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MEMORANDUM

To: Paul Jennings, Trustee, Park Century School

From: HR&A Advisors, Inc.

Date: May 10, 2018

Re: Fiscal Opportunity Cost of Park Century School's Proposed Subterranean Parking and Playfield Addition Project

This memorandum presents an assessment of the “fiscal opportunity cost” to the City of Culver City (“Culver City” or the “City”) implied by a Conditional Use Permit (“CUP”) application being submitted to the City by Park Century School (the “School”) to replace a surface parking lot located on its existing campus with new subterranean parking, on top of which the School would build a new surface playfield to meet the recreational needs of the School’s students (the “Project”). A “fiscal opportunity cost” analysis is required by the City when private schools located in the IG Zone seek approval of a Conditional Use Permit (“CUP”) to modify their campuses. The requirement involves an evaluation of whether the proposed campus change would result in less City tax revenue, as compared with other plausible development alternatives, as one aspect of the findings required to approve a CUP.

HR&A Advisors, Inc. (“HR&A”) prepared this memorandum on behalf of the School. As you know, HR&A developed the “fiscal opportunity cost” analysis approach now required by the City, for a CUP application to expand The Willows Community School campus in 2012. The requirement to conduct this type of analysis for other private school expansions in the Industrial General Zone subsequently became a municipal code requirement.¹

Project Description

Park Century School is an independent, private, non-profit Grade 2 through 8 elementary school located at 3939 Landmark Street. The School received City permits to operate at this location in 2005.² Park Century currently enrolls 120 students, and employs 47 full-time and part-time faculty and staff. The School facilities include a single 54,000 square-foot building, with an adjacent 20,000 square foot surface parking lot for 47 vehicles, and a driveway accessed from Landmark Street.

As noted above, the School proposes to demolish the existing surface parking lot, and construct 70 new parking spaces below grade (an increase of about 23 spaces), and construct a new play field and adjacent children’s play area on top of the new subterranean parking. The new parking garage will still be accessed from Landmark Street. No additions to the School’s building is planned. The School also proposes to increase enrollment by 50 students. The School estimates that the Project construction will cost approximately \$6.0 million.

¹ Culver City Municipal Code Section 17.610.010 (F)(3)(b) and 17.610.010 (F)(4).

² CUP P-2005019 and Administrative Use Permit AUP P-2005018.

Fiscal Opportunity Cost of the Proposed Project

Based on the prior analysis that HR&A prepared for The Willows School, the City has defined “fiscal opportunity cost” to mean any potential loss of tax revenues generated for the City resulting from a proposed school campus modification, as compared with the next best alternatives – i.e., (1) a “no change” scenario in which the proposed school campus project does not proceed; and (2) an alternative scenario in which the land or building area involved in the school campus project could be redeveloped for an alternative commercial use consistent with City zoning. In Park Century School’s case, the land area involved in the Project is located entirely on the School’s existing campus and therefore there is no possibility for it to be redeveloped for a commercial use. Therefore, the “fiscal opportunity cost” assessment in this case is limited to any difference in City tax revenues associated with the Project as compared with a “no-change” scenario.

Currently, the School generates a modest amount of tax revenue to the City’s General Fund from three sources:

- **An annual payment in lieu of taxes** based on the property tax received by the City from the site in fiscal year 2005-06, escalated in each subsequent year by two percent, as required by Condition #48 of the School’s CUP;
- **Utility User’s Tax** (11 percent) on the cost of natural gas, electricity and telephone use at the School; and
- **Sales tax** generated by School expenditures for locally purchased food and consumable supplies, and incidental local purchases by School faculty and staff, non-resident parents and School visitors, which are subject to the State’s sales and use tax, from which the City derives one percent.

As noted above, the proposed Project involves a reuse of existing on-site land area and 50 additional students. In all other respects, the School will continue operating just as it does today. As such, the Project will not result in a reduction in City tax revenue as compared with the a “no change” scenario, but may produce a very small increase in City tax revenues associated with:

- **One-time business license tax revenues** generated by construction contractor earnings;
- **One-time sales tax** revenue associated with any locally purchased construction materials, provided the site is properly registered with the State of California as the “point of sale;” and
- Potentially, a small increase in **annual sales tax and Utility User Tax** associated with the School population increase.

It should also be noted that by adding on-site parking supply, the Project may reduce demand for on-street parking in an area of the City where parking supply is very constrained. And, by adding a new on-site recreation resource, the Project will also reduce demand from School use of the City’s parks.

Conclusion

Based on the foregoing analysis, the proposed Project will not result in any fiscal opportunity cost to the City, and alternatively, it may yield a slight increase in City tax revenues.