



REPORT TO
LA MESA PLANNING COMMISSION

DATE: June 16, 2021

SUBJECT: Consideration of proposed amendments to Title 24 (Zoning) of the La Mesa Municipal Code to revise the exceptions to provide street improvement as per La Mesa Municipal Code Sections 24.05.040C – Prerequisites to Development, and 24.06.040B – Prerequisites to Development, to except building addition and accessory structure projects 1,000 square feet in area or less

ISSUING DEPARTMENT: Community Development

SUMMARY

Issue:

Should the Planning Commission determine that the proposed amendments to Title 24 (Zoning) of the La Mesa Municipal Code to revise the exceptions to provide street improvement as per La Mesa Municipal Code Sections 24.05.040C – Prerequisites to Development, and 24.06.040B – Prerequisites to Development, to except building addition and accessory structure projects 1,000 square feet in area or less are consistent with the General Plan, and recommend adoption thereof by the City Council?

Recommendation:

That the Planning Commission adopt a the attached draft resolution (**Attachment A**) determining that the proposed amendments to Title 24 (Zoning) of the La Mesa Municipal Code to revise the exceptions to provide street improvement as per La Mesa Municipal Code Sections 24.05.040C – Prerequisites to Development, and 24.06.040B – Prerequisites to Development, to except building addition and accessory structure projects 1,000 square feet in area or less are consistent with the General Plan, and recommending the adoption thereof by the City Council.

Environmental Review:

This action is not subject to the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15061(b)(3).

BACKGROUND:

The City of La Mesa Municipal Code (LMMC) includes provisions requiring the dedication of land and improvement of right-of-way in connection with Development. Residential developments are subject to LMMC Section 24.05.040C1:

C. PREREQUISITES TO DEVELOPMENT. The following requirements shall be accomplished at no cost to the city in connection with development:

- 1. If a public street upon which the building site has frontage is substandard with respect to either width or improvements as prescribed in either the Street Standards Resolution or General Plan, then land needed for street widening shall be granted to the city and street improvements, specified in such resolution shall be made to the satisfaction of the city engineer. Such improvement shall include but is not limited to preparation of the street right-of-way by grading, removal of obstructions, construction of retaining walls, guardrails or other protective devices determined by the city engineer to be necessary together with the preparation of engineering plans for all improvements. Exception: The foregoing requirements shall not apply to (i) interior alterations of buildings which do not add dwelling units, (ii) swimming pools and accessories less than \$50,000 value, or (iii) building additions or structures less than \$50,000 value.*

Commercial developments are subject to LMMC 24.06.040B1:

B. Prerequisites to Development. The following requirements shall be accomplished at no cost to the city in connection with development:

- 1. If the building site has frontage on a public street which is substandard with respect to either width or improvements as prescribed in the Street Standards Resolution or General Plan, then land needed for widening of each such substandard street shall be granted to the city and needed street improvements specified in such resolution shall be made to the satisfaction of the city engineer. Such improvement shall include but is not limited to preparation of the street right-of-way by grading, removal of obstructions, construction of retaining walls, guardrails or other protective devices determined by the city engineer to be necessary, together with preparation of engineering plans for all improvements.*

Exceptions:

- a. The foregoing requirement shall not apply to (i) interior alterations of buildings less than fifty thousand dollars value, (ii) swimming pools and accessories less than fifty thousand dollars value, or (iii) building additions or structures less than fifty thousand dollars value, within any five year period, (iv) fences, nonbuilding walls or retaining walls.*

- b. The city council may authorize the guarantee of such improvements if less than fifty percent of the frontage in the same block is not improved to the same standards.*

Each of these sections prescribes a \$50,000 project valuation as the threshold above which projects must provide dedication and public improvement. This amount was established by ordinance in October 1993 based on a residential project of 685 square feet and a commercial project of 1,350 square feet, both of which had a valuation of \$50,000 at that time according to the staff report presented to the City Council.

DISCUSSION:

The City is concerned that this valuation threshold no longer reflects an appropriate level at which to require public improvements. The cost of construction, and hence valuation tables for development, have increased greatly over the 27 years since the threshold was established, resulting in much smaller projects triggering the requirement for street improvements. The City engaged Willdan Financial Services to reassess the valuation threshold based on analysis of the increase in construction costs since the time the threshold was adopted, and to provide recommendations for updating the current exceptions to providing public improvements.

Willdan's analysis (**Attachment B**) found that construction costs in general had increased by 125 percent since 1993, and that the prototype projects valued at \$50,000 in 1993 had increased to approximately \$90,000 and \$232,000 respectively for residential and commercial projects. In reviewing construction activity in La Mesa, Willdan's analysis reflected the following conclusions:

- A cost tolerance level for public improvements of approximately 9 to 12 percent; finding no smaller projects pursued with public improvement costs greater than this range.
- There were no projects below approximately \$75,000, which suggests the required public improvement costs for projects below this valuation could overburden such projects and potentially render them infeasible.
- The cost of typical public improvements based on project prototypes provided by the City increased from around \$5,100 to more than \$11,000 for residential projects at the \$50,000 valuation level, and from approximately \$7,400 to \$16,600 for similar commercial projects.

Willdan's analysis confirmed that the current exceptions to provide public improvements based on a \$50,000 valuation do not reflect an appropriate level at which to require such improvements. Willdan's work showed that the cost of improvements burdened projects to the extent that certain smaller projects may not be pursued due to public improvement cost burden.

As a part of their analysis, Willdan considered whether valuation is the appropriate basis

for the exceptions from public improvements. As was indicated by their study, valuation has increased greatly over the years. A methodology based on valuation would need to be consistently updated on an annual or biennial basis to keep pace with inflation. Willdan suggests an approach based square footage. The valuation of the project compared to the cost of public improvements would be roughly expected to vary together, which would keep the public improvement burden on projects consistent over time. Willdan recommends that the City review the updated exceptions every five years to assure that the exceptions are functioning as intended, and to provide adjustments as necessary.

Willdan recommends that the City implement the exception to public improvements based on project area, with the recommended threshold at 1,000 square feet. Based on the typical public improvements provided, this level would be an estimated burden of 8.7% and 9.6% of construction valuation for residential and nonresidential development, respectively. This gives consideration to the preference shown by permit applicants to pursue projects with a public improvement cost not greater than 9 to 12 percent, and to ensure that required improvements reflect a reasonable burden relative to the overall valuation of a project. This recommendation would effectively raise the \$50,000 valuation threshold and incentivize more projects without having to provide frontage improvements. Improvements would only be required for significant projects and the required improvements would represent a reasonable burden relative to the overall construction value of a project.

ENVIRONMENTAL REVIEW:

This action is not subject to the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15061(b)(3) because the activity is covered by the common sense exemption since it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. Further, future projects affected by this ordinance would be individually considered relative the requirement for environmental review under CEQA.

RECOMMENDATION:

Staff recommends that the Planning Commission adopt a the attached draft resolution (**Attachment A**) determining that the proposed amendments to Title 24 (Zoning) of the La Mesa Municipal Code to revise the exceptions to provide street improvement as per La Mesa Municipal Code Sections 24.05.040C – Prerequisites to Development, and 24.06.040B – Prerequisites to Development, to except building addition and accessory structure projects 1,000 square feet in area or less are consistent with the General Plan, and recommending the adoption thereof by the City Council.

Submitted by:



Kerry Kusiak
Director of Community Development

- Attachments A. Draft Planning Commission Resolution
 B. Willdan Public Improvement Threshold Analysis

RESOLUTION NO. PC 2021-XX

A RESOLUTION OF THE PLANNING COMMISSION OF THE CITY OF LA MESA DETERMINING THAT PROPOSED AMENDMENTS THE LA MESA MUNICIPAL CODE TO REVISE THE EXCEPTIONS TO PROVIDE STREET IMPROVEMENT AS PER LA MESA MUNICIPAL CODE SECTIONS 24.05.040C – PREREQUISITES TO DEVELOPMENT, AND 24.06.040B – PREREQUISITES TO DEVELOPMENT, TO EXCEPT BUILDING ADDITION AND ACCESSORY STRUCTURE PROJECTS 1,000 SQUARE FEET IN AREA OR LESS ARE CONSISTENT WITH THE GENERAL PLAN, AND RECOMMENDING THE ADOPTION THEREOF BY THE CITY COUNCIL

WHEREAS, Ordinance No. 2631 adopted October 12, 2021, established the current exceptions from street improvement requirement for projects of \$50,000 or less valuation as per La Mesa Municipal Code Sections 24.05.040C – Prerequisites To Development, And 24.06.040B – Prerequisites To Development;

WHEREAS, the valuation amount established by Ordinance No. 2631 was based on the 1993 building valuation of prototype projects consisting of a residential project of 685 square feet or a commercial project of 1,350 square feet, both of which had a valuation of \$50,000 at that time;

WHEREAS, the costs of construction and therefore the valuation of construction projects has increased greatly in the over 27 years since the exceptions were established, resulting in much smaller projects triggering the requirement for street improvements;

WHEREAS, the City engaged Willdan Financial Services (Willdan) to assess the \$50,000 valuation in 1993 to current construction costs, and to provide recommendations for updating the exceptions currently provided;

WHEREAS, Willdan found that construction costs had increased generally by 125 percent since 1993, that the current valuations of the 1993 residential and commercial prototype projects had increased to \$89,450 and \$231,941, respectively;

WHEREAS, Willdan further found that recent applicants for lower valuation projects would not pursue projects for which public improvements exceeded 9.5 percent to 12.4 percent of building valuation based on City permit data;

WHEREAS, Willdan recommended that the City update the exceptions to street improvement requirements in response to the increase in construction costs and building valuation;

WHEREAS, Willdan further recommended that the exceptions to street improvement requirements be based on the square footage rather than valuation, and be reassessed every five years to ensure the exceptions to street improvement requirements continue to be a reasonable burden relative to the overall valuation of a project;

WHEREAS, the Willdan study showed that commercial and residential projects of 1,000 square feet would have a public improvement cost of approximately nine percent at current construction valuation, which is less than the public improvement cost shown as acceptable

according to City permit data, and would represent a reasonable burden relative to the overall construction value of a project;

WHEREAS, this action is not subject to the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15061(b)(3) because the activity is covered by the common sense exemption since it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA; further, future projects affected by this ordinance would be individually considered relative the requirement for environmental review under CEQA.

WHEREAS, the Planning Commission conducted a public hearing on June 16, 2021, regarding the herein proposed amendments to Title 24 – Zoning of the La Mesa Municipal Code, considered public testimony, and adopted a resolution recommending that the City Council to adopt the proposed amendments;

WHEREAS, notices of the public hearing was made at the time and in the manner required by law;

THE PLANNING COMMISSION FINDS AND DETERMINES AS FOLLOWS:

1. The proposed amendments to Title 24 – Zoning of the La Mesa Municipal Code as shown in Exhibit A are consistent with the goals and objectives of the City of La Mesa General Plan.

NOW, THEREFORE, BE IT RESOLVED by the Planning Commission of the City of La Mesa, California as follows:

1. The foregoing recitals and determinations are true and correct and an integral part of the Planning Commission’s decision, and are hereby made a part hereof.

2. The Planning Commission recommends that the City Council adopt the proposed amendments to Title 24 (Zoning) of the La Mesa Municipal Code to revise the exceptions to provide street improvement as per La Mesa Municipal Code Sections 24.05.040C – Prerequisites to Development, and 24.06.040B – Prerequisites to Development, to except building addition and accessory structure projects 1,000 square feet in area or less as shown in Exhibit A.

PASSED AND ADOPTED at a regular meeting of the Planning Commission of the City of La Mesa, California, held the 16th day of June 2021, by the following vote, to wit:

- AYES:
- NOES:
- ABSENT:
- ABSTAIN:

I, Kerry Kusiak, Secretary of the City of La Mesa Planning Commission, do hereby certify the foregoing to be a true and exact copy of Resolution PC-2021-XX, duly passed and adopted by the Planning Commission.

Kerry Kusiak, Secretary
La Mesa Planning Commission

DRAFT

EXHIBIT A

SECTION 1: La Mesa Municipal Code (LMMC) Section 24.05.040C – Prerequisites to Development is recommended to be amended as follows

“C. PREREQUISITES TO DEVELOPMENT. The following requirements shall be accomplished at no cost to the city in connection with development:

1. If a public street upon which the building site has frontage is substandard with respect to either width or improvements as prescribed in either the Street Standards Resolution or General Plan, then land needed for street widening shall be granted to the city and street improvements, specified in such resolution shall be made to the satisfaction of the city engineer. Such improvement shall include but is not limited to preparation of the street right-of-way by grading, removal of obstructions, construction of retaining walls, guardrails or other protective devices determined by the city engineer to be necessary together with the preparation of engineering plans for all improvements.

a. Exception: The foregoing requirements shall not apply to (i) interior alterations of buildings which do not add dwelling units, (ii) swimming pools and accessories less than \$50,000 value, or (iii) building additions or accessory structures less than \$50,000 value that are 1,000 square feet in area or less. When a property is developed on an incremental basis, the cumulative development over the period of previous five years for the property in total shall be considered for the 1,000 square-foot threshold for exception.

c. If the City Engineer finds that the requirement to construct street improvements concurrent with the development of the project would cause undue hardship on the owner, the City Engineer may, with the concurrence of the Director of Community Development, require the owner to enter into a secured agreement to construct the required improvements in lieu of completing the improvements as a part of the development project. Any such agreement shall include a specified period of time, not to exceed 25 years from the date of the secured agreement, as to when improvements would be constructed.”

SECTION 2: LMMC Section 24.06.040B – Prerequisites to Development is recommended to be amended as follows:

“B. Prerequisites to Development. The following requirements shall be accomplished at no cost to the city in connection with development:

1. If the building site has frontage on a public street which is substandard with respect to either width or improvements as prescribed in the Street Standards Resolution or General Plan, then land needed for widening of each such substandard street shall be granted to the city and needed street improvements specified in such resolution shall be made to the satisfaction of the city engineer. Such improvement shall include but is not limited to preparation of the street right-of-way by grading, removal of obstructions, construction of retaining walls, guardrails or other protective devices determined by the city engineer to be necessary, together with preparation of engineering plans for all improvements.

a. Exceptions:

- i. The foregoing requirement shall not apply to (i) interior alterations of buildings less than fifty thousand dollars value, (ii) swimming pools and accessories ~~less than fifty thousand dollars value~~, or (iii) building additions or accessory structures less than fifty thousand dollars value that are 1,000 square feet in area or less., ~~within any five year period~~, (iv) fences, nonbuilding walls or retaining walls.
- ii. The city council may authorize the guarantee of such improvements if less than fifty percent of the frontage in the same block is not improved to the same standards.
- iii. When a property is developed on an incremental basis, the cumulative development over a period of the previous five years for the property shall be considered in total in determining the 1,000 square-foot threshold for exception.
- c. If the City Engineer finds that the requirement to construct street improvements concurrent with the development of the project would cause undue hardship on the owner, the City Engineer may, with the concurrence of the Director of Community Development, require the owner to enter into a secured agreement to construct the required improvements in lieu of completing the improvements as a part of the development project. Any such agreement shall include a specified period of time, not to exceed 25 years from the date of the secured agreement, as to when improvements would be constructed."

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Public Improvement Threshold Analysis

Introduction

The City of La Mesa Municipal Code (LMMC) includes provisions requiring the dedication of land and improvement of right-of-way in connection with development. Residential developments are subject to LMMC Section 24.05.040C1:

C. PREREQUISITES TO DEVELOPMENT. The following requirements shall be accomplished at no cost to the city in connection with development:

1. If a public street upon which the building site has frontage is substandard with respect to either width or improvements as prescribed in either the Street Standards Resolution or General Plan, then land needed for street widening shall be granted to the city and street improvements, specified in such resolution shall be made to the satisfaction of the city engineer. Such improvement shall include but is not limited to preparation of the street right-of-way by grading, removal of obstructions, construction of retaining walls, guardrails or other protective devices determined by the city engineer to be necessary together with the preparation of engineering plans for all improvements. Exception: The foregoing requirements shall not apply to (i) interior alterations of buildings which do not add dwelling units, (ii) swimming pools and accessories less than \$50,000 value, or (iii) building additions or structures less than \$50,000 value.

Commercial developments are subject to LMMC 24.06.040B1:

B. Prerequisites to Development. The following requirements shall be accomplished at no cost to the city in connection with development:

1. If the building site has frontage on a public street which is substandard with respect to either width or improvements as prescribed in the Street Standards Resolution or General Plan, then land needed for widening of each such substandard street shall be granted to the city and needed street improvements specified in such resolution shall be made to the satisfaction of the city engineer. Such improvement shall include but is not limited to preparation of the street right-of-way by grading, removal of obstructions, construction of retaining walls, guardrails or other protective devices determined by the city engineer to be necessary, together with preparation of engineering plans for all improvements.

Exceptions:

- a. The foregoing requirement shall not apply to (i) interior alterations of buildings less than fifty thousand dollars value, (ii) swimming pools and accessories less than fifty thousand dollars value, or (iii) building additions or structures less than fifty thousand dollars value, within any five year period, (iv) fences, non-building walls or retaining walls.*
- b. The city council may authorize the guarantee of such improvements if less than fifty percent of the frontage in the same block is not improved to the same standards.*

Each of these sections specifies a \$50,000 project valuation as the threshold above which projects must provide dedication and public improvement. This amount was established by ordinance in October 1993 based on a residential project of 685 square feet and a commercial project of 1,350 square feet, both of which had a valuation of \$50,000 at that time.

The valuation threshold appears to no longer reflect an appropriate level at which to require public improvements. The cost of construction, and hence valuation tables for development, have increased greatly over the 27 years since the threshold was established. The City desires to reassess the valuation threshold based on an analysis of the increase in construction costs since the time the threshold was adopted.

Analysis

The initial step in evaluating the threshold at which public improvements are required was to adjust the 1993 building valuation threshold for inflation. The Engineering News Records (ENR) Building Cost Index (BCI) was used and indicated an increase of approximately 125%. The \$50,000 building valuation threshold in 1993 is approximately \$113,000 when adjusted for inflation to current 2021 dollars.

Table 1: Building Valuation Adjusted for Inflation

Construction Valuation (1993)	\$ 50,000
May 2021 - Building Cost Index	6,755
1993 Average Building Cost Index	2,996
Adjustment Factor	2.2545
Construction Valuation, Adjusted for Inflation (2021)	\$ 112,725

Sources: ENR Building Cost Index; Willdan Financial Services.

The City identified two project prototypes to test the public improvement requirements. The residential prototype is based on a project adding 685 square feet of building space and the commercial prototype is based on adding 1,350 square feet of building space. Willdan estimated the project valuation for each prototype in current dollars to compare to the \$50,000 threshold, which was the valuation in 1993 when the City established its public improvement threshold. This allows for a comparison of the project size that triggers the required public improvements.

The additional square footage created by each project was multiplied by the latest building valuation assumptions from the International Code Council (ICC), which is the typical source that local building departments use to estimate the value of construction projects for the purposes of calculating permit costs. The residential project assumes "R-3 Residential, one- and two-family" V-B type construction. V-B type construction is unprotected wood frame construction, typical of single family homes and garages. The commercial project assumes "B Business" III-A type construction. Type III-A- protected combustible construction is known as "ordinary" construction with brick walls and a wooden roof or floor assembly which is 1 hour fire protected.

As shown in **Table 2**, the residential prototype is valued at \$89,450 in 2021. The commercial prototype is valued at \$231,941 in 2021. Note that the current ICC construction valuation data shows that commercial construction is more costly than residential construction on a per square foot basis, regardless of the type of construction. This brings into question the starting point for the analysis—that \$50,000 was the valuation for 685 square feet of residential space or 1,350 square feet of nonresidential space. Presumably the \$50,000 valuation should not have resulted in the construction of more

nonresidential space than residential space. Neither the City nor Willdan has any further information on how these prior numbers were calculated.

The table also displays the “threshold project area” for each prototype in 2021. The threshold project area is equal to a \$50,000 project valuation divided by the current construction valuation per square foot. The resulting building square footage is the amount at which the public improvements costs would be incurred. Using a fixed valuation threshold that is not adjusted for inflation results in an inverse relationship between the valuation per square foot and the effective threshold project area: the higher the valuation per square foot, the smaller the effective threshold project area.

Table 2: Public Improvement Threshold Scenarios Testing

				Construction Valuation per Square Foot¹	Total Valuation
<i>Residential Prototype</i>					
Project Area - 2021 Valuation	685 square feet	\$		130.58	\$ 89,450
Threshold Project Area - 2021	383 square feet			130.58	50,000
Project Area - 1993 Valuation	685 square feet	\$		72.99	\$ 50,000
<i>Commercial Prototype</i>					
Project Area - 2021 Valuation	1,350 square feet	\$		171.81	\$ 231,941
Threshold Project Area - 2021	291 square feet			171.81	50,000
Project Area - 1993 Valuation	1,350 square feet	\$		37.04	\$ 50,000

¹ 2021 valuation based on ICC Building Valuation from February 2021. Residential project assumes "R-3 Residential, one- and two-family" V-B construction. Commercial project assumes "B Business" III-A Construction.

Sources: City of La Mesa, ICC; ENR; Willdan Financial Services.

Willdan estimated the cost of the public improvements that would be required for each project prototype based on assumptions provided by the City. The improvements included curb, gutter, sidewalk, and driveway construction costs. The costs were calculated in 2021 dollars and then discounted to 1993 dollars to demonstrate what the costs would have been when the \$50,000 threshold was implemented at that time.

Note that these costs could vary substantially depending on the state of the current frontage improvements for each property. Some projects that already have adequate public improvements in place may not need to construct as many improvements to satisfy the public improvement requirements.

Table 3: Estimated Cost of Required Improvements

	Quantity	Units	Unit Cost	Total
<u>Residential Prototype</u>				
Improvement Costs				
Curb and Gutter	70	linear feet	\$ 34.60	\$ 2,422
Sidewalk ¹	350	square feet	9.59	3,357
Driveway ²	400	square feet	13.84	<u>5,536</u>
Total Improvement Costs - 2021				\$ 11,315
Total Improvement Costs - 1993 ³				\$ 5,070
<u>Commercial Prototype</u>				
Improvement Costs				
Curb and Gutter	100	linear feet	\$ 34.60	\$ 3,460
Sidewalk ¹	500	square feet	9.59	4,795
Driveway ⁴	600	linear feet	13.84	<u>8,304</u>
Total Improvement Costs - 2021				\$ 16,559
Total Improvement Costs - 1993 ³				\$ 7,419

¹ Assumes 5' sidewalk width.

² Assumes 20' driveway width and 20' length.

³ 2021 construction costs discounted by the change in the Engineering News Record's Construction Cost Index (ENR CCI), a decrease of approximately 55.2%

⁴ Assumes 30' driveway width and 20' length.

Sources: City of La Mesa, ENR; Willdan Financial Services.

Table 4 compares the following:

- The \$50,000 threshold valuation from 1993 is compared to the estimated 1993 improvement costs from Table 3. *This scenario represents the original intended policy.*
- The \$50,000 threshold valuation from 1993 is compared to the 2021 estimated improvement costs from Table 3. *This scenario represents today's status quo.*

Other scenarios are shown for informational purposes:

- The inflation adjusted construction valuation from Table 1 is compared to the required improvement costs from Table 3.
- The estimated construction valuation for 2021 from Table 2 is compared to the required improvement costs from Table 3.
- The \$50,000 valuation threshold from 1993 is compared to the required improvement costs in 1993 dollars.

The resulting required improvement cost as percentage of construction valuation varies from 7.1% to 14.8% depending on the year and valuation approach used.

Table 4: Required Improvement Costs as Percentage of Construction Valuation

	Valuation	Required Improvement Costs	Required Costs as Percentage of Valuation
<i>1993 Valuation, 1993 Requirements</i>			
Residential Prototype	\$ 50,000	\$ 5,070	10.1%
Commercial Prototype	50,000	7,419	14.8%
<i>1993 Valuation, 2021 Requirements</i>			
Residential Prototype	\$ 50,000	\$ 11,315	22.6%
Commercial Prototype	50,000	16,559	33.1%
<i>1993 Valuation Adjusted for Inflation, 2021 Requirements</i>			
Residential Prototype	\$ 112,725	\$ 11,315	10.0%
Commercial Prototype	112,725	16,559	14.7%
<i>Prototype Valuation, 2021 Requirements</i>			
Residential Prototype	\$ 89,450	\$ 11,315	12.6%
Commercial Prototype	231,941	16,559	7.1%

Sources: Tables 1, 2 and 3.

Recent building permit data was examined to evaluate the relationship between the \$50,000 valuation threshold and projects where it was feasible to make the public improvements. The sample included 34 residential and commercial projects. **Table 5** displays summary statistics for these projects. The summaries are provided for all projects, and then segregated by residential or commercial project type.

The residential project with the overall lowest valuation that made public improvements was valued at approximately \$122,000 and had public improvement costs of \$176. Required costs represented 0.1% of total construction valuation. Residential projects tended to be larger than commercial projects.

The commercial project with the overall lowest valuation was a commercial project that made public improvements was valued at approximately \$75,000 and had public improvement costs of \$7,165. Required costs represented 9.5% of total construction valuation. For the median project, required improvement costs represented 1.5% of building valuation.

It is also noteworthy that no projects were pursued with valuations between \$50,000 and \$75,000. This suggests that the required public improvement costs for projects in the range of valuation could overburden such projects and potentially render them infeasible.

Table 5: Building Permit Analysis

	Valuation	Project Square Feet	Required Improvement Costs	Required Costs as Percentage of Valuation
<i>All Projects</i>				
Minimum Valuation	\$ 75,050	600	\$ 7,165	9.5%
Maximum Valuation	21,292,381	253,337	599,101	2.8%
Average Valuation and Improvement Cost	\$ 2,372,346	28,676	\$ 55,057	2.3%
Median Valuation and Improvement Cost	518,036	6,300	15,088	2.9%
<i>Residential</i>				
Minimum Valuation	\$ 122,220	1,140	\$ 176	0.1%
Maximum Valuation	21,292,381	253,337	599,101	2.8%
Average Valuation and Improvement Cost	\$ 2,532,212	30,260	\$ 44,323	1.8%
Median Valuation and Improvement Cost	891,401	10,178	13,664	1.5%
<i>Commercial</i>				
Minimum Valuation	\$ 75,050	600	\$ 7,165	9.5%
Maximum Valuation	11,815,233	133,071	101,020	0.9%
Average Valuation and Improvement Cost	\$ 2,079,259	25,773	\$ 74,735	3.6%
Median Valuation and Improvement Cost	286,463	3,159	17,769	6.2%

Sources: City of La Mesa; Willdan Financial Services.

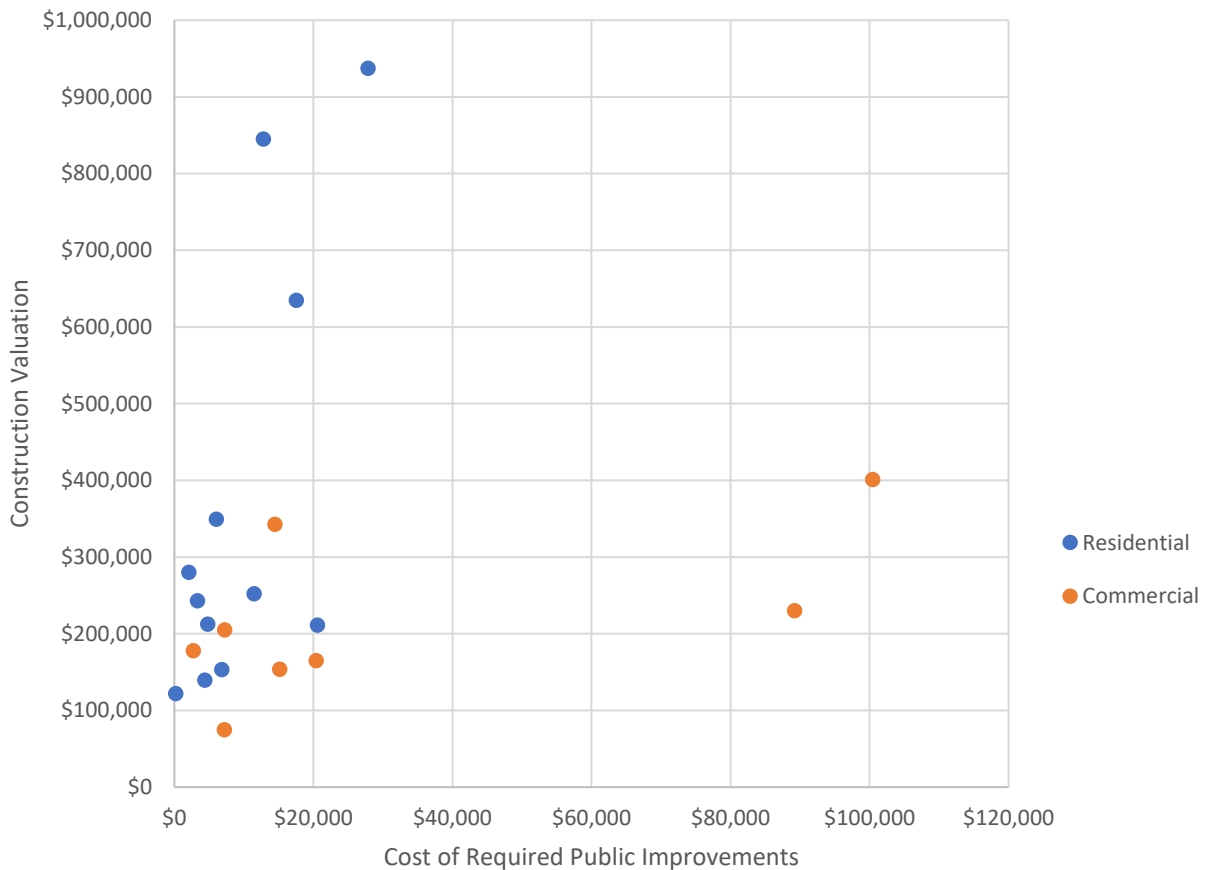
The construction valuation and cost of required public improvements was plotted for the sample of completed projects provided by the City, separated by residential versus commercial development project types. In **Figure 1**, projects with a valuation of less than \$1 million are shown. This subset of projects is included because the analysis is investigating the threshold at which it is feasible to pursue a development project.

Despite the high construction valuation of certain residential projects, the required improvement costs were low compared to the construction valuation. For commercial projects, there were two outliers where the required improvement costs were high compared to the construction valuation (25% and 38%).

The scatter plot shows a positive association between the two variables. As the construction valuation increases, the required cost of improvements tends to increase. To understand the threshold at which it projects were pursued, we can examine the observations with the lowest valuations but with relatively higher required improvement costs. These projects are of interest because they represent those projects that were feasible to pursue where the required costs were significant relative to the overall

project cost. These projects ranged from \$75,050 to \$164,982, and the required improvement costs as a percentage of construction valuation ranged from 9.5% to 12.4%. This range of required improvement costs relative to construction valuation represents the revealed preferences by developers. Projects with required improvement costs above this range were not pursued for projects with low construction valuations.

Figure 1: Construction Valuation v. Cost of Required Public Improvements



Threshold Testing

Table 6 compares the resulting project valuation to the estimated cost of required improvements for project sizes ranged from 500 to 1,500 square feet, in 25 square foot increments. This table illustrates the cost burden of required improvements as a percentage of construction valuation to inform a potential policy decision by the City, should it choose to implement a threshold based on square footage, rather than building valuation.

Table 6: Threshold Scenario Testing

Threshold (Square Feet)	Improvement Costs as			Improvement Costs as		
	Residential Construction Valuation	Estimated Improvement Costs	Percentage of Construction Valuation	Commercial Construction Valuation	Estimated Improvement Costs	Percentage of Construction Valuation
500	\$ 65,292	\$ 11,315	17.3%	\$ 85,904	\$ 16,559	19.3%
525	68,556	11,315	16.5%	90,199	16,559	18.4%
550	71,821	11,315	15.8%	94,494	16,559	17.5%
575	75,085	11,315	15.1%	98,790	16,559	16.8%
600	78,350	11,315	14.4%	103,085	16,559	16.1%
625	81,615	11,315	13.9%	107,380	16,559	15.4%
650	84,879	11,315	13.3%	111,675	16,559	14.8%
675	88,144	11,315	12.8%	115,970	16,559	14.3%
700	91,408	11,315	12.4%	120,266	16,559	13.8%
725	94,673	11,315	12.0%	124,561	16,559	13.3%
750	97,938	11,315	11.6%	128,856	16,559	12.9%
775	101,202	11,315	11.2%	133,151	16,559	12.4%
800	104,467	11,315	10.8%	137,446	16,559	12.0%
825	107,731	11,315	10.5%	141,742	16,559	11.7%
850	110,996	11,315	10.2%	146,037	16,559	11.3%
875	114,260	11,315	9.9%	150,332	16,559	11.0%
900	117,525	11,315	9.6%	154,627	16,559	10.7%
925	120,790	11,315	9.4%	158,922	16,559	10.4%
950	124,054	11,315	9.1%	163,218	16,559	10.1%
975	127,319	11,315	8.9%	167,513	16,559	9.9%
1,000	130,583	11,315	8.7%	171,808	16,559	9.6%
1,025	133,848	11,315	8.5%	176,103	16,559	9.4%
1,050	137,113	11,315	8.3%	180,398	16,559	9.2%
1,075	140,377	11,315	8.1%	184,694	16,559	9.0%
1,100	143,642	11,315	7.9%	188,989	16,559	8.8%
1,125	146,906	11,315	7.7%	193,284	16,559	8.6%
1,150	150,171	11,315	7.5%	197,579	16,559	8.4%
1,175	153,435	11,315	7.4%	201,874	16,559	8.2%
1,200	156,700	11,315	7.2%	206,170	16,559	8.0%
1,225	159,965	11,315	7.1%	210,465	16,559	7.9%
1,250	163,229	11,315	6.9%	214,760	16,559	7.7%
1,275	166,494	11,315	6.8%	219,055	16,559	7.6%
1,300	169,758	11,315	6.7%	223,350	16,559	7.4%
1,325	173,023	11,315	6.5%	227,646	16,559	7.3%
1,350	176,288	11,315	6.4%	231,941	16,559	7.1%
1,375	179,552	11,315	6.3%	236,236	16,559	7.0%
1,400	182,817	11,315	6.2%	240,531	16,559	6.9%
1,425	186,081	11,315	6.1%	244,826	16,559	6.8%
1,450	189,346	11,315	6.0%	249,122	16,559	6.6%
1,475	192,611	11,315	5.9%	253,417	16,559	6.5%
1,500	195,875	11,315	5.8%	257,712	16,559	6.4%

Sources: Tables 2 and 3.

Case Study: City of Encinitas

Willdan interviewed Steven Nowak, Senior Civil Engineer from the City of Encinitas to review the City's right-of-way and street improvement thresholds. The City last updated its standards in 2007, and Mr. Nowak was not aware of any analysis that was used to inform the thresholds. Generally, he thought the thresholds and requirements were reasonable, though there were some situations where the requirements could be better defined. The following case study summarizes the City of Encinitas' requirements and identifies two areas for improvement.

Municipal Code Section 23.36: Right-of-way standards, street improvement standards and building line requirements

Right-of-way dedication (excluding street frontage improvements) applies to the following development projects:

1. Residential additions greater than 500 square feet or any new single-family dwelling unit require dedication of right-of-way.

Right-of-way dedication *and* street improvements apply to the following development projects:

1. Residential new construction.
2. A cumulative increase over five years of 2,000 square feet of new habitable area or 2,500 square feet of habitable area and non-habitable area (i.e. garages).
3. Commercial additions of 500 square feet or more over five years, or traffic impact increases equal to 500 square feet of building space. For example, if there is an intensification of uses, but no increase in building square footage, the project may still be required to dedicate right-of-way and construct street improvements. City staff calculates the change in trips using SANDAG's (not so) Brief Guide of Vehicular Traffic Generation Rates for the San Diego Region.

Potential Modifications

Remodeling: "Remodeling" projects don't trigger improvements, but once a remodel becomes a "rebuild" then they trigger improvements. The municipal code does not adequately define the line between remodel and rebuild. City staff indicates that this should be better defined and makes the argument that if a property owner is extending the life of the house, then you should be extending the life of the frontage improvements as well.

Flexibility: The ordinance could be amended to allow some flexibility for the Public Works Director to waive or modify requirements in extenuating circumstances. Currently, in some cases staff must rely on a rough proportionality argument to waive requirements (i.e. cost of ROW/improvements is not proportional to the cost of the development project).

Recommendations

The City should consider implementing a threshold based on building square footage to trigger required public improvements. The recommended threshold is 1,000 square feet of new building space for both residential and commercial development. As demonstrated in Table 6 above, this threshold corresponds with an estimated burden of 8.7% and 9.6% of construction valuation for residential and nonresidential development, respectively. Thresholds implemented at this level would fall roughly at, or just below the revealed preferences indicated by the sample of recently completed projects.

This will effectively raise the \$50,000 valuation threshold and will allow for more projects to be pursued without having to provide frontage improvements. Improvements will only be required for significant projects and the required improvements will represent a reasonable burden relative to the overall construction value of a project.

If the City implements a square footage threshold, it should aggregate the square footage constructed cumulatively over a five-year period when determining if the threshold for requiring improvements has been triggered. This will allow the City to require improvements to projects that surpass the threshold, even if those projects are phased over several years.

The City should review the updated threshold every five years. This will allow the City to ensure that the policy is working as intended and is adjusted as needed.

The alternative to these recommendations is to update the City's \$50,000 valuation for inflation. The equivalent threshold in current dollars would be approximately \$113,000. The downside to this approach is that the City would have to regularly update the threshold valuation for inflation so that the threshold keeps pace with inflation. This approach is not recommended.