December 6th, 2016

King Harbor C.A.R.E. Act Intent

# King Harbor C.A.R.E. Act history

## Measure G

Current Harbor zoning was controlled by Measure G, a Measure which was voted on and approved by the voters in 2010. Measure G was not meant for the public to vote on and only came forth to the public because of a lawsuit. The Redondo Beach City staff came up with the current zoning, with no community meetings, no public workshops and no Harbor commission decisions.

After the successful lawsuit which forced a vote and a subsequent passage of Measure G, City council chose Centercal LLC to go forth with a plan. No mention was ever made of a proposed movie theater, market hall, or “downtown” being built. Centercal and the City signed on an MOU which detailed a project around $150-$200 million. Two other developers wanted to build a project, one of which wanted to build a much smaller project, which the City Staff recommended against.

During the 2014 community meeting, the overwhelming comments were negative on the project. Citing concerns for density, out of character, large buildings, size, massing and complaints about the Movie theater. The project only got bigger. The intent of the CARE act was to constrain over-commercialization and allow an active lifestyle and coastal dependent uses in abundance.

## Waterfront DEIR & Subsequent Community Meetings

Waterfront DEIR meetings focused on the Mole C boat launch ramp design. Additionally, the large size of the project, traffic, lack parking, loss of views and a host of other issues led to the formation of a grassroots group name “Rescue Our Waterfront”. The goal was to create change to the project, to get the project to get more in keeping of the character of the community, enhance and preserve coastal dependent activities, ensure quality of life would not be destroyed by a mall by the sea.

ROW immediately came across three options to try to get the City and the developer to change the project.

1. Lawsuit on the EIR
2. Referendum on the ALPIF
3. Write a Ballot initiative and change the zoning

Since November of 2015, ROW has written a ballot initiative which took over 5-months to write. This was a great task, taking a leadership of three community leaders to lead 8 community meetings, community tours of the harbor and countless emails with the public. Roughly $25,000 was collected, lawyers interviewed and 7 versions of the CARE act were made. The King Harbor CARE act was not written in a back room. This was truly the Communities response to Measure G and the implementation or interpretation of the current zoning. This is a further refinement of what the Community wanted to see.

City staff themselves agreed that the CARE act was compliant with the ongoing EIR, as stated during the July 18th 2016 Harbor Commission Meeting. This admission was a major milestone, as the CARE act was designed to be fully compliant with current zoning, utilizing the EIR and falling under reduced density plan of the EIR. Additionally, the CARE act had not gone out to the voters yet for signatures.

The CARE act was designed to further clarify coastal dependent uses, ensure a vibrant development and give definitions to requirements set forth by the current zoning. During the DEIR meetings and City Council meetings it became evident that the Harbor was large enough for a 700-seat movie theater and doubling of the commercial possibilities, but not enhancing and upgrading the coastal dependent activities. The intent was to balance commercial and recreational uses.

# Boat launch ramp

## Mole B

Mole B was chosen as a new boat launch location, which was not studied in the Waterfront EIR, any community meetings or any Staff reports from the past history of Harbor Development. This location was chosen over Mole A, a location set forth as: “safe”, “adequate”, “viable” and “reasonable” during the Spring of 2016.

### Wave overtopping at Mole A, Staff’s second choice for a “safe” location

Current wave overtopping exists in the current location. In fact, multiple fisherman were swept off of the break wall and one succumb to his injuries from the incident. King Harbor Yacht Club takes out their floats during the winter months, due to the wave overtopping from large massive El Nino swells. See links below for video and news reports regarding issues. Links below include a story from 1992, at Mole A.

<https://www.youtube.com/watch?v=1yYbA080dC8>

<http://articles.latimes.com/1992-08-16/local/me-6760_1_redondo-beach-police>

<https://www.youtube.com/watch?v=gVMaXgd-bcQ>

<http://ktla.com/2016/02/25/1-killed-3-rescued-after-being-swept-into-water-by-waves-in-redondo-beach/>

<http://www.dailybreeze.com/general-news/20160225/4-swept-into-ocean-at-redondo-beach-breakwall-1-dies>

<https://www.youtube.com/watch?v=VYfmLnS7U7Q>

During these same periods, no damage was done to the Fisherman pier or hand launch area on Mole D due to this massive El Nino wave action. In contrast, Mole A locations were evacuated and safety precautions were taken. Mole B sits directly across to Mole A, “wave surge” could be seen on the videos affecting Mole B. Again, no damage was reported at Mole D or Mole C.

The City misconstrues the intent and wording of the CARE Act with respect to waves overtopping the outer breakwater. The wording does not cite abnormal and infrequent storm conditions such as those experienced in 1988. Nor does the wording cite wave conditions inside the harbor. Therefore, it is unreasonable to interpret that the King Harbor CARE Act would require a second breakwall to protect a Mole D boat ramp. Every year waves over top the outer breakwall. This wave overtopping only happens on the northern portion of the breakwall. Many times this makes the outer area of Mole A dangerous and conditions risk injury and property damage. The intent of the King Harbor CARE Act is to ensure that any boat ramp cited on Mole A be constructed to protect people utilizing the boat ramp and their property. When the King Harbor CARE Act was written, City staff was advocating a Mole A boat ramp, and this concern was expressed by many boaters and several boating organizations.

### Safety

Safety was of no concern for the Mole C location with regards to SUPer’s, sail boats. Safety was an issue with the opening of Seaside Lagoon to the dirty harbor water. Mole D would have been an option, but the massive market hall was proposed. Safety eventually fell out of favor for financial viability. The long-term lease was always known about regarding “Joe’s Crab Shack”.

### Traffic, parking constraints

The City analysis fails to recognize that trailer boating spaces are currently provided in this area of the harbor. Despite City claims to the contrary, this does not represent a conflict with other requirements of the LCP. Furthermore, the requirements within the King Harbor CARE Act do not conflict with one another. The CARE Act only invokes the AASHTO standards for maneuverability, not for parking space distances from the boat ramp. The DBW guidelines allow flexibility and would allow for some spaces to be a reasonable distance away from the ramp if required by site constraints. The plan shown in the feasibility study does not make good use of space on Mole D and the plan could be better optimized.

Lastly, parking is set at 30 boat/trailer parking spots per lane, the minimum amount of parking under DBW guidelines. The total spots at 60 boat/trailer, is less than the current boat parking spots at 67 in the Harbor now.

## Mole C

### Multiple designs

After much fanfare, City Staff elected to recommend a “no break wall” option at Mole C. Citing a $6-$8-million-dollar sea wall construction cost to preserve a ~$200,00 dock for wave action that would occur was considered a reasonable replacement option. The intent of the CARE act was to provide reasonable options for the coastal dependent uses.

## Mole D

City staff showed multiple designs for boat ramp designs on Mole D. Safe locations, with plenty of parking and accessibility. Suddenly, this location becomes unsafe and unviable. The only difference between then and now or a massive market hall serving food, drinks and entertainment to the public as part of the massive waterfront project.

The King Harbor CARE Act’s intent was explicitly described to protect and enhance these uses of the harbor. A boat ramp on Mole D would not adversely impact coastal dependent uses. The City could easily establish rules that would require paddlers, SUP’ers and others avoid the area in the direct vicinity of the boat ramp. Based on current and retired Deputy Harbor Master testimony, they consider a turn basin location the safest location in the harbor. Likewise, the 2007 Harbor Task Force came to the same conclusion.

The analysis fails to recognize that the current boat hoist could remain in operation with no additional cost if the city desired. The City just spent $227,000 to fix the current boat hoist.

## No location is feasible, but a strict interpretation of design and location was found

City staff write in one portion of the report that no location was feasible in the Harbor under the CARE act. But in fact the report act goes on to produce a location and design that is consistent even with the absurdly strict interpretation of the CARE act. Harbor surge is the only factor, but City staff recommended in prior months that Mole A was a viable safe location to launch boats from.

The report describes that there are no loading or queuing docks. Except, in CenterCal’s own plan, loading and queuing docks exist directly next to the staff proposed location of Mole D boat ramp. The promotional video shows loading and tie-up docks in an area directly next to the Staff’s version of the boat ramp.

The proposed Mole D option by the report had no community input and yet showed a much better design than the current Mole B option. The intent of the CARE act was to provide a framework of requirements heard during community meetings so that City staff to not provide a minimalist solution. This is why the multiple amounts of sizes of boat/trailer combinations was included in the CARE act, to ensure that a varying amount of boat/trailer combinations would be available. City staff in their Mole B option showed the same thought process with varied types of parking.

## Financial Viability

The inclusion of the unnecessary break wall artificially drives up the cost of the boat ramp in Staff’s report. Additionally, compliance with DBW guidelines makes DBW grant funding very likely. The cost does not assess any DBW grant money. Although it does not provide sufficient detail to analyze, it appears the study does not assess any revenues from boat ramp use fees. The configuration of the depicted boat ramp would decrease operational costs as no attendant would be required.

Allowing more usage of the boat ramp allows for greater potential usage. Artificially constraining the amount of usage through limited parking will only prevent revenue to re-coup infrastructure costs. Since Grant funds can and will be used to build the boat ramp, Redondo is not paying for the initial infrastructure cost. Boat ramps have minimal maintenance costs associated to them. The City’s own report with 32 parking spots is revenue neutral, while disallowing peak usage for 59 days a year.

## Number of ramps

The City’s impact report correctly concludes that the intent of the Harbor CARE Act is to only require one boat ramp. The intent is that the first project that includes 10,000 sq ft of development triggers the requirement to build a boat ramp. City staff have stated multiple times that the only reason why we are building a boat ramp in King Harbor is because the California Coastal Commission is forcing Redondo to build one. Our intent is to provide a single boat ramp in King Harbor that should be available 24 hours a day, seven days a week. The boat ramp should be large enough to accommodate uses of all types and sizes of trailer-able boats by a recreational boater.

# Harbor Surge

The CARE act specifically states that “The ramp shall be designed to accommodate safe launch and recovery in harbor surge conditions”.

This does not mean that the all surge shall be mitigated to zero, but that recovery and launching of vessels can be done in a safe manner during surge times.

Furthermore, the CARE act states that “shall not be sited in any location where waves topping the outer harbor break wall may create safety hazards in launching or recovering a water vessel, or risks of damage to vessels, vehicles or trailers.”. If one were to watch the videos from the massive storm waves over-topping the break wall at Mole A and Mole B was affected. Mole C and Mole D were not affected.

City staff once again show that their prior decision on recommending Mole A as a location was a horrible location.

The City misconstrues the intent and wording of the CARE Act. The CARE Act does not cite excessive or abnormal surge conditions in the harbor. Therefore, it is inaccurate to conclude that the surge requirement of the CARE Act cannot be met. Due to wave refraction and other factors, the Mole C Joe’s Crab Shack site will normally experience higher surge conditions than other areas of the turn basin. The intent is to ensure any boat ramp cited there would be safe under these normal surge conditions. Indeed, the DEIR showed a Mole C ramp configuration with a breakwall and the current hand launch boat ramp already has a breakwall. The original boat ramp was located on Mole D and must have been deemed safe for use during normal surge conditions. In 2007, the Harbor Task Force concluded that Mole C was the best location for a boat ramp and the subsequent engineering study did not include a breakwall. Therefore, it is unreasonable to assume compliance with the King Harbor CARE Act surge requirement would be impossible and unfeasible.

# Parking requirements

This interpretation is incongruent with recent city approved projects in the harbor area. The city allowed recreational area of what is now Bay Club to be converted to more surface level parking. The former dirt area of the Triton Oil Site has been converted to paved surface level parking. And the City approved the new Shade Hotel with nothing but surface level parking fronting Harbor Drive. The city’s interpretation here is incongruent with former approvals. Additionally, the city created an internal conflict when creating this policy. Many coastal dependent uses depend on surface level parking for convenient access. Harbors and marinas throughout the world rely on surface level parking for marina, boat ramp, and other harbor use access.

# Seaside lagoon

## 2007, 2008, 2009 a history of possibilities

February 27th 2009 City staff gave concept designs for a revitalized seaside lagoon. Three designs that ranged in costs from $7.4 - $11.8 million, including contingencies. Dive N Surf also presented a concept. City designs included grants, current funds and a loan. Operational funding was “anticipated to be equal or less” than what the costs associated with operating the new lagoons. This means the City had the opportunity to produce a revitalized lagoon that actually made the City money.

The King Harbor CARE Act does not require a one-acre swimming pool. It clearly allows other features such as a wading pool or an interactive water park to meet the its replacement requirement. The City chooses a once acre swim pool to artificially drive the costs up. The City has a plethora of less expensive options. For example, there are systems for removing suspended solids from harbor waters so that the Seaside Lagoon is compliant with water quality requirements for return of sea water to the harbor. Elimination of the power plant cooling system does not preclude use of sea water. The City fails to admit there could be other options such as a swim feature concession. For example, Body Glove testified in a City Council meeting that it would build a wave pool in the harbor and operate it for the city. A similar arrangement is being explored on the San Diego water front. The city assumed a worst case scenario to artificially drive up the costs

## El Segundo Olympic pool

El Segundo is building an Olympic sized swimming pool, four lane teaching pool and a 48,000 sq ft gymnasium for a cost of $13.8 -$14.6 million. This staff report wants to build a $20-$25 million aquatic facility. No supporting documentation or designs were supplied with this figure, unlike the Mole D boat ramp design that was supplied by an engineering firm in this report.

## Yes, no Starbucks/Rubys/Sports Chalet on parkland

Yes, the CARE act specifies that no buildings or structures such a consignment stand are built on Parkland. This means that a coffee stand, hotdog stand or burger stand cannot be built on Parkland. We currently have supporting consignment type of buildings supporting the seaside lagoon. Ruby’s diner *does not* sit on parkland and services the seaside lagoon directly through a walk-up window, offsite.

#### “Structure” definition

Extreme definition of “structure” was taken out of context in this report. Redondo Beach Zoning 10-2.402 Definitions., defines “Structure” as: “ (32) **“Building”** shall mean any structure with a roof supported by columns and/or walls securely affixed to the ground which building is designed and/or used for the shelter and enclosure of persons, animals, or property.”

A Lifeguard stand would not be subject under this category. A Lifeguard stand is movable, temporary and not meant to be permanent. Additionally, “shade shelters” are just that, shelters and not structures. Staff showing extreme bias in their own definitions.

The term “**Canopy**” should be used and is allowed under the CARE act for shade canopies.

## Supporting structures

The city seems to conclude the only way to add buildings required for the operation of the Seaside Lagoon would be to constrain all development to the current boundaries of the park. The zoning allows the park and its support facilities to expand outside the current boundaries. Indeed, several city zoning policies call for the expansion of Seaside Lagoon Park. Therefore, the usable open space requirement is achievable even if more/larger support facilities are required.

The intent of the CARE act was to prevent commercialization of parkland for re-purposing into commercial possibilities such as food, equipment rentals, entertainment, parking and roads. Preserving parkland, and utilizing off-site land to support recreational uses.

## Endless possibilities, if you want

Public testimony was given on a wonderful presentation on the many possibilities of a great Seaside Lagoon. There are many double uses this community could utilize as a closed-end system such as a pool-type of development. A great section of about how a revitalized lagoon, with pool could support a Hotel, restaurant, businesses.

In fact, the City has studied over many year different ways of re-developing the Seaside Lagoon. Great community input was heard as to how to re-develop the lagoon into a more resident friendly environment. Many of these ways were revenue neutral to the City.

# Traffic analysis

The King Harbor CARE Act adds specific requirements for the harbor area in recognition of the unique nature of the harbors’ predominant uses and attraction and the significantly limited vehicular traffic infrastructure. The CARE Act does not preclude nor preempt other traffic analysis requirements of Article XXVII of the City Charter or CEQA.

## Connector road not mentioned

The CARE act specifically forbids a “connector road” between Torrance Blvd. and Harbor Blvd. Since nothing is mentioned in this report as adverse impacts from not allowing this road, the assumption can be made that this is a benefit of the CARE act and should be implemented into the project immediately.

* 1. Nothing in the current zoning requires reconnection of Harbor Drive and Torrance Boulevard
  2. City testimony stated the road would not be heavily travelled in response to public concerns. The impact of eliminating the road is not significant.
  3. Current zoning also promotes development that encourages other transportation modalities. Putting in the road encourages using cars.

## “Walkability”

Current Harbor supports the report claims of pedestrian-active area”. The international boardwalk and “fisherman’s cove” area prove this. No massive movie theater or market hall would add to this in a beneficial way. Smaller retail shops, dining, gaming and harbor dependent experiences would exemplify “pedestrian-active area”. No mention of how “Lobsterfest” and the weekly “Friday Car show” and the “Ice Rink” which currently attract large amounts of people walking through the parking lots and surrounding business.

# Land Use

The King Harbor CARE Act requires the inclusion of additional parking structures in the development cap because there was nothing before the voters in Measure G that would cause them to interpret that these structures would be excluded. Although the city later developed a convenient interpretation that parking structures are excluded, there is nothing in the Measure G zoning or other zoning definitions that would define this to voter. Had the city intended to exclude parking structures, it should have used the term “Gross Floor Area” in the development cap description and included the definition of Gross Floor Area in the text of Measure G. While the city cites some obscure discussion in city council meetings, the fact of the matter is that the information was not presented to the voters. Therefore, the King Harbor CARE Act merely reflects what the voters had before them and a reasonable interpretation based on the campaign materials and ballot documents at the time.

## Commercial Development

The impact analysis states the CARE Act prevents development of a commercial village atmosphere. The city never defines what a mixed use village is. Dictionary definitions generally include residential development; yet residential uses are prohibited in the harbor area under Measure G zoning. Furthermore, the city fails to explore creating whatever atmosphere along Harbor Drive, International Boardwalk, the pier parking structure and the abandoned pad that was occupied by the octagonal building. Other areas of the harbor and AES site could also provide this type of development. Parking is not a constraint as posed by the City analysis as parking could be provided elsewhere in the harbor area. The city did not provide a parking analysis demonstrating a real limitation of parking on any expanded commercial development.

The current day international boardwalk has turned into a “village” with the inclusion of small shops, walkable areas, bike path and close convenient parking. Further expanded, the “Redondo Landing” has the same “Village” feel with the same aspects. Another “village” theme is the Seaside lagoon, with its water features, attached Ruby’s restaurant. This outdoor theme provides active lifestyle and outdoor movies, outdoor bands and BBQ’s.

The massive development proposed with a 700-seat movie theater, market hall and supporting buildings is not village in theme, rather in “City” theme. It was the intent of the CARE act to preserve the “village” type theme and allowing full redevelopment and revitalization of the multiple different types of commercial cores currently available.

## Timeframe

The city could easily move more quickly to accomplish development and revitalization. The city has already acquired many of the harbor/pier area leases and has tenants on short term leases. Other areas of the harbor have already been revitalized. There is no reason the city could not move more expediently. But there is good reason to reassess planning to accommodate the AES site and potentially the power line corridor. The City could potentially derive significant revenues from redevelopment of all or part of the AES property that would fund harbor infrastructure costs.

# Views

Nothing is written about the view impacts and the way the views are being measured by the staff report in the CARE act as incorrect. This can then be assumed that the CARE act has properly identified ways to correctly measure views and their impacts from Czuleger park. These definitions should be implement directly into the project immediately.

# Parking structures

The “imminent” demise of the current pier parking structure fallacy is exposed by City Staff themselves. The report exposes that the Pier Parking structure as a lifespan of at least another 10-15 years, thereby negating any argument that we need to do this massive development. This is exactly as stated by the leadership of ROW, which has pointed out that the Pier Parking structure will need be required to be around to service the Fisherman’s Cove lease for at least another 11 years as the City nor Centercal has not bought the lease back as of yet.

Furthermore, this report now states that the Plaza structure might need to be refurbished/replaced in the next 30-50 years. Before this report, this was never the situation. Additionally, how does this fall into the 66-99-year lease currently being negotiated with Centercal. We have no idea.

## Prohibition of refurbishment or replacement of the pier parking structures

Nothing in the King Harbor CARE Act prevents or implies the prevention of refurbishment or replacement of the pier parking structures, nor was it the intent to prohibit these actions.

# Pedestrian bridge

Nothing in the King Harbor CARE Act nor the current zoning requires a pedestrian bridge from the pier to the harbor. The cost of the bridge is not required and should not be included.

# Financial analysis

From the beginning of the CenterCal Waterfront review process, we have documented a plethora of instances where city staff and elected officials demonstrated bias in favor of the CenterCal project. It has repeatedly been made abundantly clear many of these decision makers are predisposed to present facts that put the CenterCal project in the most positive light while casting shadows of doubt on facts that contradict their narrative that CenterCal is necessary. These decision makers have loaded the scale to present alternatives to CenterCal in a negative light. That is used as justification for their narrative that only the CenterCal plan is viable. That story is far from the truth and the bias in assumptions is obvious. The city does not want the King Harbor CARE Act (CARE Act) to pass and is peddling a false nightmare scenario.

The financial analysis covered in the “Initiative Impact Report” examines only the worst-case, doom-and-gloom, nightmare scenario where taxpayers are burdened to the maximum extent. As such the analysis concludes the Initiative cannot be financially viable and will place huge burdens on taxpayers. That conclusion is false but echoes the story city officials want you to believe.

The financial analysis must examine 1) revenue generation, 2) cost of infrastructure bond, and 3) net impact on city budget (revenue – cost).

The city assumes the harbor area must incur all costs of infrastructure at once and that the development of this small part of the harbor must all be self-funded. The costs of infrastructure refurbishment and replacement could be sequentially timed to reduce fiscal impacts. New revenues from three new hotels could be used to fund harbor infrastructure. As stated before development in other areas of the harbor and AES site could be used to fund infrastructure refurbishment. Grants and private-public partnerships could fund infrastructure costs. Concession revenues from a commercially operated wave pool or other feature combined with boat ramp revenues could be used to fund infrastructure costs. The city has presented a worst case scenario and fails to recognize other strategies and sources.

## No wording of types of funding

No wording, constraints or types of funding was mentioned on the CARE act. Development can and should proceed with funding from all types of sources available. The report assumes that Redondo should self-fund the development which was never stated. The intent of the ACRE act was to never hamstring the City in its abilities to seek funding outside of tax generation and loans.

## Revenue Generation

The city’s “Initiative Impact Report” underestimates the potential success of development under the CARE Act. While the CARE Act does not alter the Measure G cap of 400,000 square feet of new development, it does require that parking structures to be included while simultaneously prohibiting additional parking structures. Therefore, the CARE Act allows a maximum of 400,000 square feet of new commercial development. CARE Act requirements for the boat ramp, Seaside Lagoon, and parking will likely reduce the maximum compliant square footage of new development below 400,000 square feet. That said, the city makes the draconian assumption that “the initiative, if implemented, would not allow for the 36-acre site south of Portofino Way to accommodate increased development” (Page 19). The city concludes that under the CARE Act, there would be zero increase in new development.

Based upon those flawed assumptions, the city concludes that revenue generation would change as follows (statistics from Page 20):

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Current Tenants** | **Maximum Under Initiative** | **ROW Rebuttal** |
| Total Square Footage | 172,000 | 170,000 | 272,000 (add 100,000 SF) |
| Ground Rent | $3.8 million | $3.9 million | $6.2 million (scaled by SF) |
| Parking Revenue | $2.1 million | $2.1 million | $2.7 million (scaled by ½ SF) |
| **Revenue Generation** | **$5.9 million** | **$6.0 million** | **$8.9 million** |

As evident above, the city makes the assumption that the maximum allowable square footage under the CARE Act will actually be less than the existing square footage. That assumption is unreasonable. The CARE Act allows for growth which will fall somewhere between 0 square feet of new development and 400,000 square feet of new development permissible. The city assumes that under the CARE Act, total development will actually decrease by 2,000 square feet. It is true that CARE Act requirements will necessitate careful analysis of zoning to identify areas of permissible increased development beyond the existing square footage. It is false that there will be 0 square feet of new development.

Another extreme assumption is that the new development will only generate similar ground rent and parking revenue as the existing development ($5.9 million revenue existing, $6.0 million revenue predicted under Initiative). In reality the new development will likely be more profitable and yield higher ground rents, generate more significant sales taxes, and drive greater parking revenue. A new development compliant with the Initiative will draw in greater patronage to the pier area than exists today. People will be attracted to the improved recreational facilities (boat ramp, Seaside Lagoon, coastal access) and the revitalized commercial businesses which will be rebuilt. The significant upgrades to infrastructure will enable easier access to a more attractive development than exists today. A new development that complies with the CARE Act will bring patrons to an improved waterfront area. Therefore, we should anticipate that ground rent, sales taxes, and parking revenue will all increase beyond existing levels. With existing revenues at $5.9 million, the city wildly underestimates the potential upside of revenues generated and artificially limits success of a development that complies with the Initiative to only $6.0 million. That figure could easily increase to $8.9 million of revenue generation under the Initiative using more realistic assumptions for increased development and success of the development.

The city relies upon the worst extreme in their assumptions of development in order to minimize the profitability of any development that complies with the CARE Act and therefore paint the Initiative in the most burdensome financial light possible.

## Cost of Infrastructure Bond

The city continues to rely upon the worst-case, nightmare scenario when examining the cost of infrastructure. Again, these assumptions are made to increase the burden on taxpayers and align with the narrative that the CARE Act is financially unviable and that CenterCal is the only option. Again, that narrative is false.

The analysis is tainted with bias and unsubstantiated assertions for the cost of infrastructure. The Initiative Impact Report on Pages 21-23 uses numbers that contradict and greatly exaggerate the cost estimates for various infrastructure improvements compared to the presentation city staff gave at the 19 January 2016 City Council meeting. In their final analysis of the infrastructure cost, the city only uses the highest number available under the “Initiative Impact Report 11/29” column. The difference in extremes from the artificially inflated cost presented in the 11/29 Initiative Impact Report to the cheapest option in the 1/19 city staff presentation is reflected in the final column of the table below.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Initiative Impact Report 11/29** | **City Staff at City Council 1/19** | **Overestimate (11/29 high vs 1/19 low)** |
| Municipal Pier | $6 million | $6 to $9 million | $0 |
| Pier Parking Structure | $49 million | $16 to $54 million | +$33 million |
| Basin 3 Seawall / Docks | $7 million | $5 to $7 million | +$2 million |
| Pedestrian Bridge | $0 to $7 million | $0 | +$7 million |
| Boardwalk | $6 million | $0 | +$6 million |
| Harbor Drive Ped / Bikes Only | $9 to $15 million | $1 to $3 million | +$14 million |
| Sportfishing Pier | $4 to $6 million | $2 to $4 million | +$4 million |
| Mole D Sea Level Rise Site Work | $10 million | $5.5 to $8 million | +$4.5 million |
| Utilities | $3 million | $0 | +$3 million |
| Stormwater / drains | $2 million | $0 | +$2 million |
| **Public Improvements** | **$96 to $111 million** | **$35.5 to $85 million** | **+$75.5 million** |
| **Seaside Lagoon** | **$20 to $25 million** | **$0.5 to $12 million** | **+$24.5 million** |
| **Mole D Boat Launch** | **$10 million** | **$1.5 million to $11 million** | **+$8.5 million** |
| **Building Construction** | **$30 to $50 million** | **$0 (public-private partnership)** | **+$50 million** |
| ***Total*** | ***$156 to $196 million*** | ***$37.5 to $108 million*** | ***+$158.5 million*** |

The above comparison between the 19 January 2016 presentation by city staff on infrastructure costs to the 29 November 2016 Initiative Impact Report clearly demonstrates that staff is using the high extreme of infrastructure cost estimates. Again their use of the highest extreme, with absolutely no consideration or acknowledgement in their report for more moderate, balanced infrastructure upgrade options, is intended to shock the public with most burdensome impact possible and sway the public against the CARE Act.

Several specific areas are worth additional exploration.

* **Parking Structure:** The city claims “the Pier Parking Structure will need complete reconstruction in the next 10-15 years” (page 7). That assumption directly conflicts with testimony before the 19 January 2016 City Council meeting where the city’s civil engineering consultant, Walker Restoration, testified that for maintenance of the parking structure, “the cost would be $18M for 25 years.” In reality the parking structures can be renovated and refurbished to last 25 years or more without the burdensome cost of full replacement at $49 million.
* **Drawbridge:** City staff included the cost of a $7 million drawbridge in their Initiative Impact Report but nothing within the CARE Act mandates or suggests construction of a drawbridge. A fair analysis would have calculated the impact if this cost were considered $0 but the Initiative Impact Report conclusions are based on infrastructure costs that include the $7 million drawbridge, thereby artificially inflating infrastructure costs and artificially burdening taxpayers.
* **Seaside Lagoon:** The CARE Act does not require replacement of Seaside Lagoon with a swimming pool. The Initiative Impact Report selected a swimming pool, which is the most expensive option for Seaside Lagoon. Many cheaper alternatives exist. One option would be for the city to modify the existing Seaside Lagoon configuration by adding systems to directly pump in ocean water and then run that water through upgraded filters which remove suspended solids before dumping water back into the ocean. It is possible to make minor modifications to Seaside Lagoon which would allow the water surface area to remain the size it is today without burdening the taxpayers with a gigantic swimming pool estimated to cost $20 to $25 million.
* **Mole D Boat Launch Ramp:** The city staff made an incorrect interpretation of the language in the CARE Act by presuming that the boat launch ramp placement on Mole D would require an additional breakwater to accommodate extraordinarily rare surge conditions. The additional inflatable breakwater is not necessary and should be removed to more accurately reflect the intention of the CARE Act and the costs associated with the Initiative. Operational costs would also be lower than predicted in the Initiative Impact Report because no attendant would be required to oversee boat ramp operations. Additionally, the boat hoist can remain in place at its current Mole D location, so no costs associated with the boat hoist should be included in the financial analysis. The city concludes that the Mole D boat ramp will cost $10 million even though the Mole B boat ramp only costs $6 million.
* **Building Construction:** The Initiative Impact Report asserts that “in the absence of a significant development partner, the City would also be responsible for the replacement of most of the existing commercial buildings south of Portofino Way, which is estimated to cost another $30M to $50M” (Page 2). There is nothing in the CARE Act that limits the ability of the city to pursue a public-private partnership for a development smaller than CenterCal if it is consistent with the Initiative. The city makes the assumption that no developer will be interested in partnering with the city to develop new retail space revitalizing existing businesses, even if the entire burden of infrastructure costs is paid by the city. That assumption is suspect and burdensome, designed to further increase the appearance of cost associated with the CARE Act.
* **Other:** The city includes several infrastructure cost categories in their Initiative Impact Report (boardwalk, utilities, storm water drains) which did not exist at all in the 1/29 city staff presentation. It is worth questioning what these specific infrastructure elements consist of, why they were absent from the previous presentation but only appear now for the Initiative, and how cost of those specific infrastructure elements were estimated.

Beyond those specific areas, there are general inconsistencies in the financial analysis. The Initiative Impact Report states that “the Initiative Measure requires a total City investment of approximately $200 million over the next ten years” (Page 23) but then contradicts itself by claiming “the required Waterfront investments that are needed to be made in the next 5-15 years” (Page 21). The city does not have a firm grasp on the actual infrastructure investment timeline. In reality infrastructure costs could likely be spread over time in phases in order to smooth the overall investment burden.

## Net impact of City Budget

The Initiative Impact Report uses worst case assumptions to determine the annual impact to city budget. It begins with assumptions that limit the revenue generation of the project. It continues by making assumptions that maximize the cost of infrastructure which burdens the city. Then it concludes that an exorbitant bond must be secured which will drive the city deeper and deeper into debt each year.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Initiative Impact Report 11/29 (high infrastructure, low revenue)** | **Best Case Scenario (low infrastructure, high revenue)** | **Realistic Scenario (medium infrastructure, low revenue)** |
| **Cost of infrastructure / bond value** | -$200 million | -$50 million | -$100 million |
| **Annual cost to service bond** | -$12 million | -$3 million | -$6 million |
| **Annual revenue generation** | +$6 million | +$8.9 million | +$6 million |
| **Net Impact to City Budget** | **-$6 million (shortfall)** | **+$5.9 million (surplus)** | **$0 (net neutral)** |

The city only examined the worst case scenario and ignored more moderate, balanced options that are possible under the CARE Act.

A public-private partnership is still quite likely under the CARE Act. Many developers would seize upon the opportunity to rebuild commercial space in an attractive waterfront area, especially if the city pays the infrastructure cost and relieves the developer of that burden. At that point, the developer operates on an economy of scale where the size of their investment (construction) is directly proportional to the size of their return (commercial space) without the additional necessity to compensate for infrastructure costs which generate no direct revenue. CenterCal must pursue an enormous development to offset the sunk cost of infrastructure that they invest in the city due to the fact that the city would rather abdicate its responsibility for infrastructure and make CenterCal pay. CenterCal then agrees to pay the infrastructure but requires a large project to remain viable. If the city took on the task of paying for part of the infrastructure, CenterCal or any other developer could operate at a more proportional economy of scale and remain profitable even with a smaller development.

The bottom line is that the viability of development under the CARE Act is entirely dependent on the assumptions that are used to devise revenue generation and infrastructure costs. Furthermore, the infrastructure cost could be further defrayed using a public-private partnership for a smaller development, public grants for infrastructure upgrades and open space, phasing the project over multiple years, or combining the impact and investment by linking the waterfront redevelopment to the AES site redevelopment. In every instance the city’s Initiative Impact Analysis selects worst case, most draconian infrastructure needs. By overly burdening the cost, the city’s Initiative Impact Analysis then concludes that the infrastructure improvements will require tremendously expensive bond servicing that makes the project financially untenable. But again, more reasonable balanced interpretation of infrastructure needs would require much more reasonable servicing of the bond. Then a development could be pursued that would generate positive revenue for the city. City bias is clear in their draconian interpretation of the infrastructure needs, purposely analyzed to tell a story that the CARE Act is unviable and CenterCal is our only solution. That is disingenuous.

The city did not examine more balanced infrastructure needs because that would have shown the CARE Act does allow financially viable development that will not burden the city, thereby contradicting the city’s narrative that CenterCal is the only option. This financial analysis demonstrates that more reasonable development is possible allowing the city to revitalize without supersizing.

# A great failure, a history lesson

Fred Bruning, CEO of Centercal proudly stood before the City Council for the EIR appeal and stated that the era of the” Mall is over”, “here comes the village “. Taking directly from the Pier Plaza minutes from September 13th 1977, the Pier Plaza was described as “The development would be in village type theme. One and two-story varying in height, generally the restaurant on the view areas; shops on the inside; any offices to be on the second floor.” “The development would be similar to Ghirardelli Square in San Francisco” “Tenant selection is based on a very critical level.”

The EIR of the associated project stated that “The main adverse impact associated with this project is stated to be the increase in motor vehicle congestion on weekends and holidays.”

The waterfront project is many times greater than this project. City of Redondo agreed with the impact of the Air resource board, stating that “The comments of the Air Resources Board is a legitimate one. Clearly a project that envisions a commercial- recreation center can be expected to have secondary effects on air quality as a result of increased automotive traffic and use.”

# A great opportunity of the “Dynamic duo”

The AES power plant location and waterfront represent a great opportunity, once never thought possible. Now, this is possible. The AES power plant site represents a large amount of potential commercial, residential and office development. Constraining such a large amount of development into such a small part of the waterfront is thinking that was only available due to the fact that the power plant would never be demolished. This is no longer the case. The intent of the CARE act was to include full development of the power plant location, working harmoniously together with the waterfront.

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