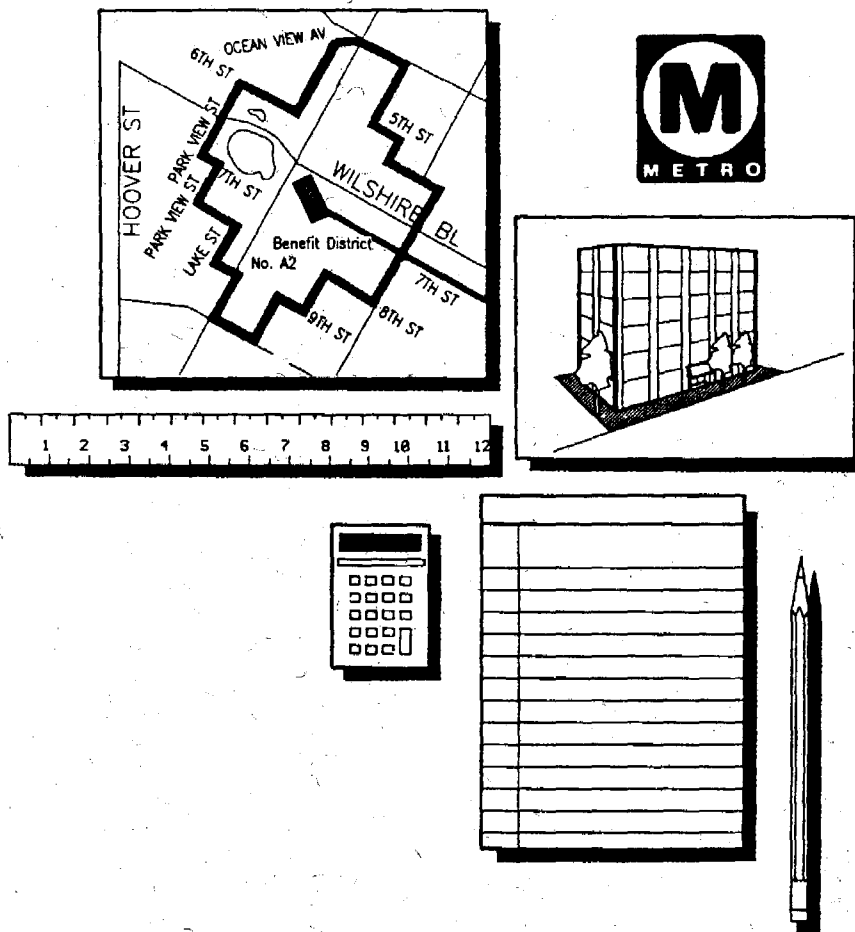


HOW TO CALCULATE METRO RAIL BENEFIT ASSESSMENTS

FOR THE CENTRAL BUSINESS DISTRICT
AND WESTLAKE / MAC ARTHUR PARK STATIONS



*Los Angeles County Metropolitan Transportation Authority
Capital Planning and Programming
Special Benefit Assessment District Program*

July 1993

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1. INTRODUCTION

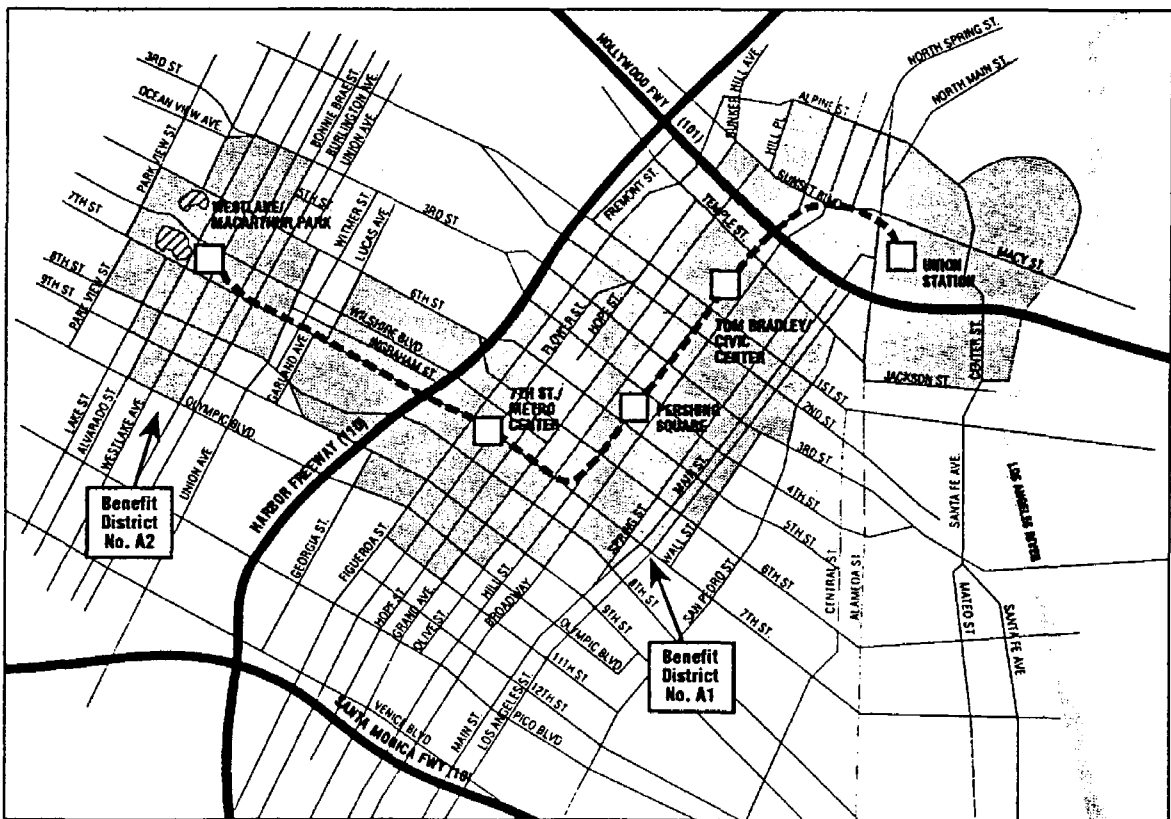
State Public Utilities Code 33000 *et seq.*, authorizes the Los Angeles County Metropolitan Transportation Authority Board of Directors (formerly the Southern California Rapid Transit District) to establish benefit assessment districts around one or more Metro Rail stations and to assess property located within specified distances from the stations. The Metropolitan Transportation Authority (MTA) Benefit Assessment District Program, described in this booklet, was established following a series of citizen task force and community meetings, two public hearings and formal action by the Los Angeles City Council and formerly the Southern California Rapid Transit District (SCRTD) Board of Directors.

The MTA was officially formed in 1993, merging the Los Angeles County Transportation Commission with SCRTD. Prior to this merger, the SCRTD was responsible for forming benefit assessment districts.

In July 1985, two special benefit assessment districts were created, one for the Central Business District (CBD), and one for the Westlake/MacArthur Park area. (See Figure 1.) Revenues from these districts are used to pay off bonds which were issued to help construct the first segment of the Metro Red Line Rail rapid transit system.

FIGURE 1

MTA Benefit Assessment Districts



This initial segment (Segment 1) currently runs from downtown Los Angeles' Union Station, through the CBD, to the Westlake/MacArthur Park Station.

Construction costs for Segment 1 were paid by federal, state, county, and city funds, plus private sector revenues generated via assessments. The Full Funding Grant Agreement was signed in August 1986 with the federal government, finalizing all funding needed to construct Segment 1 which included a benefit assessment financial commitment.

Benefit assessment districts have been used in California and throughout the United States to finance such public improvements as street lighting, sewer systems, parking structures and flood control facilities. Benefit assessment districts have also been used to fund transportation projects throughout the United States and Canada. With recent cuts in state and federal transportation funds, benefit assessment revenues play a vital role in funding local and regional rail projects.

Metro Rail will benefit the entire region through increased mobility. Everyone in the region will help pay for its development through the local sales tax and federal and state taxes. Users of the rail system will benefit from improved mobility and will help pay for the system through fares. Owners of property near the public improvements receive special benefits resulting from the public investment. From Metro Rail, property owners near subway stations will realize various monetary benefits. Thus, they are being asked to share in Metro Rail costs through benefit assessments.

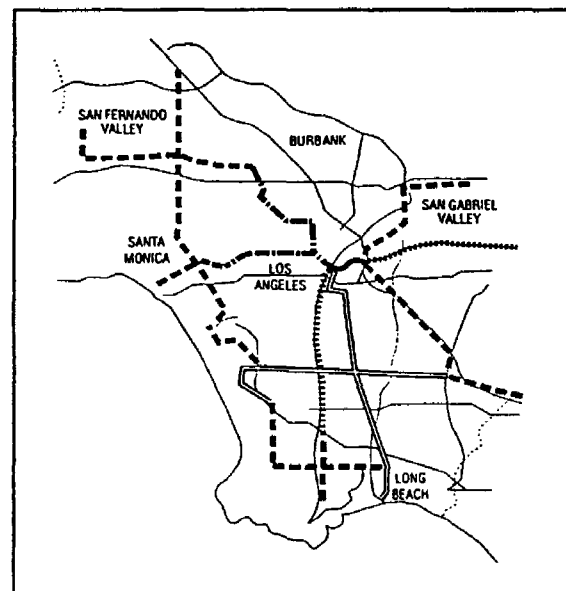
Residential property is excluded from MTA assessments.

2. STATUS OF METRO RAIL

Metro Rail is a critical component of the 150-mile, county-wide rapid transit system approved by Los Angeles County voters in 1980 under Proposition A. (See Figure 2.) When the entire system is completed, Metro Rail will efficiently serve the most heavily traveled corridors in the region.

FIGURE 2

Proposition A Transit Development



LEGEND

	METRO RAIL-Segment 1
	METRO RAIL-Segments 2 and 3
	LIGHT RAIL
	BUSWAY
	FUTURE RAIL PROJECTS

The MTA opened the Metro Red Line's first operating segment in January 1993. The first segment incorporates five stations spanning from Union Station to

Westlake/MacArthur Park, including a connection with the Metro Blue Line light rail to Long Beach at the Seventh Street /Metro Center Station.

Construction of Segments 2 and 3 are currently in progress and will run 17.4 miles underground from Westlake/MacArthur Park to North Hollywood (via the mid-Wilshire district, Vermont Avenue, Hollywood Boulevard and Universal City) when completed around the year 2001.

3. NEED FOR ASSESSMENT PROGRAM

There is a genuine need for benefit assessments. Metro Rail Red Line Segment 1 cost some \$1.45 billion to complete. Of this, the federal government paid \$695.9 million (48 percent), the State of California paid \$214.0 million (15 percent), the Los Angeles County half cent sales tax (Proposition A) contributed \$276.2 million (19 percent), and the City of Los Angeles provided \$133.6 million (9 percent). An additional \$130.3 million (9 percent) was needed to construct Segment 1, and the MTA Benefit Assessment District Program was designed to raise these funds.

4. BENEFITS

Based on documented experiences of other North American cities with rail transit systems built since 1970, it is anticipated that Metro Rail will generate a series of benefits in Los Angeles. The full community should benefit from enhanced accessibility, mobility, and employment opportunities, a stimulated economy, cleaner air, and a reduction in the growth of traffic congestion. Construction of the full Metro Red Line

Rail project should generate more than \$5 billion in wages, salaries and sales in the metropolitan area, an equivalent of 12,000 new jobs.

In addition to these general benefits, special monetary benefits should be realized near the stations by:

property owners, with increased land values and occupancy, premium lease rates and, where appropriate, the ability to develop property more intensely,

office tenants, with improved access and mobility, and elimination of destination parking costs for employees/visitors using Metro Rail,

hotel operators, with increased occupancy levels and visitor access, and

retailers, with increased sales resulting from more pedestrian activity in station areas.

Forecasts of monetary benefits from Metro Rail in the CBD alone range from a low of \$750 million to a high of more than \$1.5 billion.

5. DISTRICT BOUNDARIES

For the most part, direct benefits from a rapid transit system occur because people walk some distance to and from the stations, creating additional pedestrian activity and improving access for properties near the stations. This results in increased levels of commercial activity and enhanced opportunities for commercial growth and real estate development. As a result, walking distances from station centers of 1/2 mile for the CBD and 1/3 mile for the Westlake/MacArthur Park area were primary determinants of benefit

assessment district boundaries. Additionally, a set of rules regarding inclusion of city blocks, consideration of barriers to walking and adjustment of boundaries for irregular shapes were used to define the boundaries. (Figure 1 shows adopted boundaries.)

6. ASSESSMENT RATES

The Segment 1 assessment district bond has a term of fifteen (15) years beginning in 1993. The assessment rate for the years 1993 through 1997 is anticipated to be around seventeen cents (\$0.17) for each assessable square foot of property. Assessment rate for the years 1998 through 2002 is estimated to be twenty-six cents (\$0.26) for each assessable square foot of property and thirty-seven cents (\$0.37) for each assessable square foot of property for the remaining five years (2003-2007) of the bond term.

The MTA Board will review the rate at least every two years and may adjust the rate to reflect changes in assessable square feet within a district. If additional assessable property is constructed, rates could be lowered accordingly, depending on cash flow needs. Changes in land use and development in a district will be updated on the assessment roll annually. Property added to the assessment list will be assessed at the then current rate on the next annual Joint Consolidated Tax Bill.

7. ASSESSMENT COLLECTION AND USE

Benefit assessments will be collected by the Los Angeles County Tax Collector

by way of Joint Consolidated Tax Bills. Payments are to be made to that office.

Revenues are used as security to back bonds. Assessments will terminate once the bonds are retired – the year 2008 or earlier. Total assessments for the CBD and Westlake/MacArthur Park districts will not exceed the amount needed to pay for or to finance \$130.3 million in capital construction costs, plus any associated interest, bond issuance and direct program administrative costs.

8. ASSESSMENT APPEALS

An assessment appeals process has been established by the MTA. Consistent with the Section 33000 *et seq.*, of the Public Utilities Code, a property owner or his/her legal representative may petition the MTA Board, requesting that the property be excluded from benefit assessment on grounds that the real property sought to be excluded is not benefited, or requesting a reduced assessment on grounds that the assessment exceeds the benefit to the property. Types of appeals may include, but are not limited to, assessment of exempt uses or parcels, incorrect square footage of parcels or improvements, floor areas that are vacant due to requirements of regulatory codes, building inefficiency or assessment of property not located in an assessment district. Appeals petitions and appeal information can be obtained from the Benefit Assessment District Program by calling (213) 244-6588.

9. EXEMPT PROPERTIES

The term "property" in the MTA Benefit

Assessment District Program includes both parcels (land) and improvements (buildings). Three types of properties are EXEMPT from assessment:

- Residential property (except for hotels and motels),
- Property both owned and used by a public entity, and
- Property both owned and used by a qualified non-profit organization.

Combinations of ownership and use within these categories are also exempt. For example, a publicly owned property used by a non-profit organization is exempt.

For properties where either ownership or use is not in an exempt category, the property is not exempt. For example, a public entity renting private office space is not exempt.

10. NON ASSESSABLE IMPROVEMENTS

Some uses are non assessable under the Benefit Assessment District Program. A non assessable use is that portion of an improvement used exclusively for manufacturing, parking, industrial or wholesale.

If an improvement must be kept vacant due to safety reasons or regulatory codes, the square footage of the improvement is non assessable.

In cases where the total improvement's square footage is non assessable, the assessment is levied against the square footage of the parcel.

11. ASSESSABLE PROPERTIES

Properties that are subject to the assessment include:

- Assessable improvements defined as offices, commercial, retail, hotels and motels; and
- assessable parcels defined as any parcel except those used for an exempt use.

Annual assessments for these properties are calculated using either the square footage of the parcel or the square footage of the assessable improvements located on the parcel, as follows:

For a parcel containing only assessable improvements, the assessment is based on the square footage of the assessable improvements or the parcel, whichever is larger.

For parcels containing assessable improvements and non assessable improvements, the assessment is again based on the square footage of assessable improvements or the square footage of the parcel, whichever is larger.

12. MIX OF EXEMPT, ASSESSABLE AND/OR NON ASSESSABLE PROPERTIES

The assessment calculation is more complex for properties with a mixture of exempt, assessable and/or non assessable improvements. For these properties, the square footage of the parcel is pro-rated as part of the assessment calculation. The pro-rated parcel square footage of the parcel is determined by:

- Dividing the improvement's square footage in exempt use by the improvement's total square footage.
- Multiplying the result by 100 to determine percent in exempt use.
- Subtracting the exempt use percent from 100 to obtain percent in non-exempt use.
- Multiplying non-exempt percentage times the parcel's square footage.

The result is the pro-rated parcel square footage. For example, see Section 13 Step 2 (A and B) and Step 3.

The assessment is then based on the square footage of the assessable improvements or the pro-rated square footage of the parcel, whichever is larger.

13. CALCULATING THE ANNUAL ASSESSMENT

Consistent with the MTA Benefit Assessment District Program policies, the following formula can be used to calculate annual assessments for various types and combinations of properties. To aid in understanding the formula, the sample "Property A" is used as an example. (See Figure 3.)

STEP 1: DETERMINE THE FOLLOWING:

A. SQUARE FOOTAGE OF THE PARCEL

(Property A = 15,000)

B. SQUARE FOOTAGE OF ALL IMPROVEMENTS ON THE PARCEL*

(Property A = 40,000)

* Includes exempt, assessable, and non assessable improvements. (See Sections 9,10 and 11)

C. SQUARE FOOTAGE OF ASSESSABLE IMPROVEMENTS ON THE PARCEL

(Property A = 10,000)

D. SQUARE FOOTAGE OF IMPROVEMENTS IN EXEMPT USE

(Property A = 20,000)

Note: If there is no exempt property on the parcel, go directly to Step 4.

STEP 2: CALCULATE PERCENT OF THE IMPROVEMENT THAT IS NOT EXEMPT. A TWO-STEP PROCESS:

A. DETERMINE PERCENT OF THE IMPROVEMENT THAT IS EXEMPT:

$$\frac{\text{SQUARE FOOTAGE OF IMPROVEMENTS IN EXEMPT USE}}{\text{SQUARE FOOTAGE OF ALL IMPROVEMENTS **}} \times 100 = \% *$$

(Property A: $20,000/40,000 \times 100 = 50\%$)

* Percent is used to pro-rate the parcel square footage for parcels with both exempt and non-exempt improvements.

** Includes assessable, exempt and non assessable improvements. (See Sec. 9, 10 and 11)

B. SUBTRACT PERCENT FROM 100 PERCENT TO FIND PERCENT OF IMPROVEMENT THAT IS NOT EXEMPT.

(Property A: $100\% - 50\% = 50\%$)

STEP 3: APPLY PERCENTAGE OBTAINED IN STEP 2B TO THE PARCEL SQUARE FOOTAGE.

(Property A: $15,000 \times 50\% = 7,500$)

STEP 4: COMPARE PARCEL SQUARE FOOTAGE (from Step 3 if calculated) WITH SQUARE FOOTAGE OF ALL ASSESSABLE IMPROVEMENTS AND CHOOSE THE LARGER.

(Property A: greater of 7,500 Sq.Ft. or 10,000 Sq.Ft. = 10,000 Sq.Ft.)

STEP 5: MULTIPLY ANNUAL ASSESSMENT RATE (CURRENTLY \$0.17) BY RESULT OF STEP 4 TO CALCULATE ANNUAL

ASSESSMENT.

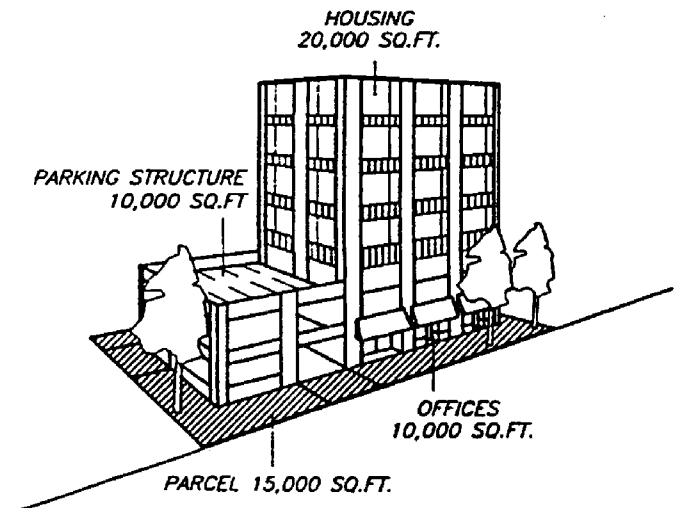
(Property A: $\$0.17 \times 10,000 \text{ Sq.Ft.} = \$1,700$ annual assessment)

Assessments are calculated with a modified formula for parcels containing a mix of exempt and non-exempt properties along with income-producing surface parking. If the surface parking area is larger than the square footage of both the pro-rated parcel and the assessable improvement, the assessment is based on the surface parking square footage.

14. SAMPLE BENEFIT ASSESSMENT CALCULATIONS

Figures 3 through 8 provide examples of how the five-step assessment calculation formula is used.

**FIGURE 3
SAMPLE PROPERTY A
MIXED COMMERCIAL &
RESIDENTIAL WITH PARKING**



STEP 1:

- A. Parcel: 15,000 Sq. Ft.
- B. All improvements: 40,000 Sq. Ft. *
- C. Assessable improvement: 10,000 Sq. Ft. (office)
- D. Exempt improvements 20,000 Sq. Ft. (housing)

STEP 2:

- A. $20,000/40,000 \times 100 = 50\%$
- B. $100\% - 50\% = 50\%$ of parcel not exempt

STEP 3:

- $50\% \times 15,000 = 7,500$ Sq. Ft.

STEP 4:

- 7,500 Sq. Ft. compared to 10,000 Sq. Ft.

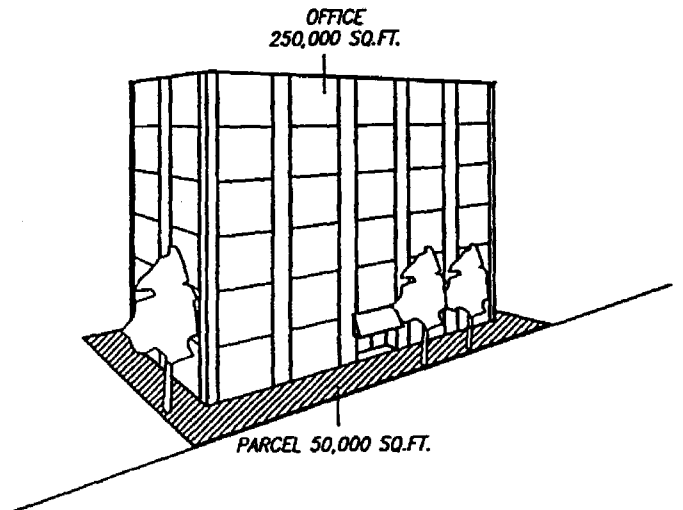
STEP 5:

- $\$0.17 \times 10,000$ Sq. Ft. = \$1,700 annual assessment

* includes exempt, assessable, non assessable improvements. (See Sections 9, 10 and 11.)

FIGURE 4

**SAMPLE PROPERTY B
ALL ASSESSABLE
IMPROVEMENTS
(IMPROVEMENTS LARGER THAN
PARCEL)**



STEP 1:

- A. Parcel: 50,000 Sq. Ft.
- B. Entire improvement: 250,000 Sq. Ft.
- C. Assessable improvements: 250,000 Sq. Ft.
- D. Exempt improvements: 0 Sq. Ft.

STEP 2:

- N/A (no exempt improvements)

STEP 3:

- N/A (no exempt improvements)

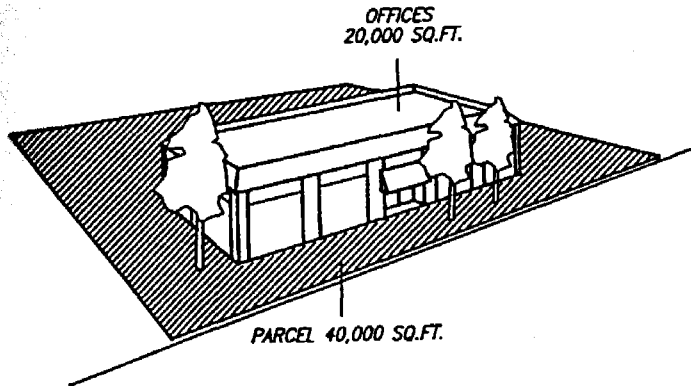
STEP 4:

- 50,000 Sq. Ft. compared to 250,000 Sq. Ft.

STEP 5:

- $\$0.17 \times 250,000$ Sq. Ft. = \$42,500 annual assessment

**FIGURE 5
SAMPLE PROPERTY C
ALL ASSESSABLE
IMPROVEMENTS (PARCEL
LARGER THAN BUILDING SIZE)**



STEP 1:

- A. Parcel: 40,000 Sq. Ft.
- B. Entire improvement: 20,000 Sq. Ft.
- C. Assessable improvements
20,000 Sq. Ft.
- D. Exempt improvements: 0 Sq. Ft.

STEP 2:

N/A (no exempt improvements)

STEP 3:

N/A (no exempt improvements)

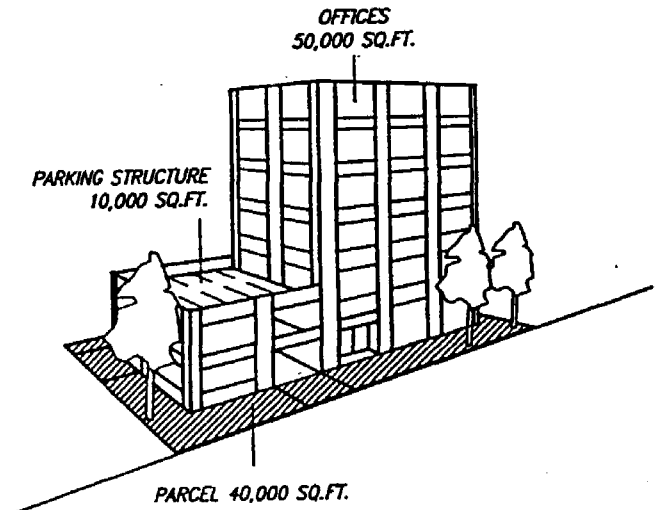
STEP 4:

20,000 Sq. Ft. compared to
40,000 Sq. Ft.

STEP 5:

$\$0.17 \times 40,000 \text{ Sq. Ft.} =$
 $\$6,800$ annual assessment

**FIGURE 6
SAMPLE PROPERTY D
COMMERCIAL WITH PARKING
STRUCTURE (MIX OF
ASSESSABLE AND OTHER
IMPROVEMENTS)**



STEP 1:

- A. Parcel: 40,000 Sq. Ft.
- B. Entire improvement: 60,000 Sq. Ft.*
- C. Assessable improvements
50,000 Sq. Ft.
- D. Exempt improvements: 0 Sq. Ft.

STEP 2:

N/A (no exempt improvements)

STEP 3:

N/A (no exempt improvements)

STEP 4:

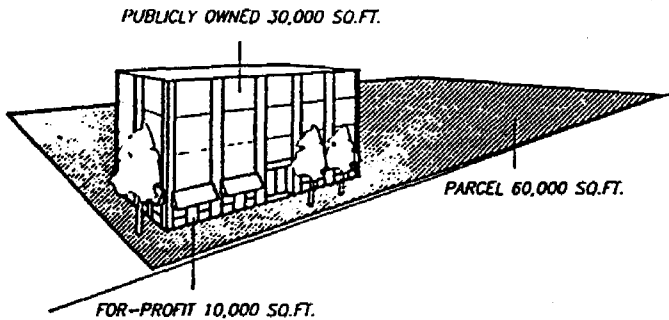
40,000 Sq. Ft. compared to 50,000
Sq. Ft.

STEP 5:

$\$0.17 \times 50,000 =$ $\$8,500$ annual
assessment

*includes exempt, assessable, and non assessable improvements. (See Sections 9, 10 and 11.)

FIGURE 7
SAMPLE PROPERTY E
PUBLICALLY-OWNED/PART
OCCUPIED BY FOR-PROFIT
BUSINESS (MIX OF EXEMPT AND
ASSESSABLE IMPROVEMENTS)



- STEP 1:**
- A. Parcel: 60,000 Sq. Ft.
 - B. Entire improvement: 40,000 Sq. Ft.
 - C. Assessable improvements 10,000 Sq. Ft.
 - D. Exempt improvements: 30,000 Sq. Ft.

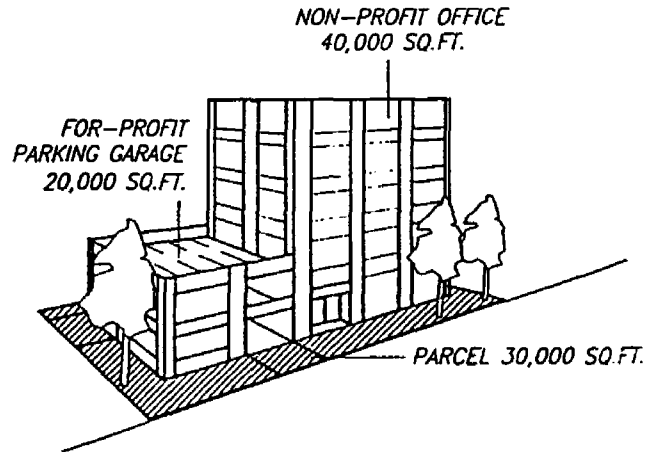
- STEP 2:**
- A. $30,000/40,000 \times 100 = 75\%$
 - B. $100\% - 75\% = 25\%$ of parcel not exempt

- STEP 3:**
- $25\% \times 60,000 = 15,000$ Sq. Ft.

- STEP 4:**
- 15,000 Sq. Ft. compared to 10,000 Sq. Ft.

- STEP 5:**
- $\$0.17 \times 15,000$ Sq. Ft. = \$2,550 annual assessment

FIGURE 8
SAMPLE PROPERTY F
NON-PROFIT OWNER/PART
OCCUPIED BY A FOR-PROFIT
PARKING GARAGE (MIX OF
EXEMPT AND OTHER
IMPROVEMENTS)



- STEP 1:**
- A. Parcel: 30,000 Sq. Ft.
 - B. Entire improvement: 60,000 Sq. Ft.*
 - C. Assessable improvements 0 Sq. Ft.
 - D. Exempt improvements: 40,000 Sq. Ft.

- STEP 2:**
- A. $40,000/60,000 \times 100 = 67\%$
 - B. $100\% - 67\% = 33\%$ of parcel not exempt

- STEP 3:**
- $33\% \times 30,000 = 10,000$ Sq. Ft.

- STEP 4:**
- 10,000 Sq. Ft. compared to 0 Sq. Ft.

- STEP 5:**
- $\$0.17 \times 10,000 = \$1,700$ annual assessment

**includes exempt, assessable and non assessable improvements. (See Sections 9, 10 and 11.)*

15. BUILDINGS VACANT DUE TO REGULATORY CODES

If a building or part of a building must be kept vacant due to building, fire, safety, or other regulatory codes as enforced by a governmental jurisdiction, that building or portion is not assessable. If the entire building cannot be occupied, or if the square footage that can be occupied is less than the parcel square footage, the parcel square footage is assessed.

Vacant due to regulatory code exemptions expire each year. The property owner is required to recertify annually in order to renew the exemption.

16. DEFINITION OF QUALIFIED NON-PROFIT ORGANIZATIONS

A qualified non-profit organization is one whose property is exempt from ad valorem taxation under Sections 202, 203, 206, 207 or 214 of the California Revenue and Taxation Code. Property listed on the County Assessor's tax roll as exempt, because of non-profit status, is exempt from benefit assessment. For cases where a non-exempt use is located within an exempt property, the non-exempt entity is subject to assessment.

17. RESIDENTIAL AND APARTMENT HOTELS

Residential and apartment hotels with long-term residents who rent on a monthly or yearly basis are considered residential property and are exempt. Hotels with short-term (less than a month) occupants are not considered as a residential use, and the space used for this purpose is subject to assessment.

For hotels that have both long-term and short-term residents, the assessment is calculated proportionally.

Residential hotel/apartment exemptions expire each year. The property owner is required to renew the exemption each year based on the hotel's use during the previous 12 months.

18. CALCULATING THE SQUARE FOOTAGE OF BUILDINGS

The gross square footage of a building is calculated from its outside dimensions. The building length is multiplied by its width and number of stories. Appropriate modifications are made for irregularly shaped buildings, internal open-air courtyards and multi-floor atriums. If part or all of the ground floor of an atrium or open space is used for retail or commercial activity (such as a restaurant), the square footage of that space is assessable.

19. ADJUSTING FOR BUILDING INEFFICIENCY

The assessment for an improvement is based on the total building gross square footage. If 80 percent or more of the floor space is rentable, such a building is considered efficient. The building is considered inefficient if less than 80 percent is rentable. For such cases, the gross square footage is reduced by the following factor:

$$\frac{(80 - X)}{80}$$

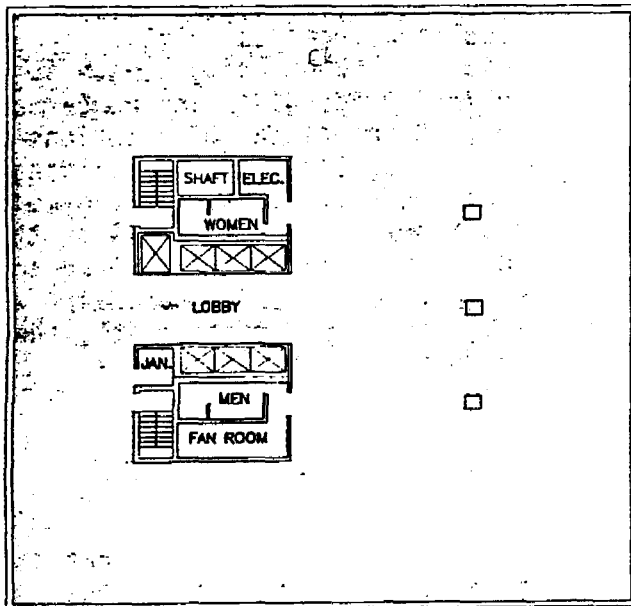
80, where X = the percent of the building that can be rented.

For example, if only 60 percent of a building is rentable, the assessable area is reduced by $(80-60)/80$ or $1/4$. For these cases, if the assessable area of the

building drops below the parcel area, the parcel square footage is assessed.

The area of a building that can be rented is determined by the standard method for measuring floor area in office buildings approved by the National Standards Institute and published by the Building Owners and Managers Association. Rentable area is measured from the inside finished surface of the dominant portion of the permanent outer building walls, excluding any major vertical penetration of the floor. (See Figure 9.) No deductions are allowed for columns or projections necessary to the building.

**FIGURE 9
RENTABLE AREA***



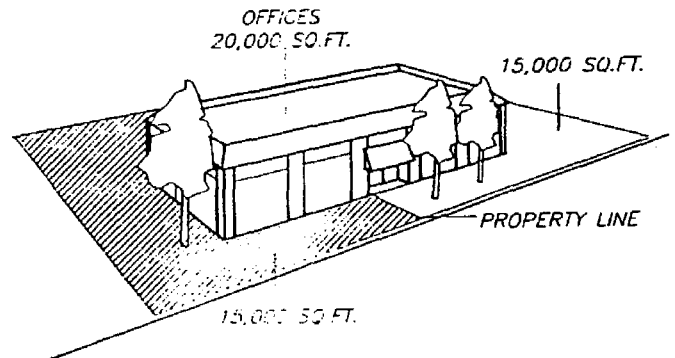
 RENTABLE SPACE

*Applies only in building inefficiency determination.

20. BUILDINGS THAT CROSS PROPERTY LINES

If a building crosses the property line of separate parcels with common ownership, the assessment is calculated on either the square footage of the building or the combined square footage of the parcels, whichever is greater. The assessment amount for each parcel is divided equally between the parcels. Figure 10 shows this calculation for a sample property with a combined parcel square footage greater than the assessable improvement square footage.

**FIGURE 10
BUILDINGS THAT CROSS
PROPERTY LINES**



STEP 1:

- A. Combined Parcel 30,000 Sq. Ft.
- B. Entire improvement 20,000 Sq. Ft.
- C. Assessable improvements:
20,000 Sq. Ft.
- D. Exempt improvements: 0 Sq. Ft.

STEP 2:

N/A (no exempt improvements)

STEP 3:

N/A (no exempt improvements)

STEP 4:

30,000 Sq. Ft. compared to 20,000 Sq. Ft.

STEP 5:

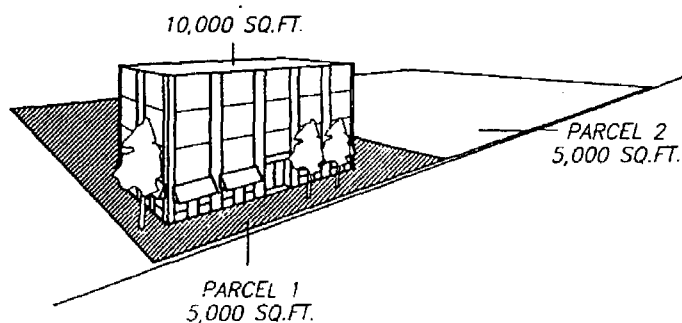
$\$0.17 \times 30,000 \text{ Sq. Ft.} = \$5,100$
annual assessment

For buildings that cross the property line of separate parcels with separate ownership, the assessment is divided proportionately between the separate owners based on the size of each parcel compared to the combined parcels' square footage. These property owners will be notified that the MTA will utilize a different division of the total assessment if such a division is agreed to by all owners and the MTA is informed in writing.

21. SEPARATE BUT ADJACENT PARCELS OWNED BY THE SAME ENTITY

Unless a building crosses a property line, adjacent parcels are considered as separate. For example, if a building of 10,000 square feet on a lot of 5,000 square feet is adjacent to a 5,000 square foot lot owned by the same entity, the owner is assessed for each parcel separately, \$1,700 for the lot containing the building and \$850 for the vacant lot (assuming an assessment rate of \$0.17). See Figure 11.

**FIGURE 11
SEPARATE BUT
ADJACENT PARCELS**



PARCEL 1

STEP 1:

- A. Parcel: 5,000 Sq. Ft.
- B. Entire improvement: 10,000 Sq. Ft.
- C. Assessable improvements: 10,000 Sq. Ft.
- D. Exempt improvements: 0 Sq. Ft.

STEP 2:

N/A (no exempt improvements)

STEP 3:

N/A (no exempt improvements)

STEP 4:

10,000 Sq. Ft. compared to 5,000 Sq. Ft.

STEP 5:

$\$0.17 \times 10,000 \text{ Sq. Ft.} = \$1,700$ annual assessment

PARCEL 2

STEP 1:

- A. Parcel: 5,000 Sq. Ft.
- B. Entire improvement: 0 Sq. Ft.
- C. Assessable improvements: 0 Sq. Ft.
- D. Exempt improvements: 0 Sq. Ft.

STEP 2:

N/A (no exempt improvements)

STEP 3:

N/A (no exempt improvements)

STEP 4:

5,000 Sq. Ft. compared to 0 Sq. Ft.

STEP 5:

$\$0.17 \times 5,000 \text{ Sq. Ft.} = \850 annual assessment

TOTAL ANNUAL ASSESSMENT (TAA):

$TAA = \$1,700 + \$850 = \$2,550^*$

* Total to be paid by property owner. Each parcel will receive a separate Joint Consolidated Tax Bill.