

# CULVER CITY COMMERCIAL LINKAGE FEE STUDY

Virtual Town Hall Meeting  
November 5<sup>th</sup>, 2020



Economic & Planning Systems, Inc.  
*The Economics of Land Use*

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# TOWN HALL AGENDA

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1. Introduction
2. What is a Commercial Linkage Fee?
3. Considerations and Recommendations for Establishing a Linkage Fee
4. Q&A
5. Next Steps

# CONSULTANT TEAM



Darin Smith  
Managing Principal



Julie Cooper  
Vice President



REAL ESTATE ECONOMICS



PUBLIC FINANCE



LAND USE &  
TRANSPORTATION



ECONOMIC DEVELOPMENT  
& REVITALIZATION



FISCAL & ECONOMIC  
IMPACT ANALYSIS



HOUSING POLICY



PUBLIC-PRIVATE  
PARTNERSHIP (P3)



PARKS & OPEN SPACE  
ECONOMICS

- EPS is a land use economics consulting firm with offices in Los Angeles, Oakland, Sacramento, and Denver, CO
- State leaders in affordable housing policies and programs

# STUDY PROCESS CONTEXT

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- The production and preservation of affordable housing is a priority for the City Council
- City staff is pursuing several affordable and homeless housing initiatives, ranging from new construction, building rehabilitation, rental assistance, and new code amendments
  - Linkage fee is one of these initiatives, focused on new commercial development

April 2020

- EPS engaged by City

May-August  
2020

- Completion of draft nexus study
- Preliminary recommendations

September  
2020

- Discussion with Economic Development Subcommittee

September-  
October 2020

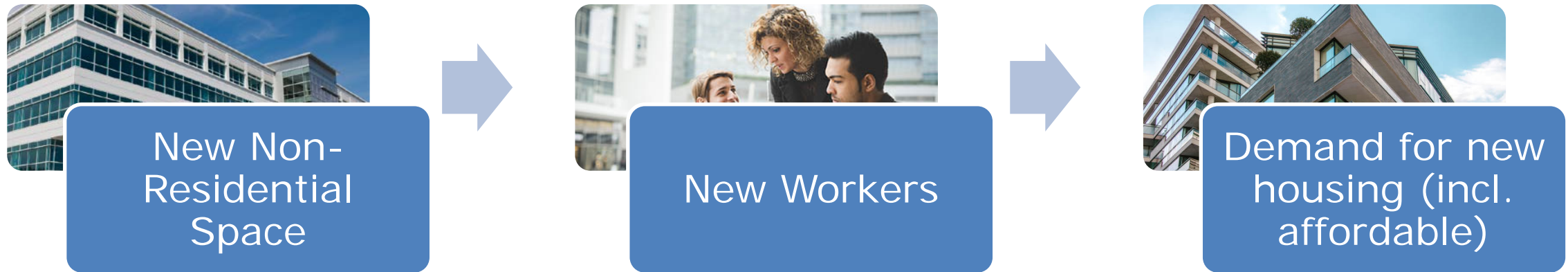
- Stakeholder interviews

# COMMERCIAL LINKAGE FEES

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# WHAT IS A COMMERCIAL LINKAGE FEE?

- A fee charged on new non-residential real estate development to help support affordable housing supply

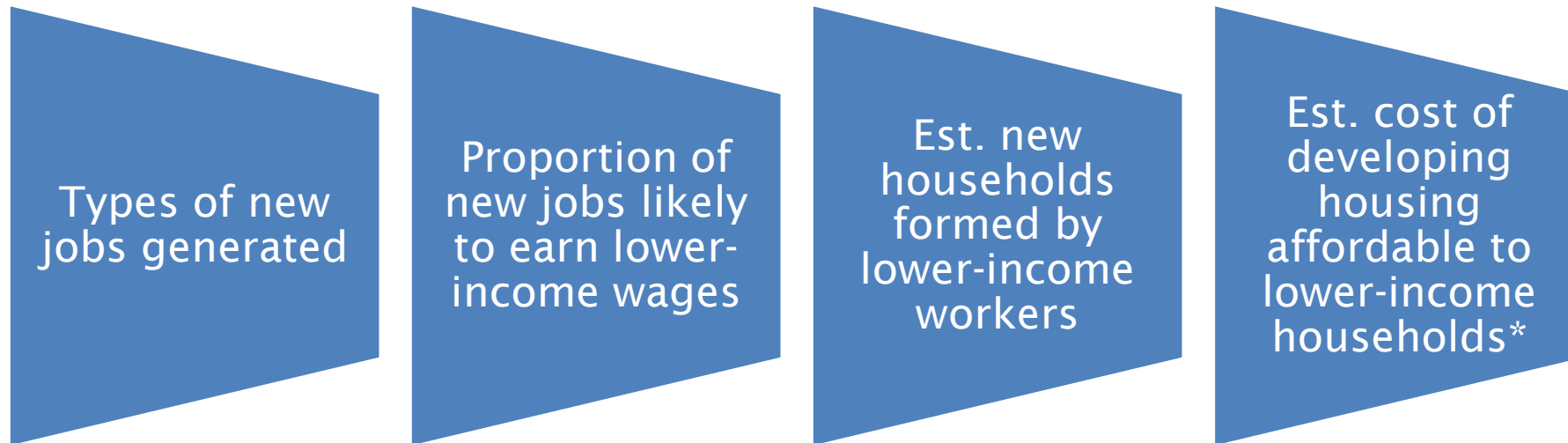


- Impact fee allowed under California's Mitigation Fee Act (AB 1600)
- Charged in dozens of cities and counties throughout state, including several in Los Angeles County
- Also called *affordable housing linkage fee* or *jobs-housing linkage fee*

# HOW IS IT CALCULATED?

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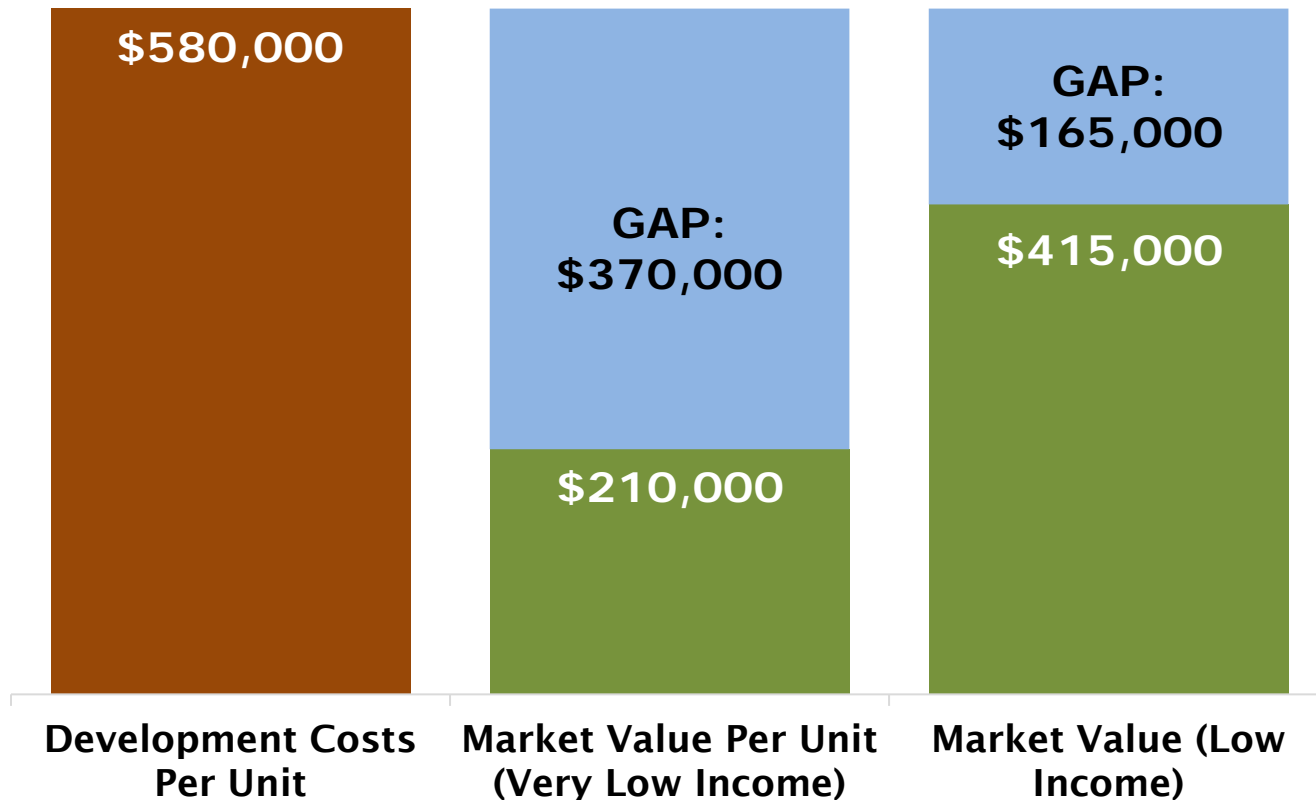
- Per Mitigation Fee Act, need to demonstrate the nexus between new commercial development and need for affordable housing
- Factors used to establish nexus:



\*Lower-income households in LA County include three-person households earning:  
Up to **\$50,700 annually** (Very Low Income); or  
Up to **\$81,100 annually** (Low Income)

# HOW IS IT CALCULATED?

- Determine subsidy required to produce affordable housing units
  - Compare typical development costs for new housing units to the value of units when rented at levels affordable to lower-income households



**Subsidy needed to develop affordable units:**

Very Low Income =  
~\$370,000 per unit

Low Income =  
~\$165,000 per unit



# SAMPLE FEE CALCULATION

## Estimated number of new workers

$$100,000 \text{ square feet of new commercial space} \div 2.5 \text{ workers per 1,000 square feet} = 250 \text{ new workers}$$

## Estimated number of lower-income workers

$$250 \text{ new employees} \times 60\% \text{ earning lower-income wages} = 150 \text{ lower-income workers}$$

## Estimated number of lower-income households

$$150 \text{ lower-income workers} \div 1.5 \text{ workers per household} = 100 \text{ lower-income households}$$

## Maximum allowable fee

$$\text{Number of lower-income households} \times \text{Subsidy needed per affordable unit}$$

# CALCULATED MAXIMUM ALLOWABLE FEES

- Technical analysis calculated *maximum allowable fee* for six commercial land uses
- City can charge any fee up to maximum – most cities charge below, taking into consideration nearby communities and the impact on development economics

Land Use	Workers Per 1,000 Sq. Ft.	% Lower Income Workers	Max Allowable Fee (per sq. ft.)
Retail/Restaurant	1.8	93.7%	\$249
Office	4.0	41.4%	\$171
Warehouse/Industrial/Manufacturing	1.7	39.8%	\$66
Media Studio and R&D/Flex	1.5	11.0%	\$30
Lodging	1.5	93.1%	\$148
Assisted Living	1.0	83.2%	\$141

# LINKAGE FEE CONSIDERATIONS

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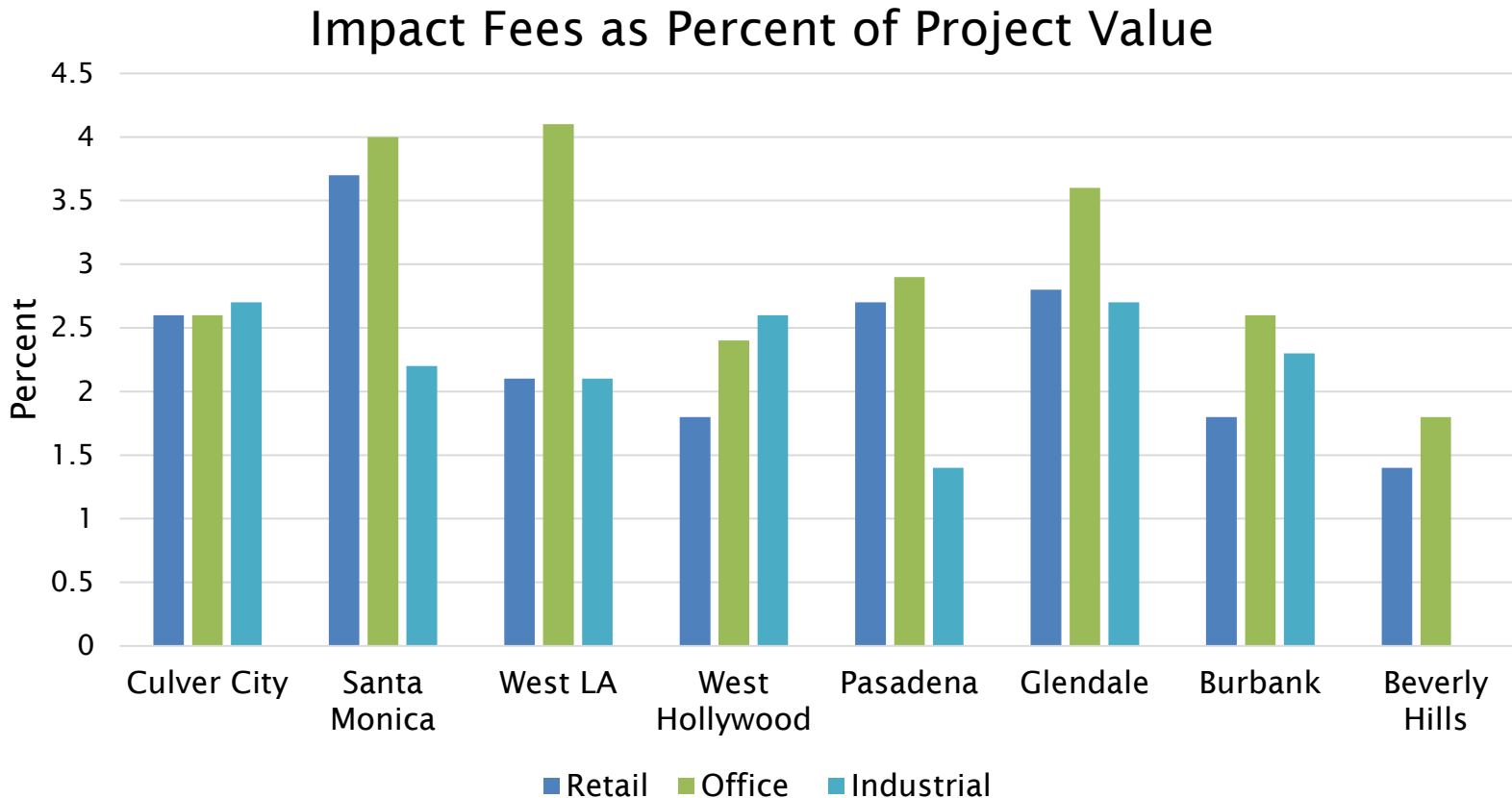
# LINKAGE FEES IN COMPARABLE CITIES

- Linkage fee levels in LA County range from **~\$3-\$13 per square foot**
- Bay Area cities with similar companies to Culver City have linkage fees **up to ~\$37 per square foot**

Cities	Office (per sq. ft.)	Retail (per sq. ft.)	Hotel (per sq. ft.)	Industrial (per sq. ft.)
<b>Los Angeles County</b>				
Santa Monica	\$7.65-\$12.60	\$10.96	\$3.45	\$8.47
West Hollywood	\$8.92	\$8.92	\$8.92	\$8.92
Los Angeles	\$3.00-\$5.00	\$3.00-\$5.00	\$3.00-\$5.00	\$3.00-\$5.00
Glendale	\$4.00	\$4.00	\$4.00	\$4.00
<b>Santa Clara County</b>				
Palo Alto	\$36.53	\$21.26	\$21.26	\$21.26
Mountain View	\$28.25	\$3.02	\$3.02	\$28.25
Santa Clara	\$20.00	\$5.00	\$5.00	\$10.00
Cupertino	\$24.60	\$12.30	\$12.30	\$24.60
Sunnyvale	\$17.20	\$8.60	\$8.60	\$17.20
Milpitas	\$8.00	\$8.00	\$8.00	\$4.00

# IMPACTS ON DEVELOPMENT ECONOMICS

- Impact fees are additional cost on development projects, affecting overall feasibility
- Overall impact fees as a **percent of project values** (based on average rents) provide context for how significantly a new fee will impact development



- Among neighboring cities, overall impact fee levels represent **1.4%-4.1%** of local average project values
- Culver City's existing fees represent **2.6-2.7%** of average project values in the City.

# FEE IMPLEMENTATION AND ADMINISTRATION

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## Implementation Considerations

- Phasing in of fee program
- Fee differentiation by use
- Exemptions based on size or use (i.e. mixed-use projects)

## Administration Considerations

- Timing of fee collection
- Automatic indexed annual increase

# INITIAL RECOMMENDATIONS

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EPS has made the following preliminary recommendations to City:

- \$5 per square foot linkage fee
  - Lower middle of range for LA County
- Same fee for all non-residential uses
  - Simpler to administer
  - Recognize that many commercial space can accommodate multiple use types

Implementation and administration issues in discussion:

- Impacts of pandemic and effect on timeline to implement fee program
- Size of development subject to fee – e.g. greater than 10,000 sq. ft.
- Timing of collection – e.g. at building permit or occupancy
- Would program apply to in-progress projects, or be phased in

Q&A

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## NEXT STEPS

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# NEXT STEPS

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## November-December 2020

- Adjustments to recommendations based on stakeholder and community feedback

## Early 2021

- City Council consideration of fee program

- Answers to Frequently Asked Questions and draft technical documents available on the City's website:
  - Visit <https://www.culvercity.org/live/get-involved> and click on "Affordable Housing Linkage Fee"
- Comments can be sent to Todd Tipton, Economic Project Manager, at [todd.tipton@culvercity.org](mailto:todd.tipton@culvercity.org)

# APPENDIX

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# HOUSEHOLD INCOME LIMITS

## 2020 Household Income Limits for Los Angeles County

Income Category	1-Person Household	2-Person Household	3-Person Household	4-Person Household	5-Person Household	6-Person Household	7-Person Household	8-Person Household
<b>Extremely Low</b>	\$23,700	\$27,050	\$30,450	\$33,800	\$36,550	\$39,250	\$41,950	\$44,650
<b>Very Low</b>	\$39,450	\$45,050	<b>\$50,700</b>	\$56,300	\$60,850	\$65,350	\$69,850	\$74,350
<b>Low</b>	\$63,100	\$72,100	<b>\$81,100</b>	\$90,100	\$97,350	\$104,550	\$111,750	\$118,950
<b>Median</b>	\$54,100	\$61,850	\$69,550	\$77,300	\$83,500	\$89,650	\$95,850	\$102,050
<b>Moderate</b>	\$64,900	\$74,200	\$83,500	\$92,750	\$100,150	\$107,600	\$115,000	\$122,450

Note: The “low” household income threshold is above the median household income for LA County, to reflect the relatively high cost of housing in the County.

*Source: California Department of Housing and Community Development*