City Council Report

City Council Meeting: October 28, 2025
Agenda Item: 11.A

To: Mayor and City Council

From: Oliver Chi, City Manager, City Manager's Office

Subject: Santa Monica Realignment Plan

Recommended Actions

Staff recommends that the City Council adopt the Santa Monica *Realignment* plan as the City's guiding framework for public safety renewal, revitalization of key public spaces, and achievement of organizational stability and fiscal balance by July 1, 2027 via the following direction:

1. Approve all budget adjustments and personnel authorizations required to implement the Realignment plan (Attachments A, B, & C);
2. Adopt the Parking Fee Update Resolution (Attachment D);
3. Adopt the Credit Card Convenience Fee Resolution (Attachment E);
4. Adopt resolutions authorizing non-sworn employee benefit enhancements, a Citywide winter closure, and a wellness benefit for equity alignment (Attachment F & G);
5. Introduce for first reading an ordinance amending Chapter 13.04, Vacant Properties, of Article 13, Neighborhood Preservation, of the City of Santa Monica Municipal Code to require the registration of vacant properties (Attachment H);
6. Authorize staff to assess options for expanding the SaMo Bridge facility and development of a vehicle habitation ordinance;
7. Introduce for first reading an ordinance amending Santa Monica Municipal Code Chapter 4.25 regarding the registration of rental housing units not subject to local rent control (Attachment I);
8. Introduce for first reading an interim zoning ordinance amending Santa Monica Municipal Code Section 9.31.200, Outdoor Dining and Seating on Sidewalks, to promote economic recovery by simplifying the City's outdoor dining program (Attachment J);
9. Adopt the Outdoor Dining Fee Program Resolution to institute an updated fee reduction program for parklets and sidewalk dining (Attachment K);
10. Authorize staff to assess possible expansion of the Entertainment Zone program for the Downtown, the Pier, and business improvement districts;
11. Authorize staff to assess the Pier-to-Pier ferry, beach gondola, and regional fire dispatch concepts;
12. Authorize staff to explore opportunities to update development standards, land uses, and processes for City-owned sites in the Downtown Community Plan area and public and private sites within the former Gateway Master Plan area to provide more flexibility to unlock land value and redevelopment potential;
13. Adopt a Resolution of Intention directing the Planning Commission to initiate an amendment to the text of the Downtown Community Plan to allow flexibility in development standards, land uses, and processes for the city to manage its real estate assets and provide flexibility in development standards, land uses, and processes for public and private parcels within the former Gateway Master Plan area (Attachment L);
14. Adopt a Resolution of Intention directing the Planning Commission to initiate an amendment to the text of the Zoning Ordinance to provide flexibility in development standards, land uses, processes, and permit expiration timeframes for projects in the Downtown (Attachment M);
15. Authorize staff to focus City housing development efforts in the Downtown core, and concurrently direct that staff initiate studies to identify policy options that do not jeopardize Housing Element certification and also ensures that future

development on boulevards achieves compatibility with existing residential neighborhoods;

16. Authorize staff to pause Transportation Demand Management (TDM) survey requirements for businesses;
17. Authorize staff to extend the Master Facilities Agreement (Measure YY / GS) with the Santa Monica Malibu Unified School District (SMMUSD) beyond its current 2028 expiration date;
18. Authorize staff to continue assessing a possible 2026 parcel-tax ballot measure to sustain City-SMMUSD funding through the Joint Use Agreement; and
19. Adopt a finding of no possibility of significant effect pursuant to Section 15061(b)(3) (Common Sense Exemption) of the California Environmental Quality Act (CEQA) Guidelines.

Executive Summary

Santa Monica today stands at a crossroads. Once the most vibrant and activated destination on the Westside – anchored by a bustling downtown, a thriving beach economy, and a strong civic identity – the City has spent the years since COVID in a prolonged period of instability.

Disorder, homelessness, and economic contraction have weakened public confidence. Commercial vacancies, reduced levels of tourism, and physical deterioration of public spaces have reshaped once-lively corridors. Meanwhile, fiscal pressures – including rising costs, slowed revenues, and the childhood sexual-abuse settlements – have drawn down reserves and created a projected structural General Fund operating deficit of $29.6 million in FY 2026-27.

To address these issues, staff has been working to develop a series of interconnected programs, projects, and strategies to effectuate the City Council established priorities of Achieving Safe Neighborhoods and Clean Streets; Activating Economic Opportunity and Growth; and Developing Affordable, Livable, and Secure Housing.

The overarching game plan developed by staff in response to City Council policy objectives ultimately aims to achieve a *Realignment* in Santa Monica through a coordinated strategy to restore order, rebuild economic capacity, and re-establish long-term fiscal health. The plan calls for the strategic use of reserve funding previously allocated by the City Council to invest in public safety, capital infrastructure, and organizational capacity today, in order to facilitate and encourage a renewed level of private sector investment to spur ongoing local economic growth. Based on our financial modeling, this plan will achieve stabilization of the City operation with a projected balanced General Fund operating budget by FY 2027-28.

Background – A City at a Crossroads

For decades, Santa Monica was recognized as one of the most dynamic, prosperous, and well-run cities in California. Our downtown and waterfront served as regional centers of commerce and culture, and our civic finances were among the strongest in the state.

As a testament to that fact, on July 1, 2018, the City held approximately $435.8 million in free-cash reserves – a reflection of decades of prudent financial management.

Since then, that strength has eroded. The COVID-19 pandemic collapsed tourism and disrupted daily life. Businesses closed, the Promenade emptied, and public-space maintenance slipped. In the years that followed, multiple compounding challenges have emerged, including:

- Public safety incidents became more visible and volatile.
- Homelessness grew in both scale and acuity.
- The local economic situation deteriorated – our office and retail vacancy rates across the City are among the highest in Los Angeles County, with retail vacancy rates approaching 16%, and office vacancies estimated at around 35%.
- Deferred maintenance has come to define the visual experience in many civic spaces.
- Public confidence in government performance has eroded.

- The crowds that once filled the Pier and Downtown have notably reduced.

These issues – along with other contributing factors, such as the Palisades Fire – have combined to create a reality where the City has seen a significant decline in TOT and sales tax revenues, which plummeted during the most recently completed fiscal year. In particular, for that FY 2024-25, the City experienced a 6% drop in Sales Tax Revenues and a 10% drop in TOT Revenues when compared against budgeted projects. This reality has created a more significant structural General Fund deficit that is now projected to reach ~$29.1 million annually in FY 2026-27.

Against this backdrop, the City's overall financial cash position has also deteriorated. Available free cash reserves have fallen from over $435.8 million in total in FY 2017-18, to approximately $158 million in non-restricted reserves today – with only $98M of that amount unobligated. While the erosion of the City's cash position is largely attributable to childhood sexual-abuse settlements – totaling nearly $230 million to date – it is clear that the City's fiscal strength has been severely depleted during the past 5-7 years.

The result has been a City that while still rich in potential, has lost much of the focus, capacity, and confidence that once defined it.

There is no doubt that the challenges we face as a community are real, and also – everyone here at the City believes that Santa Monica can find its way back.

To address this overarching situation, staff has been working to develop a comprehensive plan aimed at achieving the City Council's priorities to effectuate a realignment predicated around restoring safety, revitalizing key civic spaces, growing economic activity, rebuilding City organizational strength, and returning the City to fiscal balance.

Discussion

The Santa Monica Realignment plan is a coordinated roadmap that organizes a series of interlocking programs and projects through five strategic priorities. Three of those strategic priorities are City Council identified objectives, which have been supplemented with two additional strategic priorities aimed at rebuilding capacity within the City organization. The identified programs and projects associated with the five strategic priorities are intended to work together to create a more resilient, inclusive, and livable City.

Those five identified strategic priorities include:

1. Achieving Safe Neighborhoods and Clean Streets

2. Activating Economic Opportunity and Growth

3. Developing Affordable, Livable, and Secure Housing

4. Creating Organizational Capacity

5. Building Organizational Health

An overview of the programs and projects associated with each strategic priority is outlined in greater detail below.

1. Achieving Safe Neighborhoods and Clean Streets

Public safety and cleanliness are the foundation of civic confidence. The realignment plans calls for a new deployment model that repositions the Police Department and allied field teams to create a sustained, visible presence Citywide, all while investing in a comprehensive capital improvement program to improve the look and feel of the City's Downtown core.

Safe Neighborhoods Program Elements

From a safety perspective, this plan calls for completely reimagining public safety efforts in Santa Monica by aligning existing and new resources to address the areas of the City where we have the greatest concerns. In particular, this means refocusing our public safety and outreach services in our Downtown core, which is where 36% of all calls for police service related to crime originate, and where 50% of all calls for police service related to homeless issues occur.

Police Services Deployment Plan

To begin this public safety realignment process, the City will be establishing a new Downtown Police Substation at Santa Monica Place Mall, from which we plan to dispatch our reformatted Downtown Services Unit (DSU) team in the police department. Until recently, the City typically staffed a daily 4-person DSU police team, with a convergence of up to 10 officers being deployed every Wednesday based on established work schedules. With the new Downtown Substation and a refocusing of our approach, the realignment plan calls for a complete restructuring of how we approach public safety efforts Downtown. The updated DSU deployment plan calls for the following:

- Merge several existing special enforcement teams into the DSU, which will result in the unit having a base staffing level of 8-10 officers daily who will provide directed enforcement Downtown (on bike patrols and foot patrols), with additional officers joining the unit as needed based on week-to-week circumstances that arise on the ground.

- Supplement the efforts of the DSU by overlapping our regular patrol officer deployment in the Downtown core, which results in the daily deployment of 5 additional police officers in the area.

- Integrate our homeless outreach and social service support team into the efforts of the DSU, with 2 HLP Team Officers deployed daily into the Downtown core.

- Further support the efforts of our sworn police force by hiring 8 new Public Safety Officers, to provide a constant daily non-sworn presence at high impact areas including the Promenade, Palisades Park, Tongva Park, Reed Park, and our

Downtown parking garages.

The overarching police services deployment plan also recognizes that we have to continue investing in public safety efforts in other parts of the City. Accordingly, the plan calls for expanding our Crime Impact Team (CIT) to ensure that our renewed public safety focus Downtown does not diminish our ability to respond to crime related issues in other parts of the City. In addition, we will be expanding our traffic enforcement / motor operation, with a focus on locations throughout Santa Monica that have a high number of traffic collision and documented unsafe driving activities.

Finally, on the police services front, we have identified that we have 43 sworn officers that are eligible to retire now. Given that it takes 12 – 18 months to train and deploy a new police officer, the plan calls for authorization of 10 police officer overhires, which will help to ensure that the City does not experience a shortage of sworn officers when existing staff make the decision to retire.

<u>Public Safety Supporting Enhancement Efforts</u>

Outside of direct police department adjustments, our overarching safe neighborhoods program recognizes the need to align other associated public safety related operations in the City to ensure that our expanded outreach and enforcement efforts are successful. Four of the key public safety supporting enhancement efforts that are included as part of our plan involve:

- *Developing a partnership plan in cooperation with Metro to address impacts that exist from end-of-line train services in Santa Monica.*
    - Staff has had several discussions with our counterparts from Metro regarding what a partnership framework could look like.

    - Those conversations have been positive, and our team in the police department are working with new Metro Police Chief Bill Scott to ensure that training standards and enforcement techniques between our two agencies are aligned, in an effort to identify a pathway where the City will be able to assist Metro with enforcement actions on the train platforms that exist in Santa Monica.

- *Relocating the SamoShel homeless shelter out of Downtown to a more suitable site, and replace the existing sheltering model with a “healing center” approach.*
  - Santa Monica has pioneered numerous homeless outreach and support services through the years, and our current sheltering model provides another opportunity for the City to innovate on this front.

  - Our current shelter provides a low-barrier congregate setting, however, it does not integrate support services provided through the adjacent Access Center, or identify distinct and clear pathway to help individuals transition from a sheltering environment, to transitional housing, and finally to permanent housing.

  - Through this effort, the City is proposing to not only relocate the existing SamoShel shelter to a more appropriate location outside of Downtown, but to reimagine how the new facility will operate. To date, staff has assessed that a healing center model – one where initial sheltering options are paired with addiction treatment & mental health services, and with a direct link to move from sheltering into transitional housing options – is the best way to coordinate homeless sheltering services that support an individual’s overall stabilization and recovery.

- *Invest in the City Attorney’s Criminal Unit to support police and public safety efforts.*
  - The plan developed calls for adding support staff to the City Attorney’s Office, to increase prosecutorial capacity in the Criminal Unit.

  - This additional capacity will allow for a 10 to 15% increase in filing cases, resulting in filing rate of approximately 90% of legally fileable cases (based on citations and arrests from SMPD), amounting to prosecuting over 3,500 criminal cases a year for misdemeanors, including Municipal Code violations.

- *Assess new policy and program options.*
  - As staff has been maturing the overall safe neighborhoods program options, two additional policy and program options have been identified that we plan to further explore.

  - First, the City of San Diego has found great success in balancing neighborhood concerns without criminalizing unhoused families and individuals living in their vehicles. To that end, staff is suggesting the exploration of a new Vehicle Habitation Ordinance that would be tailored to ensure that the City does not create an ineffectual cycle of issuing tickets, but would instead create a regulatory framework to assist those living in their vehicles with a pathway towards more sustainable and stable housing options.

  - In addition, the existing SaMoBridge facility has created an important tool that our police department uses to divert individuals away from criminal prosecution and towards services. An expansion of the SaMoBridge facility would serve as a useful programmatic tool, and staff is proposing to assess options that would add additional capacity in the existing facility.

Clean Streets Program Elements

In addition to deploying strategies and programs to enhance public safety, our overarching realignment plan also identifies the need to begin improving Santa Monica's physical environment, in an effort to reinforce civic identity and elevating the resident and visitor interface with key public spaces in the City.

<u>Targeted Downtown Capital Improvement Project</u>

Downtown Santa Monica serves as both the City's civic heart and also the gateway to the Pacific Ocean. Years of constrained budgets and heavy use have led to visible wear and deferred maintenance across streets, sidewalks, landscaping, and civic amenities. To address these concerns, we have developed a one-time capital investment plan that seeks to deploy a ~$3.5 million capital plan to refresh aging infrastructure, strengthen the City's civic identity, and to restore Downtown Santa Monica's public realm.

The projects we've envisioned are grouped into five key program areas as outlined below, and are intended to be implemented immediately, with most of the capital enhancements planned for completion by the early part of 2026.

Urban Forestry & Green Infrastructure

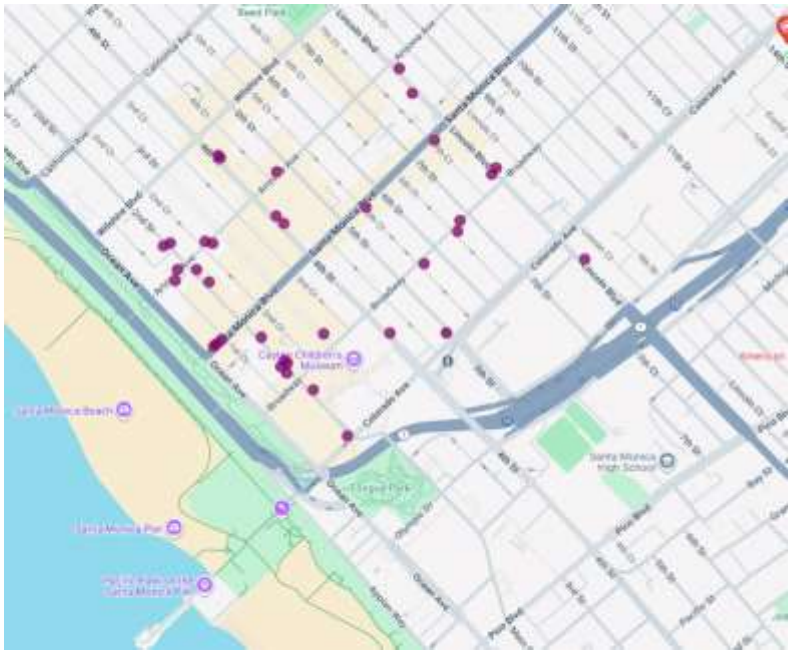
The focus of this capital improvement program area is to restore canopy health, fill tree gaps, and reestablish maintenance standards. Key deliverables include:

- Comprehensive tree pruning for mature Ficus corridors (2nd, 4th, 5th Streets) to address overgrowth, improve safety, and visibility.

- Plant 37 new 36" box trees in vacant wells to restore canopy and pedestrian comfort.

- Regrade and refresh 403 tree wells with decomposed granite to eliminate trip hazards and enhance aesthetics.

Viable Vacant Tree Wells Locations Downtown



Streetscape & Public Realm Enhancements

The focus of this capital improvement program area is to repair and refresh the everyday walking and driving environment. Key deliverables include:

- Repaint crosswalks / scrambles at major intersections to improve pedestrian safety and wayfinding.

- Replace and modernize signage and pavement markings, including Accessible Pedestrian Signal pedestrian buttons and visual clutter reduction.

- Repair 20,000 sq. ft. of sidewalks and replace damaged Promenade pavers.

- Install a safety barrier at Parking Structure 4 to prevent falls.

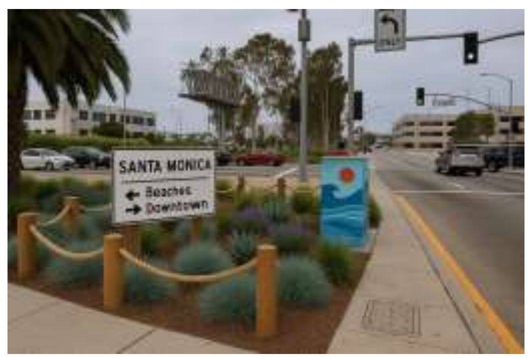
- Replace 125 concrete trashcans with secure, weather-resistant models.

Civic Identity & Placemaking: Boulevards to Beaches

The focus of this capital improvement program area is to visually unify Downtown's gateways and civic edges. Key deliverables include:

- Gateway upgrades at Lincoln, 4th, and 5th Streets: native landscaping, recycled-water irrigation, and sustainable design.
- 4th Street median improvements with signage and native plantings to mark Downtown's entry.
- Artist-designed crosswalk at Colorado & Ocean and future Broadway Bridge artwork (2027 implementation) to create iconic visual anchors.
- Repair the water fountains at City Hall and Tongva Park, restoring civic amenities.

Lincoln Off-Ramp – Before & After



4th & 5th Street Off Ramp – Before & After

4th Street Median – Before & After

Thermoplastic Scramble @ Ocean / Colorado (2027)

Broadway Bridge Graphic Update (2027)

Downtown Event Readiness

The focus of this capital improvement program area is to modernize tools for efficient, safe activation of public spaces Downtown. Key deliverables include:

- Standardized traffic control plans for common Downtown events.

- New anti-vehicle barriers for the Farmers Market and Arizona Avenue events.

Parks & Beachside Maintenance

The focus of this capital improvement program area is to restore high-use beach infrastructure that defines the visitor experience in Santa Monica. Key deliverables include:

- Acquire a new beach sweeper for cleaner beach parking lots and enhanced first impressions.
- Repair and upgrade restrooms #16 & #17 near the Pier and Muscle Beach with new doors, locks, and hardware.

<u>Targeted Investments In Key Commercial Corridors</u>

In addition to the Downtown area, Santa Monica has several other vibrant commercial corridors, including business improvement districts (BIDs)located on Montana Avenue, Main Street, Pico Boulevard, and Ocean Park Boulevard. The realignment plan allocates $500,000 for use towards engaging with our BID partners to make targeted investments to improve the physical infrastructure in identified areas.

<u>Vision Zero Enhancement Plan</u>

As part of our overarching clean streets program elements, we are also focused on deploying Vision Zero plans focused on infrastructure enhancements, while also embedding pedestrian and bike safety design elements into overall capital planning efforts. Key investments on this front are outlined below. Staff plans on coordinating a review of all Vision Zero related improvements with the City Council in the first half of 2026, and among the proposed plan elements are the following:

- Adding staff capacity for traffic engineering, mobility analysis, and street safety implementation.

- Adding staff capacity to improve responsiveness for striping, signage, and roadway maintenance.

- Allocating $500K / year to be able to deliver quick-build and long-term capital projects that enhance pedestrian and bicycle safety, particularly in the Downtown, school zones, and high-injury corridors.

- Integrate Vision Zero goals into CIP planning and annual budget priorities, ensuring ongoing accountability.

2. Activating Economic Opportunity and Growth

Economic revitalization is essential to the City's long-term sustainability. With our current local office environment characterized by a vacancy rate that is projected to be ~35%, and with our retail storefronts experiencing an approximate ~16% vacancy rate, our safe and clean efforts have to be bolstered with other projects and plans focused on stimulating economic growth and private sector investment in Santa Monica.

To that end, the Realignment plan developed by staff contemplates combining safety enhancements and physical infrastructure improvements with regulatory modernization to encourage and restore private sector activity and investment. Projects and plans identified by staff related to economic development activities are further outlined below.

Creating New Large-Format Activations

Assuming the City is able to improve public safety and local infrastructure considerations, programming public spaces with regular large format activations will be an important potential driver of expanded economic activity, particularly in the Downtown core and at the Pier. In an effort to create a regular cadence of large-scale events in the City, the plan developed calls for the allocation of funding to support the following activities:

- Creation of regular, monthly activation events on the Promenade, which could include the deployment of music and festival-type activity, in partnership with DTSM.

- Allocating funding to support activation events within the boundaries of our other BIDs.

- Facilitating the development of a large-scale Santa Monica Music Festival in 2026.

Combined, the above referenced programs and plans are intended to catalyze economic renewal in Santa Monica, while generating sustainable new revenues for the City.

Transition to a Modernized and Streamlined Development Services Experience
To support economic growth opportunities, it will be vital that the City develop tangible improvements that streamline our existing permitting processes. Currently, local businesses and residents, in addition to the broader brokerage and real estate community in the region, characterize the City's byzantine permitting process as an impediment to generating renewed private sector investment in Santa Monica.

To address this issue, our plan calls for investing staffing resources and deliberate attention to make needed changes to the City's permitting operation. The key objectives of this effort are to:

- Modernize the permit system utilizing improved process and software to experience operational efficiencies; and

- Centralize information to improve internal coordination on project review and also provide greater transparency for customers who can follow their permit journey from beginning to end.

The end result of this investment will be a commitment from the City to meet the following permit processing timelines:

Project Type	**Plan Review Turnaround Times**
Residential	
ADU conversions	1 week
ADU new construction	2 weeks
Single Unit Dwelling new construction	3 weeks
Single Unit Dwelling remodel	2 weeks
Non-Residential & Mixed-Use	
Nonresidential or mixed-use building new construction	5 weeks
Retail / Office structural tenant improvement	2 weeks
Restaurant tenant improvement	2 weeks
Commercial non-structural tenant improvements	1 week

Improvements to the development services customer experience will launch in approximately 180 days centered around the City's new Clariti land management system and a new permitting portal on the City's website. Of note, while achieving these updated review times will include the use of new technology, the key adjustments being made are behind the scenes, where staff is engaged in a comprehensive assessment of existing practices to identify and remove bottlenecks, procedural requirements, and code changes to facilitate more efficient process in all permitting phases from concept through approvals and construction.

Piloting Archistar AI-Based Plan Check Program

In addition, our permitting realignment plan calls for exploring what could be possible on the plan check / permitting front. Staff is requesting the deployment of one-time resources to implement an initial pilot of the Archistar AI based plan check program, which is intended to facilitate a near instantaneous online review of plans for single-unit dwelling and ADU related projects. As an added benefit, this partnership between business and technology teams will also serve as a model for future deployment of the City's enterprise technology.

Sidewalk Dining / Parklet Fee Reduction & Regulatory Streamlining Program

To incentivize local restaurant expansion, staff recommends reducing and eliminating certain outdoor dining fees. Specifically, Council authority is requested to waive the City of Santa Monica portion of the wastewater capacity fee (approximately $1,400 per seat) and to reduce monthly license fees to $1.00 per square foot for sidewalk dining and $2.00 per square foot for parklets, compared to current rates of roughly $2–$4 per square foot. Restaurants will continue to pay the City of Los Angeles Hyperion wastewater fee of approximately $400 per seat.

The attached Interim Zoning Ordinance (IZO) makes limited amendments to SMMC Section 9.31.200 (Outdoor Dining and Seating on Sidewalks) by deleting redundant design standards and consolidating them within the Sidewalk Dining Guidelines. This streamlining improves clarity and allows design standards to be updated administratively while maintaining safety, accessibility, and consistency in the public right-of-way.

Temporary Suspension of TDM Survey Requirements

To reduce regulatory burdens on businesses, the plan calls for temporarily suspending the annual TDM survey requirements for businesses, which the City also suspended during the COVID pandemic.

Reopening All Library Branches

To provide opportunities for individuals to pursue economic opportunities, the plan calls for reopening all City branch libraries for service 3-days per week starting in January 2026, and expanding to 4-days per week service starting in July 2026.

Expansion of Entertainment Zone Opportunities

To allow for additional activation in the City, the plan calls for the City Council to authorize staff to explore expanding the Downtown Entertainment Zone, while also assessing ways to allow for Entertainment Zone activations for our other BIDs located through Santa Monica, and at the Pier.

3. Developing Affordable, Livable, and Secure Housing for All

Housing stability underpins the City's broader health, and the City's overarching plan on this front contemplates the development of new housing options, coupled with the preservation and protection of existing housing units in Santa Monica. The realignment plan identifies several new programs to advance livability in the City, and additional details are outlined below.

Adopting Vacant Property & Rent Registry Ordinances

Approval of vacant property and rent registration ordinances will help to bolster the preservation of existing housing units, while encouraging the redevelopment of vacant properties in the City.

In 2023, Council adopted an updated property maintenance ordinance that resulted in the identification of approximately 170 vacant properties, with approximately 30-40 of those properties in substantial disrepair and require active monitoring. The new vacant property registration ordinance will provide additional tools for the City to enforce the requirements of the property maintenance ordinance by requiring that owners of vacant or substantially vacant properties to register their assets with the City, and depending on the condition of the property, pay an escalating fee for those parcels that are in greater states of disrepair. The ordinance enhances clarity and enforcement of vacant property standards without adding major new requirements, improving community safety and neighborhood preservation.

In addition, the rent registry will seek to require the owners of the ~15K non rent-controlled housing units in Santa Monica to register with the City, to allow staff to better monitor conditions associated with market rate rental housing stock in the City. Staff has assessed the resources necessary to implement the rent registry, and we have studied rent registries from other jurisdictions in developing our proposed local ordinance. To coordinate an implementation process locally that allows time for the City to continue assessing possible partnership opportunities with the Rent Control Board in deploying our rental registry, the ordinance allows for the City to begin development of the rent registry program, while also allowing time during calendar year 2026 for the City and Rent Control Board staff to identify and coordinate on the best approach for implementation.

Adding Code Enforcement Resources

To ensure our ability to implement the provisions of the vacant property and rent registry ordinances, coupled with a desire to improve livability throughout Santa Monica, our plan calls for the addition of new code enforcement team staffing. The staffing proposal being put forward will allow code enforcement coverage seven days per week with the potential for evening staffing.

Focus Housing Development Projects Downtown

As the City continues to pursue implementation of our Housing Element, staff is seeking authority to focus the City's direct pursuit of housing development opportunities in the Downtown core. This approach will have dual benefits – the revitalization of the Promenade will require an increase of housing in the downtown core, and also, the City owns particularly compelling land assets in the downtown area. Focusing on housing development opportunities Downtown will benefit the City in enhancing revenues earned from developing municipal property, and more people Downtown will accelerate the recovery of the Promenade.

Concurrent with focusing on housing developments downtown, staff also would recommend initiating studies to identify policy options that, without jeopardizing certification of the Housing Element, can help ensure that future housing development along our boulevards remains compatible with our existing residential neighborhoods. This will serve to preserve our existing residential housing stock while advancing overarching housing production goals.

4. Creating Organizational Capacity

In order to deliver on the overarching realignment plan – and to be able to maintain the proposed programmatic and capital enhancements outlined in this report – it will be critical that we build greater organizational capacity. This means restoring the staffing, infrastructure, and tools that enable effective service delivery. Years of attrition and constrained budgets have limited the City's ability to keep pace with operational and capital needs, and our realignment plan seeks to reinvests in these foundations by restoring key field positions across the City operation to ensure that every department has the staffing depth needed to deliver results.

Restoring Public Works & Infrastructure Maintenance Capacity

Given the public safety and capital improvement reinvestment associated with our overarching realignment plan, it will be crucial that we invest in our Public Works and maintenance operations to ensure that we can continue to maintain the proposed improvements contained in this report. Accordingly, the plan seeks to increase maintenance response capacity in the following ways:

- Fully funding the maintenance and cleaning operation for all City parking structures.

- Expanding the City's existing Homeless Support Team (HoST) to a seven-day operation with new staff and equipment to better address illegal dumping, human waste cleanup, and 311 service requests.

- Adding new groundskeeping and custodial resources for Tongva, Palisades, and Reed Parks to mitigate the growing impacts of homelessness and weekend crowding.

- Adding a Pier Maintenance Assistant to support critical ongoing board and railing repairs.

- Adding three mechanic positions in the Fleet Division to ensure that vehicles and heavy equipment are maintained safely and cost-effectively without reliance on expensive external vendors.

- New leadership and frontline staffing are proposed for the Downtown District Maintenance Team, expanding supervisory coverage into nights and weekends to better coordinate cleanliness and sanitation efforts during the busiest hours of public use.

- To protect the City's long-term environmental assets, the plan also restores the Urban Forest pruning program and reinstates a dedicated Urban Forester position.

- Finally, the plan contemplates the restoration of two Custodial I positions at the Annenberg Beach House to reduce overtime costs while maintaining service quality during both public and private events.

Full Deployment of the Ambulance Operator Program in 2026

Our plan calls for fully funding the ambulance operator program, to allow the City to take over all ambulance services from the private firm McCormick effective February 2026. Doing so will require an operating cost outlay of ~$2.8 million / year, however, that investment will yield 100% of all ambulance transport billing revenues to the City. Conservative projections indicate that this revenue stream will facilitate ~$7 million / year in new revenues to the City.

Strategic Use of City's Land Assets & Removing Artificial Land Value Constraints

To build back the City's cash reserves, it will be vital that we take a more strategic approach to our real estate assets, such that we find ways to maximize corresponding land residual through an intentional development program for City property.

To that end, staff is recommending that the City reassess development standards, land uses and processes for City-owned parcels in the Downtown Community Plan and also consider the same for public and private parcels within the former Gateway Master Plan area bound by approximately 5^{th} Street, Colorado Avenue, and the I-10 Freeway. This would allow for creative proposals on private property in the Gateway area leading up to major global events such as the Olympics while also providing certainty for housing projects at a key entrance to the Downtown.

Importantly, this would provide more flexibility to maximize community benefit from City-owned sites and support the City's strategic objectives of economic opportunity and growth and developing housing opportunities for all. Concurrently, the plan calls for the retention of real estate consulting services to conduct pre-development assessments for key City properties.

If approved, this would allow the City to solicit innovative proposals ensuring that public property is maximized not only for land residual revenues but for community benefit and be a catalyst for driving reinvestment in the Downtown through redevelopment or joint-venture opportunities at all City-owned sites, with particular attention to the following properties Downtown:

- Kiss-and-Ride Lot (1.09 acres)
- Parking Structure 1 (0.75 acres)
- Old Fire Station 1 (0.34 acres)
- 4th/5th/Arizona (2.57 acres)

In addition, the City Council could consider the proposed regulatory adjustments for City-owned parcels and for properties located in the Gateway Master Plan for the other areas of the City's downtown core.

Invest Modest Resources to Bolster Internal Support Services

The overarching plans also calls for the deployment of modest resources to support internal City operations across the following areas:

- Marine Safety
- Special Events
- HR Operation
- Finance Operation
- EDD

Expend Staff Time to Assess Revenue Generating Projects

Finally, the realignment plans recommends that the City Council authorize staff to explore three potential revenue generating projects that would add relevant capacity and new services in Santa Monica. Those three identified projects include:

- Explore leading the establishment a regional fire dispatch operation
    - Various fire department agencies on the West Side and in the South Bay have been thinking about developing a regional fire dispatch operation.
    - Santa Monica is especially well positioned to lead and house such an effort, and staff would recommend that the City Council authorize a further assessment of this potential operation.
- Explore implementation of the Pier-to-Pier ferry concept
    - A private developer has been assessing the viability of creating a ferry service that would link Malibu, Santa Monica, and Marina Del Rey.
    - Staff believes that if achievable, the project could generate new revenues

for the City while offering an interesting potential transit / mobility option.

- Explore implementation of a gondola initiative to connect our beach lots with the Pier
  - Finally, the City has previously considered a wide-ranging gondola project to link various parts of the City's downtown core together.

  - After assessing this opportunity, staff believes a more limited assessment of such a project, which would involve linking our beach parking lots to the Pier, could serve as a viable project that would add a new transit / mobility option, while also potentially generating new revenues for the City.

The above identified strategies, if instituted, would serve to create significant new capacity at the City to allow for the implementation and continued maintenance of our overarching realignment plan.

5. Building Organizational Health

All of the realignment plan strategies, programs, and plans outlined in this report have one common connecting thread – the ability for the City organization to assume responsibility for executing on its core responsibilities.

Over the past 5-7 years, the City organization has experienced one trauma after another – from the layoff process engaged during COVID, to the riots in May 2020, to the uneven way which resources have been deployed between our sworn and non-sworn staff.

To achieve a renaissance in Santa Monica, such a result depends on a recovery within the City organization. After years of uncertainty and resource reductions, Santa Monica's workforce is in absolute need of renewal and realignment. To address this situation, our overall realignment plans calls for instituting strategies to build a more distinctive organizational culture focused on team-orientation, along with identifying equitable adjustments for our people. Key elements of the plan are further outlined below.

Creating a Team-Oriented One SaMo Organizational Culture

The City's leadership team has invested significant time and attention to building a more intentional and deliberate workplace culture, focused on the following key elements:

- <u>One Team</u>
    - We are one team… that exists to cultivate and shape a resilient, inclusive, and truly livable City – stable in foundation, prosperous in spirit, inspiring all to thrive.
- <u>One Focus</u>
    - We have one focus… to differentiate ourselves by uniting as one City team, where individual responsibility is intertwined with a collective accountability to deliver exceptional services to our community – empowering Santa Monica to advance new ideas and push the boundaries of what a City can achieve.
- <u>One SaMo</u>
    - We are One SaMo… where we prioritize the creation a team-oriented organizational culture that will be achieved through living our values every day.

        - **<u>Humility</u>**
            - Consistently put the needs of the team ahead of individual self-interest
            - Be slow to seek attention for individual contributions to team results
            - Share credit, and define success collectively rather than individually
            - Deal positively with our operational, community, and business realities
            - Don't think less of yourself, but instead… think of yourself less

- **Integrity**
  - Communicate clearly, concisely, and candidly
  - Work hard, and hold ourselves accountable for our role in the delivery of results
  - Set high expectations and ensure that our plans take an enterprise-wide view
  - Show initiative and courage while staying enthusiastic about our people and work
  - Do the right thing, and stay resilient

- **Motivation**
  - Believe that skilled and motivated people working together can achieve greatness
  - Stay curious and be obsessive in understanding our customers and our business
  - Demonstrate and build functional and technical capacity
  - Deliver outstanding results by making sound decisions utilizing facts and data
  - Ensure process discipline while embracing a continuous improvement philosophy

- **Care**
  - Display good judgement and intuition about group dynamics
  - Understand the impact that individual words and actions have on the broader team
  - Include everyone by respecting, listening, helping, and appreciating others
  - Enjoy the journey and have fun, but never at the expense of others
  - Have a can-do, find-a-way attitude

It will be an ongoing process to create this organizational culture, and to start, the realignment plan calls for an investment in HR resources to further embed into the DNA of our organization the One SaMo values of operating with Humility, Integrity, Motivation, and Care.

Creating More Equitable Compensation Structures

In an effort to strengthen workforce alignment through equitable pay and benefit structures, especially in light of the disparity between recent sworn and non-sworn MOU adjustments (where sworn staff received ~10% more in compensation than our non-sworn staff), the realignment plan calls for instituting the following benefits for non-sworn staff:

- Investing a modest amount (~2% of personnel costs) to provide non-sworn staff with an increase in the City's medical coverage levels from the current rate of 92% - 94%, to being fully paid by the City.

- Provide an annual winter closure for non-sworn staff during the weeks between Christmas and New Year.

In addition, in an effort to demonstrate a commitment to our staff, we are looking to provide all employees with a once-per-year reimbursement of $100 for wellness related activities. The cost of this benefit is nominal but would serve to reinforce the people-centered approach we plan to engage as an organization moving ahead.

Combined, the above referenced programs would serve to rebuild morale, clarify purpose, and re-center the organization around collective accountability.

<u>Achieving a Balanced General Fund Operating Budget By Fiscal Year 2027-28</u>

As noted previously, Santa Monica enters this realignment effort amid significant fiscal headwinds. TOT and Sales Tax revenues underperformed budget in FY 2024–25 (TOT down ~10%; Sales Tax down ~6%), and paid parking volumes also softened, together widening the projected structural General Fund operating deficit to $29.6 million in FY 2026-27.

Concurrently, the City's cash position has materially eroded from $435.8 million in free cash on July 1, 2018, down to roughly $158 million in non-restricted reserves today. Of note, only approximately $98 million of that cash is unobligated, given that the City Council allocated $60 million to support City operations as part of the FY 2025-26 budget approval process. Also, to emphasize, the reduction in the City's free-cash levels is largely attributable to the childhood sexual-abuse settlement payouts, which have totaled nearly $230 million to date.

Within this fiscal context, staff has developed a 24-month budgetary program that funds the realignment plan and achieves a structurally balanced General Fund operating budget by FY 2027-28. The plan combines prudent expenditure controls with strategic use of the previously allocated $60 million in reserves as a bridge while sustainable revenue growth measures are instituted. Staff has also been assessing the viability of a 2026 parcel-tax measure to support ongoing City – Santa Monica Malibu Unified School District (SMMUSD) funding. Finally, the plan rebuilds cash reserves through strategic monetization of select City land assets in the Downtown core.

Details related to this assessment and the overarching financial strategy is outlined in greater detail below.

1. Expenditure Realignment and Focus on Underperforming Programs

The budgetary realignment plan calls for the ongoing assessment of existing expenditure levels to identify prudent areas for operational efficiency and cost controls. The key programs being deployed on this front achieve ~$7.5 million / year in ongoing positive General Fund benefit, as outlined below.

<u>Vacancy Rates & Hiring Management</u>

As the City continues to assess operational needs, effective management and analysis of our existing vacancy rates and staffing levels is estimated to generate ~$6 million /

year in ongoing savings.

Operational Focus on Underperforming Programs

As part of our operational reviews, staff has identified several existing City programs that have been financially underperforming established historical baselines, including parking enforcement and fire inspection activities. When fully functional, these areas are estimated to generate a net positive ~$1.4 million / year in ongoing General Fund revenues.

Bond Refinance Options

The City has several current outstanding bond issuances that can be refinanced. Pursuing this measure will result in cost savings of ~$100,000 / year.

2. Revenue Growth and Diversification

As part of the realignment plan, there are multiple recommended actions and programs that will create recurring and sustainable revenue streams. Conservative, compliance-based estimates are summarized below, projected to generate ~$24 million / year in ongoing annual revenues.

Initiative	**Policy Lever**	**Stabilized Ongoing Annual Revenue**
Ambulance Operator Program	Full cost recovery of EMS transport, set to begin February 1, 2026	~$7.0 million / year
Parking Program Adjustments	Updated rates, validations, and operating changes, set to go into effect January 12, 2026	~$9.0 million / year
Credit Card Convenience Fee	Cost recovery on merchant fees	~$1 million / year
Digital Signage Concessions	Long-term ground leases / revenue share, assuming 8 signs operational in 2027	$4.5 million / year

Initiative	Policy Lever	Stabilized Ongoing Annual Revenue
User Fee Updates & Compliance	CPI true-ups; cost-of-service alignment; enhanced TOT compliance	$1.5 million / year
Investment Earnings	Based on projected cash holdings, current interest rate environment, and actual performance during the past year	$1 million / year

Of note, revenue estimates above reflect stabilized performance, with timing set to be phased-in across FY 2025-26 to FY 2027-28, based on implementation milestones and market conditions.

3. 2026 Parcel-Tax Measure – $12 Million / Year School Partnership Backfill

The City currently contributes ~$30 million / year to SMMUSD through the Joint Use Agreement ($12 million / year) and the Master Facilities (Measure YY / GS) Agreement ($18 million / year). The Master Facilities Agreement is set to expire in 2028, and in recognition of the historical partnership between the City and SMMUSD, staff would recommend that authorization be provided to extend that particular agreement beyond 2028.

The Joint Use Agreement, through which the City provides SMMUSD with $12 million / year in funding, is set to expire at the start of 2027. Part of the overarching fiscal realignment plan contemplates the possible advancement of a Citywide parcel tax, which would be sized to generate $12 million / year in new revenues to offset the funding amount provided by the City to SMMUSD through the Joint Use Agreement.

The City is currently conducting outreach activities to identify options for advancing the parcel tax measure, and it is recommended that the City Council authorize the continued assessment of this particular revenue generating option. Of note, although staff recommends continued assessment, the outreach and polling efforts could suggest that the City may not want to advance the measure. Also, one or more citizens' initiatives could be advanced for a parcel tax in the future. Accordingly, if the proposed parcel tax does get advanced as a voter initiative, the City would no longer be involved in the effort and would instead process the measure as we would any other initiative.

Structurally Balanced General Fund Operating Budget By FY 2027-28

By strategically utilizing the $60 million that was previously set-aside by the City Council through the FY 2025-26 Budget Cycle, optimizing existing operations, and capturing new revenue streams, staff analysis identifies that the City's overarching General Fund operating budget will be structurally balanced by FY 2027-28.

Leading up to FY 2027-28, the plan identifies that the City would run a modest deficit in FY 2025-26 (~$1 million) and FY 2026-27 (~$597K), and then achieve a net positive General Fund operating position of $3.4 million in FY 2027-28. Our current forward projection for the General Fund is outlined in the chart below.

	FY 2024-25 Actuals	FY 2025-26 Revised Budget	FY 2026-27 Approved Budget Plan	Projection FY 2027-28	Projection FY 2028-29	Projection FY 2029-30
Balance	-6,668,402	-24,323,081	-29,058,979	-15,839,928	-10,301,304	-13,224,061
Reserves	6,668,402	31,851,732	21,479,866			
Starting Fund Balance with Use of Reserves	**0**	**7,528,651**	**-7,579,113**	**-15,839,928**	**-10,301,304**	**-13,224,061**
Organizational Capacity Building Costs	0	-12,049,821	-22,870,998	-24,328,178	-25,121,956	-25,961,484
One-time Capital Costs	0	-7,699,000	0	0	0	0
New Revenue Streams	0	11,201,476	29,852,952	43,566,452	46,796,947	44,706,279
Net Revenues over Costs	**0**	**-8,547,345**	**6,981,954**	**19,238,274**	**21,674,991**	**18,744,795**
Net GF Structural Position	**0**	**-1,018,693**	**-597,158**	**3,398,346**	**11,373,687**	**5,520,734**

Land-Asset Strategy to Replenish Cash Reserves

While the above identified strategies address the ongoing structural deficit in the City's General Fund, those actions will not restore the City's depleted cash reserves to more historically prudent levels that Santa Monica is accustomed to.

Accordingly, the realignment plan identifies a strategy – and allocates resources – that will allow us to engage in the proactive development of key land assets owned by the

City in the Downtown core. Optimizing the development process (i.e., assessing highest and best use and entitling the project prior to disposing of the land), combined with relaxing development restrictions that are identified earlier in this report, will result in achievement of a higher land residual for the following key development opportunity sites:

- 4th/5th/Arizona – 2.57 acres
- Kiss-and-Ride Lot – 1.09 acres
- Parking Structure 1 – 0.75 acres
- Old Fire Station 1 – 0.34 acres

If we advance the correct strategy in developing the four above identified properties, the City could reasonably expect to create $100 - $200 million in value, which would facilitate rebuilding the City's cash reserve levels back towards the $200–$300 million range by 2028.

Financial Impacts

Implementation of the overarching realignment plan would see the City utilize $60 million in one-time funds previously set aside by the City Council to invest in public safety, capital enhancements, and economic recovery – all aimed at restoring market confidence and catalyzing private investment in Santa Monica. Adoption of the accompanying resolutions and ordinances will enable the operating measures described in this report, and the overarching strategy results in fiscal stabilization for the City, where we are projected to attain a structurally balanced General Fund operating budget by FY 2027-28, and to rebuild reserves toward prudent, pre-pandemic levels by FY 2028-29.

Conclusion

This *Realignment* plan described in this report has been developed based on City Council direction, and represents a turning point for Santa Monica. It is both a roadmap for civic renewal and a call for fiscal discipline – a comprehensive effort to restore safety, economic vitality, and organizational strength. Truly, this is a plan to create a renaissance in Santa Monica, to help the City find its footing and return to being that community which demonstrates that which is possible. By adopting this framework and the associated programmatic efforts, Santa Monica will be positioned to once again exemplify the excellence and vitality that have long defined its identity.

Recommendation

That the City Council:

- Adopt the *Santa Monica Realignment Game Plan*;
- Approve all budget, personnel, and policy actions described herein; and
- Direct staff to begin implementing the plan immediately.

Prepared By: Oliver Chi, City Manager

Approved	**Forwarded to Council**
	Oliver Chi, City Manager 10/23/2025

Attachments:

A. Budget Changes
B. Salary Resolution
C. Position and Classification Changes
D. Parking Fee Update Resolution
E. Credit Card Convenience Fees Resolution
F. Non-Sworn Employee Benefit Enhancements
G. Citywide Winter Closure for Equity Adjustment
H. Vacant Properties Registration
I. Rent Registry Ordinance
J. Sidewalk Dining Interim Zoning Ordinance

K. Outdoor Dining Fees & Wastewater Fees Resolution
L. Resolution of Intention - Gateway and City Owned Site DCP Amendments
M. Resolution of Intention - Gateway and CIty Owned Sites Zoning Ordinance
N. Written Comments