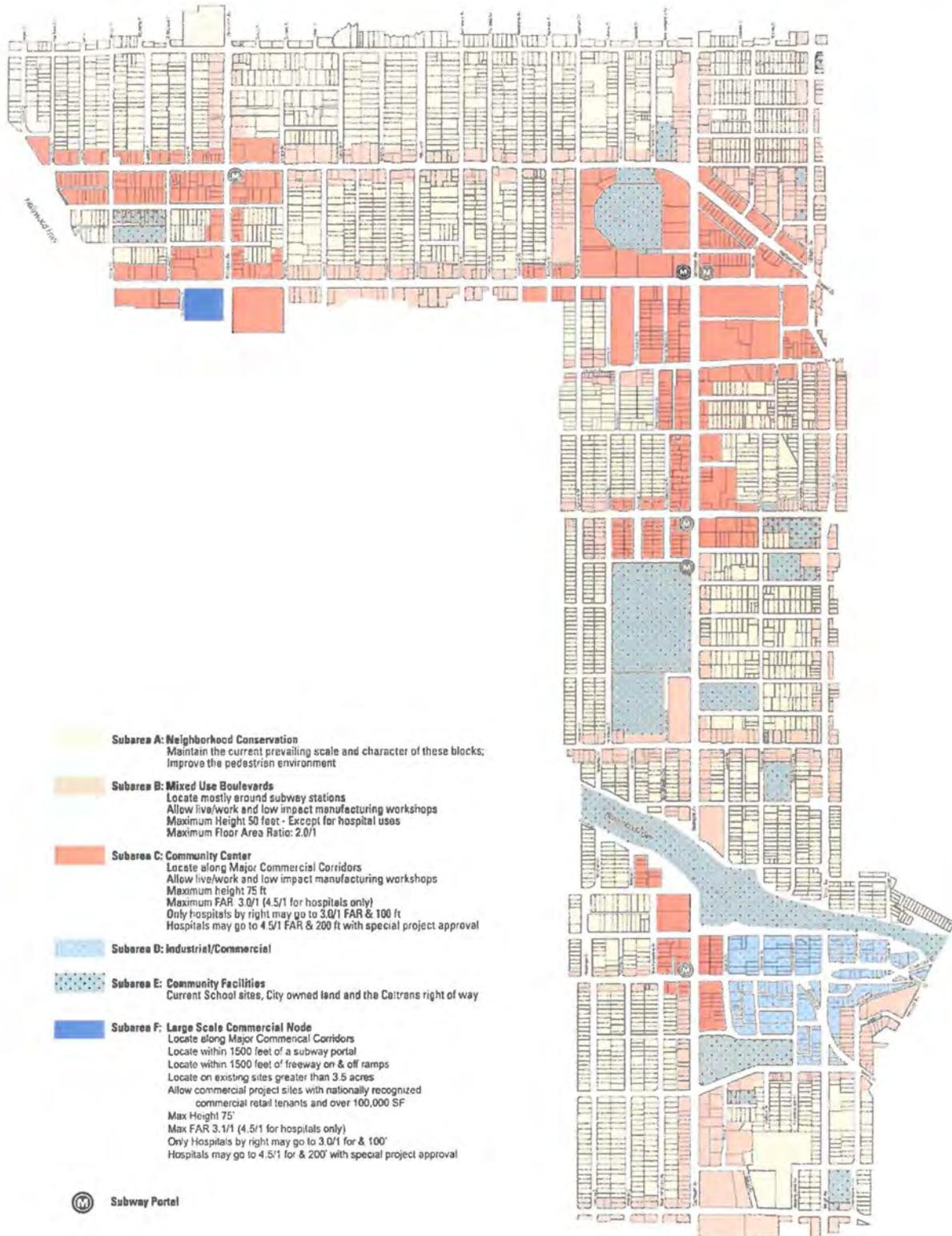
FISCAL IMPACT STATEMENT

Adoption of this report will have a minor fiscal impact on RAP due to the annual reporting requirements required pursuant to the requirements of Los Angeles Administrative Code Section 5.530 and California Government Code Section 66000, *et seq.*

This Report was prepared by Darryl Ford, Senior Management Analyst I, Planning, Construction, and Maintenance Branch.

LIST OF ATTACHMENTS

1. Map of the SNAP Boundaries
2. Letter from Representative of Target Corporation Requesting to Pay an In-Lieu Fee
3. HR&A's Report, "Estimation of a Child Care Facility In-Lieu Fee for the Target Development at Sunset Boulevard and Western Avenue", dated September 29, 2015
4. City Council Motion Requesting that the Board consider Target's In-Lieu Fee Proposal
5. EPS Peer Review Study, "Peer Review of HR&A Estimate of Childcare In-Lieu Payment for Target Development", dated June 20, 2016



- Subarea A: Neighborhood Conservation**
 Maintain the current prevailing scale and character of these blocks;
 Improve the pedestrian environment
 - Subarea B: Mixed Use Boulevards**
 Locate mostly around subway stations
 Allow live/work and low impact manufacturing workshops
 Maximum Height 50 feet - Except for hospital uses
 Maximum Floor Area Ratio: 2.0/1
 - Subarea C: Community Center**
 Locate along Major Commercial Corridors
 Allow live/work and low impact manufacturing workshops
 Maximum height 75 ft
 Maximum FAR: 3.0/1 (4.5/1 for hospitals only)
 Only hospitals by right may go to 3.0/1 FAR & 100 ft
 Hospitals may go to 4.5/1 FAR & 200 ft with special project approval
 - Subarea D: Industrial/Commercial**
 - Subarea E: Community Facilities**
 Current School sites, City owned land and the Caltrans right of way
 - Subarea F: Large Scale Commercial Node**
 Locate along Major Commercial Corridors
 Locate within 1500 feet of a subway portal
 Locate within 1500 feet of freeway on & off ramps
 Locate on existing sites greater than 3.5 acres
 Allow commercial project sites with nationally recognized
 commercial retail tenants and over 100,000 SF
 Max Height 75'
 Max FAR 3.1/1 (4.5/1 for hospitals only)
 Only Hospitals by right may go to 3.0/1 for & 100'
 Hospitals may go to 4.5/1 for & 200' with special project approval
- (M)** Subway Portal

Map I
Vermont/Western Transit Oriented District Specific Plan
 (Station Neighborhood Area Plan)





October 30, 2015

By U.S. Mail and E-mail: rap.commissioners@lacity.org

Board of Recreation and Park Commissioners
 Los Angeles City Recreation and Parks Department
 Office of Board of Commissioners
 P.O. Box 86328
 Los Angeles, CA 90086-0328

**Re: Target Project at Sunset and Western
 Vermont/Western Transit Oriented District Specific Plan
 /Station Neighborhood Area Plan (SNAP)
Planning Case No. CPC-2015-74-GPA-SP-CUB-SPP-SPR**

Honorable President Patsouras and Members of the Board:

This firm represents Target Corporation, applicant for the above-entitled project. Pursuant to the specific plan ("SNAP"), Target requests that it be allowed to make a cash payment in lieu of all of the otherwise required childcare facilities.

I understand that your Board will consider a specific amount for the cash payment soon, probably at its January 6, 2016 meeting. Target supports the amount recommended by the consultant's report (i.e., \$484,000). Representatives of Target will attend the hearing to answer any questions you may have.

Thank you for your consideration.

Very truly yours,

Richard A. Schulman
HECHT SOLBERG ROBINSON GOLDBERG & BAGLEY LLP

RAS:cas

cc: Darryl Ford, City of Los Angeles Department of Recreation and Parks: Planning,
 Construction, and Maintenance Branch (by e-mail: darryl.ford@lacity.org)
 Client (by e-mail)
 Doug Couper, Greenberg Farrow (by e-mail)
 Paul Silvern, HR&A (by e-mail)



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**Estimation of a Child Care Facility In-Lieu Fee
for the Target Development at Sunset Boulevard and Western Avenue**

September 29, 2015

Prepared for:
Target Corporation
1000 Nicollet Mall
Minneapolis, MN 55403

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D. Estimated Development Costs for a 60-Space Child Care Center

I. Executive Summary

This report presents recommendations for establishing the amount of a child care facility in-lieu fee applicable to a new three-level, 186,698 square feet¹ shopping center shopping center proposed by Target Corporation (“Project”), at Sunset Boulevard and Western Avenue in the Hollywood area of the City of Los Angeles (“City”). The in-lieu fee is an elective option to provision of child care facilities under the Vermont/Western Transit Oriented District Specific Plan and its Station Neighborhood Area Plan (SNAP). However, these regulations do not specify a fee amount or formula. At the request of Target Corporation, HR&A Advisors, Inc. (HR&A) was retained to develop an appropriate in-lieu fee formula that could be applied to the development, based on HR&A’s extensive experience preparing and reviewing a variety of development impact fees, including child care requirements and fees, and HR&A’s familiarity with nexus studies prepared by certain other jurisdictions in California that impose similar child care facility requirements on new development, typically on a jurisdiction-wide basis. A previous version of the in-lieu fee approach recommended in this report was originally prepared in 2013 and reviewed by staff of the City’s Parks and Recreation Department, which has jurisdiction over implementation of the child care facility requirement, and by the office of the City Attorney. The fee calculation approach and resulting fee amount presented in this report reflect comments from City reviewers of the 2013 analysis. Further review and final approval of the in-lieu fee calculation approach and fee amount applicable to the Target project will be provided by the City’s Parks and Recreation Commission.

As presented in this report, the language of the SNAP child care facility requirement did not provide a reasonable basis for deriving an in-lieu fee to “accommodate the child care needs of Project employee pre-school age (including infants) children.” Its indoor child care facility floor area requirement is not supported by any known analysis, and it did not reflect the many child care facility options available to Project employees who elect to place their pre-school age children in child care near the Project site, rather than in or near their place of residence.

Using, instead, a series of calculation factors derived from available surveys of employees and their child care preferences, and “nexus” studies prepared to support related child care requirements in West Hollywood, City and County of San Francisco and Santa Monica, it was determined that Project employees would generate a demand for eight spaces for pre-school age children, or 44 percent of the number of child care spaces based on the limited SNAP calculation factors. This employee demand estimate reflects consideration of:

- ✓ The percentage of Project’s 250 employees who also work daytime shifts that coincide with the hours that child care facilities are typically open for business;
- ✓ The percentage of the Project’s employees working daytime shifts who have pre-school age children;
- ✓ The percentage of Project employee parents/guardians who are likely to prefer to use child care facilities or rely on other non-relative care for child care services, as opposed to other available forms of child care; and
- ✓ The percentage of those Project employee parents/guardians who prefer to utilize child care facilities located close to where they work, as opposed to where they reside.

¹ Throughout this Report, all Project-related floor areas are based on the definition of “floor area” in the Los Angeles Municipal Code (LAMC), as measured by the Project’s architect, unless noted otherwise.

HR&A estimates that the cost to develop a child care space in a new Child Care Center is about \$60,500. This cost, combined with the estimate that Project will generate demand for eight new child care spaces near where Project employees work, constitutes the basis for a total in-lieu fee of \$484,000, or \$2.59 per square foot of Project floor area.

Recommendation

Inasmuch as: (1) the SNAP did not provide an appropriate calculation basis for developing an in-lieu fee; and (2) an in-lieu child care could, instead, be based on a combination of employee parent demand for child care near the employee parents' place of work, and the cost of providing that demand in appropriate child care facilities; and (3) combining Project-specific child care demand factors and an average cost per child care space in a new Child Care Center, we recommend that the child care in-lieu fee applicable to the Project's floor area be set at **\$484,000, or \$2.59 per square foot** of Project floor area. Target's share of the fee in this case would be \$407,619, based on its share of total Project floor area, and the remaining \$76,381 would be allocated to the floor area occupied by the Project's other miscellaneous retail tenants, but not including the 109 square feet of Project floor area for a Police Department substation.

The recommended in-lieu fee is about two and one-half times the in-lieu fee charged by most California jurisdictions for this purpose (i.e., about \$1.00 per square foot or less).

II. Purpose and Scope of the Analysis

A. Introduction

This report presents recommendations for establishing the amount of a child care facility in-lieu fee applicable to a shopping center proposed by Target Corporation, with 186,698 square feet of floor area, for a site in the Hollywood area of the City of Los Angeles ("City"). The in-lieu fee is an elective option to provision of child care facilities under applicable City land use regulations governing the development. However, these regulations do not specify a fee amount or formula. At the request of Target Corporation, HR&A Advisors, Inc. (HR&A) was retained to develop an appropriate in-lieu fee formula that could be applied to the development, based on HR&A's extensive experience preparing and reviewing a variety of development impact fees, including child care requirements and fees, and HR&A's familiarity with nexus studies prepared by certain other jurisdictions in California that impose similar child care facility requirements on new development, typically on a jurisdiction-wide basis. A summary of HR&A's qualifications is included in Appendix A. A previous version of the in-lieu fee approach recommended in this report was originally prepared in 2013 and reviewed by staff of the City's Parks and Recreation Department, which has jurisdiction over implementation of the child care facility requirement, and by the office of the City Attorney. The fee calculation approach and resulting fee amount presented in this report reflect comments from City reviewers of the 2013 analysis. Further review and final approval of the in-lieu fee calculation approach and fee amount applicable to the Target project will be provided by the City's Parks and Recreation Commission.

B. Description of the Hollywood Target Development²

The Target development at Sunset Boulevard and Western Avenue is a new three-level shopping center with 186,698 square feet of floor area on a 3.9-acre rectangular site at 5520 Sunset Boulevard. It includes a full-service Target store with 157,143 square feet of floor area, plus other smaller retail and food uses with 29,446 square feet of floor area, and a Police Department substation³ with 109 square feet of floor area ("Project"). The Project will replace 59,561 gross square feet of existing single-story buildings. Once completed, the Project is estimated to have a total of 250 full-time and part-time employees. The Target store's typical operating hours will be 6 a.m. to 12 a.m., with business hours of 7 a.m. to 11 p.m. Longer store hours may apply before and after certain holidays, such as Christmas and Thanksgiving. The operating hours for the miscellaneous retail and dining tenants, which have not yet been identified, are assumed to be similar to the Target store.

C. Summary of the Vermont/Western SNAP Child Care Requirements

The Project is located within the boundaries of the Vermont/Western Transit Oriented District Specific Plan and is therefore subject to its Station Neighborhood Area Plan (SNAP). The SNAP requires that developments like the Project must include facilities to "accommodate the child care needs of Project employee pre-school age (including infants) children."⁴ Such facilities are

² This summary is based on the Draft EIR project description. See, City of Los Angeles Department of City Planning, Draft Environmental Impact Report, Target at Sunset and Western, SCH No: 2010121011, January 2012, Section II (Project Description), commencing at p. II-1.

³ The Police Department substation appears in the plans previously approved for a building permit for the Project.

⁴ City of Los Angeles, Vermont/Western Transit Oriented District Specific Plan, Station Neighborhood Area Plan, Ordinance 173,749, Section 6.G. Copy included for reference in Attachment B.

required to include one square foot of indoor child care facility space for each 50 square feet of “net useable” (not defined) Project floor area, and ground floor outdoor play area consistent with State child care licensing requirements (i.e., 75 square feet per child).⁵ This child care facility requirement may be accommodated on-site within the Project, or at an off-site location within one mile of the Project. Alternatively, at the Project developer’s request, the requirement may be satisfied by a cash payment in lieu of some or all of the indoor and outdoor child care facility requirement, for deposit into the Vermont/Western SNAP Child Care Trust Fund.⁶ Target Corporation, the Project applicant, seeks to make use of the cash payment option to meet this requirement. However, neither the SNAP nor the City’s Administrative Code provides an in-lieu fee amount or method for calculating it.

D. Analysis Process

The City’s Department of Parks and Recreation, and the Parks and Recreation Commission, now have jurisdiction over implementation of the SNAP child care facility requirement, and for administering the Vermont/Western SNAP Child Care Trust Fund into which all in-lieu fees must be deposited. Following initial consultation with Target Corporation, HR&A participated in meetings with representatives of the Department of Parks and Recreation to discuss an outline of an approach to calculating a Project-specific in-lieu fee, which could also provide guidance to the Department for in-lieu fee calculation applicable to other developments for which the child care requirement would apply in the future. A calculation approach developed initially in 2013 was also discussed with the office of the City Attorney, as has been revised based on those discussions.

The recommended in-lieu fee calculation approach follows the general principles of “nexus” (i.e., reasonable relationship) between the public facility requirement (i.e., child care facilities) and the characteristics of the Project, and between the cost of providing the public facilities and the proposed in-lieu fee, that are now required under applicable State law and various judicial rulings for the imposition of development fees. That is, the in-lieu fee calculation approach focuses on an estimate of the demand for child care facilities generated by Project employees (i.e., number of pre-school age children needing child care facilities), and the cost to develop facilities to meet those needs. The resulting number of child care spaces required, multiplied by the per-child care space development cost, yields the recommended in-lieu fee. Subsequent Chapters of this report provide the specific calculation factors and data sources utilized to estimate both Project employee demand for child care facilities and the development cost of providing those facilities.

E. Organization of the Report

Accordingly, the remaining Chapters of this report address:

- Chapter III provides a more detailed review of the SNAP’s child care requirements as they apply to the Project, and discusses the limitations of the SNAP child care facility requirements for establishing an in-lieu fee.
- In light of these limitations, Chapter IV provides a method for estimating the demand for child care facilities among Project employees, taking into account information from national surveys and child care requirement nexus studies prepared for other California jurisdictions.

⁵ See generally, 22 California Code of Regulations, Division 12, Chapter 1, Articles 1-7 and Subchapter 2.

⁶ City of Los Angeles Administrative Code Section 5.530. Vermont/Western Station Neighborhood Area Plan Child Care Trust Fund (also included for reference in Attachment B).

- Chapter V provides estimates of the range of development costs required to meet the scale of child care facility demand derived in Chapter IV, assuming the Project's child care demand would be accommodated in a new Child Care Center, as opposed to other possible types of child care facilities.
- Chapter VI presents the conclusions of the Report, including a specific recommendation for the in-lieu fee amount that should be applied to the Project, for consideration and approval by the City's Parks and Recreation Commission.

III. Limitations of the Vermont/Western SNAP Child Care Facility Requirement for Establishing an In-Lieu Fee

A. The Vermont/Western SNAP Child Care Facility Requirement

The SNAP requires that developments like the Project must include facilities to “accommodate the child care needs of Project employee pre-school age (including infants) children.”⁷ Such facilities are required to include one square foot of indoor child care facility space for each 50 square feet of “net useable” (not defined) Project floor area, and ground floor outdoor play area consistent with State child care licensing requirements (i.e., 75 square feet per child).⁸ This child care facility requirement may be accommodated on-site within the Project, or at an off-site location located within one mile of the Project. Alternatively, at the Project developer’s request, the requirement may be satisfied by a cash payment in lieu of some or all of the indoor and outdoor child care facility requirement, for deposit into the Vermont/Western SNAP Child Care Trust Fund.⁹ Target Corporation, the Project applicant, seeks to make use of the cash payment option to meet this requirement.

Based on Target’s estimate of the Project’s “net useable” floor area, State licensing standards, and other cities’ nexus studies regarding actual child care facility space needs per child (as discussed below), the SNAP formula appears to require that the Project provide:

- *1,739 square feet of indoor child care floor area.* This estimate is based on: (1) an estimate of 86,961 “net useable” Project square feet (after deducting various floor areas as shown below); and (2) 50 square feet of indoor child care space per square foot of Project net useable floor area. That is:

	186,698 s.f. of floor area
Less: ground level storage	(10,852 s.f.)
Less: stock mezzanine	(15,105 s.f.)
Less: 3 rd level storage	(14,110 s.f.)
Less: LAPD substation	(109 s.f.)
Less: existing uses	<u>(59,561 s.f.)</u>
	86,961 “net useable s.f.”

$86,961 \text{ net useable s.f.} / 50 \text{ s.f.} = 1,739 \text{ s.f. of indoor child care space.}$

- *A facility that could accommodate 18 children (infants through 5 year-olds).* This estimate is based on the average floor area per child actually needed for a full-service child care center. That is:

$1,739 \text{ s.f. of required child care floor area (from above)} / 100 \text{ s.f. per child (per HR\&A review of child care nexus studies)} = 18 \text{ child care spaces.}^{10}$

⁷ Vermont/Western Transit Oriented District Specific Plan, Station Neighborhood Area Plan, *op. cit.*

⁸ See generally, 22 California Code of Regulations, Division 12, Chapter 1, Articles 1-7 and Subchapter 2.

⁹ City of Los Angeles Administrative Code, *op. cit.*

¹⁰ Assumes any fractional child care space resulting from the calculation is rounded up to the next whole child care space.

- 1,350 square feet of outdoor activity area, based on State licensing requirements. That is:
18 child care spaces (from above) x 75 square feet per child = 1,350 square feet of outdoor activity area.

Another 3,000 square feet or so of land area would also probably be required as a practical matter for on-site surface parking for staff (i.e., at least 1 per 12 children per State licensing requirements) plus visitors and drop-off circulation (i.e., 10 spaces x 300 s.f./parking space).

One approach to estimation of an in-lieu fee would be to estimate the cost of land, construction and other development costs to supply a child care facility of the scale described above. But for the reasons discussed below, HR&A believes such an approach would be fatally flawed.

B. Limitations of the SNAP Child Care Facility Requirements for Establishing an In-Lieu Fee

Beyond the obvious problem that the SNAP does not provide an in-lieu fee amount or fee calculation formula, the SNAP's requirements described above pose the following shortcomings for estimating an appropriate in-lieu fee that would "accommodate the child care needs of Project employee pre-school age (including infants) children."

1. No Empirical Basis for the Indoor Floor Area Requirement

First, the SNAP requirement for one square foot of indoor child care space for every 50 square feet of net useable development project floor area was not based on a nexus study, or any other empirical analysis, so far as HR&A has been able to determine.¹¹ This requirement is a key driver of the overall facilities requirement, its development cost, which would serve as a basis for an in-lieu fee. The requirement is significantly inconsistent with the child care facility requirements in the adjacent City of West Hollywood, which was based on a nexus study.¹² In that City, the indoor child care space performance requirement, in lieu of an impact fee payment \$0.65 per net new square foot of floor area, is one square foot for every 470 square feet of new commercial development,¹³ or about one-tenth of the SNAP indoor space requirement.

2. No Consideration for the Variety of Child Care Supply Options Preferred by Working Parents and Guardians

Second, the SNAP requirement appears to focus on the need for a State-licensed Child Care Center near the development project location, which may not necessarily be the location or type of child care provider preferred by Project employee parents and guardians for their pre-school age children. The first consideration most parents and guardians make, is whether to choose a child care option close to where they reside or where they work. According to national studies (discussed in Chapter IV), these preferences vary by whether other adult household members are employed, parent level of education, race, ethnicity and household income, and age of children.

¹¹ Discussion with staff from the City's Department of Parks & Recreation, which is charged with implementing the SNAP child care requirement.

¹² Hamilton Rabinovitz & Alschuler, Inc. (predecessor firm to HR&A Advisors), Development Amenities for West Hollywood: Estimating the Housing, Public Open Space and Child Care Effects of Commercial Development, prepared for the City of West Hollywood, Second Edition, May 1989.

¹³ City of West Hollywood, Commercial Development Fees and Requirements Fact Sheet, revised June 12, 2001, implementing West Hollywood Municipal Code Chapter 19.64 (Development Fees), Section 19.64.020 (available from the Community Development Dept., 323-848-6475).

Child care options near place of residence include:

- ✓ Child care provided in the family's home by other household members, other family; members or other persons who volunteer or are paid to provide child care;
- ✓ Small Family Child Care Homes (i.e., State-licensed program for no more than eight children, operated within a residence);
- ✓ Large Family Child Care Homes (i.e., State-licensed program for no more than 14 children, operated within a residence); or
- ✓ State-licensed Child Care Centers, which are typically located in commercial buildings (including pre-schools and school-based facilities).

Among the factors that parents and guardians typically consider in deciding whether to choose a child care facility closer to their place of work are the following:

- ✓ Availability of preferred type of child care near work and its quality;
- ✓ Work location of spouse or significant other who share child rearing responsibilities;
- ✓ Distance of commute to work and its impacts on the child;

For those parents and guardians who prefer to utilize a child care facility near their place of work, the facility options typically include:

- ✓ State-licensed Small Family Child Care Homes; or
- ✓ State-licensed Large Family Child Care Homes; or
- ✓ State-licensed Child Care Centers (including pre-schools, head start programs and other school-based facilities for pre-school age children, including infants).

According to data available from the State's Community Care Licensing Division¹⁴, within the four ZIP Codes including and surrounding the Project site, there are approximately 49 Child Care Centers (with capacities ranging from 18 to 198 children each) and 18 Large Family Child Care Homes (12-14 children each). This inventory of existing facilities is included in Appendix C.

Careful parsing of child care location and facility preferences, among others, is required to accurately estimate the appropriate scale of child care demand among retail workers at the Project, the range of costs for providing such child care, and the implications of demand and associated costs for a supportable in-lieu child care facility fee. These considerations are addressed in the next two Chapters, respectively.

¹⁴ See: https://secure.dss.ca.gov/cclid/securenet/cclid_search/cclid_search.aspx.

IV. Estimating Demand for Child Care Among Retail Development Employees

A. Introduction

As noted in Chapter II, the purpose of the SNAP's child care space requirement, or fee in lieu thereof, is to "accommodate the child care needs of Project employee pre-school age (including infants) children." However, as noted in Chapter III, there does not appear to be any analytic basis for the SNAP's specific child care space requirements as they relate to employee demand for child care facilities, nor is there any assessment of the degree to which such employees would prefer use of a Child Care Center, as opposed to other forms of available child care facilities.

Consistent with nexus studies supporting child care facility or fee requirements in some other California jurisdictions, HR&A recommends that the SNAP child care in-lieu fee applicable to the Project be calculated, instead, on the basis of *estimated demand* for Project-specific child care needs located near the Project. Accordingly, this Chapter draws on national employee surveys, including employee child care preferences, available child care nexus studies, and HR&A's development fees nexus study experience in general, to develop a demand-based analysis that reflects:

- ✓ The percentage of Project's 250 employees who also work daytime shifts that coincide with the hours that child care facilities are typically open for business;
- ✓ The percentage of the Project's employees working daytime shifts who have pre-school age children;
- ✓ The percentage of Project employee parents/guardians who are likely to prefer to use child care facilities (i.e., State-licensed Small Family Child Care Homes, Large Family Child Care Homes, or full-service Child Care Centers), or care by non-relatives for child care versus all other available forms of child care; and
- ✓ The percentage of those Project employee parents/guardians who prefer to utilize child care facilities located close to where they work, as opposed to where they reside.

Although employee characteristics data of the kind listed above are not available specifically for Project employees,¹⁵ appropriate calculation factors can be derived from a variety of secondary data sources. These include:

- The latest edition of a periodic national study of employee child care preferences, arrangements and costs conducted by the U.S. Census Bureau;¹⁶
- The latest edition of a periodic national survey of wage and salary and self-employed workers, which includes data elements on child care arrangements and employment by industry, including a random sample of 433 employees working in the retail industry sector who have pre-school age children;¹⁷ and

¹⁵ For purposes of this analysis, it is assumed that employees in the Project's 30,887 gross square feet of miscellaneous retail and dining tenants would be substantially similar to Target employees.

¹⁶ Lynda Laughlin, "Who's Minding the Kids? Child Care Arrangements, Spring 2011," Current Population Reports, P70-135, U.S. Census Bureau, April 2013. The analysis is based on data from the U.S. Census Bureau's Survey of Income and Program Participation, 2008, Panel Wave 8.

¹⁷ Families & Work Institute, "National Study of the Changing Workforce," 2008. This survey is the successor to the Quality of Employment Survey previously conducted by the U.S. Dept. of Labor, dating to 1969 and discontinued in 1977.

- Nexus studies prepared to support child care development fees in other California cities. Among the more relevant of these studies for the Project in-lieu fee analysis, due to geography and date, are the nexus studies prepared for the City of West Hollywood, City and County of San Francisco and City of Santa Monica.¹⁸

B. Child Care Facility Demand Among Project Employees

Each component of the Project's child care demand estimate is discussed below.

1. The Percentage of Project Employees Who Work Daytime Shifts

As noted above, the Project is anticipated to employ a total of 250 employees. This value was included in the Project's Final EIR, and the City Council's findings of fact in certifying the adequacy of the EIR. The certified EIR also states that a typical peak shift will consist of 100-150 employees.¹⁹ But given the operating hours of the Target and other miscellaneous retail and pedestrian-oriented dining facilities, not all such workers will be working during daytime hours that coincide with the typical operating hours of child care facilities. Thus, the first child care facilities demand calculation factor is to account for the number of Project employees working daytime hours. Statistical analysis by HR&A of data from the National Study of the Changing Workforce (see Appendix C), indicates that for retail workers in the Western region of the U.S., 78.8 percent work some combination of a regular daytime shift, or a rotating shift that changes by time of day and day of the week, but includes some daytime hours. This indicates that 197 Project employees are likely to work daytime hours:

$$250 \text{ Project employees} \times 78.8\% = 197 \text{ employees working daytime hours.}$$

2. The Percentage of the Project's Daytime Employees Who Have Pre-School Age Children

Statistical analysis by HR&A of data from the National Study of the Changing Workforce (see Appendix C), indicates that for retail workers in the Western region of the U.S., 26.2 percent of workers have pre-school age children under age six. This indicates that Project employees who work daytime hours are likely to be parents or guardians of 52 pre-school age children:

$$197 \text{ Project employees working daytime hours (from above)} \times 26.2\% = 52 \text{ pre-school age children.}$$

¹⁸ These nexus studies are, respectively: Development Amenities for West Hollywood, *op. cit.*, FCS Group, Citywide Development Impact Fee Study Consolidated Report, prepared for the City and County of San Francisco, March 2008, Chapter V, Child Care Nexus Study (prepared by Brion & Associates); and Keyser Marston Associates, Inc., Child Care Linkage Program, prepared for the City of Santa Monica, November 2005. HR&A's research indicates that in addition to these cities, child care fees are also in effect in about seven other California cities, but we have not yet determined whether all of them are supported by nexus studies. Not all such programs assess child care fees against retail floor area, however. For example, the City and County of San Francisco's child care fee applies only to office and hotel floor area.

¹⁹ City of Los Angeles, Target Project Certified EIR, p. II-10.

3. The Percentage of Employee Parents/Guardians Who Prefer To Use Child Care Facilities

As discussed above, not all parents and guardians of pre-school age children prefer to utilize child care facilities, as opposed to other child care arrangements (e.g., in-home care by other household members and other family members). It is also arguably appropriate to include those parents who rely on non-family members to provide child care, assuming they do so because of a lack of sufficient child care facilities. According to the Census Bureau's latest survey of child care arrangements among working parents and guardians, 32.9 percent prefer to use an "organized care facility" (i.e., day care center, nursery, preschool or Headstart/school program) or use non-family members to provide child care.²⁰ This indicates that Project employees who work daytime hours, have pre-school age children, and who are likely to utilize organized child care facilities, would total 17 pre-school age children"

52 pre-school age children (from above) x 32.9% = 17 pre-school age children.

4. The Percentage of Project Employee Parents/Guardians Who Prefer to Utilize Child Care Facilities Located Close To Where They Work

The final child care facility demand factor adjusts for the percentage of Project employee parents and guardians who would prefer to utilize an organized child care facility located near their place of employment versus place of residence. Neither of the surveys utilized in the preceding calculations included questions on this issue. Therefore, we utilize a factor drawn from the nexus studies referenced above. The commercial development employee survey utilized in the West Hollywood nexus study found that 23 percent of employees preferred to use a child care location near where they work.²¹ The nexus study prepared for Santa Monica's child care requirement relied on a review of literature rather than survey data and concluded that 75 percent of demand was for child care centers located near the employee place of work. Given the wide range of these factors, we utilize the midpoint, or 49.0 percent, in estimating demand for Project:

17 pre-school age children (from above) x 49.0% = 8 pre-school age children.

C. Project Employee Child Care Demand Results

Therefore, after applying all of the relevant child care demand factors discussed above, it is concluded that the Project would generate demand for eight child care facility spaces for pre-school age children, as compared with 18 spaces utilizing the SNAP factors, which lack any analytic basis and produces a result that is 2.25 times the estimated Project demand for child care facilities.

Stated another way, about 2.4 percent of total Project employees would generate demand for child care near the Project, based on the analysis presented above (i.e., $8/250 = 3.2\%$), as opposed to 7.2 percent (i.e., $18/250 = 7.2\%$) using the unsupported SNAP approach. By comparison, the nexus study prepared for West Hollywood concludes that about 2.0 percent of

²⁰ "Who's Minding the Kids? Child Care Arrangements, Spring 2011," *op cit.*, Table 1, p. 2. There is some variation in this percentage based on worker demographic characteristics, age of child and other factors, but because these characteristics of Project employees are unknown, we utilized the overall percentage. We rely on the Census Bureau data for this calculation factor, because the small sample size for this factor specifically for retail workers in the National Study of the Changing Workforce, did not produce a statistically significant result.

²¹ Development Amenities for West Hollywood, *op. cit.*, p. 69.

all workers in commercial facilities (i.e., not just retail space) generate demand for child care facilities near the employees' place of work. The equivalent factor in the City of Santa Monica nexus study is about 4.0 percent, and in City and County of San Francisco nexus study, about 5.0 percent.

V. Estimating Costs of Meeting Demand for Child Care and Resulting In-Lieu Fee for the Hollywood Target Development

A. Introduction

This Chapter addresses the development cost of meeting the child care facility demand presented in Chapter IV. This cost is the proposed basis for the in-lieu fee required by the SNAP. Although the demand for child care facilities presented in Chapter IV could arguably be accommodated in a variety of physical facilities, each of which has a different development cost implication, the facilities cost used in this analysis assumed that the Project's child care demand would be satisfied by a proportional share of the cost of developing a newly constructed Child Care Center for about 60 pre-school age children, which is a minimum size for achieving appropriate economies of scale, according to the nexus studies referenced in previous Chapters. The cost of developing such a Child Care Center, and the Project's implied share of that cost based on the child care demand of its employees, was estimated by HR&A.

B. Development Costs for a New Child Care Center

A new construction Child Center for 60 pre-school age children will require about 6,000 square feet of indoor floor area (i.e., 60 children x 100 s.f. per child); about 4,500 square feet of outdoor activity area (i.e., 60 children x 75 s.f. per child), plus parking for staff (five staff, based on one per 12 children, per State licensing requirements), volunteers and parent drop-off, or about 4,200 additional square feet (i.e., 12 spaces x 350 s.f. per space). Thus, the total land area requirement would be about 14,700 square feet.

The cost of developing a 60-space child care center includes land acquisition; hard construction; furniture, fixtures and equipment; professional fees, permits and other "soft" costs; and financing costs. Based on calculation details provided in Appendix E, HR&A estimates a total development cost of \$3.6 million, or about \$60,500 per child accommodated.

C. Development Costs for a Combination of Other Potential Child Care Facilities

As noted previously, there are a number of other types of physical facilities that could accommodate the child care demand generated by Project employees other than a newly constructed Child Care Center. This point is acknowledged in both the San Francisco and Santa Monica nexus studies, and figures into blended child care facility costs utilized in deriving the child care impact fee in those cities. The West Hollywood nexus study relied on the costs of a new Child Care Center only.

The San Francisco nexus study utilizes a blended average cost per child care space of \$12,325 per space (in 2008),²² or about \$14,211 in 2015 dollars using the cumulative annual change in the all-items Consumer Price Index for the San Francisco area (15.3%). The Santa Monica nexus study cites examples of two rehabilitation projects with an average cost of \$20,137 (in 2005). But this estimate does not include any costs for using Small Family or Large Family Child Care Homes, or other options reflected in the San Francisco analysis.

Nevertheless, considering the language of the SNAP appears to focus on a new Child Care Center, the recommended fee uses that cost only. Were the cost of other potential child care

²² *Citywide Development Impact Fee Study, op. cit.*, p. V-25.

facilities, or a blended cost for all conceivable types of child care facilities to be assumed, the resulting in-lieu fee would be lower than a fee based on a new Child Care Center alone.

VI. Conclusion and In-Lieu Fee Recommendation

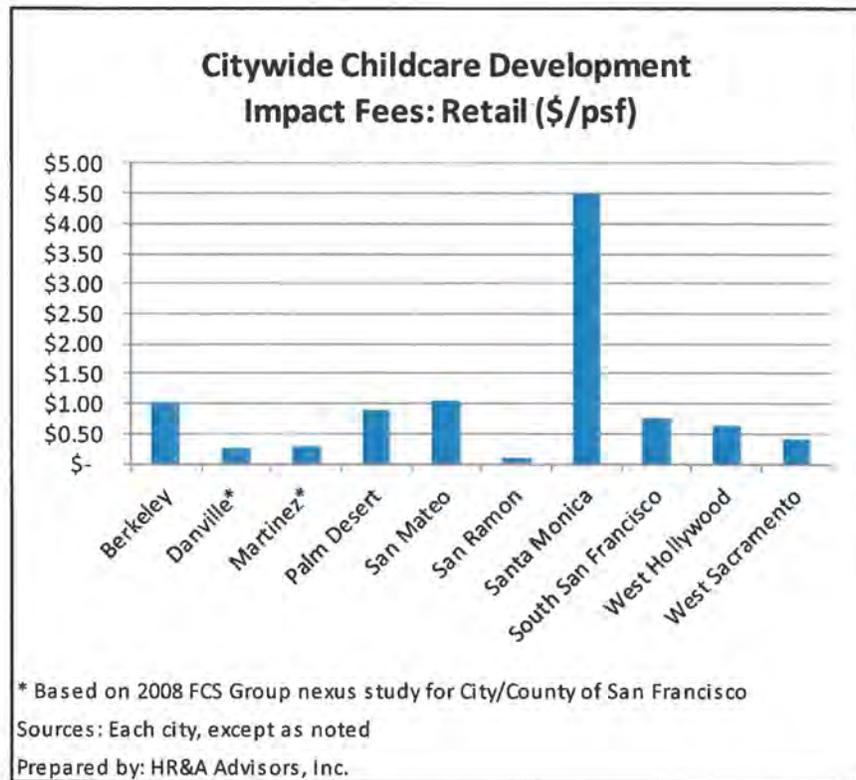
As presented in the preceding Chapters of this report, the language of the SNAP child care facility requirement does not provide a reasonable basis for deriving an in-lieu fee to “accommodate the child care needs of Project employee pre-school age (including infants) children.” Its indoor child care facility floor area requirement is not supported by any known analysis, and it does not reflect the many options child care facility options available to Project employees who elect to place their pre-school age children in child care near the Project site, rather than in or near their place of residence.

Based on a detailed estimate of actual child care facility demand among Project employees, it is concluded that the Project would generate a demand for eight child care spaces. The cost to develop each space is estimated at \$60,500 for a new Child Care Center. Therefore, the total development cost of accommodating the Project’s child care needs would be \$484,000 (or \$2.59 per square foot of Project floor area), if it is accommodated in a new Child Care Center.

Recommendation

Inasmuch as: (1) the SNAP did not provide an appropriate calculation basis for developing an in-lieu fee; and (2) an in-lieu child care could, instead, be based on a combination of employee parent demand for child care near the employee parents’ place of work, and the cost of providing that demand in appropriate child care facilities; and (3) combining Project-specific child care demand factors and an average cost per child care space in a new Child Care Center, we recommend that the child care in-lieu fee applicable to the Project’s floor area be set at **\$484,000, or \$2.59 per square foot** of Project floor area. Target’s share of the fee in this case would be \$407,619, based on its share of total Project floor area, and the remaining \$76,381 would be allocated to the floor area occupied by the Project’s other miscellaneous retail tenants, but not including the 109 square feet of Project floor area for a Police Department substation.

As shown in the figure below, the recommended in-lieu fee of \$2.59 per square foot of floor area is about two and one-half times the average child care impact fees charged per square foot to retail floor area in other California jurisdictions that charge such fees on retail space (i.e., \$0.42-\$1.06 per square foot), and about 58 percent of Santa Monica’s fee, which is clearly an outlier.



APPENDIX A

**Summary of HR&A Advisors, Inc. Experience Preparing and Reviewing
California Development Impact Fees**



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Summary of HR&A Advisors, Inc. Experience Preparing and Reviewing California Development Impact Fees

HR&A Advisors, Inc. (HR&A) is a full service economic development, real estate advisory and public policy consulting firm. Founded in 1976, the firm has a distinguished track record of providing realistic answers to complex real estate, economic development, housing, public finance and strategic planning problems. HR&A clients include Fortune 500 corporations, all levels of government, the nation's leading foundations and not-for-profit agencies. The firm has extensive experience working for the legal community in such roles as court-appointed special master, consent decree monitor, technical advisor and expert witness.

HR&A practice lines include real estate analysis and advisory services, local and regional economic analysis, economic development program formulation and analysis, fiscal impact analysis, land use policy analysis, development impact fees, housing policy research and analysis, population forecasting and demographic analysis, transportation system, other capital facilities analysis and financing, and environmental sustainability consulting.

HR&A's domestic and international consulting is provided by a staff of 75 people located in offices in the Los Angeles area, New York City, Washington, D.C. and Dallas

Beginning in the early 1980s, HR&A was retained by jurisdictions to design exaction systems in which the firm followed the basic principles of nexus and "fair share" later codified in the *Nollan* and *Dolan* decisions by the U.S. Supreme Court, the *Ehrlich* and *San Remo* decisions by the California Supreme Court, and California Government Code Section 66000, *et seq.* HR&A has also been retained by other parties to evaluate and critique adopted and proposed developer fee programs and requirements. The firm's technical rigor and thoughtfulness about these issues are respected by all sides in the continuing debate about this method of infrastructure financing.

Examples of this experience include the following:

Impact Fees/Exaction System Designs

- For the City of Los Angeles City Attorney and the Department of City Planning, HR&A prepared analysis to support new performance and in-lieu fees for affordable housing that will apply to specified market rate developments pursuant to 1982 State legislation requiring policies to address affordable housing in the coastal zone. HR&A was specifically named to conduct this analysis in a settlement agreement between the City and plaintiff affordable housing advocates alleging that the City had not properly implemented the State requirements.
- Assistance in the development of an impact fee for library facilities, including review and comment on analysis by city staff, and recommendations for calculation steps and considerations needed to meet development fee statutory requirements, for the City of Huntington Beach's City Attorney.

- Design of an affordable housing and open space mitigation program (on-site performance or fees in lieu thereof) for new office development, for the City of Santa Monica.
- Complete redesign of the City of Santa Monica's program requiring developers of new apartment and condominium projects to mitigate impacts on project-related demand for affordable housing, including preparation of a precedent-setting nexus study to support the in-lieu fee option in the new program, and periodic recalculation of a justifiable fee under changing market conditions since 1995.
- Design of an affordable housing, public open space and child care mitigation program (on-site performance or fees in lieu thereof) for new commercial development, for the City of West Hollywood and its outside counsel, Burke Williams & Sorensen.

Impact Fee/Exaction System Reviews

- Analysis of the financial feasibility of a proposed change to the "Quimby" parks fee and a new apartment development parks fee in the City of Los Angeles, for the City of Los Angeles Department of City Planning.
- Analysis of the financial feasibility of a proposed new parks fee and commercial development "linkage fee" for affordable housing in the City of Santa Monica, for the City of Santa Monica Planning & Community Development Department and Office of the City Attorney.
- Analysis of a proposed extension of an existing affordable housing fee requirement for non-residential development in Palo Alto to also include a wide range of medical facilities, for Stanford University Hospital.
- For William Lyon Homes and the law firm of Irell & Manella, HR&A prepared a detailed critique of the Ramona Unified School District's justification for a school impact fee, which supported negotiations for a lesser fee amount.
- Analysis of whether a traffic impact fee imposed by the City of Los Angeles on new development proposed along the Ventura Boulevard Corridor in the San Fernando Valley was supported by an adequate showing of nexus under applicable law and professional practice, prepared for a group of property owners and the law firm of Reznik & Reznik.
- Analysis of the rationale and economic consequences for prototypical development projects of development fees (traffic, child care, public art, affordable housing) as initially proposed by the City of Los Angeles for the Warner Center Specific Plan, prepared for a group of property owners, developers and the law firm of Paul, Hastings, Janofsky & Walker.
- Analysis and critique of the rationale, nexus basis and implementation plan for a transportation management program and ordinance proposed by the City of Santa Monica which would have imposed AQMD Regulation XV-style requirements on existing businesses with as few as 10 employees, and a traffic impact fee on developers, for the Santa Monica Bay Area Chamber of Commerce.
- Analysis and preparation of a Supplemental EIR addressing school impacts and fees related to a Long Range Development Plan, for U.C. Santa Barbara, the office of the University Counsel and the law firm of Pillsbury, Madison & Sutro. The SEIR figured prominently in a decision in favor of the *University in Goleta Union School District v. The Regents of the*

University of California, 36 Cal. App. 4th 1121 (1995), holding that the University was not obligated to pay school impact fees.

- Analysis of school enrollment and facilities impacts associated with theme park expansions at Disneyland, and the relationship of these impacts to statutory school fees, for The Walt Disney Company and the law firm of Latham & Watkins. The analysis helped facilitate a settlement agreement between The Walt Disney Company and local school districts.
- Analysis of the impacts on a variety of elementary and secondary school districts in Kern County from a number of large-scale residential projects planned by Castle & Cooke Development Corporation (represented by the Corey, Croudace, Dietrich & Dragun law firm). The project involved developing alternative student generation rates and calculations of "fair share" impact costs pursuant to applicable State law.
- For the Los Angeles Central City Association, the Building Industry Association of Southern California, the Los Angeles Chamber of Commerce and the Valley Industry and Commerce Association, HR&A evaluated the methodology and conclusions of the nexus analysis that formed the basis for a proposed affordable housing linkage fees that were being studied by the City of Los Angeles.
- Analysis of the degree to which the Wood Ranch residential project had already contributed a fair share of infrastructure and other community benefits such that the City of Simi Valley was not justified in asking for additional fees in order to extend an existing Development Agreement, for Olympia & York.
- A critique of whether the City of Irvine's proposed commercial development exaction to fund affordable housing complied with nexus requirements under State law, on behalf of the Building Industry Association/Orange County (California) Region.
- A critique of, and counter-proposal to, a fee proposed by the City of Santa Monica to mitigate the impact of land recycling on "affordable" lodging in the coastal zone, for Maguire Thomas Partners and the law firm of Lawrence & Harding.
- A critique of the City of Rancho Mirage's approach to impact fee calculations, and preparation of an alternative, nexus-based approach to fee calculations for a 527-unit subdivision, on behalf of the developer, Landmark Land Company, and the law firm of DeCastro, West, Chodorow & Burns.

ATTACHMENT B

Excerpt from the Vermont/Western Transit Oriented District Specific Plan (Station Neighborhood Area Plan) Regarding Child Care Requirements

City of Los Angeles Administrative Code Section 5.530 Regarding Vermont/Western Station Neighborhood Area Plan Child Care Trust Fund

VERMONT/WESTERN TRANSIT ORIENTED DISTRICT

Specific Plan

(STATION NEIGHBORHOOD AREA PLAN)

**Ordinance No. 173,749
Effective March 1, 2001**

**Specific Plan Procedures
Amended pursuant to L.A.M.C. Section 11.5.7**

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A Part of the General Plan - City of Los Angeles
<http://cityplanning.lacity.org> (General Plan - Specific Plan)

Applicant may choose to provide park or open space either on-site or off-site, so long as the following conditions are met.

- i. The park or open space provided is in addition to other Project open space, setbacks, step backs, pedestrian walk-throughs, child care or landscaping requirements of this Specific Plan.
- ii. The Applicant shall commit to providing this park or open space prior to the granting of a Project Permit Compliance by the Director of Planning.
- iii. The park or open space shall be an area of at least 5,000 contiguous square feet; open and accessible to the general public during daylight hours in a manner similar to other public parks; improved to prevailing public park standards, except that the open space may be provided above the ground floor on roof tops or above parking structures if public access is provided that conforms with the Americans With Disabilities Act standards.
- iv. **On-Site.** For on-site park or open space, the Applicant shall provide land area equal to what would be purchasable with the Parks First Trust Fund fee amount required in Subdivision 2 above and construct or covenant to construct the improvements for the park or open space on-site to the satisfaction of the Director of Planning in consultation with the Department of Recreation and Parks and the Councilmember of the District(s) involved; or
- v. **Off-Site.** For off-site park or open space, the Applicant shall provide land area equal to what would be purchasable with the Parks First Trust Fund fee required in Subdivision 2 above and construct or covenant to construct the improvements for the park or open space off-site, but within the Specific Plan area, to the satisfaction of the Director of Planning in consultation with the Department of Recreation and Parks and the Councilmember of the District(s) involved.

d. **Set-Offs.** The calculation of a Parks First Trust Fund fee to be paid or actual park space to be provided pursuant to this ordinance shall be off-set by the amount of any Quimby Fee (LAMC § 17.12) or dwelling unit construction tax (LAMC § 21.10.1, *et seq.*) paid as a result of the Project.



G. **Childcare Facility Requirements.** In Subareas B, C and D, all commercial and Mixed Use Projects, which total 100,000 net square feet or more of non-residential floor area shall include child care

facilities to accommodate the child care needs of the Project employees for pre-school children, including infants, and shall meet the following requirements:

1. **Calculation of Childcare Facility Requirement.** The size of the child care facility necessary to accommodate commercial, Mixed Use, Unified Hospital Development Site or Replacement In-Patient Facilities Project employees' child care needs shall be: one square foot of floor area of an indoor child care facility or facilities, for every 50 square feet of net, usable non-residential floor area; or to the satisfaction of the Commission for Children, Youth and their Families consistent with the purpose in Section G.
 - a. **Ground Floor Play Area.** In addition to the requirements specified in Subsection G 1 above, the Applicant shall provide outdoor play area per child served by the child care facility as required by the California Department of Social Services, Community Care Licensing Division, Title 22.
 - b. **Setback and Throughways.** The child care play area at a child care facility provided as required by this subsection, on- or off-site, or as an in lieu cash payment, shall count on a one-for-one square foot basis toward either any building setback requirements of Section 6 L or pedestrian throughways as required in Section 9 G 2.
2. **Floor Area.** The floor area provided for a child care facility shall be used for that purpose for the life of the Project. The square footage devoted to a child care facility shall be located at the ground floor, unless otherwise permitted by State Law, and shall not be included as floor area for the purpose of calculating permitted floor area on a lot or within a Unified Hospital Development
3. **Off-site Provision.** The child care facility may be off-site, provided it is within 5,280 feet of the Project.
4. **Cash Payment in Lieu of Floor Area and Play Area.** At the Applicant's request, the Commission for Children, Youth and their Families may authorize a cash payment in lieu of some or all of the minimum indoor square footage and play area required in Subsection G 1. In lieu cash payments for indoor child care space and outdoor play areas shall be deposited in the City's Child Care Trust Fund.
5. **Certificate of Occupancy.** No certificate of occupancy for a commercial or Mixed Use Project subject to the requirement to include floor area and play area for a child care facility shall be issued prior to the issuance of the certificate of occupancy for the child care facility required pursuant to this Subsection, and in accordance with Section 13 of this Specific Plan, or a cash deposit has been made in the City Child Care Trust Fund in

accordance with Subdivision 4 above.

6. Credit for Existing Child Care Facility and Play Area.

- a. **Indoor Facility.** The Commission for Children, Youth and their Families shall authorize credit for existing child care provided on or near the site of the Project against the minimum required child care facility square footage. The Commission for Children, Youth and their Families shall calculate the credit as one square foot of credit per one square foot of existing in-door child care facility that will be made available to the employees of the Project. The existing child care facility must be owned by the Project owner and located within 750 feet of the Project in order to receive credit. Child care credit shall be inventoried by the Commission for Children, Youth and their Families so that the same square footage of existing child care facility is only credited once.
- b. **Outdoor Play Area.** The Director of Planning shall authorize credit for existing ground level outdoor play areas provided within 750 feet of the Project site toward the minimum required open space, building setback, or pedestrian throughway requirements. The existing play area must be owned by the Project owner and located within 750 feet of the Project in order to receive credit. The Director shall calculate the credit as one square foot per one square foot of existing outdoor play area available to the children of the Project employees. Open space credit shall be inventoried by the Director so that the same square footage of existing play area is only credited once.

7. Enforcement. The Commission for Children, Youth and their Families shall be responsible for monitoring and the Department of Building and Safety shall be responsible for enforcement of the requirements of this Subsection. All Project owners required to provide a child care facility shall submit an annual report to the Commission for Children, Youth and their Families. The report shall document the annual number of children served. The first report shall be due 12 months after issuance of any certificate of occupancy for the child care facility or facilities.

- H. **Motels.** Floor area associated with a hotel, motel or apartment hotel use shall be counted as a commercial floor area for the purposes of this Specific Plan.
- I. **Sidewalk Cafes.** Sidewalk cafes shall be permitted within a public street right-of-way with the approval of the Department of Public Works, provided a minimum of 10 feet of sidewalk width remains for pedestrian circulation.
- J. **Public Street Improvements.** Public Street Improvements. The regulations and procedures contained in Section 12.37 of the Code

Administrative Code Sec. 5.530. Vermont/Western Station Neighborhood Area Plan Child Care Trust Fund.

A. **Creation and Administration of Fund.** There is hereby created within the Treasury of the City of Los Angeles a special fund known as the Vermont/Western Station Neighborhood Area Plan Child Care Trust Fund, referred to in this Chapter as the Child Care Fund or Fund. The Department of Recreation and Parks (Department) with the concurrence of the President of the City Council shall administer, have overall management of and expend funds from the Child Care Fund in accordance with the provisions of this Chapter. The Department with the concurrence of the President of the City Council shall also administer the Fund in accordance with established City practice and in conformity with Government Code Section 66000, *et seq.* All interest or other earnings from money received into the Child Care Fund shall be credited to the Fund and devoted to the purposes listed in this Chapter.

B. **Purpose.** The Child Care Fund shall be used for the deposit of money paid to the City of Los Angeles pursuant to the Vermont/Western Station Neighborhood Area Specific Plan and any other money appropriated or given to this Fund for the creation or development of Child Care programs or facilities in the Vermont/Western Station Neighborhood area.

C. **Expenditures.** Except as set forth below, Child Care Funds collected pursuant to the Vermont/Western Station Neighborhood Area Specific Plan and any other monies placed in this Fund shall be expended only for the purpose of acquiring facilities, developing, improving, and operating Child Care programs physically located within the boundaries of the Vermont/Western Station Neighborhood Area Specific Plan area, and providing financial assistance with child care payments to qualifying parents in the area, as determined by the Department.

The Department with the concurrence of the President of the City Council is authorized to make expenditures from this Child Care Fund in accordance with the Vermont/ Western Station Neighborhood Area Plan and the Vermont/ Western Station Neighborhood Area Plan Development Standards and Design Guidelines. Administration of the Fund and expenditures from the Fund shall also be in compliance with the requirements in Government Code Section 66000, *et seq.*, including the following:

1. The Department shall deposit all monies received pursuant to the Vermont/Western Station Neighborhood Area Specific Plan in the Fund and avoid any commingling of the monies with other City revenues and funds, except for temporary investments, and expend those monies solely for the purpose for which the Child Care payment was collected. Any interest income earned by monies in the Fund shall also be deposited in that Fund and shall be expended only for the purpose for which the Child Care payment was originally collected.

2. The Department shall, within 180 days after the last day of each fiscal year, make available to the public all the information required by Government Code Section 66006(a).

3. The City Council shall review the information made available to the public pursuant to Paragraph 2. within the time required by Section 66006, and give notice of that meeting as required by that Section.

4. When required to do so by Government Code Section 66001(e) and (f), the City Council shall authorize refunds of payments made to the Child Care Fund.

D. **Reporting.** The Department shall report annually to the City Council and Mayor identifying and describing in detail receipts and expenditures of the Fund. The Department shall submit each annual report within 60 days after the close of the fiscal year covered in the report.

SECTION HISTORY

Chapter and Section Added by Ord. No. 173,963, Eff. 6-18-01.

Amended by: Ord. No. 181,192, Eff. 7-27-10

APPENDIX C

Inventory of Existing Child Care Facilities in the Project Vicinity

Child Care Centers**Zip Code: 90027**

ALL CHILDREN GREAT AND SMALL
4612 WELCH PLACE
LOS ANGELES, CA 90027
(323) 666-6154
Contact: RUIZ, YOLANDA
Capacity: 0024

ASSISTANCE LEAGUE OF SOUTHERN CALIFORNIA (ALSC)
5436 HOLLYWOOD BOULEVARD
LOS ANGELES, CA 90027
(323) 464-4063
Contact: YOLANDA QUINTERO
Capacity: 0060

CHILDREN'S HOSPITAL CHILD DEVELOPMENT CENTER (PS)
4601 SUNSET BOULEVARD
LOS ANGELES, CA 90027
(323) 361-4601
Contact: ANITA BRITT
Capacity: 0073

CREATIVE ANGELS PRESCHOOL & KINDERGARTEN
1725 N. MARIPOSA AVENUE
LOS ANGELES, CA 90027
(323) 660-9934
Contact: SUZANA DEMIRCHYAN
Capacity: 0032

HARVARD PRE-SCHOOL AND KINDERGARTEN
1311 NORTH HARVARD BLVD.
LOS ANGELES, CA 90027
(323) 462-1151
Contact: LISA SOLOMON
Capacity: 0060

HOLLYWOOD HEADSTART PRESCHOOL
5000 HOLLYWOOD BLVD.
LOS ANGELES, CA 90027
(323) 661-6405
Contact: BENNIE MATA & LOSSIN
Capacity: 0068

HOLLYWOOD PRESCHOOL KINDERGARTEN
1313 N. EDMONT STREET
LOS ANGELES, CA 90027
(323) 660-7896
Contact: REZIKEEN, FAZEENA
Capacity: 0056

KOMITAS DAY CARE
1616 HILLHURST
LOS ANGELES, CA 90027
(323) 666-1520
Contact: DERKRIKORIAN, CARMEN
Capacity: 0035

LITTLE ARMENIA CHILD CARE
1645 N. NORMANDIE AVENUE
LOS ANGELES, CA 90027
(323) 708-8577
Contact: KARINE MUTAFYAN
Capacity: 0072

LOS FELIZ CORNERS
1839 N. KENMORE AVE.
LOS ANGELES, CA 90027
(323) 661-3448
Contact: KATCH, KRISTI
Capacity: 0033

LOS FELIZ NURSERY SCHOOL
3401 RIVERSIDE DR
LOS ANGELES, CA 90027
(323) 662-8300
Contact: ARABIAN, MARION
Capacity: 0028

LYCEE INTERNATIONALE DE LOS ANGELES
4155 RUSSELL AVE.
LOS ANGELES, CA 90027
(323) 665-4526
Contact: MANTCHEVA, GISELE
Capacity: 0045

LYRIC PRE-SCHOOL & KINDERGARTEN
2328 HYPERION AVE.
LOS ANGELES, CA 90027
(323) 667-2275
Contact: TOM, CURTIS
Capacity: 0043

PINWHEELS PRESCHOOL
4607 PROSPECT AVENUE
LOS ANGELES, CA 90027
(213) 948-4757
Contact: KARI SHANA DRUYEN
Capacity: 0019

PLAYFUL LEARNING AMONGST YOUTH SILVERLAKE
2000 HYPERION AVENUE
LOS ANGELES, CA 90027
(323) 664-8494
Contact: GABRIEL R. ROSS
Capacity: 0130

ROSE & ALEX PILIBOS PRESCHOOL
1611 N. KENMORE STREET
LOS ANGELES, CA 90027
(323) 668-0343
Contact: TAKOUHEY SAATJIAN
Capacity: 0086

Zip Code 90028

BEVERLY HILLS RESOURCES CORPORATION SCHOOL
6550 FOUNTAIN AVENUE
LOS ANGELES, CA 90028
(323) 469-6155
Capacity: 0026

BLESSED SACRAMENT PRESCHOOL
6641 SUNSET BLVD.
LOS ANGELES, CA 90028
(323) 462-6311
Contact: SUZANNE JONES
Capacity: 0020

CANYON SCHOOL, INC., THE
1820 NO LAS PALMAS AVE
LOS ANGELES, CA 90028
(323) 464-7507
Contact: WILLIAMS, CELIA
Capacity: 0030

CHEREMOYA AVENUE ELEMENTARY SCHOOL STATE PRESCHOOL
6017 FRANKLIN AVENUE, ROOM 23
LOS ANGELES, CA 90028
(323) 464-1722
Contact: RODRIGUEZ, DIANE
Capacity: 0023

CII/OTIS BOOTH CDC
424 N. LAKE STREET
LOS ANGELES, CA 90028
(213) 385-5100
Contact: NVARD KAZANCHYAN
Capacity: 0048

DELANEY WRIGHT FINE ARTS PRESCHOOL
6125 CARLOS AVENUE
LOS ANGELES, CA 90028
(323) 871-2470
Contact: REV. JAIME EDWARDS-ACTON
Capacity: 0090

FIRST PRESBYTERIAN CHURCH OF HOLLYWOOD PRE-SCHOOL
1785 LA BAIG ST.
HOLLYWOOD, CA 90028
(323) 606-5245
Contact: PAMELA TUSZYNSKI
Capacity: 0098

FOUNTAIN AVENUE HEAD START
5636 FOUNTAIN AVE.
LOS ANGELES, CA 90028
(323) 467-1551
Contact: ASIYA MAHMOUD
Capacity: 0068

GRANT STREET EARLY EDUCATION CENTER
1559 N. ST. ANDREWS PL.
LOS ANGELES, CA 90028
(323) 463-4112
Contact: E.PAYNE/A.TER-
POGOSYAN
Capacity: 0164

MONTESSORI SHIR-HASHIRIM
6047 CARLTON WAY
LOS ANGELES, CA 90028
(323) 465-1638
Contact: CIELAK, ELENA
Capacity: 0043

SELMA HEAD START
6611 SELMA AVENUE
LOS ANGELES, CA 90028
(626) 572-5107
Contact: MARIA CASTILLO
Capacity: 0034

SUNSET MONTESSORI PRESCHOOL
1432 N. SYCAMORE AVE.
LOS ANGELES, CA 90028
(323) 465-8133
Contact: KORDONSKAYA, LILIYA
Capacity: 0039

WILTON PLACE HEADSTART/STATE PRESCHOOL
1528 N. WILTON PLACE
LOS ANGELES, CA 90028
(323) 469-0360
Contact: PATTY LINARES
Capacity: 0030

Zip Code: 90029

BERENDO HEADSTART
1220 N. BERENDO ST.
LOS ANGELES, CA 90029
(323) 669-1388
Contact: ALMA RODRIGUEZ
Capacity: 0018

BLIND CHILDREN'S CENTER
4120 MARATHON ST.
LOS ANGELES, CA 90029
(213) 664-2153
Contact: MC CANN, MARY ELLEN
Capacity: 0070

CHILDREN'S CENTER PRESCHOOL
1260 N. VERMONT AVENUE
LOS ANGELES, CA 90029
(323) 422-9690
Contact: DEBORAH S. WYLE
Capacity: 0038

FRENCH NURSERY SCHOOL
5262 FOUNTAIN AVENUE
LOS ANGELES, CA 90029
(323) 663-4038
Contact: SAUER, MARIA
Capacity: 0052

GREAT VISION PRESCHOOL
709, 714 N. ALEXANDRIA AVENUE
LOS ANGELES, CA 90029
(323) 333-6686
Contact: KYUNGMI YOO
Capacity: 0044

LEXINGTON AVENUE PRIMARY CENTER CSPP
4564 W. LEXINGTON AVE. ROOM 1
LOS ANGELES, CA 90029
(323) 644-2884
Contact: KURILICH, PAULA G.
Capacity: 0024

LOS ANGELES CITY COLLEGE CAMPUS CDC
855 N. VERMONT AVENUE
LOS ANGELES, CA 90029
(323) 953-4000
Contact: DORIAN KAY HARRIS
Capacity: 0120

MELROSE HEAD START
4710 MELROSE AVENUE
LOS ANGELES, CA 90029
(626) 572-5107
Contact: MARITZA ARCHER
Capacity: 0040

SILVERLAKE INDEPENDENT JEWISH COMMUNITY CENTER
1110 BATES AVE.
LOS ANGELES, CA 90029
(323) 663-2255
Contact: RUTH SHAVIT
Capacity: 0110

Zip Code: 90038

ABC EDUCATIONAL CENTER
1129 COLE AVENUE
LOS ANGELES, CA 90038
(323) 466-9984
Contact: YAZMIN NEWMAN
Capacity: 0030

GREGORY PARK HEAD START/STATE PRE SCHOOL
5807 GREGORY AVE.
LOS ANGELES, CA 90038
(323) 463-9725
Contact: MARGOTH CRUZ
Capacity: 0068

HAPPY BIRCH PRESCHOOL
6415 ROMAINE STREET
LOS ANGELES, CA 90038
(310) 308-3141
Contact: MALI RAND
Capacity: 0017

HOLLYWOOD LITTLE RED SCHOOLHOUSE
1248 N HIGHLAND AVE
HOLLYWOOD, CA 90038
(323) 465-1320
Contact: ILISE FAYE
Capacity: 0043

LA MIRADA HEAD START
5637 LA MIRADA AVE.
LOS ANGELES, CA 90038
(323) 464-1605
Contact: LETICIA VIDALES
Capacity: 0075

LOS ANGELES CHEDER
801 N. LA BREA AVENUE
LOS ANGELES, CA 90038
(323) 932-6347
Contact: DINA HENIG
Capacity: 0070

PARAMOUNT CHILD CARE CENTER (P.S.)
5555 MELROSE AVE.
LOS ANGELES, CA 90038
(323) 956-4430
Contact: GRETCHEN MCCOLLEY
Capacity: 0034

SANTA MONICA COM.CHARTER SCHOOL STATE PRESCHOOL
1022 N. VAN NESS AVE. #1,17&19
HOLLYWOOD, CA 90038
(323) 469-0971
Contact: VAHE MARKARIAN
Capacity: 0082

SUNSHINE SHACK, THE
1027 N. COLE AVENUE
LOS ANGELES, CA 90038
(323) 877-4914
Contact: CHRISTINA PON
Capacity: 0040

T.C.A. ARSHAG DICKRANIAN ARMENIAN SCHOOL
1200 N. CAHUENGA BLVD.
LOS ANGELES, CA 90038
(323) 461-4377
Contact: KOUROUYAN, VARTKES
Capacity: 0020

VINE STREET EARLY EDUCATION CENTER
6312 ELEANOR AVENUE
LOS ANGELES, CA 90038
(323) 465-1167
Contact: E.ANDERSON/J.REYES
Capacity: 0198

Large Family Child Care Homes

Zip Code: 90027

DANIELIAN FAMILY CHILD CARE

1542 N. MARIPOSA AVENUE
LOS ANGELES, CA 90027
(323) 667-0000
Contact: DANIELIAN LIANA
Capacity: 0014

Zip Code: 90028

DE LEON FAMILY CHILD CARE

5600 HAROLD WAY
LOS ANGELES, CA 90028
(323) 708-5243
Contact: DE LEON, BRENDA
Capacity: 0014

ESTRADA FAMILY CHILD CARE

5627 FOUNTAIN AVE.
LOS ANGELES, CA 90028
(323) 856-7083
Contact: ESTRADA, DELIA
Capacity: 0014

RODRIGUEZ FAMILY CHILD CARE

6122 DE LONGPRE AVE.
LOS ANGELES, CA 90028
(323) 464-4006
Contact: RODRIGUEZ, ANGELICA
Capacity: 0014

ZIP Code: 90029

ESQUIVEL FAMILY CHILD CARE

4952 MARATHON ST.
LOS ANGELES, CA 90029
(213) 465-7611
Contact: ESQUIVEL, LILIA
Capacity: 0012

FLORES FAMILY CHILD CARE

816 NORTH HOBART BLVD
LOS ANGELES, CA 90029
(323) 663-1049
Contact: FLORES, RUTH
Capacity: 0014

FLORES FAMILY CHILD CARE

907 N. SERRANO AVE.
LOS ANGELES, CA 90029
(323) 819-3562
Contact: FLORES, MAYRA
Capacity: 0014

KOSTANDYAN FAMILY CHILD CARE

742 N. EDMONT ST
LOS ANGELES, CA 90029
(323) 665-7713
Contact: KOSTANDYAN, KARINE
Capacity: 0014

MENJIVAR FAMILY CHILD CARE

1176 N. COMMONWEALTH AVE
LOS ANGELES, CA 90029
(323) 217-8989
Contact: MENJIVAR, MARIO & MILLY
Capacity: 0014

PETROSYAN FAMILY CHILD CARE

1130 N. WESTMORELAND
LOS ANGELES, CA 90029
(323) 243-9350
Contact: KARINE PETROSYAN
Capacity: 0014

RAMOS FAMILY CHILD CARE

905 N. SERRANO AVENUE
LOS ANGELES, CA 90029
(323) 461-0266
Contact: RAMOS, YESENIA
Capacity: 0014

RUIZ FAMILY CHILD CARE

1234 1/2 MANZANITA STREET
LOS ANGELES, CA 90029
(323) 644-1817
Contact: RUIZ, ARGELIA
Capacity: 0014

VALDEZ FAMILY CHILD CARE

1033 HYPERION AVE
LOS ANGELES, CA 90029
(323) 664-0732
Contact: VALDEZ, MARIANELA
Capacity: 0014

ZIP Code: 90038

DE LLANO FAMILY CHILD CARE

6603 WILLOUGHBY AVENUE
LOS ANGELES, CA 90038
(323) 960-2505
Contact: DE LLANO, B. & A
Capacity: 0014

FLORES FAMILY CHILD CARE

5653 W. VIRGINIA AVE.
LOS ANGELES, CA 90038
(323) 466-5213
Contact: FLORES, SONIA
Capacity: 0014

GUERREIRO FAMILY CHILD CARE

5552 BARTON AVENUE
LOS ANGELES, CA 90038
(323) 957-9308
Contact: GUERREIRO, ALBA L.
Capacity: 0014

JUAREZ FAMILY CHILD CARE

1008 N. RIDGEWOOD PLACE
LOS ANGELES, CA 90038
(323) 491-0830
Contact: JUAREZ, LORLIN &
JOHANA
Capacity: 0014

VARDANYAN FAMILY CHILD CARE

824 N. RIDGEWOOD PLACE
LOS ANGELES, CA 90038
(323) 493-5555
Contact: VARDANYAN, HASMIK
Capacity: 0014

APPENDIX D

Results of Statistical Analysis on the National Study of the Changing Workforce Survey Data

Resp: Industry main job [14 major Census groups] * WORK SCHEDULE AT MAIN JOB * REGION OF RESIDENCE USING CPS CLASSIFICATION Crosstabulation

Count		WORK SCHEDULE AT MAIN JOB								Total
REGION OF RESIDENCE USING CPS CLASSIFICATION		A regular daytime schedule	A regular evening shift	A regular night shift	A rotating shift - one that changes by time of day or day of week	A split shift consisting of two distinct periods in each workday	A flexible or variable schedule with no set hours, on call	Some other schedule	Total	
Northeast Region Resp: Industry main job [14 major Census groups]	AG/FOR/FISH/MINE	3	0	0	0	0	0	0	3	
	CONSTRUCTION	42	1	1	3	0	1	0	48	
	MANUFACTURING	43	3	3	1	2	0	0	52	
	TRANS/SP/COMM/UTIL	16	3	4	1	0	1	0	25	
	WHOLESALE TRADE	19	0	0	0	0	0	0	19	
	RETAIL TRADE	31	0	2	11	0	5	3	51	
	FIN/INS/REAL/EST	26	0	0	1	0	1	0	28	
	BUS/REP SERV	32	3	1	5	0	0	0	41	
	PERSONAL SERVICES	8	0	0	5	0	0	0	13	
	ENTER/REC SERVICES	4	0	1	0	0	2	0	7	
	MEDICAL SERVICES	34	8	4	3	3	3	1	57	
	EDUCATION SERVICES	61	4	0	1	1	1	1	69	
	OTHER PROF SERV	35	1	0	1	2	7	1	47	
	PUBLIC ADMIN	13	2	1	6	0	0	0	22	
Total		387	35	17	38	9	39	6	500	
South Region Resp: Industry main job [14 major Census groups]	AG/FOR/FISH/MINE	11	0	0	1	0	1	0	13	
	CONSTRUCTION	61	2	2	4	0	3	0	69	
	MANUFACTURING	87	5	3	9	0	0	0	99	
	TRANS/SP/COMM/UTIL	44	2	5	6	0	6	0	59	
	WHOLESALE TRADE	30	1	6	3	1	1	0	42	
	RETAIL TRADE	70	26	13	25	0	7	1	142	
	FIN/INS/REAL/EST	54	0	1	1	3	5	0	64	
	BUS/REP SERV	43	1	8	3	0	5	0	58	
	PERSONAL SERVICES	6	0	4	0	0	4	0	14	
	ENTER/REC SERVICES	3	1	0	0	0	3	0	7	
	MEDICAL SERVICES	120	5	14	3	2	4	0	148	
	EDUCATION SERVICES	91	2	0	0	3	5	0	101	
	OTHER PROF SERV	66	4	0	0	2	4	1	77	
	PUBLIC ADMIN	33	1	0	4	0	2	2	42	
Total		689	50	54	59	11	50	4	917	
Midwest Region Resp: Industry main job [14 major Census groups]	AG/FOR/FISH/MINE	10	0	0	0	0	1	0	11	
	CONSTRUCTION	45	0	0	1	0	5	0	51	
	MANUFACTURING	88	9	11	4	0	1	1	114	
	TRANS/SP/COMM/UTIL	32	1	3	5	0	3	0	44	
	WHOLESALE TRADE	32	0	0	0	0	4	0	38	
	RETAIL TRADE	56	27	17	30	3	14	1	148	
	FIN/INS/REAL/EST	41	2	0	0	0	1	0	44	
	BUS/REP SERV	38	1	0	1	0	2	0	42	
	PERSONAL SERVICES	8	0	0	2	0	0	0	10	
	ENTER/REC SERVICES	8	0	1	2	0	0	0	9	
	MEDICAL SERVICES	89	7	8	7	0	2	1	94	
	EDUCATION SERVICES	75	0	0	5	2	5	0	87	
	OTHER PROF SERV	47	0	0	2	1	3	0	53	
	PUBLIC ADMIN	26	4	1	1	0	3	0	35	
Total		573	51	41	80	6	44	3	778	
West Region Resp: Industry main job [14 major Census groups]	AG/FOR/FISH/MINE	8	0	0	0	0	0	0	8	
	CONSTRUCTION	28	2	0	0	0	11	0	41	
	MANUFACTURING	53	1	1	7	1	5	0	68	
	TRANS/SP/COMM/UTIL	30	10	1	2	1	2	0	46	
	WHOLESALE TRADE	12	0	0	0	0	2	1	15	
	RETAIL TRADE	49	2	6	18	2	6	2	85	
	FIN/INS/REAL/EST	17	0	0	0	0	2	2	21	
	BUS/REP SERV	34	8	0	2	0	4	0	48	
	PERSONAL SERVICES	7	0	0	5	0	6	0	18	
	ENTER/REC SERVICES	11	0	2	0	0	0	0	13	
	MEDICAL SERVICES	35	3	6	0	0	6	0	50	
	EDUCATION SERVICES	51	3	0	2	7	2	0	65	
	OTHER PROF SERV	27	0	0	2	0	4	0	33	
	PUBLIC ADMIN	21	2	0	1	0	3	0	27	
Total		383	31	16	30	11	55	6	540	
Total Resp: Industry main job [14 major Census groups]	AG/FOR/FISH/MINE	32	0	0	1	0	2	0	35	
	CONSTRUCTION	188	5	3	8	0	20	0	204	
	MANUFACTURING	251	18	18	21	3	6	1	318	
	TRANS/SP/COMM/UTIL	122	16	13	14	1	12	0	179	
	WHOLESALE TRADE	93	1	6	3	1	7	1	112	
	RETAIL TRADE	206	84	38	84	5	32	7	436	
	FIN/INS/REAL/EST	138	3	1	2	3	9	2	157	
	BUS/REP SERV	147	13	7	11	0	19	0	197	
	PERSONAL SERVICES	29	0	4	12	0	10	0	55	
	ENTER/REC SERVICES	24	1	4	2	0	5	0	36	
	MEDICAL SERVICES	258	24	32	13	6	17	2	351	
	EDUCATION SERVICES	278	8	0	8	13	13	1	322	
	OTHER PROF SERV	175	5	0	5	5	18	2	210	
	PUBLIC ADMIN	89	9	2	12	0	8	2	128	
Total		2012	167	128	196	35	179	18	2735	

RETAIL TRADE W/ REGULAR DAYTIME SHIFT AND ROTATING SHIFT (WEST): (49+18)/85=.78823

Resp: Industry main job [14 major Census groups] * Any child < 6 in household GE 12 yr * REGION OF RESIDENCE
USING CPS CLASSIFICATION Cross-tabulation

Count			Any child < 6 in household GE 12 yr		Total
REGION OF RESIDENCE USING CPS CLASSIFICATION			Yes	No	
Northeast Region	Resp: Industry main job [14 major Census groups]	AGFOR/FISHMINE	0	3	3
		CONSTRUCTION	10	37	47
		MANUFACTURING	6	45	51
		TRANSP/COMM/UTIL	7	18	25
		WHOLESALE TRADE	4	14	18
		RETAIL TRADE	10	50	60
		FININS/REALEST	3	26	29
		BUS/REP SERV	4	46	50
		PERSONAL SERVICES	1	11	12
		ENTER/REC SERVICES	2	5	7
		MEDICAL SERVICES	12	46	58
		EDUCATION SERVICES	12	57	69
		OTHER PROF SERV	11	37	48
		PUBLIC ADMIN	5	16	21
Total			87	411	498
South Region	Resp: Industry main job [14 major Census groups]	AGFOR/FISHMINE	4	8	12
		CONSTRUCTION	14	46	62
		MANUFACTURING	13	71	84
		TRANSP/COMM/UTIL	16	47	63
		WHOLESALE TRADE	7	34	41
		RETAIL TRADE	31	113	142
		FININS/REALEST	14	51	65
		BUS/REP SERV	6	51	57
		PERSONAL SERVICES	9	5	14
		ENTER/REC SERVICES	1	6	7
		MEDICAL SERVICES	31	118	149
		EDUCATION SERVICES	23	76	101
		OTHER PROF SERV	15	62	77
		PUBLIC ADMIN	6	23	31
Total			192	723	915
Midwest Region	Resp: Industry main job [14 major Census groups]	AGFOR/FISHMINE	0	11	11
		CONSTRUCTION	15	38	53
		MANUFACTURING	24	90	114
		TRANSP/COMM/UTIL	9	37	46
		WHOLESALE TRADE	6	28	34
		RETAIL TRADE	27	120	147
		FININS/REALEST	10	33	43
		BUS/REP SERV	6	34	42
		PERSONAL SERVICES	2	8	10
		ENTER/REC SERVICES	2	7	9
		MEDICAL SERVICES	18	75	93
		EDUCATION SERVICES	14	73	87
		OTHER PROF SERV	10	43	53
		PUBLIC ADMIN	6	27	33
Total			156	624	779
West Region	Resp: Industry main job [14 major Census groups]	AGFOR/FISHMINE	2	5	7
		CONSTRUCTION	13	29	42
		MANUFACTURING	10	59	69
		TRANSP/COMM/UTIL	8	39	47
		WHOLESALE TRADE	0	15	15
		RETAIL TRADE	22	62	84
		FININS/REALEST	3	18	21
		BUS/REP SERV	10	37	47
		PERSONAL SERVICES	6	13	19
		ENTER/REC SERVICES	0	13	13
		MEDICAL SERVICES	6	45	53
		EDUCATION SERVICES	9	56	65
		OTHER PROF SERV	11	23	34
		PUBLIC ADMIN	5	23	28
Total			107	437	544
Total			541	2195	2736

RETAIL TRADE w CHILD < 6 (WEST): 22/84=.261904

APPENDIX E

Estimated Development Cost for a 60-Space Child Care Center

**Example Facility Costs for a New 60-Space Child Care Center
Vermont/Western Station Neighborhood Area Plan**

			<u>Sources & Notes</u>
Number of Children	60		Literature review
Size of Facility			
Indoor Space (per CCR)	100 s.f. per child	6,000	Literature review
Outdoor Space (per CCR)	75 s.f. per child	4,500	State licensing requirements
Land Required			
Building pad		6,000	Per above
Parking			
# Spaces	12		LADBS Requirements
SF per Space	350 s.f.	4,200	HR&A Estimate
Outdoor Play Area		4,500	Per above
Required Land Area		14,700	
Land Cost	\$110 per s.f.	\$ 1,617,000	HR&A estimate
Hard Cost			
Building Shell (per s.f.)	\$155 per s.f. Bldg.	\$ 930,000	Marshall & Swift
Landscaping and Play Equipt.	\$33 per s.f. Outdoor Space	\$ 148,500	Marshall & Swift
Surface Parking	\$2,500 per Space	\$ 30,000	Marshall & Swift
Furnishings & Equipt.	\$50 per s.f. Bldg.	\$ 300,000	HR&A estimate
Contingency	5%	\$ 70,425	
Total Hard Cost		\$ 1,478,900	
Soft Costs	20% x Hard Costs	\$ 295,800	HR&A estimate
Financing Costs	7.0% x Land + Hard + Soft Costs	\$ 237,400	HR&A estimate
Total Cost		\$ 3,629,100	
per building s.f.		\$ 605	
per child care space		\$ 60,500	

Prepared by: HR&A Advisors, Inc.

Child Care Center Construction Cost Estimate

	Gross Bldg. SF	Stories	Factor	Total Cost (2015 \$)	Total Cost Per SF (2015 \$)
Children SF per Child			60		
			100		
Child Care	6,000				
Class D - Excellent			\$156.27 PSF		
Height Increase		1	0.0% Above Three Stories		
Sprinklers - Excellent			\$5.68 PSF		
Total With Adjustment Factors				\$1,115,775	\$186
Reduction to for Certain Soft Costs ¹			-17%	<u>-\$185,962</u>	
Total Hard Costs				\$929,812	\$154.97
Adjustment Factors Included					
Cost Factor			1.00 2/1/2015		
Location Factor			1.19 Los Angeles		
Perimeter Factor			1.00		

¹ Per Marshall & Swift total cost includes: sales taxes, interest on construction financing, permit fees, and average architects' and engineers' fees, which have been deducted to avoid double-counting with the "soft costs" category of the development budget.

Source: Marshall & Swift Commercial Cost Estimator, June 2015; HR&A Advisors, Inc.

MOTION

In 2001, the City Council approved the Vermont/Western Station Area Neighborhood Plan (SNAP). One of SNAP's goals is to provide sufficient schools, childcare facilities, parks, public pools, soccer fields, open space, libraries and police stations within the Plan Area by the year 2020. In certain SNAP areas, all commercial and mixed use projects, which total 100,000 net square feet or more of non-residential floor area, are required to provide for or include adequate child care facilities to accommodate a project employees' pre-school aged or infant care needs.

SNAP stipulates that such child care facilities may be provided for on- or off-site of a proposed project. Additionally, SNAP provides that an in-lieu cash fee may be considered to meet some or all of the required minimum indoor square footage and play areas necessary for a project development. SNAP mandates that should an applicant request an in-lieu fee, the Board of Recreation and Parks (RAP) Commission determine whether or not accept the fee or require creation or development of a child care facility. While SNAP allows for an in-lieu fee procedure and requires RAP to make final determination, it provides little to no guidance on how RAP is to calculate or determine the efficacy of the in-lieu fee.

The City is currently in the process of working with the first SNAP development, East Hollywood Target, for which the childcare requirements apply. The applicant has requested to make an in-lieu payment. However, because SNAP does not provide a traditional fee formula for calculation of in-lieu fee payments, the applicant has hired its own financial consultant to estimate an appropriate fee. In order for RAP to properly evaluate this fee to make an objective and informed decision as to whether the proposed in-lieu fee adequately qualifies for consideration, it is recommended that an independent, peer review be commissioned to study East Hollywood Target's study.

I THEREFORE MOVE that the City Council authorize and instruct the City Administrative Officer (CAO) to hire a consultant to evaluate the projected childcare needs of the proposed East Hollywood Target development with respect to the requirements of the SNAP; accept up to \$25,000 for the full cost of consultant services from the applicant to evaluate such childcare needs; instruct the City Controller to deposit all funds received as a result of this action in Fund 100, Department 10, Contractual Services Account 3040; and authorize the CAO to make any technical corrections, revisions, or clarifications to the above instructions to effectuate the intent of this action; and

I FURTHER MOVE that the Council REQUEST that the Board of Recreation and Parks (RAP) Commission consider the applicant's proposal at their next regularly scheduled meeting once the peer review is completed and the applicant's development application is complete.

PRESENTED BY:


MITCH O'FARRELL
Councilmember, 13th District

SECONDED BY:



ORIGINAL

MAR 13 2011


FINAL MEMORANDUM

To: Valerie Flores and Kenneth Fong, City Attorney's Office

Cc: Josh Rohmer, Stephanie Magnien Rockwell, Chris Robertson
City of Los Angeles

From: Economic & Planning Systems, Inc.

Subject: Peer Review of HR&A Estimate of Childcare In-Lieu Payment
for Target Development; EPS #164005

Date: July 11, 2016

The Economics of Land Use



Target Corporation is developing a 186,698-square foot retail center at the corner of Sunset Boulevard and Western Avenue (Project). Rather than providing an onsite childcare facility to meet the childcare needs of project employees, Target Corporation is requesting to make a cash payment in lieu of the childcare facilities requirements. Under the terms of Section G of the Station Neighborhood Area Plan (SNAP), such in-lieu cash payments can be authorized and deposited into a Childcare Trust Fund.

Economic & Planning Systems, Inc., (EPS) was retained by the City of Los Angeles to peer review the September 29, 2015 Report prepared by HR&A for Target Corporation titled "Estimation of a Childcare Facility In-Lieu Fee for the Target Development at Sunset Boulevard and Western Avenue" (HR&A Report or HR&A Analysis). EPS's peer review involved reviewing the HR&A Report, speaking with City staff and the assigned City Attorney to understand the Project background, and discussing key assumptions with the primary author of the HR&A Report.

The HR&A Analysis estimates that: (1) the Project's 250 employees would generate demand for eight childcare spaces (about one space for every 30 employees) and (2) the cost of providing that childcare is approximately \$60,500 per childcare space. This results in an in-lieu payment estimate of \$484,000, or \$2.59 per square foot of Project Floor Area.

HR&A points out that this level of payment per building square foot would be above many citywide childcare in-lieu fees charged by other California jurisdictions, but below that charged by the City of Santa Monica.

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Findings

Key findings from the peer review include the following:

- 1. The City's policy objectives are an important consideration in determining whether the HR&A Analysis is consistent with the intent of Section G of the SNAP.** Section G of the SNAP states that "all commercial and Mixed-Use Projects, which total 100,000 net square feet or more of nonresidential floor area, shall include childcare facilities to accommodate the childcare needs of the Project employees for pre-school children." It also notes that a cash payment in-lieu of some or all of the minimum indoor square footage and play area required can be authorized. EPS's peer review is grounded in a broad interpretation of the language of Section G and assumes the objective of Section G is to ensure that there will be childcare spaces available for all of the pre-school aged children of the Project's 250 employees who are likely to enroll their child(ren) in some form of non-relative childcare near their place of work. This is a broader interpretation than the one applied by HR&A as discussed in more detail below.
- 2. A "demand-based" analysis represents a reasonable approach to estimating an in-lieu cash payment, although the specific assumptions have significant implications for the end result.** A demand-based analysis varies from the straight-forward application of the stated standard in Section G of the SNAP (1 square foot of childcare space per 50 square feet of Project floor area) in that a demand-based approach seeks to link the characteristics of new development and associated employees to an estimate of childcare need based on a series of specific assumptions about an employee's likelihood of having one or more children under the age of 6 who might choose to enroll in childcare near the employee's place of work. The estimate of childcare need, in turn, is costed for the purpose of identifying an appropriate fee payment. EPS generally concurs that a "demand-based" approach, as proposed by HR&A, represents a reasonable approach to determining the potential in-lieu cash payment. However, assumptions concerning the number of employees, the need for childcare, and the cost of providing a childcare space are critical components of the analysis that require careful consideration.
- 3. Based on a broader interpretation of the policy language, EPS finds that the Project's 250 employees will generate demand for 15 childcare spaces, higher than the 8 spaces estimated in the HR&A Analysis.** The HR&A Analysis follows a logical sequence of steps and calculations to arrive at the projected demand for childcare from the Project's 250 employees. However, there are certain assumptions in the HR&A Analysis that EPS believes collectively result in an underestimate of demand. These include the adjustments made for employee shifts, not considering that a household with a child under the age of 6 might have more than one child under the age of 6, and the interpretation of the Census Bureau's survey of working parents, which is used to estimate the percent of households choosing some form of non-relative childcare. Applying EPS's recommended revisions results in the Project's 250 employees generating demand for 15 childcare spaces (see Figure 1 for comparison of assumptions and steps).

4. **Using HR&A's approach to estimating the costs of providing a childcare space, the revised childcare need estimate results in an in lieu cash payment ranging from \$907,500 to \$1,213,500.** The HR&A Report prepares a cost estimate that is based on the new development (including land acquisition) of a state-licensed childcare center, which would be more costly to provide than other options (e.g., expanding capacity within an existing facility). In this regard, EPS finds that the HR&A Analysis, and estimate of \$60,500 per childcare space, is conservative.¹ Applying this per childcare space cost estimate to the revised estimate of the need for 15 childcare spaces results in an estimated in-lieu cash payment of \$907,500 (see **Figure 1** for a comparison of key steps). This is about 87.5 percent above the HR&A estimate and represents about \$4.86 per Project Floor Area.

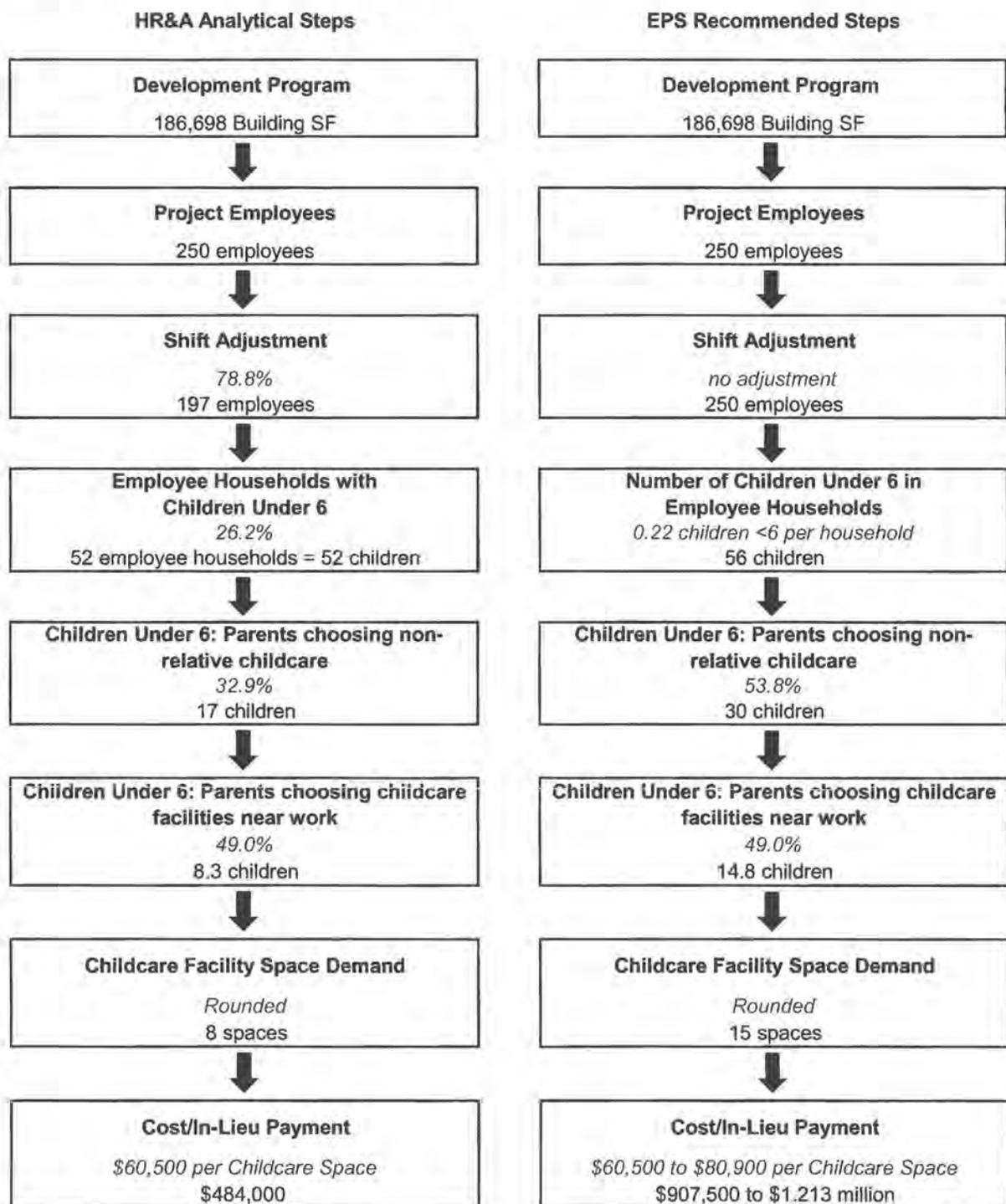
It is important to note that HR&A's cost estimates are based on dynamic data that is subject to change over time based on economic and market conditions. For example, the land acquisition cost estimate used in the HR&A Analysis is \$110 per square foot. This figure is based on sales transactions within 1 mile of the Project site and excludes any unusually high-value transactions located along high-demand corridors. This is an appropriate exclusion given that, unlike retail or other types of commercial space, a child care facility does not require a premium location, and, in fact, due to the economics of developing and operating a child care facility, a child care facility typically cannot afford a premium location.

When EPS updated the land acquisition cost research to vet HR&A's estimate, EPS applied the same search criteria (e.g., within 1 mile of the Project site and excluding transactions reflecting premium locations) and found the median price per square foot of land had risen to \$188.² Incorporating a land acquisition cost of \$188 per square foot increases the overall cost per child care space to \$80,900 (up from \$60,500) and increases the in lieu cash payment to \$1,213,500 (up from \$907,500). Given the dynamic nature of land values in the area, an in lieu cash payment could reasonably range from \$907,500 to \$1,213,500.

¹ EPS independently confirmed that the parking assumption reflects the current zoning requirements. In addition, the calculation to estimate the in-lieu cash payment appropriately excludes the 109 square feet for the police substation.

² Using CoStar vacant land transaction data, within 1 mile of the Project Site, in June 2016.

Figure 1 Comparison of HR&A Analytical Steps and EPS Recommended Steps



Policy/Study Background

Section G of the SNAP describes the land use regulations associated with the provision of childcare facility requirements. As noted in Section G of the SNAP:

- All commercial and Mixed-Use Projects, which total 100,000 net square feet or more of nonresidential floor area, shall include childcare facilities to accommodate the childcare needs of the Project employees for pre-school children.
- Project employees' childcare needs shall be one square foot of floor area of an indoor childcare facility or facilities, for every 50 square feet of net, usable nonresidential floor area; or to the satisfaction of the Commission for Children, Youth, and their Families³ consistent with the purpose in Section G.⁴
- The childcare facility may be off-site provided it is within 5,280 feet (one mile) of the Project.
- At the Applicant's request, the Commission for Children, Youth, and their Families⁵ may authorize a cash payment in-lieu of some or all of the minimum indoor square footage and play area required. In-lieu cash payments for indoor childcare space and outdoor play areas shall be deposited in the City's Childcare Trust Fund.
- The SNAP does specify how the revenue from an in-lieu fee should be spent, but Administrative Code Sec. 5.530. pertains to the Vermont/Western Station Neighborhood Area Plan Childcare Trust Fund (Fund) and indicates that the purpose of the Fund is for the creation or development of Childcare programs or facilities and that funds "shall be expended only for the purpose of acquiring facilities, developing, improving and operating Childcare programs physically located within the boundaries of the Vermont/Western Station Neighborhood Area Specific Plan Area, and providing financial assistance with childcare payments to qualifying parents in the area, as determined by the Department."

Step-by-Step Demand Analysis Comments and Recommendations

On behalf of Target Corporation, HR&A has proposed a "demand-based" methodology for estimating the appropriate in-lieu cash payment. HR&A suggests this methodology is more appropriate as it can be tailored to the specifics of the Project. This methodology seeks to estimate the number of pre-school aged children associated with Project employees who will require childcare based on a series of analytical assumptions. Important to understanding the HR&A Analysis, HR&A's methodology assumes that the goal of the City's policy is to provide

³ As noted by HR&A, the City's Department of Parks and Recreation and the Parks and Recreation Commission now have jurisdiction over implementation of the SNAP childcare facility requirement, and the Childcare Trust Fund into which in-lieu cash payments would be deposited.

⁴ On page 6 of the HR&A Report, a childcare facility need calculation is provided based on the ratio stated in Section G of the SNAP (1 square foot of childcare facility per 50 square feet of net useable Project floor area). While EPS recognizes that this is not the approach used to calculate the in-lieu payment, it is our presumption that the "existing" square footage of 59,561 should not be deducted as the SNAP language refers to "net useable" rather than "net new usable."

⁵ See Note #2 above.

childcare for those Project employees who would be interested in childcare in licensed childcare facilities near their place of work that operate during common childcare facility hours (i.e., approximately 8 a.m. to 5 or 6 p.m.). This methodology also uses childcare provision cost estimates associated with construction of a new licensed facility as opposed to other less costly alternatives. Finally, this “demand-based approach” leads to a different effective standard in terms of the ratio between square feet of childcare facility provision and the net square feet of the Project. Each step is described below and summarized in **Table 1**.

Step 1 begins with the source of the demand, the 250 on-site Project employees. This figure includes the employees of the Target store as well as the ancillary retail and is well-established in the Project EIR.

Step 2 refines the Project employment estimate, in an effort to identify just those employees who would be working during the daytime hours (i.e., those hours that a childcare facility typically would be open). As described below, EPS believes that the reduction that occurs later in Step 4 accounts for the fact that not all Project employees with pre-school aged children will avail themselves of childcare and, thus, renders Step 2 redundant. There are a number of reasons an employee with a young child may not choose to enroll that child in childcare, including the potential availability of another parent or a relative to care for the child, the lack of affordable options in a convenient location, or the incompatibility of the employee’s work/shift logistics and available childcare options. We believe these considerations are valid and that they are accounted for in Step 4. Therefore, we do not recommend discounting the number of employees based on potential shift assignments in Step 2.

Related to Step 2, which refines the Project employment estimate, it may be that there is some potential that 250 employees equals something less than 250 households. For example, there may be potential for same-store colleagues to form a family/household, which would reduce the demand for childcare from Project employees. HR&A conservatively assumes that each employee is equal to a unique household. Without detailed information from Target about their workforce and household formation, EPS cannot recommend an appropriate discount factor.

Step 3 identifies the percent of Project employees with children under the age of 6 using specific characteristics of employees in the “Retail Trade” living in the “West” region. While this data (see Appendix D of the HR&A Report) identifies 22 households (out of a sample of 84 households) with “any child” under the age of 6 in the household, the data does not appear to account for the possibility of there being more than one child under the age of 6 in the household.

Using Census data, it is possible to calculate the average number of children under the age of 6 per household (see Census tables S1101 and S0901, 2010-2014 ACS, 5-Year Estimates for the City of Los Angeles.) A review of the data on these tables suggests that there are an average of 0.22 children under the age of 6 in the City’s households, as shown on **Table 2**. This analysis is not specific to the retail industry, rather it reflects the Citywide average, but it more accurately estimates the number of *children* under the age of 6 (as opposed to the number of *households* with at least one child under the age of 6).

Table 1 Step-by-Step Comments on HR&A Demand Analysis

Step Reference Number	Step Description	Assumption Used by HR&A	Result	Source	EPS Comment
1	Number of employees	250		Project EIR (Approved)	1) No comment.
2	Discount employees to reflect those working daytime shifts	78.8%	197.1	National Study of the Changing Workforce Survey Data	1) Allowance for employees who will not choose child care is already reflected in Step 4. 2) Advise not to discount 250 employee count.
3	Percent of Project employees with children under the age of 6	26.2%	52.0	National Study of the Changing Workforce Survey Data	1) Source estimates the percent of households with one or more children under the age of 6 but does not necessarily provide an estimate of the number of children. 2) Advise using Census data to more accurately estimate the total number of pre-school aged children in the City's households.
4	Percent of Project employees with pre-school aged children choosing child care facilities	32.9%	17.1	Census Bureau's survey of child care arrangements among working parents	1) Important to note that current choices may not reflect preferred choices, if options were expanded and improved. 2) Sample should reflect just those children in a "regular arrangement" which reduces the sample and increases the percent of employees choosing childcare.
5	Percent of Project employees with pre-school aged children choosing child care facilities near place of work	49.0%	8.4	Average of 23% (West Hollywood nexus study survey) and 75% (literature review conducted for Santa Monica)	1) In EPS experience, this assumption tends to vary the most. Given that neither source is perfectly applicable to this Project, taking the average is reasonable.
Total Number of Child Care Spaces Required			8		1) Advise rounding up when estimating the number of children.

Table 2 Average Number of Children under the Age of 6 per Household

Category	Percent	Number
Children under 18 in Households		854,900
under 6 years	34.9%	298,360
6 to 11 years	32.3%	276,133
12 to 17 years	32.8%	280,407
Total Households		1,329,372
Number of Children under 6 Years per Household		0.22

Source: 2010-2014 American Community Survey 5-Year Estimates, Tables S1101 and S0901.

It is worth noting that the demand analysis in the HR&A Report is not structured in a way that is specific to the ages of the children. This is appropriate given the data sources used by HR&A; however, estimating the number of children within typical age cohorts of pre-school aged children (i.e., under 1, 1 to 2, and 3 to 5) would allow for a more nuanced analysis of the childcare preferences of the Project's employees. For example, parents make different childcare choices and have different locational preferences for their infant children than they do for their 4- and 5-year old children. In addition, many 5-year olds are enrolled in kindergarten and, therefore, do not need the type of childcare arrangements accounted for in this Study. An age-specific analysis allows just a subset (typically 50 percent) of 5-year olds to be included. The HR&A analysis is conservative in the sense that it includes all 5-year old children. Without additional research, EPS cannot say definitively whether an age-specific approach would increase or decrease the number of required childcare spaces. Revised, age-specific assumptions could end up off-setting one another.

Step 4 establishes the percent of Project employees with pre-school aged children who are likely to choose childcare facilities, rather than care by a parent or a relative. This is an appropriate cut, and HR&A uses a well-researched and reliable data source. However, while the HR&A Report assumes that 32.9 percent of households with pre-school aged children will choose "non-relative" care based on Table 1 on page 2 of "Who's Minding the Kids? Childcare Arrangements," issued April 2013 by the U.S. Census Bureau, EPS believes the ratio should be based on the sample of children who are in a "regular arrangement," which is defined as an arrangement that is used at least once a week. It seems that a Project employee with a regular work schedule with one or more children under the age of 6 would fall into the category of needing a "regular arrangement." This assumption reduces the sample from 20,404 to 12,499, resulting in a revised assumption that 53.8 percent of households with pre-school aged children will choose "non-relative" care.

As noted above in Step 2, EPS also believes that the selected percentage should be applied to an employee count that has not been reduced on account of potential work shift. This is because the percentage of Project employees with pre-school aged children who are likely to choose childcare facilities rather than care by a parent or a relative reflects that not all Project employees will be able to (or choose to) take advantage of available childcare options, perhaps because of their work shift.

In **Step 5**, the number of children requiring childcare is further reduced to account for the percent of Project employees who would choose childcare facilities near their place of work as opposed to near their home. EPS is familiar with the range of assumptions quoted in the HR&A Report, noting that the assumption regarding the choice to use childcare near place of work varies across other studies from between 23 percent to 75 percent. The HR&A Report uses the average of the two assumptions, 49 percent. While not based on technical analysis, EPS finds this to be a reasonable assumption given that the West Hollywood survey (the basis of the 23 percent assumption) is potentially outdated (1989) and more heavily weighted to office workers than retail workers and the national study (the basis of the 75 percent assumption), while often referenced in childcare nexus studies is not available for a closer review. EPS concurs with HR&A that since neither source is perfect, taking the average of the two is reasonable.

Results of EPS Recommendations

The recommendations summarized above result in demand for 15 childcare spaces based on a Project employee count of 250. The steps are shown below in **Table 3**.

At a cost of \$60,500 per childcare space, 15 childcare spaces represents a total cost of \$907,500 or a per Project floor area square foot cost of \$4.86. This is higher than the adopted in lieu fees of many other cities, yet approximately consistent with the City of Santa Monica's in lieu fee. At a cost of \$80,900 per childcare space, 15 childcare spaces represents a total cost of \$1,213,500 or a per Project floor area square foot cost of \$6.50, well above the highest adopted in lieu fees studied.

Table 3 EPS Refined Demand Analysis

Step Reference Number	Step Description	Assumption Used by HR&A	Result	Source
1	Number of employees	250		Project EIR (Approved)
2	Discount employees to reflect those working daytime shifts	100.0%	250.0 employees	
3	Number of children under the age of 6 per household	0.22	56.1 children < age 6	Census, ACS 2010-2014, See Table 2
4	Percent of Project employees with pre-school aged children choosing child care facilities	53.8%	30.2 children < age 6 needing non-relative child care	Census Bureau's survey of child care arrangements among working parents; Uses sample of children in a "regular childcare arrangement"
5	Percent of Project employees with pre-school aged children choosing child care facilities near place of work	49.0%	14.8 children < age 6 needing non-relative child care, near employee's place of work	Average of 23% (West Hollywood nexus study survey) and 75% (literature review conducted for Santa Monica)
Total Number of Child Care Spaces Required			15	