

MEMORANDUM

To: Jaehee Yoon, AICP
Senior Planner
City of Manhattan Beach

From: Jason Moody, Thomas Gonzales, and Chinmay Damle

Subject: Manhattan Beach Long Term Outdoor Dining Program Study
Fiscal & Economic Impact Findings Summary

Date: October 2024

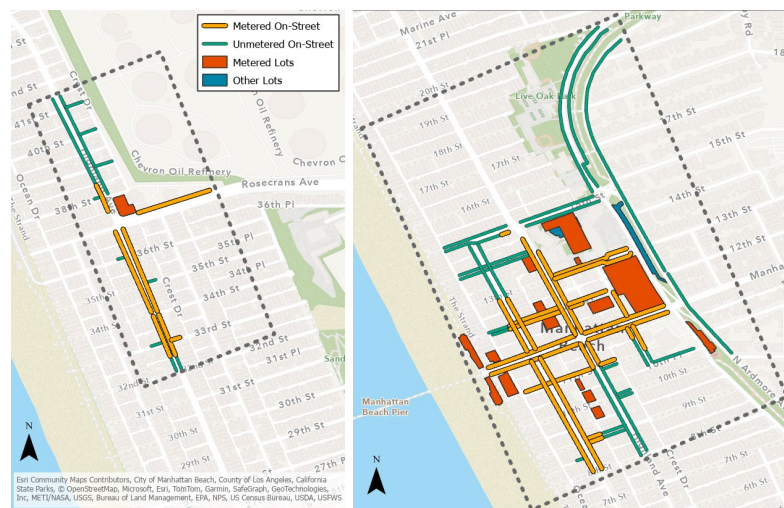
The Economics of Land Use



This memorandum summarizes findings from Economic & Planning Systems, Inc. (EPS) related to the economic and fiscal impacts of outdoor dining in Manhattan Beach. EPS studied these impacts as part of an MIG-led consulting team, which has been supporting the City of Manhattan Beach to evaluate options for a potential Long Term Outdoor Dining Program. EPS completed its analysis using City-provided data on parking revenue and sales tax revenue, as well as information collected through a series of stakeholder interviews.

EPS's analysis focused primarily on understanding how the Temporary Outdoor Dining Program ("Temporary Program"), which operated from mid-2020 to February 2023, impacted sales tax and parking revenue in the City. EPS looked specifically at a "Study Area" that included Downtown Manhattan Beach and North Manhattan Beach, which are shown in **Figure 1**.

Figure 1: Study Area Locations (North Manhattan Beach and Downtown)



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Key Findings

EPS' analysis focused on comparing a six-month period before the Temporary Program ended, from April to September 2022 ("Q2-Q3 2022"), with a period one year later, from April to September 2023 ("Q2-Q3 2023"), which was after the program ended.

Key findings of the EPS analysis include the following:

- **Outdoor dining appears to have had a substantially positive fiscal and economic benefit on the City and local businesses overall.** Under the Temporary Program, during which parking spaces were repurposed as outdoor dining space, business sales across all types of businesses were higher than after the program ended. Parking revenue from increased demand (more visitors) was also significantly higher, which more than offset the loss of parking revenue from the repurposed on-street spaces.
- **After the end of the Temporary Program, total parking revenue (across all lots and on-street spaces within the Study Area) fell** by \$163,700 or 5.3 percent. This seems to indicate that the loss of outdoor dining led to fewer patrons visiting and parking in the Study Area. The drop was consistent throughout the Study Area.
- **Parking revenue from on-street parking increased when spaces were "returned" to service following the end of the Temporary Program,** generating an additional \$79,900 or 7 percent of on-street meter revenue. Most of the additional revenue was collected on Manhattan Avenue and Manhattan Beach Boulevard in Downtown Manhattan Beach. However, this positive impact was more than offset by revenue lost in the off-street lots (\$243,600 or 12.4 percent) due to the overall decrease in parking demand.
- **Sales tax revenue decreased for both participating and non-participating businesses after the end of the Temporary Program.** Although there was a decrease in sales tax countywide, the performance of Study Area businesses was worse than both City and County trends. EPS estimated that sales tax revenue over the Q2-Q3 2023 period would have been \$39,600 higher if the Study Area had matched County trends, or up to \$105,500 higher if the Study Area had matched City trends.
- **The Proposed Long Term Outdoor Dining Program can similarly be expected to generate strong positive fiscal and economic benefits.** Based on the experience of the Temporary Program, EPS has estimated what some of the impacts may be.

Implications for Long Term Outdoor Dining Program

EPS utilized the findings on the impact of the Temporary Outdoor Dining Program to estimate fiscal and economic impacts from a proposed Long Term Outdoor Dining Program that the City is currently considering.

It should be noted that although these estimates are based on the experience of the Study Area during the Temporary Program, it may not be entirely possible to duplicate these benefits with the Long Term Outdoor Dining Program. The results of the program may be influenced by outside, uncontrollable factors that impact business sales and parking demand, the key metrics used in this analysis. For example, retail success and business volume can be highly sensitive to small-scale changes in location, weather, seasonal variabilities, operational configurations, consumer preferences, customer experience, etc. EPS attempted to identify potential confounding factors and control for the impact of outside factors where possible—such as by comparing sales tax revenue against citywide and countywide trends and comparing the same 6-month period of the year—but there is no guarantee that the Long Term Outdoor Dining Program will have effects equivalent to the Temporary Program.

EPS has summarized the fiscal impacts, or changes in City revenues, that resulted from the City's Temporary Program, in **Table 1**. The impacts are shown both overall and on a per parking spaces basis. EPS's analysis focused on the impacts within the Study Area during Q2 to Q3 2022. Although the program format and participation varied over time, approximately 57 on-street parking spaces (51 in Downtown and 6 in North Manhattan Beach) were used for outdoor dining during most of this period. Impacts were estimated primarily by comparing parking revenue and sales tax revenue with the Q2-Q3 2023 period, during which no on-street parking spaces were used for outdoor dining (though sidewalk dining continued).

Table 2 compares the estimated impacts of the Temporary Program to those of a future, Long Term Outdoor Dining Program, under a proposed plan that would reconfigure the Study Area streetscapes to expand outdoor dining capacity on sidewalks while limiting the loss of parking supply to just 7 on-street spaces. Impacts shown assume that the fee for outdoor dining is maintained at the \$3 per square foot per month rate currently charged for the Sidewalk Dining Program.

Finally, **Table 3** serves to summarize the estimated economic impacts on individual businesses under both the Temporary Program and a future Long Term Program. Details on the methodology for these tables are on the last page of the **Appendix** presentation.

Table 1: Summary of Estimated Fiscal Impacts from Outdoor Dining in On-Street Parking Spaces during Temporary Outdoor Dining Program

	Sales Tax Revenue** from Participating Business	Parking Revenue from Lost Spaces	Sales Tax Revenue from Neighboring Businesses	Parking Revenue from Additional Visits	TOTAL FISCAL IMPACT ON CITY (excluding program fee revenue)
Total Annual Revenue (57 Spaces, ~9,975 sq. ft.)	+ \$30,000 – \$73,000	- \$142,500	+ \$37,000 – \$104,500	+ \$412,000	\$336,500 – \$447,000
Avg. Revenue Per Space (~175 sq. ft. of outdoor dining)	+ \$525 – \$1,300	- \$2,500	+ \$650 – \$1,800	+ \$7,250	\$5,925 – \$7,850

Sources: HdL Companies, City of Manhattan Beach Finance Department, EPS

Table 2: Comparison of Fiscal Impact Estimates for the Temporary Outdoor Dining Program with Proposed Long Term Program

	Temporary Program Fiscal Impact on City	Proposed Long Term Program Fiscal Impact on City
Program Size	830 dining seats (estimated*) across approx. 57 parking spaces (as of mid-2022)	580 new sidewalk dining seats with 7 lost on-street parking spaces
Up-Front Cost	<ul style="list-style-type: none"> • Administrative / Permitting costs • Wide range of dining deck construction costs incurred by individual businesses 	<ul style="list-style-type: none"> • Administrative / Permitting costs • City-led project to significantly expand sidewalk space and renovate streetscape with expected cost of \$11,000,000 – \$16,000,000 (rough order of magnitude)
Annual Benefit**	<ul style="list-style-type: none"> • No fee revenue collected • Sales tax increase: \$67,000 – \$177,500 • Parking revenue increase: \$412,000 	<ul style="list-style-type: none"> • Fee revenue: ~\$219,500*** (\$3/sq. ft./month @ 6,097 sq. ft.) • Sales tax increase: ~\$36,000 – \$95,000 • Parking revenue increase: ~\$222,500
Annual Cost	<ul style="list-style-type: none"> • Lost parking revenue: \$142,500 • Businesses handle maintenance costs • Program administration and enforcement 	<ul style="list-style-type: none"> • Lost parking revenue: \$17,500 • Likely minimal change in maintenance costs • Program administration and enforcement
Net Ongoing Benefit	\$336,500 – \$447,000 per year	~\$460,500– \$519,500 per year

Sources: HdL Companies, City of Manhattan Beach Finance Department, City of Manhattan Beach Community Development Department, EPS

*Assumes 12 sq. ft. per seat and 175 sq. ft. per parking spaces on average

**Sales tax increase includes both participating and non-participating businesses. Proposed program estimates assume parking demand and sales tax benefits increase at same rate per dining seat as temporary program.

***Assumes that all new outdoor dining space is utilized by businesses.

Table 3: Summary of Estimated Economic Impacts on Individual Businesses from Outdoor Dining under Temporary Outdoor Dining Program and Proposed Long Term Program

	Temporary Program Economic Impact on Individual Businesses	Proposed Long Term Program Economic Impact on Individual Businesses
	<i>Analysis below shown for ~175 sq. ft space (equivalent size to one on-street parking space)</i>	
Up-Front Cost	Cost of outdoor dining furniture and appurtenance, plus cost of building outdoor dining deck: <ul style="list-style-type: none"> • \$1,500 – \$15,000 per space for simplest dining decks • Up to \$65,000 for most elaborate decks on sloped streets 	Cost of outdoor dining furniture and appurtenance, similar to Sidewalk Dining Program
Annual Benefit*	• Sales increase: \$52,500 – \$130,000	• Sales increase: \$52,500 – \$130,000
Annual Cost**	<ul style="list-style-type: none"> • Maintenance costs for dining deck • Maintenance costs for outdoor dining furniture and appurtenance 	<ul style="list-style-type: none"> • Sidewalk dining use fee cost: \$6,300 per year (for 175 sq. ft. dining space) • Maintenance costs for outdoor dining furniture and appurtenance
Net Ongoing Benefit***	\$52,000 – \$130,000 per year	\$46,200 – \$123,700 per year

Sources: HdL Companies, City of Manhattan Beach Finance Department, City of Manhattan Beach Community Development Department, EPS

*Sales increase estimate is based on averages from analyzed sales tax data.

**Larger business owners reported anecdotally that maintenance costs for cleaning, landscaping, etc. could be as high as \$18,000 per year.

*** Excludes cost of dining deck and annual permit administrative fee

Fee Recommendations

Proposed Long Term Outdoor Dining Program

As currently envisioned, the proposed Long Term Program would largely mimic the existing Sidewalk Dining Program. EPS recommends that fees for the Long Term Program be structured with a similar monthly fee. Keeping a similar fee will provide consistency and is more likely to ensure business participation in the program. Indeed, stakeholder input confirmed that charging an equivalent fee to the sidewalk dining program would be familiar to business owners and likely perceived as reasonable and fair.

Given that the City is looking to recoup some of the costs of reconfiguring the streetscape to expand sidewalk dining, there are some additional options to consider, such as increasing the fee amount or implementing a tiered fee structure with higher rates for certain business types that generate higher sales revenue.

There are a few factors to consider in setting up a tiered fee structure. Based on EPS market research, retail rents in the North Manhattan Beach area appear somewhat lower than those in the Downtown area. The City may want to consider charging different rates between these two areas. The City could also consider charging a higher rate for businesses on the busiest retail streets, on businesses that serve alcohol, or on those open with later hours. This type of tiered fee based on location and/or type of business has precedent in Hermosa Beach and Beverly Hills. **Table 4** summarizes the differences between a flat fee and tiered fee approach.

Overall, EPS recommends approaching fee increases with some degree of caution. As the rates approach or exceed the rental rates that businesses pay, the number of businesses participating may decrease. Without business participation, the City will be unable to realize the expected revenue benefits of the program. The tiered approach may be able to best increase revenue without decreasing participation from businesses that are less able to afford a higher outdoor dining fee.

Additional information is included in the **Appendix** presentation.

Table 4: Potential Program Fee Type Overview and Comparison

	Flat / No Fee	Tiered Fee
Description	<ul style="list-style-type: none"> • Similar to sidewalk dining • Flat charge per sq. ft. 	<ul style="list-style-type: none"> • Charge varies depending on type of use, amount of space, operating hours, etc.
Pros	<ul style="list-style-type: none"> • Simple approach • Easy to understand • Easy to comply • Easy to administer 	<p>Creates option to charge higher rates:</p> <ul style="list-style-type: none"> • For additional space beyond base amount • For late night use • For specific business types/locations <p>Could “cover costs” associated with certain activity – such as late-night patrons</p>
Con	<ul style="list-style-type: none"> • Larger, more profitable businesses pay the same as smaller ones 	<ul style="list-style-type: none"> • More complex tracking, review, enforcement may offset small fiscal benefit

Parking Management Recommendations

As part of the study process, Fehr & Peers conducted analysis of the parking system in the Study Area. Fehr & Peers found that there is limited parking availability at the busiest peak times, which presents a challenge for visitors and residents, as well as business owners. Given that the proposed Long Term Outdoor Dining Program will result in the loss of 7 spaces while simultaneously increasing demand for parking, Fehr & Peers developed several parking alternatives to address this additional demand, either through demand management strategies or new supply strategies.

These strategies are presented in **Table 5** with additional cost information gathered by EPS, with input from Fehr & Peers. There are a number of lower cost strategies that can be explored by the City prior to investing in expensive new supply options, though there are tradeoffs involved in any of the strategies, which are also summarized in the table. More information is provided in the **Appendix** presentation.

Table 5: Cost and Evaluation of Study Area Parking Alternatives

Type	Estimated Cost	Pros	Cons		
Signage, Enforcement, Etc.	LOWER	Varies	Typically more cost effective than new supply, benefits businesses; some costs can be recovered	May require education, may be less popular than adding more parking	
Bicycle Parking		\$400 per 3 racks (plus labor cost for installation)	1 vehicle = 10 bike spaces; promotes healthy/low-emissions travel; best cycling weather aligns with peak parking periods	May take away sidewalk/parking space	
Bicycle Valet		Up to \$1000 per day, depending on need	Encourages bicycling by guaranteeing safe, sufficient parking for bicyclists	Requires ongoing staff costs to maintain program; may be best suited for events	
Shared Parking		Primarily staff time (plus any negotiated cost of parking)	Utilizes existing supply to increase effective capacity; may work well for busy weekend days	Limited options and depends largely on private sector participation	
Valet Parking (Free or Subsidized)		\$500 – \$2,500+ per day, depending on need	May help utilize/increase existing capacity; may add cachet and help visitors during the peak periods; may generate some revenue	Does not add new capacity; must be well-located and may take sidewalk/parking space	
Shuttle or Bus Service (on-demand or fixed route)		\$150K+ per year operating expenses** (plus, \$100K–600K per vehicle)	Could also serve nearby residents, who might choose not to drive; contracted operators (e.g., Circuit) may be able to lower costs	High operating cost, less convenient for drivers due to longer travel time; may take away sidewalk/parking space	
New On-Street Parking Spaces (through street modification)		Varies significantly (involves major capital expense)	Parking is well-located, in front of businesses	Takes up limited right-of-way that could be used for circulation, walking, biking, outdoor dining, etc.	
New Parking Garage Spaces		HIGHER	\$50–93K* per space (plus, cost to purchase land)	Increases capacity at desired location; often popular with residents/shoppers	Very high upfront & maintenance cost, long construction timeline, few available sites

*Based on Rider Levett Bucknall cost index for above- and below-ground parking (\$110 – \$205 per sq. ft.), plus 20% soft cost and 10% contingency. Assumes 350 sq. ft. per space.
**Costs can be significantly higher based on route length, frequency, and operating hours. Line 102 in Redondo Beach costs ~\$1,000,000/yr to operate 6am–8pm on 30–45 min. headways. Lower end operating estimate is based on 30% labor cost and approx. \$50,000 fully loaded salary for a single driver to operate on busier weekends/evenings only.

Appendix

Long Term Outdoor Dining Program Study: Fiscal & Economic Impact Findings

CITY OF MANHATTAN BEACH

Long Term Outdoor Dining Program Study

Fiscal & Economic Impact Findings

October 2024



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

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- **Study Questions, Process, and Methodology**
- **Study Results**
 - Parking Revenue Impacts
 - Sales Tax Impacts
- **Key Findings and Implications**
- **Program Considerations / Recommendations**
- **Parking Supply & Management Implications**

STUDY QUESTIONS, PROCESS, AND METHODOLOGY

KEY FISCAL & ECONOMIC QUESTIONS

What was the impact of temporary outdoor dining when street parking was converted ...

- **Did it reduce City parking revenue?**
 - How much revenue was lost?
 - Was there a larger impact on parking demand?
- **Did City retail sales (and tax revenue) increase?**
 - What was impact on dining sector / participating businesses?
 - What was impact on other (non-participating) retail businesses?
- **How can we control for other factors that impact sales?**
 - Changes in regional competitive landscape?
 - Changing consumer behavior or retail trends?
 - Seasonal considerations (e.g., weather)?



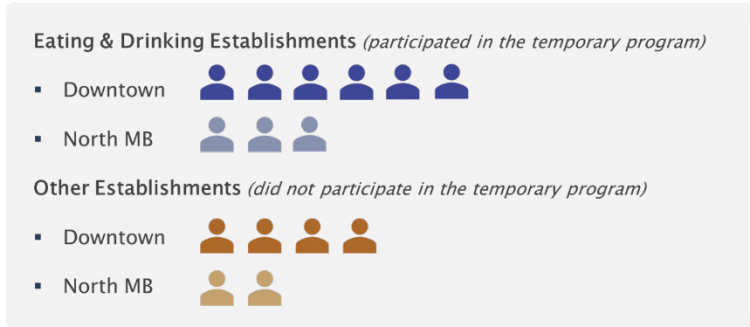
Historical data helps answer our questions

BUSINESS STAKEHOLDERS ALSO PROVIDED USEFUL INPUT

- 4 meetings from Dec 2023 to Jan 2024
- 15 business owners

Key findings:

- Broad economic benefits seen from outdoor dining, with some caveats
- Strong enthusiasm about success of temporary program and eagerness for a long-term program—concern of losing customers to neighboring cities
- Recognition that positive impacts went beyond sales with benefits to community and culture in Manhattan Beach
- Some concerns about program implementation (e.g., managing parking impacts on businesses, providing certainty in permit length)



TEMPORARY PROGRAM PROVIDES GOOD CASE STUDY

Temporary Outdoor Dining Program



in place from
Q2 2020
to
Q1 2023

“Before / After” data for Study Area helps assess impact :

1. Street / Lot Parking Revenue
2. Sales Tax Data

Study Area = Downtown + North Manhattan Beach (North MB)
(locations where on-street parking space was used for outdoor dining)

STUDY RESULTS: PARKING REVENUE IMPACTS

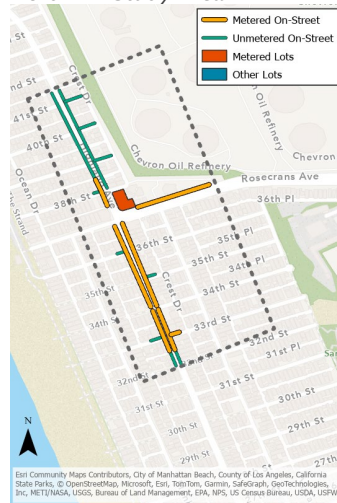
ON-STREET DINING REMOVED RELATIVELY FEW SPACES

Downtown, and to a lesser degree, North MB function as shared parking districts*

The amount of spaces used for outdoor dining during temporary program was small relative to total parking capacity in each district

	Downtown	North MB	Total
On-Street Spaces	337	108	445
Parking Lot Spaces	913	64	977
Total Parking Capacity	1,250	172	1,422
Spaces Used for Outdoor Dining (as of July 2022)	51	6	57
Percent of Total Parking Used for Outdoor Dining	4.1%	3.5%	4.0%

North MB Study Area



Downtown Study Area



*Shared parking districts, or “park once” districts, are walk-oriented places where parking is not specifically attached to or owned by individual businesses. Rather, the parking supply is “shared” by all businesses, and parking capacity works as a system. Most visitors park once, even if visiting multiple businesses and when parking is unavailable in one spot, most will find parking on a nearby street or in a nearby lot, but still within the district’s shared parking supply.

OVERALL PARKING REVENUE DOWN AFTER PROGRAM ENDED

 **\$163,700**

5.3% drop in total (combined street and lot) meter revenue from Q2–Q3 2023, relative to year prior

(April to September)

- All but one public lot saw lower revenue*; METLOX and Civic Center lots were main drivers of lost revenue

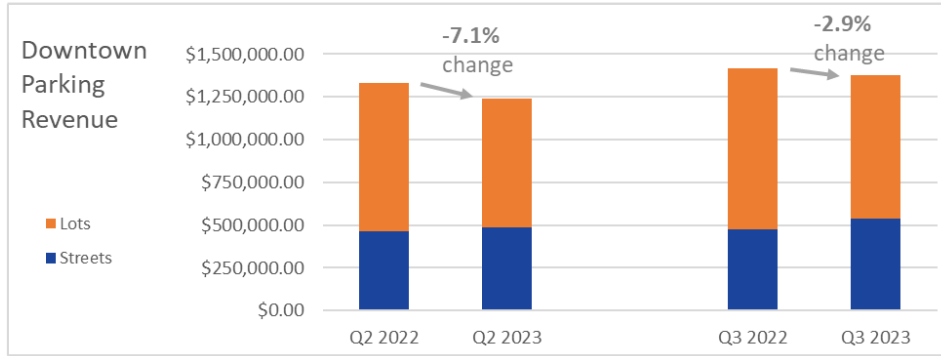
End of temporary program seems to have reduced overall parking demand

- Could be caused by less dining activity, which led to fewer visitors and people looking for parking spaces
- Aligns with input heard from some residents/stakeholders, who reported visiting Downtown specifically for outdoor dining, which is no longer a draw

*Lot 3 saw a slight increase from Q2 2022 to Q2 2023, but also decreased from Q3 2022 to Q3 2023

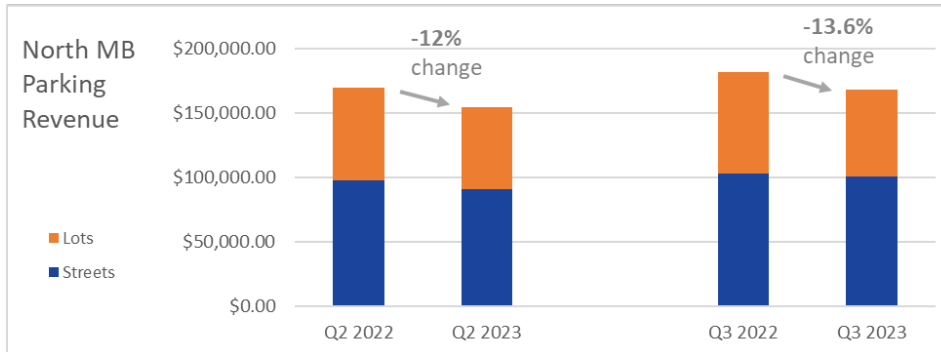
DESPITE MORE SPACES, FEWER PEOPLE PARKING OVERALL

End of outdoor dining saw fewer parkers and reduced parking revenue to City



Downtown:

- Revenue dropped overall, though street meters saw more revenue



North MB:

- Both street meter revenue and lot revenue declined

“RETURNED” SPACES DID INCREASE STREET METER REVENUE

Despite overall drop in revenue, more revenue collected along streets where meter spaces returned to service after end of temporary program

51 on-street spaces returned in Downtown (Q2–Q3 2022 vs 2023)

6 on-street spaces returned in North MB (Q2–Q3 2022 vs 2023)

 **\$79,000**

7% increase in street meter revenue over six months from Q2–Q3 2023, relative to year prior
(April to September)

- Most revenue increase seen on **Manhattan Ave & Manhattan Beach Blvd** in Downtown, which saw approx. **40 spaces** return to meter operation
- Small increase (<1%) in revenue on **Highland Ave** in North MB, but overall street meter revenue in **North MB** was **down \$9,057 (-4.5%)**, revealing lower total demand for street parking

STUDY RESULTS: SALES TAX IMPACTS

SALES TAX SHARE HAS EVOLVED POST COVID

Businesses that participated in the Temporary Outdoor Dining Program account for just under 10% of citywide taxable sales.

Businesses in the combined Study Area make up just over 25% of citywide sales.

Participating businesses and Downtown businesses overall increased their share of citywide sales compared to pre-pandemic, though North MB businesses did not.

Subset of Businesses	2019 Sales Tax Revenue*	2022 Sales Tax Revenue*	2019 Share of City Total	2022 Share of City Total
Participated in Temporary Program**	\$714,921	\$923,906	7.4%	9.9%
Downtown	\$1,531,988	\$2,104,681	15.9%	22.5%
North MB	\$317,251	\$281,890	3.3%	3.0%
City Total	\$9,614,822	\$9,343,570	100.0%	100.0%

*Adjusted for inflation.

**More than 90% of participating business sales tax is from businesses located in Downtown.

SALES TAX REVENUE IS DOWN SINCE ENDING THE ODP[†]

- Year-over-Year (YOY) taxable sales across Q2-Q3 2023 **fell more than 6%** for businesses in Downtown and North MB
- Sales downturn was consistent across the Study Area, for both businesses that participated in the Temporary Program (and operated outdoor dining in parking spaces) as well as those that did not

YOY Sales Tax Change*	Q2 - Q3 2023
Downtown & North MB	-6.5%
Downtown Only	-5.8%
North MB Only	-9.6%
Participating Businesses Only	-7.0%
Non-Participating Businesses Only	-6.2%

*Adjusted for inflation



[†] Outdoor Dining Program

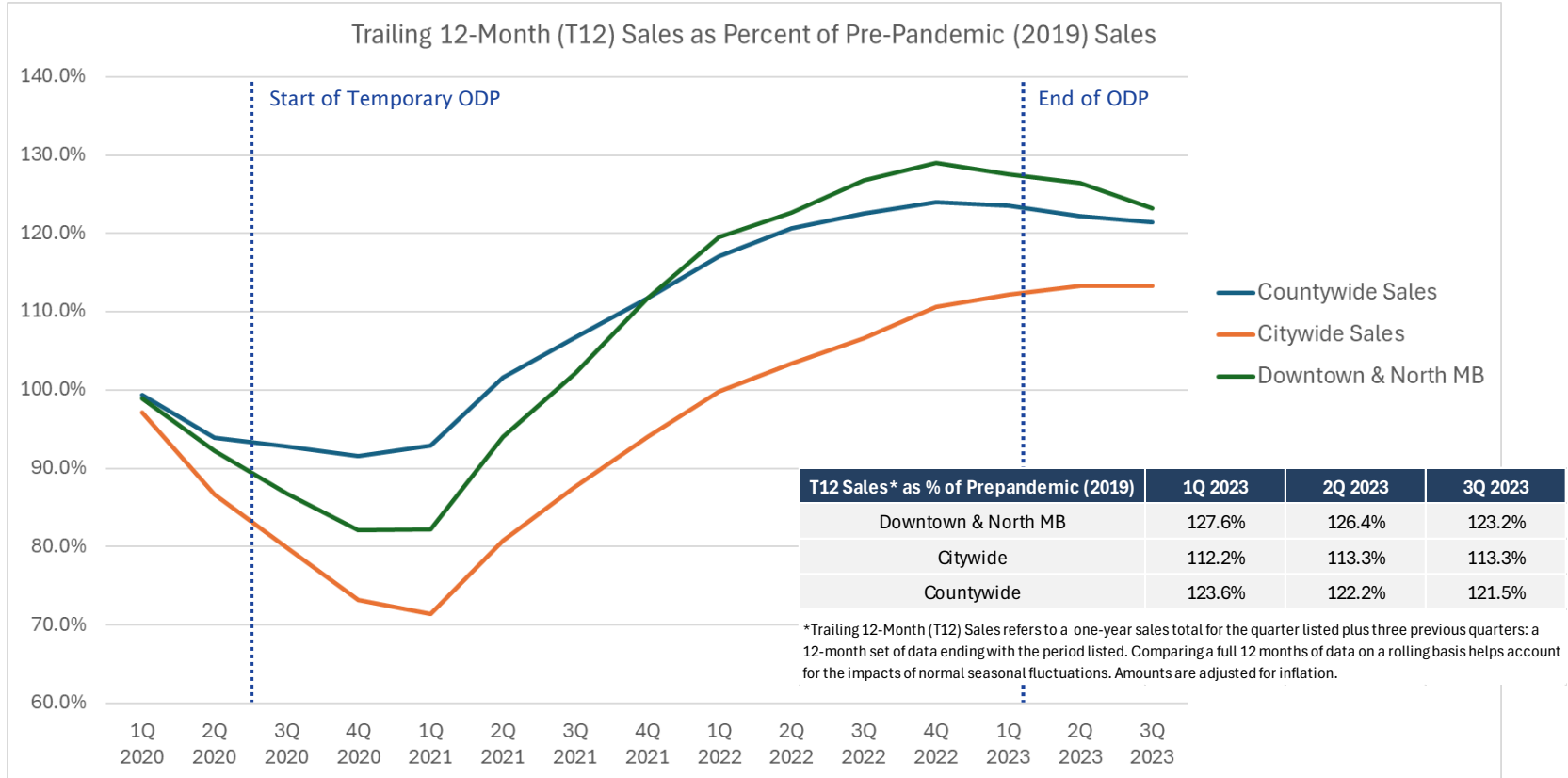
DECREASING SALES SINCE Q1 2023 IN STUDY AREA

- Drop in sales YOY in Downtown & North MB started in Q1 2023
 - First decline since pandemic; similar to countywide trends, but more dramatic, especially in Q3 2023
 - Likely negative impact from extreme wet weather in Q1 2023
 - No further local changes identified other than end of the temporary program that would account for the decline
- Sales trends underperformed both the City and County in this period

YOY Change in Taxable Sales*	1Q 2023	2Q 2023	3Q 2023
Downtown & North MB	-5.0%	-3.6%	-9.4%
Citywide	6.7%	3.8%	0.1%
Countywide	-1.5%	-4.3%	-2.4%

- Study Area businesses would have generated an additional \$39,600 in tax revenue (across Q2 & Q3 2023 period) if matched with Countywide trend

DOWNTOWN & NORTH MB NO LONGER LEADING RETAIL RECOVERY



KEY FINDINGS AND IMPLICATIONS

OUTDOOR DINING APPEARS TO HAVE POSITIVE FISCAL IMPACT

Downtown and North MB have generated less parking and sales tax revenue since the end of Temporary Outdoor Dining Program.

- Parking revenue after the end of the program is down compared with before
- Sales tax revenues are also down, generally below countywide and citywide averages



AND VIEWED POSITIVELY BY MOST BUSINESSES

Most business owners interviewed reported positive outcomes:

- More pedestrian traffic
- More vibrant street life

And most seem to have benefited financially:

- CAVEAT: we heard anecdotally that some “take-out” retailers located near eliminated on-street parking were negatively affected (and cold take-out is not taxable)
- In North MB, retailers reported that additional short-term parking spaces alleviated similar concerns



TEMP PROGRAM HAD NET POSITIVE FISCAL IMPACT ON CITY

EPS estimates* that the temporary outdoor dining program had a **strong positive fiscal impact**, even without any program fee revenue

	Sales Tax Revenue** from Participating Business	Parking Revenue from Lost Spaces	Sales Tax Revenue from Neighboring Businesses	Parking Revenue from Additional Visits	TOTAL FISCAL IMPACT ON CITY (excluding program fee revenue)
Total Annual Revenue (57 Spaces, ~9,975 sq. ft.)	 \$30,000 – \$73,000	 \$142,500	 \$37,000 – \$104,500	 \$412,000	\$336,500 – \$447,000
Avg. Revenue Per Space (~175 sq. ft. of outdoor dining)	 \$525 – \$1,300	 \$2,500	 \$650 – \$1,800	 \$7,250	\$5,925 – \$7,850

Sources: HdL Companies, City of Manhattan Beach Finance Department, EPS

*See reference slide at end for detailed explanation of fiscal impact estimating methodology.

**The City of Manhattan Beach collects 1.0 % of taxable sales.

AS WILL THE PROPOSED LONG TERM PROGRAM

	Temporary Program Fiscal Impact on City	Proposed Long Term Program Fiscal Impact on City
Program Size	830 dining seats (estimated*) across approx. 57 parking spaces (as of mid-2022)	580 new sidewalk dining seats with 7 lost on-street parking spaces
Up-Front Cost	<ul style="list-style-type: none"> • Administrative / Permitting costs • Wide range of dining deck construction costs incurred by individual businesses 	<ul style="list-style-type: none"> • Administrative / Permitting costs • City-led project to significantly expand sidewalk space and renovate streetscape with expected cost of \$11,000,000 – \$16,000,000 (rough order of magnitude)
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***Assumes that all new outdoor dining space is utilized by businesses.

BOTH HAVE A POSITIVE ECONOMIC IMPACT ON BUSINESSES

	Temporary Program Economic Impact on Individual Businesses	Proposed Long Term Program Economic Impact on Individual Businesses
	<i>Analysis below shown for ~175 sq. ft space (equivalent size to one on-street parking space)</i>	
Up-Front Cost	Cost of outdoor dining furniture and appurtenance, plus cost of building outdoor dining deck: <ul style="list-style-type: none"> • \$1,500 – \$15,000 per space for simplest dining decks • Up to \$65,000 for most elaborate decks on sloped streets 	Cost of outdoor dining furniture and appurtenance, similar to Sidewalk Dining Program
Annual Benefit*	<ul style="list-style-type: none"> • Sales increase: \$52,500 – \$130,000 	<ul style="list-style-type: none"> • Sales increase: \$52,500 – \$130,000
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*Sales increase estimate is based on averages from analyzed sales tax data.

**Larger business owners reported anecdotally that maintenance costs for cleaning, landscaping, etc. could be as high as \$18,000 per year.

*** Excludes cost of temporary dining deck and annual permit administrative fee

PROGRAM CONSIDERATIONS / RECOMMENDATIONS

CAVEATS & CONSIDERATIONS FOR FUTURE

Long-Term program results may vary depending on size and location of program

- Unclear if incremental benefits hold true if program size differed substantially from the temporary outdoor dining program.
 - Relationship of impacts may not be linear with amount of space (eliminated for outdoor dining)
 - Removing too many parking spaces could have a more detrimental impact on parking availability
 - A smaller program may not have as large an effect on demand without synergistic effect of multiple spaces
- Revenue by location expected to vary significantly
 - Owners reported anecdotally that dining sales could be as high as \$500,000/year per parking space (equivalent to \$5,000/year in sales tax revenue) on a prime corner



OUTDOOR DINING PROGRAM CONSIDERATIONS

- Business owners generally do not favor strict caps on participation; prefer it be open to all where space is available
- Business owners would like to align outdoor dining hours to (indoor) restaurant hours to minimize operational challenges and guest frustrations
- Business owners interested to see the outdoor dining program provide some certainty and possibly emulate existing programs, such as:
 - Sidewalk encroachment permits where annual renewals are allowed if no problems have occurred
 - Liquor license where permit length is indefinite if no violations
 - Use permits for live music, which remain valid even if restaurant is sold



SOME NEARBY CITIES CHARGE ONGOING FEES

Cities With Ongoing (Monthly) Use fees

- Hermosa beach: outdoor dining program updated Oct 2023
 - Tiered fee schedule – \$2.50 to \$6 per sq. ft. per month based on hours, location, and alcohol service
 - One-time fees for application & permit, plus \$397.70 annual renewal fee
- Beverly Hills: tiered fee schedule depending on location (defined by street)
 - Monthly permit charges for sidewalk dining (\$1.05 – \$1.80 per sq. ft.) or for parklet dining (\$1.55 – \$2.05 per sq. ft.)
 - One-time fee for application, permits, sewer facility charges, plus \$647 annual renewal fee

Cities with No Monthly Fees

- El Segundo
 - One-time maintenance deposit plus outdoor dining application fee (\$3,796.73) and annual renewal charge (\$1,026.25)
- Los Angeles: al fresco dining program updated in Dec 2023
 - One-time fees of \$1,349 – \$2,056 for application & permit, plus one-time sewer facility charge per seat (approx. \$1,200 – \$2,000 per parking space), and review and permit fees for any new structures

POTENTIAL PROGRAM FEE* OPTIONS

- Under Proposed Long Term Program, all right-of-way outdoor dining would function as sidewalk dining and should have a consistent fee structure

	Flat / No Fee	Tiered Fee
Description	<ul style="list-style-type: none"> Similar to current sidewalk dining Flat charge per sq. ft. 	<ul style="list-style-type: none"> Charge varies depending on type of use, amount of space, operating hours, etc.
Pros	<ul style="list-style-type: none"> Simple approach Easy to understand Easy to comply Easy to administer 	<p>Creates option to charge higher rates:</p> <ul style="list-style-type: none"> For additional space beyond base amount For late night use For specific business types/locations <p>Could “cover costs” associated with certain activity – such as late-night patrons</p>
Con	<ul style="list-style-type: none"> Larger, more profitable businesses pay the same as smaller ones 	<ul style="list-style-type: none"> More complex tracking, review, enforcement may offset small fiscal benefit

*Proposed fee is an ongoing charge similar to the sidewalk dining program fee of \$3/sq. ft./month. Other City fees may be applicable and used in place of or in addition to an outdoor dining permit fee (e.g., encroachment, utility, or impact fee). To the extent they are imposed on applicant, the financial implications will be similar. The structure and amount of any new fee will be subject to applicable State laws related to the imposition of local fees

OUTDOOR DINING USER FEE RECOMMENDATIONS

Fee should be set in line with existing fees and in consideration of retail market rents to ensure participation and perceived fairness

- **Current flat fee amount (\$3/sq. ft./mo.) likely to be perceived as reasonable and fair (per stakeholder input)**
 - Fee provides approximately \$219,500 in annual revenue for proposed program (6,097 sq. ft.)
 - Fee is already higher than other jurisdictions

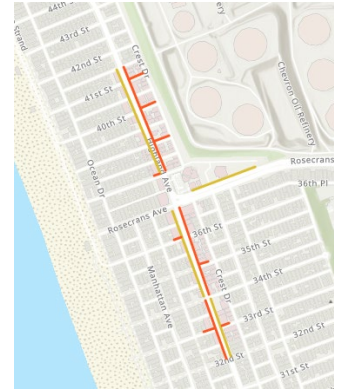
- **Participation may drop as monthly outdoor dining fee approaches \$5/sq. ft. in Downtown or \$4/sq. ft. in North MB**
 - Some high-revenue businesses might be willing to pay higher amounts
 - EPS expects that most restaurants will not be willing to pay more than the rent on indoor space:
 - Large restaurant owners report monthly rents of \$7 to \$11 per sq. ft. for indoor retail space
 - **Average** market rents *per CoStar* are \$5 per sq. ft. (Downtown) and \$4 per sq. ft. (North MB). The highest quality (Class A) properties are approximately \$9 per sq. ft.
 - In general, retail rent **can vary significantly** by location, foot traffic, and quality

- **Tiered fee could be used to address stakeholder or revenue concerns, if needed**

PARKING SUPPLY & MANAGEMENT IMPLICATIONS

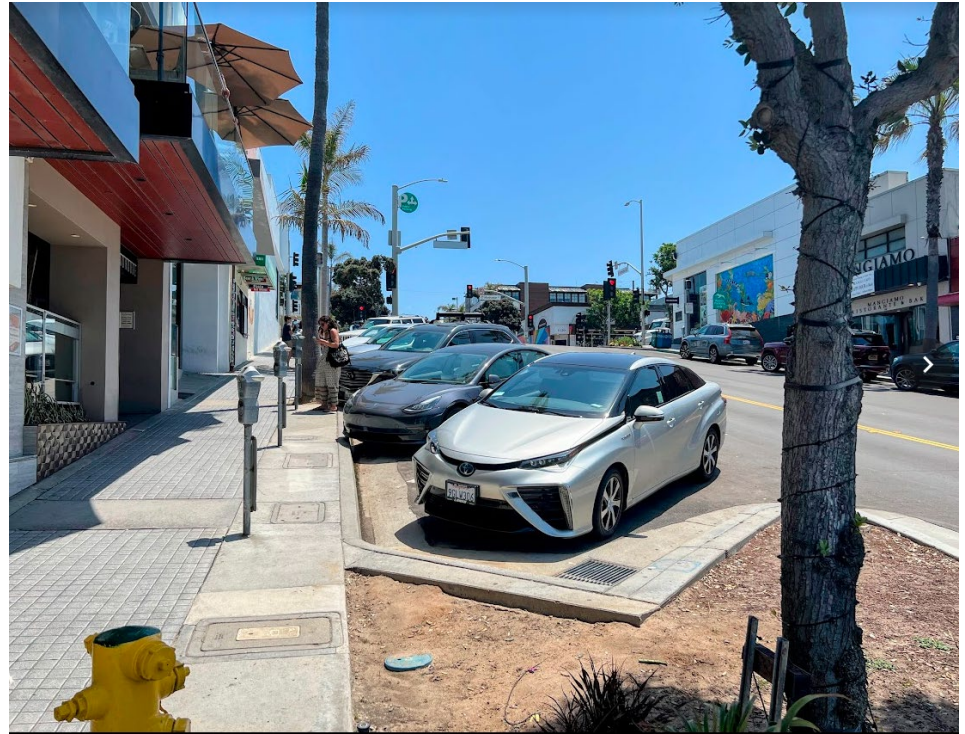
LIMITED AVAILABLE PARKING DURING PEAK PERIODS

- Based on Fehr & Peers data collected on busy summer weekends in 2023, system appears to be **very highly utilized (above 85%)**, with minimal capacity during peak periods
 - Busiest day is Saturday – typically above 90% occupancy 11am – 3pm in summer
 - Sundays also very busy, except evenings
 - Friday peaks at 1pm; ~ 70–80% occupancy at other times
- Low available capacity at peak periods suggests possible benefit from parking management/capacity strategies
- Bicycle parking is also very highly utilized throughout Study Area
 - Bicycle riders frequently use non-rack objects to park when racks are full or on blocks without racks



DOES THE CITY NEED TO MAKE UP FOR LOST PARKING?

- Loss of street parking has had a relatively small impact on overall parking supply
- Demand from additional visitors had a larger impact on parking utilization
 - Parking may be harder to find at busiest times with outdoor dining
- Increase parking revenue and sales tax revenue from outdoor dining could be used to address demand with parking management and/or parking supply



POTENTIAL FINANCING SOURCES TO ADDRESS PARKING DEMAND

Both Downtown and North MB rely on shared (public) parking supply

- Existing BIDs historically helped manage services in each district and could potentially manage/finance parking supply
 - Existing Downtown Business Improvement District (BID)* generated \$112,800 in FY 2022–23
 - North Manhattan Beach Business BID generates approx. \$25,000 per year.
- Meter revenue provides significant source of funds: lot and street meters in Study Area generated more than \$4.5 million in revenue in 2023
 - Potential to generate even more revenue with higher/demand-based pricing, considering street meters on many blocks are 100% full almost all day on busy summer weekend (Fri–Sun), when data was collected

*Managed by Downtown Manhattan Beach Business and Professional Association. The BID is funded through an 80% surcharge on the annual business license tax for its members, up to a maximum of \$600 per business

COST OF PARKING ALTERNATIVES FOR STUDY AREA

Type		Estimated Cost	Pros	Cons
Signage, Enforcement, Etc.		Varies	Typically more cost effective than new supply, benefits businesses; some costs can be recovered	May require education, may be less popular than adding more parking
Bicycle Parking		\$400 per 3 racks (plus labor cost for installation)	1 vehicle = 10 bike spaces; promotes healthy/low-emissions travel; best cycling weather aligns with peak parking periods	May take away sidewalk/parking space
Bicycle Valet		Up to \$1000 per day, depending on need	Encourages bicycling by guaranteeing safe, sufficient parking for bicyclists	Requires ongoing staff costs to maintain program; may be best suited for events
Shared Parking		Primarily staff time (plus any negotiated cost of parking)	Utilizes existing supply to increase effective capacity; may work well for busy weekend days	Limited options and depends largely on private sector participation
Valet Parking (Free or Subsidized)		\$500 – \$2,500+ per day, depending on need	May help utilize/increase existing capacity; may add cachet and help visitors during the peak periods; may generate some revenue	Does not add new capacity; must be well-located and may take sidewalk/parking space
Shuttle or Bus Service (on-demand or fixed route)		\$150K+ per year operating expenses** (plus, \$100K–600K per vehicle)	Could also serve nearby residents, who might choose not to drive; contracted operators (e.g., Circuit) may be able to lower costs	High operating cost, less convenient for drivers due to longer travel time; may take away sidewalk/parking space
New On-Street Parking Spaces (through street modification)		Varies significantly (involves major capital expense)	Parking is well-located, in front of businesses	Takes up limited right-of-way that could be used for circulation, walking, biking, outdoor dining, etc.
New Parking Garage Spaces		HIGHER	\$50–93K* per space (plus, cost to purchase land)	Increases capacity at desired location; often popular with residents/shoppers

*Based on Rider Levett Bucknall cost index for above- and below-ground parking (\$110 – \$205 per sq. ft.), plus 20% soft cost and 10% contingency. Assumes 350 sq. ft. per space.

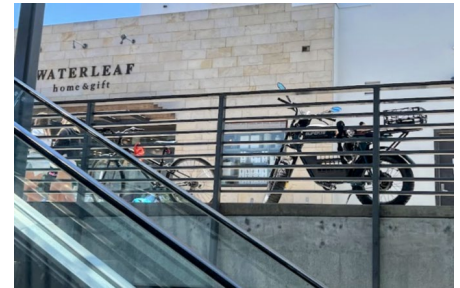
**Costs can be significantly higher based on route length, frequency, and operating hours. Line 102 in Redondo Beach costs ~\$1,000,000/yr to operate 6am–8pm on 30–45 min. headways. Lower end operating estimate is based on 30% labor cost and approx. \$50,000 fully loaded salary for a single driver to operate on busier weekends/evenings only.

LOW-COST STRATEGIES PRESENT OPPORTUNITY

- Bicycle parking may be better use of limited real estate than vehicle parking
 - Study Area has high bicycle parking utilization
 - Opportunity exists to strategically place bicycle parking or convert vehicle parking which may improve sales, reduce improper bicycle parking, and sidewalk obstruction
 - Bicycle parking is more efficient use of space to accommodate visitor parking demand



- Stakeholder input suggests well-enforced, short-term parking could offset challenges
 - Short-term parking near businesses with pick-up/drop-off customers could offset impact of limited parking availability



REFERENCE: FISCAL IMPACT ESTIMATING METHODOLOGY

- Sales tax impacts
 - Annualization & Seasonality Adjustments
 - EPS determined an annualization factor that accounts for seasonal variations by comparing Q2–Q3 data to a full calendar year over the period 2019–2023, excluding data from 2020 due to pandemic anomaly, and substituting Q4 2022 for missing Q4 2023 data
 - Participating Businesses
 - **Low end** estimate: EPS estimated what Q2–Q3 2023 sales tax revenue would have been if participating businesses had kept pace with **countywide** sales tax trends
 - **High end** estimate: EPS estimated what Q2–Q3 2023 sales tax revenue would have been if participating businesses had kept pace with **citywide** sales tax trends
 - EPS then applied the seasonality adjustment to annualize the sales tax data
 - Nonparticipating Businesses
 - **Low end** estimate: EPS estimated what Q2–Q3 2023 sales tax revenue would have been if non–participating businesses had kept pace with **countywide** sales tax trends
 - **High end** estimate: EPS estimated what Q2–Q3 2023 sales tax revenue would have been if non–participating businesses had kept pace with **citywide** sales tax trends
 - EPS then applied the seasonality adjustment to annualize the sales tax data

- Parking revenue impacts
 - Annualization & Seasonality Adjustments
 - EPS determined an annualization factor that accounts for seasonal variations by comparing Q2–Q3 2022 data to 2022 totals
 - Revenue Amounts
 - “Revenue from Lost Spaces” is equal to on–street parking revenue totals, annualized and seasonally adjusted
 - “Revenue from Additional Visits” is equal to off–street lot parking revenue totals, annualized and seasonally adjusted