

# Heart of the City Visions Fiscal Study In Perspective

An analysis of the DTA study entitled  
“Fiscal Impacts of “Heart of the City” Plan Alternatives”  
Dated 12 Oct 04

Developed to help the public:

- understand the shortcomings of the City funded fiscal analysis
- make an informed choice on the vision alternatives for the Heart of the City area

South Bay Parkland Conservancy

[www.southbayparks.org](http://www.southbayparks.org)

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# DTA Fiscal Study in Perspective

## Foreword

After the conclusion of Redondo Beach's Heart of the City Visioning Process, two possible visions for the area emerged, The Village vision and Heart Park vision. The city then hired David Taussig and Associates (DTA) to perform a fiscal study of the two visions. The study can be reviewed at [www.redondo.org](http://www.redondo.org) or the public library, or ordered from the City Clerk's office.

The South Bay Parkland Conservancy developed this document as a means to put the DTA fiscal study of the Heart Park and Village Plan visions in a broader perspective, and to help the public make a more informed decision about the two alternatives. These alternatives will appear on the March 2, 2005, Redondo Beach municipal ballot in the form of a non-binding measure.

This analysis is not meant to denigrate the vision of the Village Plan group, the intent of the City, nor the analysis performed by DTA. However, in order to put the fiscal study in its proper perspective, it will be necessary to point out the shortcomings of the analysis, and the many constraints put on DTA in the performance of their study. This report is divided into five main areas:

- Executive Summary
- Analysis of the Study's Scope
- Analysis of the Fiscal Study
- Final Conclusions
- Appendices

**South Bay Parkland Conservancy (southbayparks.org)** – This newly formed non-profit, public benefit corporation produced this report. The founding Directors are: Don Vangeloff, Jim Light, Lisa Falk, Dave Wiggins, Jillaine Force, Charlie Szymanski, Jim Vaught, Florence Swiger and Bill Brand.

### ***Mission Statement***

***South Bay Parkland Conservancy is dedicated to the restoration, preservation and public use of coastal land resources in the South Bay region. The Conservancy's current focus is the restoration of the AES property on Redondo Beach's harborfront and selected contiguous parcels for public use as open space. We are a non-profit, public benefit corporation that raises awareness and advocates the need for open space in the South Bay.***

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### I. Executive Summary

#### **DTA compares a best-case Village vision to a worst-case Heart Park vision.**

Visions do not have enough certainty or specificity to perform a rigorous analysis and develop a single, reliable result. Therefore, the task of evaluating the costs, impacts and benefits of a “vision” is extremely challenging. Here, the city hired DTA to perform a fiscal study on two visions with totally different land uses, further complicating a difficult task. Unfortunately, the assumptions and methods resulted in an ‘apples to oranges’ comparison of fiscal outcomes, and only produced one outcome rather the range of possible results from the final development of either of the two alternatives. In essence, the study produces a best-case fiscal view of the Village vision and a worst-case fiscal view of the Heart Park vision.

**The results are misleading.** Land acquisition costs are wildly inflated given area comparisons for open space and ‘Brownfield’ restorations. Forgone revenues and costs for Heart Park are overstated by incorrectly converting Area D into parkland, while recurring maintenance costs for the Village vision’s freshwater canal and lake amenities are not even calculated. Therefore, the resultant fiscal numbers are biased toward intensive development and inadequate to use as a means of comparison. In reality, the variables associated with the implementation of either vision results in a range of possible outcomes...a worst-case to best-case range for each vision. It is this range that should be used, instead, to evaluate either vision.

The Village vision contains significant risk, requires millions of dollars of private investment for remediation, infrastructure and amenities, and yet only generates \$775K of revenue for the city. That is less than the current power plant. The positive revenue is at significant risk of evaporating if a developer refuses to privately fund the infrastructure, amenities and maintenance required in the Village vision, or if the hotels and commercial elements are less than 100% successful.

With the Heart Park vision any state or federal monies applied, or any parking lot or concession revenue generated will only improve the number included in the fiscal analysis. In fact, just eradicating the errors in the analysis pertaining to Area D will yield better results. Unfortunately, the study does not produce that range of possible outcomes; it assesses a single number for each vision. And it is a safe bet that the end fiscal number will not be close to any produced in the DTA analysis.

#### **It’s not just about numbers; it’s about quality of life.**

Furthermore, the City chose to look only at the fiscal elements of the two visions and ignored other factors that would be very important to the citizens; in fact, critical to the choice ultimately selected. Other key elements like traffic and the potential impacts on schools are not presented to the public as an aid in decision-making. One of those factors being that Redondo has only 2.2 acres of park per thousand residents (including the beach); well below the 8 acres per thousand

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residents that is the national average for high density urban areas, such as Redondo Beach.

In this report, we demonstrate that **the Village vision generates an additional 11,000 daily car-trips**, largely during rush hour, while the Heart Park vision generates only 1200 throughout the day. Quality of life factors such as these are key to decision making. Thus the City of Redondo fails to provide the public with adequate information upon which to make an informed decision.

### **The DTA Study is fundamentally flawed.**

This analysis exposes and substantiates fundamental flaws in the study parameters and assumptions as defined by City staff. Therefore, the methods, assumptions, and conclusions of DTA are also flawed. The major flaws include:

- Lack of assessment of other elements of the visions such as traffic impacts
- Lack of assessment of Redondo's need for parkland
- The imbalanced "burden of proof" placed on the Heart Park vision funding sources
- Assumption of 100% success of all residential and commercial development proposed by the Village vision
- Allowance of the assumption that Village developers and homeowners will fund large amounts of public infrastructure development and maintenance.
- The lack of a feasibility comparison
- Elimination of ALL sources of park revenue
- Lack of analysis of the risks and the range of possible fiscal outcomes
- The lack of any time phasing impacts to the fiscal analysis
- Unreasonable inflation of land acquisition costs
- Inflation of recurring lost revenue and operating costs for Heart Park by incorrectly assuming Area D will be converted to park land
- Understatement of recurring maintenance costs of the Village vision development projects
- Lack of understanding and assessment of sources and means of funding public land acquisition

### **The outcome was predetermined by assumptions and constraints.**

These flaws produce results that are unreliable and unrealistic. **The assumptions and constraints preclude a fair assessment of the fiscal viability of a park. In fact, given all the constraints and assumptions of the DTA study, the ONLY land use that could yield positive fiscal results are residential and commercial development.**

The public is cautioned against using the numbers generated by the report in making choices regarding the two visions. If one removes the flawed assumptions from the DTA analysis and makes reasonable expectations on revenues derived from a variety of sources, the Heart Park vision becomes viable and attractive and the associated **risks and impacts of the Village vision become untenable.**

## II. Analysis of the Fiscal Study's Scope

### **The City's constraints yield biased results.**

Redondo Beach City government limited the scope of the study on the two alternative visions. Some of these constraints were directly levied upon DTA in the wording of their request for proposal and contractual documents; some were indirectly levied through limits of funding, time and access to information; and some were levied in their deliberate omission. Although it is impossible to determine the exact motive for these limitations, in many cases the end result pre-biased the analysis toward more intensive development from the start. While several residents, prior to letting the contract for the study, highlighted many of these constraints and limitations to City staff and City Council, their concerns were ignored in the final contract. One of the inputs received by the City of Redondo is included in Appendix 3.

### **More information is required to make an informed decision.**

The first and most blatant of the limitations is that the study only addresses the fiscal elements of the two visions. This is equivalent to a salesman calling on the telephone and asking the reader to buy a vehicle for \$30,000 - sight unseen. Without more information like the car type, age and condition, the reader cannot make an informed decision and the prudent reader would not buy the vehicle without more information. In order to make an informed decision, the public needs to fully understand the other impacts of the two visions.

### **The Village Vision creates over 38 miles of new traffic everyday.**

For example, a conservative analysis of trip generation (car trips caused by the alternative uses) reveals a huge difference between the two visions. While Heart Park would only generate about 1200 trips per day spread throughout the day, the Village vision would generate over 11,000 trips concentrated largely during rush hours from the various land uses of this development. At an average car length of 18 feet, these trips equate to over 38 miles of additional traffic. Compounding the problem, this traffic would largely concentrate at one of Redondo Beach's most congested intersections, the intersection of Herondo, 190<sup>th</sup> St and PCH. Again, due to the residential traffic, a significant percentage of this traffic would enter the roads during rush hour. Our analysis of trip generation is shown in Table 1: Alternative Vision Trip Generation.

Of note to the public, this trip generation analysis was made with trip generation tables obtained from the City. Why the City would not provide a traffic comparison to the public (despite requests to do so) is open to interpretation. Other impacts such as the impacts on schools, hospitals, existing parks, community services, air and noise pollution, and other quality of life parameters were intentionally left out as well.

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	<b>Land Use**</b>	<b>Quantity**</b>	<b>Weekday Trip Generation rate*</b>	<b>Total Trip Generation</b>
<b>Village Vision</b>				
	Hotels (2)	450 rooms (70% occupancy)	10/occupied room	3150
	Single family dwelling	150	10/dwelling	1500
	Town Home	147	8/dwelling	1176
	Fractional Condos	100 units (80% occupancy)	10/unit	800
	Senior Home	53 units	4/unit	212
	Commercial Space - Retail	100,000 sq ft	40/1000 sq ft	4000
	Regional Park	16 acres	20/acre	320
	<b>TOTAL</b>			<b>11,158</b>
<b>Heart Park Vision</b>				
	Regional Park	60 acres	20 / acre	1200
	<b>TOTAL</b>			<b>1200</b>

**Table 1: Alternative Vision Trip Generation**

\* Source: SANDAG San Diego Regional Planning Authority Trip Generation Tables, April 2002

\*\* Source: Vision briefings provided to Redondo Beach Planning Commission

### **Redondo Beach is chronically park poor.**

Another key consideration left out of the DTA study was the impact to parks available to Redondo Beach residents. Redondo Beach currently has 2.22<sup>1</sup> acres of park per 1,000 residents. This number includes our beach and Edison Right of Way licensed to the city – national analyses do not include lands that are not officially designated as parks – so keep this in mind when comparing to other areas cited below. If only designated parkland is included, Redondo has 1.43<sup>1</sup> acres of parkland per 1000 residents. The national average is 16.2 acres per 1000 residents, Los Angeles area averages 8.2 acres per 1000 residents<sup>2</sup>, the South Bay averages 2.5

<sup>1</sup> Calculated from parkland cited in “City of Redondo Beach 2004-14 Recreation and Parks Element”, June 7, 2004, The Lightfoot Planning Group; and from 2004 Census data cited on line in the Los Angeles Almanac

<sup>2</sup> “The Excellent Park System – What Makes It Great and How to Get There”, Peter Harnick., The Trust for Public Land, 2003, page 37 – 40

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acres per 1000 residents and of the South Bay’s Beach Cities only Hermosa Beach has less park space per thousand residents. Table 2 shows a comparison of how Redondo Beach compares to other urban areas.

<b>Urban Area</b>	<b>Park Acres / 1000 Residents</b>
<b>Redondo Beach (Current)*</b>	<b>2.22</b> (1.43 designated parkland only)
Redondo Beach (Heart Park)**	3.36
Redondo Beach (Village)**	2.44
Long Beach***	6.0
Los Angeles***	8.2
San Diego***	31.9
San Jose***	4.3
New York***	4.6
<b>Average, High Population Density Cities (Redondo Beach fits this category)***</b>	<b>8.0</b>
<b>National Average for Urban Areas***</b>	<b>16.2</b>

**Table 2: Comparison of Parkland/1000 Residents for Urban Areas**

\*Calculated from parkland cited in “City of Redondo Beach 2004-14 Recreation and Parks Element”, June 7, 2004, The Lightfoot Planning Group

\*\* Calculated from vision briefings submitted to Planning Commission

\*\*\* “The Excellent Park System – What Makes It Great and How to Get There”, Peter Harnick, The Trust for Public Land, 2003, page 37

Another way to compare Redondo to similar communities is the percentage of land dedicated to parkland for a city. Redondo Beach dedicates about 3.7% of its land to parkland, while the average for cities of similar density is 13.1%<sup>3</sup>. Adding insult to injury, the vast majority of Redondo Beach parks are significantly below National Recreation and Park Association (NRPA) size standards for similar parks. Community Parks are optimally 20 to 50 acres in size. Of Redondo’s five community parks only one fits into the lower range of this size, the remaining four are between 5 and 15 acres. NRPA guidelines for Neighborhood Parks call for parks between 5 and 10 acres. Redondo’s nine neighborhood parks average 1.79 acres each and none meet the minimum NRPA standard for size.<sup>4</sup> Certainly, by any comparison, Redondo Beach and the entire South Bay area is park poor. The AES Plant and surrounding areas represent the only opportunity to affect this ratio in the foreseeable future. Taking into account the Heart Park vision the ratio would improve to 3.36 acres of parkland per thousand residents, while the Village Plan ratio would improve to 2.44 acres per thousand residents – again, both these ratios include the beach and Edison Right of Way areas that would not be included in the other cities and averages.

<sup>3</sup> “The Excellent Park System – What Makes It Great and How to Get There”, Peter Harnick., The Trust for Public Land, 2003, page 37 – 40

<sup>4</sup> “City of Redondo Beach 2004-14 Recreation and Parks Element”, June 7, 2004, The Lightfoot Planning Group

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### **Risk is neither evaluated nor accounted for.**

A revealing example of bias introduced into the study by the City is the burden of evidence required on the two alternatives. The City instructed DTA to assume all the amenities and improvements promised in Village vision, such as a fresh water lake with canals, would be achieved. On the other hand, the City directed DTA to analyze sources and likelihood of funding for the Heart Park vision. If the City desired a level playing field, it should have held the two alternatives to the same burden of proof. The contractor should have been required to independently assess the likelihood that a developer would back the development as proposed by the Village vision. Although not tasked, DTA expressed concern about the viability of the Village development:

“...it is questionable whether the amenity-laden Village Plan will generate sufficient private development revenues to pay for the construction and maintenance of millions of dollars of improvements that are proposed to be privately funded and maintained.”<sup>5</sup>

“...**there is no certainty that the private development proposed under the Village Plan is economically viable.** The costs to a developer of purchasing the AES parcel...would be considerable, as would any site remediation and preparation costs. Whether a developer would be able to attract a 400-room hotel...and whether the overall development could afford to privately build and maintain canals, lakes, and other costly amenities, are both points of contention. Environmental concerns related to the Village Park concept may also play a role in determining whether such a plan is appropriate for the Heart of the City”<sup>6</sup>

“**Please note, however, that the annual surplus projected for the Village Plan is dependent on the construction of 450 hotel rooms and 100,000 square feet of additional retail space.** In order to determine whether this type of development is viable, a hotel market study should be conducted”<sup>7</sup>

**The City drives an unequal burden of proof between the two visions.** DTA was required by the city to accept that the development as proposed by the Village Vision was viable as written, yet it was required to assess the potential funding sources of the Heart Park vision. Because the Village vision assumes that developers pay all the infrastructure, acquisition, remediation, preparation, and

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<sup>5</sup> “Fiscal Impacts of “Heart of the City” Plan Alternatives”, 12 Oct 04, David Taussig and Associates, Inc., page i.

<sup>6</sup> “Fiscal Impacts of “Heart of the City” Plan Alternatives”, 12 Oct 04, David Taussig and Associates, Inc., pages xiii and xiv.

<sup>7</sup> “Fiscal Impacts of “Heart of the City” Plan Alternatives”, 12 Oct 04, David Taussig and Associates, Inc., page 23.

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construction costs, DTA was required to assess these costs in the Heart Park vision but not in the Village vision. In essence, the contractor was required to make an assessment that compares ‘apples to oranges’. **If fairness were the objective, the City would have asked DTA to identify developers willing to fund the Village Plan as written.**

### **The City seems determined to make Heart Park look bad .**

The City expects the public to accept the fiscal analysis as though it were a fair comparison of the two alternatives. In fact, the City staff seems bent to use scare tactics to get the people of Redondo to accept high intensity development showing huge tax increases driven by the park. In a memorandum dated 23 September 2004<sup>8</sup>, a consultant presented an analysis requested by city staff showing the tax levy required to support the park development even though **the Heart Park vision proponents do not advocate paying the park through tax increases to the residents of Redondo.** It is also revealing to note that the city refuses to spend additional money on impact analyses and feasibility analyses, but will fund two fiscal analyses biased to show a park as undesirable or unfeasible.

### **The City excludes all sources of park funding and revenue from the analysis.**

In yet another display of bias against the Heart Park vision, the City precluded the evaluation of any sources of revenue the Park would generate such as the increased property tax revenue of surrounding communities and increased revenue from surrounding businesses that would be inevitable from the improvements to the area.

The City of Redondo Beach commissioned a study by Regan Associates, a real estate and economic consulting firm, in May, 2004 to study the impact the AES plant has on local property values. It was estimated that property value increases adjacent to the plant were depressed by 25 - 30% on average, from 1990 to 2000.

It is also well documented that property values are greater in nearer proximity to parkland. One study shows that the average value of homes next to greenbelts was 32% higher than those more than 1/2 mile away<sup>9</sup>. The impact in Redondo would be magnified substantially as we convert a large area from a power plant to a park. As land ownership changes hands through the years the new tax revenues generated by the increased property value would be substantial. With the views of the power plant extending up the hill at 190<sup>th</sup> street the rippling impact of a park on property values would be extensive in range.

The study also precluded use of regional sources of income. Several Beach Cities including Hermosa Beach and Manhattan Beach have indicated support for a regional park. The property value impacts and revenues from neighboring cities were specifically precluded from the analysis when they should have been explored.

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<sup>8</sup> Memorandum to Ernie O’Dell, “G.O. Bond Analysis for Proposed Park Development Project” from Mark T. Young, September 23, 2004

<sup>9</sup> “The Effect of Greenbelts on Residential Property Values: Some Findings on the Political Economy of Open Space,” by Correll, Lillydahl and Singell,

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### **City constraints predetermined the outcome of study.**

In summary, the constraints dictated by the City biased the outcome of the analysis from the start. Despite several residents expressing these concerns, City staff chose to let the contract without any substantive changes. The people of Redondo should take this bias into consideration when reviewing the results of the analysis and determining their position. Additionally, the people must realize that the City only presents one of many factors that should be assessed in drawing a conclusion. Most importantly, **there is no analysis of the impacts to the quality of life of current residents, and there is no assessment of the feasibility of the development proposed by the Village Plan.** Again, even DTA expressed concern about the feasibility of the Village Plan as currently presented and proposed.

### **III. Analysis of the Fiscal Study**

The analysis of the DTA study is not meant to denigrate the efforts of DTA or their subcontractor, The Keith Companies (TKC). The constraints placed by the City combined with the lack of detail that exists in a vision make the analysis very difficult and open to valid critique. Indeed, several residents expressed concern that this study was premature for these very reasons.

### **It is impossible to reliably determine a single fiscal outcome for a “vision”.**

For a realistic analysis of the potential fiscal outcomes of the alternative visions, the only viable outcome is a range of fiscal possibilities. For example, the DTA analysis shows the one outcome of the most positive analysis of the Village plan. What would be the outcome if a 5-star hotel does not go in? What if the developers refuse to pay for the unprecedented cost of amenities and infrastructure required by the current Village Plan? What if the 100,000 square feet of commercial is largely unsuccessful? What if the developer requests more residential to make up for the significant infrastructure costs? These types of occurrences are not uncommon. The under performing commercial space above the pier provides a stark example of just such an outcome.

The impact of any one of these realistic outcomes significantly impacts the ability of the Village Plan to generate positive revenue for the city. There is a high risk the net fiscal impact on the city would be negative. DTA states that the fiscal viability of the Village plan is dependent on the success of the 450 units of hotel rooms and then questions the feasibility of a Hotel Redondo given the high costs needed to be absorbed by the developer<sup>10</sup>. **A realistic fiscal analysis would portray a worst case, a best case and a most likely case for each alternative.**

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<sup>10</sup> “Fiscal Impacts of “Heart of the City” Plan Alternatives”, 12 Oct 04, David Taussig and Associates, Inc., page 23.

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### **DTA does not assess the risks associated with the Village Plan.**

This range of fiscal possibilities would allow a resident to look at the volatility of the outcomes and assess the level of risk of each. If the difference between the best and worst cases is small, the alternative would have low volatility. If the difference is great, perhaps swaying from millions of dollars of revenue to millions of dollars of negative revenue, then the alternative has a significant level of risk. A resident could then choose whether more traffic and houses are worth the risk of negative fiscal impact if businesses fail and the developer replaces the 5-star Hotel Redondo with another Crowne Plaza. The DTA analysis provides only a best-case analysis of the Village vision. The public should recognize and keep in mind the likelihood that the Village vision would not meet best-case expectations. This is a significant flaw in the financial analysis. On the other hand, DTA did include a range of possible outcomes for the Heart Park vision dependent on a limited amenity park or a full amenity park. The Heart Park proponents, due to the variability of a “vision”, requested this. Unfortunately, the City and contractor refused to assess external revenue sources and generators – so only the range of costs was addressed.

For those who still want to use the Study’s flawed results, consider the following. For the Village Plan, financial success depends exclusively on the 400 room, 5-Star resort hotel and the 50 room boutique hotel, because the proposed residential development (350 units) on its own has insufficient density to overcome a net loss to the city.<sup>11</sup> In fact, when the entire Village vision is built out, DTA estimates final net revenue to the City of around \$775,000 or about 1.25% of the City’s general fund (and less than the \$906,000 that AES pays right now). Think about that. A 1.25% annual return for all the risk associated with years of developing 350 homes, 2 hotels (one a 5-Star) with 100 fractional-ownership condos, 10 acres of freshwater lake and 65foot-wide canals (built 12ft above Harbor Dr), a pedestrian bridge to the pier and 100,000 sq ft of additional commercial space. Particularly the risk if the proposed 5-star hotel fails to achieve a 70% occupancy rate. This is the grand idea to eliminate the AES plant while helping to save our City’s precarious financial future?

While DTA does not assess the negative impacts of the risks inherent in the Village vision, they do, as noted earlier, express concern about the risks and viability of the Village vision. **Thus, a vote for the Village Plan does not guarantee that residents will get the amenity-laden vision that has been presented.** What it will do, is rezone the current power plant, right of way, commercial and industrial space to high density residential zoning, driving up the cost of the land and opening the door for developers and land owners to ask for variances that will erode the positive aspects and amenities of the Village vision and increase the negative impacts like pollution and traffic.

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<sup>11</sup> “Fiscal Impacts of “Heart of the City” Plan Alternatives”, 12 Oct 04, David Taussig and Associates, Inc., page 23.

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### **Significant impacts of time phasing are ignored.**

The DTA fiscal analysis only looks at each of the visions at total build out, and does not assess costs of construction phasing. Realistically, both visions would take years to complete and the total teardown of the power plant would not happen immediately. This time phasing introduces significant costs to the city and the potential developers. For example, if the power plant is bought out in year 3, fully demolished and environmentally cleaned up in year 4, the new hotel is built in year 5 and the revenue from the development does not come in until year 5 or 6, two to three years of lost revenue and the cost of interest payments will have to be borne by the city or the developer. Another example, if sound walls are required to allow some development while the plant is still operating, this cost must be borne by someone, yet it is not included in the analysis. By the same token the acquisition of a park a parcel at a time was not evaluated. It is likely that a park would be built parcel by parcel based on availability of grant money and state funds and negotiations with landowners. This would allow property values to increase and generate revenue as the park grows and would keep the costs of maintenance down. Time phasing introduces significant variables that affect the fiscal reality of either alternative. Yet the City, with the Study's results, would have residents completely ignore this important piece of reality.

### **DTA significantly overstates cost of acquiring the land.**

The value of the land is a key component of this analysis. DTA used the assessed values by the State Board of Equalization and the LA County Tax Assessor. DTA then offers the 'opinion' that assessed land values by both the county and state are "very conservative" and "...do not reflect total current market values". This a very subjective statement opened to other opinions and debate. AES themselves argued to the State Board of Equalization (SBE) that the plant was overvalued, in fact, as part of their appeal to the SBE, argued for a value substantially LESS than what was finally agreed upon. The TSA opinion that these land values do not reflect current market values is pure conjecture on their part, and contradictory to their own earlier statements. There is no discussion about the zoning inconsistencies that exist in the area east of Harbor Blvd., nor does DTA provide recent sales comparables to substantiate their opinion.

This unsolicited opinion reveals a bias by the report that favors the idea that some residential zoning will be considered consistent with the Coastal Act and the community's wishes, and makes the Heart Park vision even more expensive than what is reported. While on the surface this would seem to be a moot point since the same value is used in either alternative, upon closer inspection inflated values significantly favor the Village vision. This imbalanced effect is due to the assumption that the developer will pay for all land acquisition costs under the Village Plan. Thus, the Village Plan only need bear the cost of their 16-acre park, whereas the cost of the entire 65-acre parcel is borne by the Heart Park vision. Any inflation of land value impacts the costs of the Heart Park vision 3.75 times the

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impact to the Village vision. DTA uses the value of over \$227M<sup>12</sup> for land acquisition for Heart Park vision. This equates to over \$3.2M per acre. Research into city and state land acquisitions for open space, wetlands and parklands, show that the values assumed by developers do not bear out in reality. For example, the Ballona Wetlands land acquisition from Playa Vista cost \$139M for about 192 acres, or about \$724K per acre and the developer donated another 291 acres. 1659 acres of built on land in Topanga Canyon was purchased by the state at \$25,919 per acre.<sup>13</sup> Other examples of successful state land acquisitions for open space abound, particularly in the Coastal Zone. Table 3 compares recent public land acquisitions and shows the costs allocated by DTA to be 1700% higher than the average land acquisition, and 450% greater than the highest cost per acre on an existing land acquisition. Despite the coastal location pressuring increased land valuation, in each case the price of the land was negotiated at substantially less than residential or other development would warrant. If realistic land values are applied to the parklands, the fiscal impact of the Heart Park vision benefits to a much greater extent than the Village development, hence the bias.

The current AES Redondo site will be classified as a ‘Brownfield’ once clean-up begins, and as can be seen from the examples below, this is not uncommon for coastal areas that have been restored.

Acquisition	Acres	Cost (\$M)	Cost/Acre (\$)
Bolsa Chica **	880	25	28,409
Bolsa Chica **	103	65	631,068
Ormond Beach (including 60 acre tank farm) **	265	9.6	36,226
Ballona *, **	192	139	723,958
Ballona donation	291	0	0
Ahmanson	2,800	150	53,571
East Shore	138	41.5	300,725
Forrestal	160	8	50,000
Hearst Ranch	90,000	95	1,056
AES tank farm (20 acres) – Huntington Beach **	20	.975	48,750
<b>Average</b>			<b>187,376</b>
<b>Heart Park (per DTA)</b>	<b>69.2</b>	<b>227.4</b>	<b>3,286,127</b>

**Table 3: Comparison of Recent Land Acquisition Costs<sup>14</sup>**

\* Note that the developer donated another 291 acres in addition to the negotiated price on the 192 acres

\*\* Former ‘Brownfield’

<sup>12</sup> “Fiscal Impacts of “Heart of the City” Plan Alternatives”, 12 Oct 04, David Taussig and Associates, Inc., Appendix Table 4a.

<sup>13</sup> Environmentalcalifornia.org

<sup>14</sup> Environmentalcalifornia.org

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### **DTA assumptions and city constraints excludes all sources of park revenue generation.**

DTA's assumptions on revenue generation also create imbalanced impacts favoring the Village vision. Essentially, the assumptions made by DTA eliminate or ignore all sources of revenue for Heart Park. All concessions were assumed to break even (generating no revenue) including the parking lots. (Despite this assumption DTA assessed a loss of parking revenue from the current lot at Harbor Blvd and Herondo.) Here DTA penalizes the Heart Park vision by assessing a loss of revenue, but refuses to recognize revenue after the service is reestablished in the park). This assumption is unrealistic; a single concession in Goleta Beach Park generates \$300K annual revenue for the city of Goleta.<sup>15</sup> Just one successful concession and the three parking lots DTA builds into the park (at a cost of over \$800K) would conservatively generate well over \$750K city revenue annually. Yet DTA cites zero revenue. Additionally, the increased tax revenues of surrounding communities due to the property value increases were not considered. Several studies cited earlier provided assessments of the magnitude of this increase. The impact on revenue generated through increased property values and increased local business is significant and yet disregarded in the DTA analysis. At the same time all business ventures in the Village Plan were assumed successful and thus contributing maximum possible revenues to the city. These assumptions artificially widen the gap between the alternative visions. In essence, the Heart Park plan is assessed as a worst-case scenario and the Village vision is assessed as a best-case scenario.

### **Sustaining costs of Village vision infrastructure are significantly understated.**

In generating the recurring infrastructure costs of the Village vision, DTA uses what is known as per-capita-multiplier method. This method assumes that current budgets adequately cover the costs of maintaining the infrastructure required to support residential and retail/commercial developments. This method will underestimate the costs associated with a normal development. If this method were accurate, all of Redondo's current infrastructure costs would be covered by current budgets. However, one need only examine the inability of our transportation infrastructure to keep up with development's demands to demonstrate see that this method does not account for all required infrastructure costs. In fact, the recent sewer tax and \$10M sewer bond established by Redondo Beach City Hall should be red flags that current budgets and taxes do not cover long term maintenance of our public infrastructure.

Add to this error, the fact that the Village plan has unique "amenities" that will drive up maintenance costs substantially. The City of Los Angeles has a contract for \$240K per year for maintenance of the Venice canals<sup>16</sup>. And more money will have to be spent as the canals have been cited as a source for pollution in the South

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<sup>15</sup> Santa Barbara County – Goleta Beach Park

<sup>16</sup> LA City Local Hazardous Material Plan

## DTA Fiscal Study in Perspective

Bay largely due to fecal pollution from ducks and dogs. Redondo will face similar costs in maintaining the 65 foot wide fresh water canals and artificial lake in the Village vision. On top of these issues, the maintenance of the canals and lake built 12 feet above harbor drive over polluted ground in an earthquake liquefaction zone will drive significant costs in the foreseeable future. The DTC study assumes all of these maintenance costs are borne by the homeowners in the Village plan development yet somehow these amenities, including walkways around the canals, are guaranteed to be open to the general public. In reality, it is logically inevitable that city will have to pick up maintenance and mitigation costs associated with this amenity.

The Village plan contains other recurring cost driving amenities like a trolley system as well. This underestimation of the true costs of sustaining a sizeable development paints the higher intensity Village vision in a better light than it would be if true long term costs were adequately represented. Yet even with this underassessment of infrastructure maintenance costs, DTA still cites that the residential component of the Village vision is a money loser for the city, only covered by the revenues generated by the hotel.

### **DTA and TKC are unqualified to assess funding sources of a park.**

Per the requirements of their contract, DTA tries to assess the current and future availability of funds, and the likelihood that Redondo Beach would receive outside funding, now or in the future, from a variety of public and private agencies. David Taussig, of DTA, and a representative of TKC both admitted to the Heart Park proponents during their meeting that they had no experience in parkland funding, but would contact these agencies for initial feedback to be used in the Analysis. Bill Brand, the leader of the Heart Park proponents, explained to Mr. Taussig that the method for acquiring large amounts of outside funding for such a project was a complicated process that required a protracted campaign effort for public money, and assistance from organizations such as the California Coastal Conservancy that had successfully completed much larger projects. To simply call or write a few agencies for their initial reactions was a wasted effort, the results of which could be very misleading. Other areas such as Ballona Wetlands, Rancho Palos Verdes and The Hearst Ranch have been successful only with a sustained effort. In some cases it took over 10 years, and none of the projects involved funding from the local residents.

Nevertheless, DTA contacted these agencies and confirmed both their inexperience in this field and what Mr. Brand said would be the outcome - there is no funding currently available for Heart Park. DTA interviewed Larry Kaplan of The Trust for Public Land (TPL). TPL acquires lands for open space for low-income neighborhoods and is itself competing for these same funds. Mr. Kaplan's input presents an obvious conflict of interest, and DTA should have known this. Particularly misleading is a quote from Mr. Kaplan "...California Proposition 40

## DTA Fiscal Study in Perspective

funds from Redondo Beach would be extremely non-competitive...”<sup>17</sup> Mr. Kaplan cannot address the likelihood of Heart Park receiving state money, he can only assess whether TPL would take on the project. As demonstrated by the funding of Ballona Wetlands, Bolsa Chica, Goleta State Beach projects like Heart Park do get significant state funding. Also, publishing Mr. Kaplan’s statement that Redondo Beach “...will need to pull this off on their own...”<sup>18</sup> is misleading to the citizens of Redondo Beach. Mr. Kaplan is again stating that TPL would not take this on as a project. Mr. Kaplan is one person, at a large agency, working on projects that compete for the same funding. TPL does not allocate funding; they compete for it.

DTA also contacted a few other agencies such as the California Coastal Conservancy and Southern California Wetlands Recovery Project to look for funding for either plan. These initial contacts were predictable and similarly discouraging, and can be characterized by Marc Beyeler’s (South Coast Manager from the Coastal Conservancy) comment, “The funds are mostly spoken for.”

While the financing options and potential sources of funds listed are useful, in no way should initial comments from prospective agencies regarding the potential funding for a project such as Heart Park be used to gauge the likelihood of success. This is misleading, especially without detailed historical accounts of how similar areas of much greater size and value have been successful.

While DTA identified several outside funding sources, they did not include any in the analysis to offset city costs. This naturally impacted the analysis of the Heart Park vision to a much greater extent than the Village vision, especially when combined with the exclusion of all revenue sources for the Heart Park and the overpriced land acquisition costs mentioned above.

DTA did not do any assessment of what sources would be unavailable for the smaller park in the Village vision. The smaller park in the Village vision would have difficulty qualifying for several of the sources quoted in the study. In fact, the park in the Village vision does not meet the criteria for a Community Park in the NPRA definitions. It is doubtful that surrounding cities would volunteer to help fund the smaller park in the Village vision, thus Redondo would have to “go it alone” politically and monetarily.

One interesting note, Peter Brand of the California Coastal Conservancy has spoken to the South Bay Parkland Conservancy and the City on several occasions voicing his support and belief that the Heart Park vision is achievable. Although, DTA interviewed Mr. Brand for over half an hour, they chose to exclude any of his comments in the report. Furthermore, the study references the fact that current bond monies are beginning to run out. They fail to mention that propositions

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<sup>17</sup> “Fiscal Impacts of “Heart of the City” Plan Alternatives”, 12 Oct 04, David Taussig and Associates, Inc., Pages 39 and 40.

<sup>18</sup> “Fiscal Impacts of “Heart of the City” Plan Alternatives”, 12 Oct 04, David Taussig and Associates, Inc., Pages 39 and 40.

## DTA Fiscal Study in Perspective

providing open space land acquisition moneys have passed in 11 out of 14 opportunities since 1970. Therefore, it is more reasonable to expect monies to be available in the future despite dwindling funds associated with current propositions than it is to expect that monies will not be there. Those who have experience with public land acquisition, like Peter Brand, believe public funding for the Heart Park vision is feasible. After receiving questions from a proponent of the Village vision, Mr. Brand replied with a letter (included in Appendix 1) clarifying the California Coastal Conservancy's positive view of the Heart Park viability.

### **Misunderstanding of the Heart Park vision caused errors in analysis.**

Several assumptions made by DTA indicate a misunderstanding of Heart Park vision. These assumptions ripple into over inflating the costs of the Heart Park vision. For example, it appears that DTA assumes that all commercial activity would be halted in Area D<sup>19</sup>. This error results in losses of revenue of \$889K representing 42% of foregone revenue attributed to Heart Park. Associated O&M costs and other impacts ripple throughout the analysis. Heart Park's proposed zoning allows current businesses in Area D to continue. The intent of the zoning stated is to prevent development of multistory or residential space in Area D. The only impacts to Area D would be the creation of the Boat Ramp, which requires a detailed analysis of its own and is neutral to both visions. The costs associated with building a boat ramp in Area D represent over 50% of the construction costs of the full amenities park analysis and over 58% of the construction costs of the limited amenities park. Other O&M costs attributed to Area D should not be allocated to Heart Park as they exist today and do not change in the Heart Park vision. All told the errors in assumptions in Area D combined with the impacts of the Boat Ramp account for \$19.5M in one time acquisition, remediation and construction costs, \$889K in recurring foregone revenue, and \$216K in recurring O&M costs.

### **Remediation costs are unsubstantiated and applied unequally.**

The \$91.9M attributed by DTA to site remediation does not include sufficient detail for critical analysis. What is interesting to note, is that over \$80M of this remediation is assumed to be born by the developer in the Village vision. The amount of cost assumed to be born by the developer in the Village vision is staggering.<sup>20</sup>

### **The analysis contains numerous smaller inequities and inaccuracies.**

There are many "smaller" inequities and inaccuracies contained within the DTA study. These are captured in Appendix 2. However, the most glaring issues with the analysis have been highlighted above. In summary, the study biases the outcome of the analysis through its assumptions that tend to compound one another. These assumptions include: unrealistic land valuation, zero revenue generation by a park, underestimation of high intensity development recurring maintenance costs, and lack of any real assessment of sources of park funding.

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<sup>19</sup> "Fiscal Impacts of "Heart of the City" Plan Alternatives", 12 Oct 04, David Taussig and Associates, Inc., Page 28 and applicable Tables.

<sup>20</sup> "Fiscal Impacts of "Heart of the City" Plan Alternatives", 12 Oct 04, David Taussig and Associates, Inc., Page 27 and associated Tables.

## DTA Fiscal Study in Perspective

### **Eradicating errors, constraints and bias yields significantly different results.**

Conservatively evaluating all these impacts to the Fiscal Analysis yields significant results. Not to suggest an actual estimate, but if one conservatively assumes that land acquisition can be negotiated \$1M/acre (still 40% higher than any land acquisition to date) and one takes into account Area D and other errors, the Heart Park vision goes from \$352 million in total development costs to \$170M. That is a 50% drop in the costs cited in the DTA analysis and that still includes \$91M in remediation and preparation (which we have no means to evaluate). And there is no requirement to incur all the costs at once. The park can be built and amenities added incrementally as funding becomes available. If you add reasonable revenues borne from parking, concessions, regional park fees from surrounding communities, increased tax revenue from property values rising dramatically in the vicinity of the park, increased business tax revenue, and monies coming in from the State and other sources for land acquisition and remediation, the Heart Park vision becomes very viable and attractive with no tax increase to the residents of Redondo or the South Bay to either build or sustain the Heart Park vision.

## IV. Final Conclusions

**Biased, Inaccurate and Incomplete Picture** -The fiscal analysis of the two visions presents an inaccurate and incomplete picture of the alternative visions. The constraints placed on DTA by the city, combined with the assumptions and inaccuracies utilized by DTA, compound one another to amplify a predestined, pro-development outcome. In fact, one of the authors of this evaluation, Jim Light, submitted a detailed e-mail and letter (see Appendix 3) to the city predicting this outcome just based on the City's request for proposal and the contractor's response prior to awarding the contract. The City disregarded most of the recommendations along with similar recommendations made by other residents. As crafted and carried out, the analysis results in a worst-case look at the Heart Park vision compared to a best-case evaluation of the Village vision.

The constraints levied by the city and the assumptions made by DTA preclude anything but high intensity development from yielding a positive result. The risk that the Village vision will not accomplish the numbers cited in the report is significant. And the impact of that risk to the fiscal viability of the development is great. We predict that if the Village vision were brought to fruition the actual development required to make the project viable would be much more intensive with greater residential density, with far fewer amenities, and at greater public cost than is cited in the DTA study. The public should keep this in mind when determining their stance on the two alternatives.

**Other impacts must be considered** - Perhaps more importantly, the public needs to assess what is not presented by the city...the impacts on traffic, pollution, services and quality of life...in drawing their conclusions. Redondo Beach by any reasonable measure is park poor. The Heart of the City area represents the only

## DTA Fiscal Study in Perspective

opportunity in the foreseeable future to allow any meaningful increase in the amount of park space available to the community.

The Village vision does not provide a meaningful increase to our current parkland, but it does bring significant decreases in quality of life measures: **11,000 car trips per day**, air and noise pollution, increased storm water runoff, negative impacts to current services, etc. Impact-wise to the city, it is better to keep the AES power plant than to accept the fiscal burden and risks with the negative impacts of the Village Plan.

**Others are lining up to make a park a reality** - Finally, the fiscal viability of the park rests on external financing and realization of revenue generated by the existence of a park. The California State Coastal Conservancy, the Sierra Club, neighboring cities, and others have demonstrated their support in making the Heart Park vision a reality. More organizations are lining up as the Heart Park proponents promulgate their vision. These and similar organizations have shown success throughout California.

The State of California has made it a priority to preserve and restore large areas of Coastal open space, and future State bonds for open space acquisition and restoration have a high likelihood of passing. Other communities have been successful in converting larger amounts of privately held, active, coastal Brownfield (industrial) land into public parks and wetlands. If Redondo Beach does not secure a portion of these funds, they will be applied elsewhere in our State. Park-poor Redondo and the South Bay have a strong case for securing these funds. The public should evaluate their preference of the Heart Park vision or the Village vision with all these facts in mind. When one removes the flawed assumptions from the DTA analysis and makes reasonable expectations on revenues derived from a variety of sources precluded from use in the DTA analysis, the Heart Park vision becomes viable and attractive.

**If the citizens of Redondo Beach and the surrounding communities demonstrate a vision consistent with the Coastal Act, provide proper leadership, and demonstrate the will and determination that other California communities have, the Heart Park vision can become a reality.**

## DTA Fiscal Study in Perspective

### Appendix 1: Memo from the California Coastal Conservancy

November 3, 2004

Janet M. Johnson  
Friends of the Village Plan  
535 Esplanade Avenue, #602  
Redondo Beach, CA. 90277

Dear Ms. Johnson,

Thank you for your letter regarding potential reuse of the AES site in Redondo Beach as a waterfront park. We would like to clarify our message, which has been conveyed in Mr. Taussig's economic analysis and in our comments in public meetings, regarding potential assistance from the Coastal Conservancy with the implementation of the Heart Park Plan.

We have been generally supportive when asked about the Heart Park concept as it is consistent with our programmatic authority to assist with coastal restoration, public access and urban waterfront restoration. We also look to the Coastal Act and its policies since the Coastal Commission retains jurisdiction for regulation of land use on this property. Several Coastal Act policies seem particularly pertinent: (1) Oceanfront land suitable for recreational uses shall be protected for recreational use unless present and foreseeable demand for such use is already adequately provided for in the area (Section 30221); (2) The use of private lands suitable for visitor-serving commercial recreational facilities designed to enhance public opportunities for coastal recreation shall have priority over private residential, general industrial or general commercial development (Section 30222); and (3) the biological productivity of coastal wetlands, lakes and estuaries shall be maintained and, where feasible, restored (Section 30231).

With regard to funding, we have stated that we don't currently have funds to pay for this project and that it would require another State Bond Act before the Coastal Conservancy could provide a large amount of funding needed to implement this project. However, projects like this while expensive have been successful; this project would take years to implement; we do not rely on only our funds and typically bring in a variety of funding sources, both federal and state, to match our own in complex projects; and this waterfront park project could be implemented in phases.

## **DTA Fiscal Study in Perspective**

You also refer to the comments by Mr. Kaplan of the Trust for Public Land who is quoted in the Taussig report. These comments should not concern you. Mr. Kaplan has no responsibility for or authority over Proposition 40 funding.

We hope this answers your questions. Let us know if you need further assistance.

Sincerely,

Peter S. Brand  
Senior Project Manager

Marc Beyeler  
South Coast Program Manager

cc. Senator Debra Bowen  
Deborah Lee, Coastal Commission  
Bill Brand  
Scott Valor, Santa Monica Bay Commission  
Craig Shuman, Heal The Bay

## **DTA Fiscal Study in Perspective**

### **Appendix 2: Referenced detailed comments**

Page i – “Heart Park...offers little in the way of public or private revenues” This is untrue, the study chose to ignore any sources of revenue.

Page ii – Area D is not impacted under the Heart Park vision with the exception of any impacts due to the boat ramp. Additionally, the Heart Park vision does not intend to buy the current post office.

Page iii – The definition of the acreage of the Heart Park area changes throughout the document.

Page v – DTA cites substantial loss in annual revenues. DTA makes wrong assumptions about Heart Park impacts to Area D and assumes no revenue generation for the park, which is easy for them, but inaccurate.

Page vi – Costs associated with phasing are not considered. These costs could be substantial, especially to the Village Plan. DTA cites that neither vision provided sufficient detail. That was to be expected as this was performed on “visions” not projects or specific plans.

Page vi and vii – DTA does not assess impact of increased property values. It further states that any impact would impact both similarly. The difference and impact of a 16 acre park versus a 65 acre park is significant. In either case elimination of increased property values and associated taxes negatively impacts the Heart Park vision more than the Village vision.

Page vii – DTA states that property values are understated. While this may be true for the Village vision with its intensive development, that is untrue with the Heart Park vision. Information in the body of this report highlights similar land acquisitions. DTA cites no revenue sources outside the city. This is biased against Heart Park vision as a regional park, which would generate revenues external to the city. DTA’s assumption that the costs amenities of the Village vision are all borne by the developer along with costs like remediation bias the assessment in favor of the Village vision. Heart Park is forced to bear all associated costs with no external funding per other assumptions.

Page viii – DTA admits to shortcomings driven by their assumptions, but states that the information is sufficient to make decisions upon. This is arguable. The assumptions and other shortcomings actually drive a biased outcome that favors development.

Pages ix, x, and xi – Development costs and loss of annual revenues associated with Heart Park are significantly overstated as highlighted in the body of the report, and other specific comments in this section.

## **DTA Fiscal Study in Perspective**

Page xii – Heart Park vision fiscal deficits are overstated due to assumptions that preclude any revenue from a park. This is blatantly inaccurate.

Page xiii – DTA concludes that the Heart Park is a formidable challenge. Given the assumptions and analyses they did, we agree. However, their results and conclusion are biased from the outset by the assumptions. Ruling out any external revenue and overinflating the acquisition costs yields an unrealistic and biased result. The ONLY thing that could yield a positive result under these assumptions is residential and commercial development.

Report main body – a number of problems in the main body of the report are cited in the review of the executive summary and the appendices. They are not repeated as comments to main body except in critical instances.

Page 4 and 5 – The per capita multiplier method is insufficient for determining budget costs for development. As explained in the body of this report, per capita methods assume current budget and tax revenues are adequate for the current infrastructure O&M. If this were true the recent sewer tax AND bond would not be required, nor would increasing traffic congestion be a problem. It is obvious that current revenue and budgets do not adequately maintain and improve infrastructure to keep up with accumulating demands of development, or with long term maintenance of aging infrastructure. Although it is an industry standard, this a major flaw in the analysis.

Page 6 and 7 – The Keith Company forced certain assumptions in amenities in the Park. For the Heart Park vision, forcing all amenities to be built up front artificially inflates the negative fiscal impacts of the park. In reality, new amenities, indeed new property, can be added in a piecemeal fashion. The Village vision on the other hand is very dependent on when revenues are generated, so their sequencing is critical to their fiscal success.

Appendix Table 4 – Land acquisition costs are significantly overstated. Construction of the boat ramp accounts for over 50% of the construction costs for Heart Park. This should be separated into its own project independent of the Heart Park vision.

Appendix Table 4a – TSA assumes that the Post Office would be purchased by the city at \$7.642M. The Heart Park vision does not intend to move or buy the current post office. Other land acquisition costs are overstated.

Appendix Table 5 – Foregone revenues include revenues for Area D which the Heart Park plan does not intend to impact at all. Also, parking revenue losses are cited, yet none of the parking lots in the park are assumed to generate revenue. Inconsistent treatment of parking lots.

## **DTA Fiscal Study in Perspective**

Appendix Table 5a – Again, table assesses foregone revenues for businesses in Area D that the Heart Park vision does not intend to impact. This error accounts for over 50% of the foregone revenue.

Appendix Table 6a – Area D O&M costs should be neutral and not included as the Heart Park vision does not anticipate significant impacts to Area D.

Appendix Table 7 – Land acquisition costs are significantly overstated. Construction of the boat ramp accounts for over 50% of the construction costs. This should be separated into its own project independent of the Heart Park vision.

Appendix Table 7a - Post office acquisition is not included in Heart Park vision. Acquisition costs overstated.

Appendix Table 8 - Foregone revenues include revenues for Area D which the Heart Park plan does not intend to impact at all. Also, parking revenue losses are cited, yet none of the parking lots in the park are assumed to generate revenue. Inconsistent treatment of parking lots.

Appendix Table 8a - Again table assesses foregone revenues for businesses in Area D that the Heart Park vision does not intend to impact. This error accounts for over 50% of the foregone revenue.

Appendix Table 9a – Area D O&M costs should be neutral and not included as the Heart Park vision does not anticipate significant impacts to Area D.

## DTA Fiscal Study in Perspective

### Appendix 3: Memo submitted to the City on shortcomings of financial analysis prior to contract award

Redondo Beach city staff and council received many comments from the public expressing concerns about the pending contract to perform the fiscal analysis of the Heart of the City alternate visions. The following is the complete text of one such communication, a letter to the city staff and council. The reader will note that many of the problems cited in the main body of this report were highlighted to the City Council prior to the award of the contract. The city ignored such input from its residents. The text of the letter follows:

6 July 04

**For submission to the public record and inclusion in the Red Folder for 6 July 04 City Council Meeting Agenda Item on the proposals for fiscal analysis of HoC Visions.**

Attachment: Point Paper on HoC Vision Financial Analysis Proposals

Mayor and Councilmen,

I believe the people of Redondo need to understand all the pros and cons of each vision developed out of the “Visioning Process” in order to make informed decisions. However, the submitted proposals for doing a fiscal analysis of these visions have significant flaws and should be rejected outright. I detail my concerns in the attached point paper, but will summarize here:

1. **We should weigh other impacts and benefits at the same time we look at fiscal data.** People should be able to weigh whether an increase in traffic is worth some marginal additional revenue, for example. This analysis only includes fiscal analysis. Traffic, pollution and other quality of life impacts are not assessed.
2. The visions are not refined enough develop a single fiscal outcome for each. **A proper analysis would result in a range of potential fiscal outcomes.** If these ranges were developed they would likely overlap providing a difficult tool for rendering any decision. Remember the process was a visioning process and included extremely limited time (less than three hours total) to actually develop a solution. Detailed and reliable fiscal analyses require far more detail than afforded in the visioning process. **Assigning a single fiscal outcome to either of these visions is deceptive and inaccurate.**
3. Neither proposal is adequate and will result in either side being able to easily refute any portion of the analysis. The RSG proposal lacks detail to assess their process merits and faults adequately. **Worse than this, the DTA proposal shows significant bias toward the Village Plan.** For example, they specifically cite loss of right of way review for the park plan,

## DTA Fiscal Study in Perspective

but do not mention it in the Village plan. They cite loss of parking revenue for the park plan, when a park would generate more parking revenue not less. They only mention park user fees as a source of revenue when parks generate far more means of producing revenue. DTA fails to highlight some of the riskiest items of the Village plan – their lakes and canals and transit system, yet they cite specific cost drivers not settled upon in the park vision like an indoor pool. DTA does not address the likely outcome of failed or less successful businesses. The most glaring bias is shown in the fact that DTA will rely on the City or the Village plan proponents for the assessment of market prices and project valuations. If this is adequate, then the contractor should accept the analyses of proponents of both plans to be fair (and at that point why even pay the contractor to do the analysis at all?).

Given that we are in fiscally challenging times, Redondo can spend \$60K (or more) far more effectively than on an analysis that portrays only part of the picture and will result in more questions and controversy than it settles on an already volatile subject. That \$60K could fund a quarter of the crossing guard program, for example. The end result will be to spend \$60K (or more) on further polarizing the city rather than driving us to a common conclusion.

I strongly urge the Council to reject both proposals and to work with the plan proponents to define a **real** process for coming to closure on the HoC area.

Sincerely,

Jim Light  
District 1

### Point Paper on HoC Vision Financial Analysis Proposals

Submitted by: Jim Light, District 1.

#### General

1. Both plans right now are visions with insufficient detail to make any reliable fiscal analysis. These were visions not specific plans (per the Council's process). Any financial analysis that comes up with one set of numbers for a "vision" will not stand up to critical analysis.
  - a. Minor changes to visions could cause great volatility in the analyses.
    - i. For example, delete or delay or change the size of the indoor swimming pool in the park plan.
    - ii. Another example, change your basis of initial valuation based on different assumptions.
  - b. Any adequate fiscal analysis would have to include an analysis of the potential range of outcomes, which would result in bands of possible fiscal results. It is these bands that would have to be compared.
    - i. For example, what happens when someone proposes an 3 Star Hotel instead of a 5 Star Hotel?
    - ii. Another example, assume 25% of the businesses fail in the first five years.

## DTA Fiscal Study in Perspective

- c. It is most likely that the bands would significantly overlap and therefore not provide enough data for true decision-making. It would provide an expensive analysis of the volatility of either plan (if done correctly)
  - d. With all the variability, there is no way to get one number. A proper study would provide a range of possible fiscal outcomes. To come up with one number is and to be able to think anyone could sufficiently defend that number under any real scrutiny is ludicrous.
  - e. Due to the variability of the outcomes of either plan, financial analysis at this point is a waste of taxpayer money
    - i. Either side could easily discredit any number determined and claim bias
    - ii. The volatility in the range of outcomes makes the exercise an academic waste of money.
2. This product will probably not come out per schedule, thus it could adversely affect the ability of the city to meet ballot deadlines. A flawed fiscal analysis of the vision should not further delay a vote of the people on the preferred vision.
  3. Inevitable delays in the end product and changes to make the products realistic and defensible will most likely drive up the cost of the analysis. If changes are not accommodated, the product will be flawed and counterproductive. If the required changes are accommodated, the changes will provide the contractual mechanism for the contractor to submit a change proposal - even if the initial contract is Firm Fixed Price.
  4. Fiscal impacts need to be weighed against other impacts for informed decision making. The study even if done correctly will not provide the required information to weigh the overall benefits against the overall impacts.
    - a. As a hypothetical example, would the positive impacts of revenues of a residential development be outweighed by the traffic impacts? Other impacts need to be assessed to make a sound decision.

### Overall

1. No definition of the area to be included. Our visioning was limited to the only parts of the HoC area. Does this RFP include all areas included in the HoC specific plan.
1. No definition of the period of assessment. This can significantly alter the outcome.
2. Prefer second proposal over first proposal - but it requires much more specificity.
  - a. Explicitly explores other funding sources
  - b. TKC proposal shows significant bias throughout their proposal toward the Village plan as highlighted in the TKC section
3. Both plans refer to multiple meetings with city personnel and only once with the proponents of either option.
  - a. City personnel have already voiced bias towards higher density development and residential uses
  - b. Recommend either plan have multiple gateways with groups, otherwise won't have buy in.
  - c. Recommend groups be represented in meetings with City
  - d. Recommend requirement for equal time for both groups
4. Both proposals limit assessment of fiscal impacts to HoC area only
  - a. Impacts could extend well beyond HoC area
5. Neither proposals explicitly account for impacts and the cost of mitigating impacts such as:
  - a. Traffic
  - b. Pollution
  - c. View
  - d. Services - fire, school, public works, police, libraries, beach parking, etc

## DTA Fiscal Study in Perspective

6. Neither proposal discusses impacts of residential in coastal zone driving low income housing requirements
7. Neither proposal explicitly covers how time factoring could impact either plan
  - a. How will slips in development affect loans, bonds, and redevelopment?
  - b. What is the cost of money (dollars borrowed versus money paid by the city over the life of the projects) for the city in supporting these visions?
8. Neither proposal discusses the initial basis for determining land value
  - a. General plan or current zoning are not congruent
  - b. Huge deltas in value depending on starting point
  - c. Could artificially bias outcome toward higher density
9. Neither proposal explicitly cover the need for redevelopment and its impacts in either plan
10. Neither proposal assesses the downside of failure or the risk of failure of plan elements on either plan
  - a. Impact of 3 star versus 5 star hotel
  - b. Impact of business failure
  - c. With all the variability, there is no way to get one number a proper study would provide the range of possibilities. To come up with one number is and to be able to stand up to those numbers as sufficient for decision-making is ludicrous.
11. What zoning is being used in the village plan?

### Comments on DTA Proposal

1. See Overall comments preceding
2. It is obvious that DTA lacks expertise in assessing parklands. Thus we are essentially getting two separate analyses by different organizations, glued together at the end. High risk of comparing apples to oranges.
3. DTA will provide executive summary for use in voting information without approval or comments from either group. This is inappropriate. Both groups should support the outcome of the analysis or we wasting our money.
4. Task 2 DTA proposes to use highest and best use analysis as a basis for valuation this is fundamental flaw. If we return zoning to a pre HoC then the value of the land is substantially less with a transition to parkland.
5. Task 3 - level and cost of cleanup is dependent on land use and should be addressed and costed thusly. Without independent analysis by a company that does Hazardous Waste clean up numbers will be significantly suspect
6. Task 4 assumes utilizations that have not been settled upon and are stated in much greater specificity than the Village Plan.
  - a. Proponents of Heart Park can debate these uses. As to size scope, changed uses (where did indoor pool come from?), left out uses (natural areas, salt wetlands, etc).
7. Task 5 limits revenue for the park plan to user fees only. What about regional taxes, grants, state set asides and matching funds, increased property tax revenues etc?...Also it specifically addresses impacts to fire and administrative charges, but makes no similar statement in Village Plan...seems to show bias from the start.
8. Task 6 addresses lost parking fees for the park vision - the park would generate more parking fees. Another show of bias before starting. Lost revenue from Right of Way is an impact in either plan, why is it singled out in the park analysis alone?
9. Task 7, 7.1 - shows bias toward Village plan in wording. Does not address stated Gaslight development, transit, etc proposed in village plan. Does not address potential downside of failed or less successful development (3 Star versus 5 Star hotel, failed retail, etc). Does not address impacts to external service (but they do for the park). Does not include mitigations external to area.
  - a. What happened to the analysis of the lake and canals?

## DTA Fiscal Study in Perspective

- b. The footnote states they will use info provided by the city or Village Plan proponents on market prices and valuations. This is really indicative of predetermined bias.
  - c. Where is the impact of low income housing requirements assessed?  
Shows bias by exclusion of downside impacts.
10. Task 7, 7.2 - The contractor chooses to use easily derived but extremely flawed current average costs per resident/employee. This is flawed as we have shown that through current average costs per resident, we have not kept up on maintenance of items like sewers, schools, traffic mitigation, pollution mitigation, regional water supply, etc. There is also no mention of assessing increasing costs as current infrastructure ages yet must bear increased utilization through the additional residences and businesses of the Village plan. Current average costs will provide unrealistically low impact costs.
11. Task 7, 7.3 - Case study method could be good or bad. Per capita multiplier method is unrealistic for the reasons stated above. Plus these tools will yield apples to oranges comparison to park data. Similar methods must be used for both to yield comparable data. Additionally, resident income is used as a basis for determining generated revenues when, in fact, it has marginal bearing.

### Comments to Rosenow Spevacek Group Proposal

- 1. Lacks detail but does not display bias shown in DTA proposal.
- 2. Explicitly explores other sources of funding and revenues.
- 3. Other areas too vague to provide significant feedback