

RTD

FINAL REPORT

IDENTIFICATION OF JOINT DEVELOPMENT
AND VALUE CAPTURE OPPORTUNITIES
RELATIVE TO IMPLEMENTATION OF A
METROPOLITAN MASS TRANSIT SYSTEM
IN LOS ANGELES, CALIFORNIA

PREPARED FOR
THE SOUTHERN CALIFORNIA
RAPID TRANSIT DISTRICT

NOVEMBER 1980

BY
ECONOMICS RESEARCH ASSOCIATES



SCRTD 1980 .133 v.1 c.1

REFERENCE COPY

A FINAL REPORT

**IDENTIFICATION OF JOINT DEVELOPMENT AND VALUE CAPTURE
OPPORTUNITIES RELATIVE TO IMPLEMENTATION OF A
METROPOLITAN MASS TRANSIT SYSTEM IN
LOS ANGELES, CALIFORNIA**

This Report is Presented in Two Volumes

- **The Final Report**
- **A Map and Data Atlas**

**The Report Has Been Prepared for the
SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT
Under the Supervision of:
Mr. Richard C. Gallagher, Manager and Chief Engineer
Mr. Douglas Low, Manager, Architecture and Planning
Rapid Transit Department
425 S. Main Street
Los Angeles, California 90013
Under SCRTD Audit No. 2104**

**By
ECONOMICS RESEARCH ASSOCIATES
10960 Wilshire Boulevard
Los Angeles, California 90024**

The preparation of this Document has been financed in part through a grant from the United States Department of Transportation, Urban Mass Transportation Administration, under the Urban Mass Transportation Act of 1964, as amended.

NOVEMBER 1980

TABLE OF CONTENTS

<u>Section</u>		<u>Page</u>
I	INTRODUCTION	I- 1
	Report Organization	I- 2
	Project Authorship.	I- 2
II	SUMMARY AND CONCLUSIONS.	II- 1
	Regional Demographics	II- 1
	BART Development Impacts.	II- 2
	Joint Development/Value Capture in Toronto and Washington, D.C.	II- 3
	Joint Development/Value Capture in Other Major Cities.	II- 4
	Regional Core Office Development Potentials .	II- 4
	Regional Core Retail Projections.	II- 5
	Regional Core Residential Development Potentials.	II- 5
	Station Area Development Potentials	II- 6
	Value Capture	II- 7
	Joint Development Implementation.	II- 7
	Organizational Recommendations	II- 8
	Legislative Recommendations	II- 9

Part I

REGIONAL CORE ECONOMIC PROFILE

III	REGIONAL ECONOMIC FACTORS.	III- 1
	Regional Setting.	III- 1
	The Regional Core	III- 4
	Regional Core Economic Factors.	III- 6
	Starter Line Route Network.	III-10
	Joint Development and Value Capture-- Definitions and Descriptions.	III-13
	Concluding Comments	III-16

Part II

JOINT DEVELOPMENT/VALUE CAPTURE EXPERIENCE
OF MAJOR NORTH AMERICAN CITIES

IV	BART DEVELOPMENT IMPACTS	IV- 1
	Overall Land Use and Urban Development Impacts	IV- 1
	Development Patterns.	IV- 2
	Worker Location Decisions	IV- 5
	Household Location Decisions.	IV- 5
	Employer Location Decisions	IV- 6
	Office Construction Impacts	IV- 6
	Housing Construction Impacts.	IV- 8
	Retail Patterns and Trends.	IV- 9
	Residential Property Prices and Rents	IV-10
	Commercial Property Prices and Rents.	IV-10

TABLE OF CONTENTS
(Continued)

<u>Section</u>		<u>Page</u>
IV	(Continued)	
	Overall Property Value Impacts	IV-11
	Regional Effects	IV-11
	Policy Implications.	IV-12
	Conclusion	IV-13
V	JOINT DEVELOPMENT/VALUE CAPTURE EXPERIENCE IN TORONTO AND WASHINGTON, D.C.	V- 1
	Toronto, Ontario	V- 1
	Washington, D.C.	V- 5
VI	JOINT DEVELOPMENT/VALUE CAPTURE ACTIVITIES IN OTHER MAJOR CITIES	VI- 1
	Montreal, Quebec	VI- 1
	Philadelphia	VI- 2
	Atlanta.	VI- 2
	Cleveland.	VI- 3
	Boston	VI- 3
	Chicago.	VI- 4
	New York	VI- 5
	Transit Operation Revenue Survey	VI- 6
	Conclusion	VI- 6
Part III		
JOINT DEVELOPMENT POTENTIAL IN LOS ANGELES		
VII	REGIONAL CORE DEVELOPMENT POTENTIALS.	VII- 1
	Regional Office Trends	VII- 1
	Regional Core Office Demand Projections.	VII- 7
	Regional Core Retail Patterns and Trends	VII-11
	Regional Core Residential Development Projections.	VII-13
	Summary.	VII-19
VIII	LOS ANGELES RTD STATION AREA DEVELOPMENT POTENTIALS.	VIII- 1
	Summary of Regional Core Demand Potentials	VIII- 1
	Station 1--Macy/Vignes	VIII- 2
	Station 2--First Street/Broadway	VIII- 4
	Station 3--Fifth Street/Broadway	VIII- 5
	Station 4--Seventh Street/Flower	VIII- 7
	Station 5--Wilshire/Alvarado	VIII- 9

TABLE OF CONTENTS
(Continued)

<u>Section</u>		<u>Page</u>
VIII	(Continued)	
	Station 6--Wilshire/Vermont	VIII-10
	Station 7--Wilshire/Normandie	VIII-12
	Station 8--Wilshire/Western	VIII-13
	Station 9--Wilshire/Crenshaw.	VIII-14
	Station 10--Wilshire/La Brea.	VIII-15
	Station 11--Wilshire/Fairfax.	VIII-16
	Station 12--Fairfax/Beverly	VIII-18
	Station 13--Fairfax/Santa Monica.	VIII-19
	Station 14--Hollywood/Cahuenga.	VIII-20
	Station 15--Highland/Odin (Hollywood Bowl).	VIII-22
	Station 16--Ventura/Vineland.	VIII-23
	Station 17--Lankershim/Chandler	VIII-24
	Summary	VIII-26
Part IV		
JOINT DEVELOPMENT AND VALUE CAPTURE IMPLEMENTATION FOR THE SCRTRD STARTER LINE		
IX	VALUE CAPTURE	IX-1
	Authorities	IX-1
	Methods	IX-5
	Demonstration of Benefit Caused by	
	Public Action	IX-13
	Ranges of Potential Revenue Capture	IX-14
	Probable Value Capture Constraints	IX-20
	Shared Initiation of a Value Capture	
	Proposal	IX-21
	Meaningful Scale of Capture Assessment.	IX-24
X	JOINT DEVELOPMENT IMPLEMENTATION	X-1
	The Several Alternatives	X-1
	SCRTRD Implementation With Other Public	
	Agencies.	X-8
	Examples of Shared Costs.	X-8
	Potential for Ongoing Income From Joint	
	Developments.	X-9
	Joint Development Options - Station-by-	
	Station	X-11
	Recommended Use of Joint Development Revenues	X-11

TABLE OF CONTENTS
(Concluded)

<u>Section</u>		<u>Page</u>
XI	ORGANIZATIONAL RECOMMENDATIONS,	XI-1
	Introduction: Purpose of Analysis	XI-1
	Seven Possible Alternatives.	XI-2
	Best Alternative	XI-8
	The Key is Performance Contracts	XI-9
	The Scale of the "Action".	XI-10
	Financing Initial Joint Development Costs.	XI-11
	An Analysis of Three Workable Alternatives	XI-11
	The Trust Fund and Its Purpose	XI-21
XII	LEGISLATIVE RECOMMENDATIONS	XII-1
	SCRTD	XII-1
	The City of Los Angeles.	XII-1
	The County of Los Angeles.	XII-2
	The State of California.	XII-3
 <u>Appendices</u>		
	BIBLIOGRAPHY	A-1
	ASSESSED VALUATIONS AT 17 SCR TD STARTER LINE STATION SITES	A-5

NOTE: A MAP AND DATA ATLAS HAS BEEN DEVELOPED TO ACCOMPANY THIS REPORT. IT CONTAINS SPECIFIC SITE MAPS, AERIAL PHOTOS, AND CONTEMPORARY INFORMATION ABOUT KNOWN PLANNED DEVELOPMENTS.

LIST OF TABLES

<u>Number</u>		<u>Page</u>
III- 1	HISTORIC POPULATION PATTERNS, SOUTHERN CALIFORNIA REGION, 1960-1980	III- 2
III- 2	POPULATION PROJECTIONS, SOUTHERN CALIFORNIA REGION, 1980-2000.	III- 3
III- 3	POPULATION AND EMPLOYMENT ESTIMATES, REGIONAL CORE	III- 7
III- 4	MEDIAN FAMILY INCOME, REGIONAL CORE COMMUNITIES, 1977	III- 9
III- 5	HOUSING UNITS, REGIONAL CORE, 1979	III-11
III- 6	INDICATED PERSONS PER HOUSEHOLD, REGIONAL CORE, 1979	III-12
III- 7	STATION-SPECIFIC VOLUME ESTIMATES, RTD STARTER LINE	III-14
V- 1	METRO-RELATED PRIVATE INVESTMENT, WASHINGTON, D.C.	V- 7
VI- 1	TRANSIT OPERATION REVENUE SURVEY	VI- 7
VII- 1	NEW HIGH-RISE SPACE BY MARKET AREAS.	VII- 2
VII- 2	COMMERCIAL HIGH-RISE OFFICE CONSTRUCTION IN THE LOS ANGELES-ORANGE COUNTY REGION, 1945-1979. . .	VII- 4
VII- 3	HISTORICAL OFFICE LEASE RATES, PRIME LOS ANGELES LOCATIONS.	VII- 6
VII- 4	AVERAGE RENTAL RATE BY MARKET AREA, December 1979	VII- 8
VII- 5	SELECTED CONDOMINIUM PROJECTS, REGIONAL CORE VICINITY.	VII-16
VIII- 1	SUMMARY OF MARKET SUPPORT, RTD STATIONS.	VIII-27

LIST OF TABLES
(Continued)

<u>Number</u>		<u>Page</u>
IX-1	DEVELOPMENT POTENTIAL BY STATION BASED ON ERA MARKET STUDY.	IX-15
IX-2	PROJECTED ASSESSED VALUATION BY STATION SITE. . .	IX-17

LIST OF EXHIBITS

<u>Number</u>		<u>Page</u>
I-1	SEVENTEEN STATION SITES EXAMINED FOR VALUE CAPTURE AND JOINT DEVELOPMENT POTENTIAL.	I-4
IX-1	SCHEMATIC POSSIBLE TYPES OF VALUE CAPTURE TECHNIQUES/DISTRICTS HAVING DIFFERENT BENEFIT MEASUREMENT AND/OR PURPOSE AREAS	IX-6
IX-2	CONCEPT: INDIVIDUAL VALUE CAPTURE DISTRICTS AT ROUGHLY 1/2 MILE DIAMETERS	IX-10
IX-3	CONCEPT: GROUPS OF VALUE CAPTURE DISTRICTS LINKED TOGETHER WITHIN 1/2 TO 1 MILE	IX-11
IX-4	CONCEPT: SINGLE VALUE CAPTURE DISTRICT COMPOSED OF SEVERAL NONCONTIGUOUS BENEFIT AREAS.	IX-12
IX-5	PRIMARY AND SECONDARY IMPACT ZONE EXAMPLE.	IX-16
IX-6	CONCEPT: ECONOMIC DEVELOPMENT PROGRAMS WHICH IMPACT ON JOINT DEVELOPMENT AND VALUE CAPTURE OPTIONS.	IX-22
IX-7	CONCEPT: PROBABILITY OF VALUE CAPTURE TECHNIQUES CONTRIBUTING SUBSTANTIAL REVENUES	IX-23
X-1	POSSIBLE OVERLAYS OF VALUE CAPTURE AND JOINT DEVELOPMENT TECHNIQUES WITH PLANNING CONTROLS AND ECONOMIC DEVELOPMENT PROJECTS.	X-2
X-2	POSSIBLE TYPES AND MIXES OF STATION SITE JOINT DEVELOPMENT TECHNIQUES	X-4
X-3	CONDITIONS WHICH IMPACT BOTH JOINT DEVELOPMENT AND VALUE CAPTURE OPTIONS.	X-6
X-4	CONCEPT: PROBABILITY OF SUBSTANTIAL JOINT DEVELOPMENT PARTICIPATION BY PRIVATE OWNERS/ DEVELOPERS	X-7
X-5	PRIORITY FOR INITIATING JOINT DEVELOPMENT	X-11

LIST OF EXHIBITS
(Continued)

<u>Number</u>		<u>Page</u>
XI-1	ROUGH ESTIMATE--JOINT DEVELOPMENT CORPORATION STAFFING.	XI-20

Section I
INTRODUCTION

The Southern California Rapid Transit District (SCRTD), in conjunction with the Urban Mass Transportation Administration (UMTA) of the U.S. Department of Transportation and affiliated agencies, is engaged in advanced planning for an 18.4-mile rail mass transit starter line in Los Angeles. This system is proposed to link Union Station and the central downtown Los Angeles commercial and employment centers with the Wilshire Corridor, Hollywood and close-in communities of the San Fernando Valley by means of a 17-station route network.

As part of the extensive planning process necessary for implementation of this starter line, the District has retained Economics Research Associates (ERA) to conduct primary economic research and update prior studies obtained by SCRTD, for purposes of identifying opportunities for joint public/private sector real estate development and techniques for development value capture at each station site.

This draft final report represents the tentative findings and conclusions resultant from ERA's research and analysis. Included are measurements of the rapid transit system's regional setting and population/employment dynamics, updated in many cases from ERA's prior working papers, as well as basic discussion of the concepts of joint development and value capture, surveys of the extent to which these related concepts have been implemented in major mass rapid transit-using cities throughout the United States and Canada, and evaluation of joint development and value capture potentials at each station site along the proposed Los Angeles system.

The numerical estimates and methodologies presented in this draft final report represent ERA's tentative research conclusions. All findings are subject to adjustment and final editing following review by the client and consultant. Any such adjustments will then be included in ERA's final report to SCRTD.

REPORT ORGANIZATION

Following this introduction, Section II presents the draft summary of findings and conclusions from the research conducted by ERA. Part I of the report describes the demographic factors of population, employment and related characteristics along the proposed system route structure, and discusses the related concepts of joint development and value capture. This material is presented in Section III.

In Part II, experiences of North American cities in joint development/value capture ventures are detailed. Section IV presents the findings of ERA's research into the impacts of San Francisco's BART system upon real estate development along the system's network and the extent to which that system has pursued joint development and value capture opportunities. Section V describes the joint development/value capture experiences of Toronto, Ontario, and Washington, D.C. Section VI develops capsule summaries of policies and procedures employed by other leading U.S. and Canadian mass rapid transit-using communities relative to joint development and value capture.

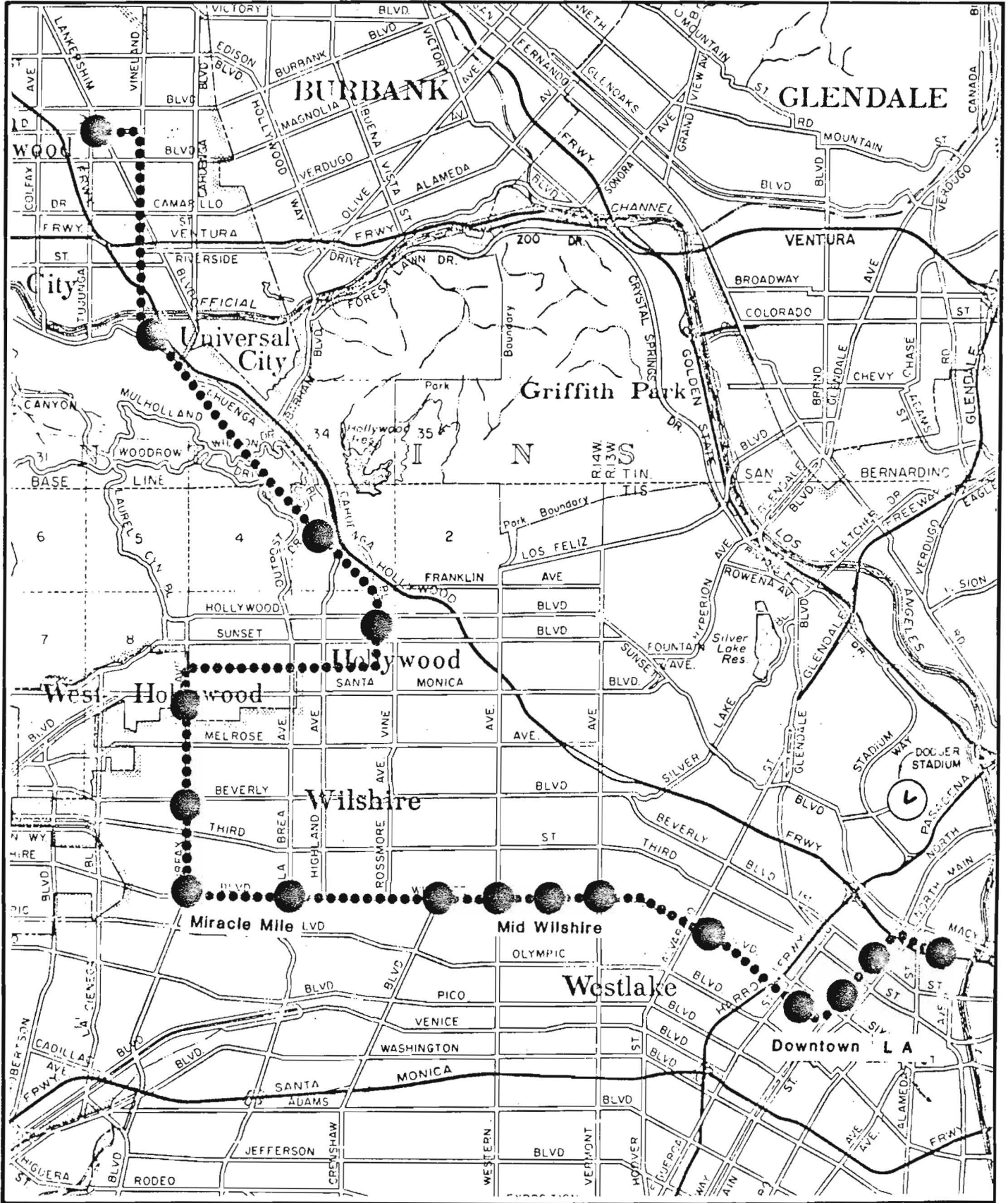
The estimation of market support for joint development along the proposed Los Angeles rapid transit line is developed in Part III. In Section VII, Regional Core demand projections are made for office and retail space, and residential units. Section VIII then reports the projections of joint development potential at each proposed Los Angeles area rapid transit station site.

Part IV concludes the effort and deals with joint development and value capture implementation suggestions. Value capture potential is discussed in Section IX, and joint development implementation is proposed in Section X. ERA next reviews organizational requirements and potential legislative needs in Sections XI and XII, respectively.

PROJECT AUTHORSHIP

The research program culminating in this draft final report has been conducted under the administrative supervision of David A. Wilcox, Vice President of Economics Research Associates. Richard C. Peterson, Senior Associate, directed the primary research with assistance from Associates Madeline M. Clark, Neal H. Stephan, Estevan R. Valenzuela, and Gerald Chuman.

SCRTD BOARD PREFERRED ALTERNATIVE
MODIFIED ALTERNATIVE II



SEVENTEEN STATION SITES EXAMINED FOR VALUE CAPTURE AND JOINT DEVELOPMENT POTENTIAL.

Section II

SUMMARY AND CONCLUSIONS

This section provides the draft summary of general findings and conclusions from the research analysis described in subsequent sections. The summary of regional demographic characteristics is followed in turn by overviews of joint development/value capture experiences of major North American rapid transit-using cities and finally by ERA's estimates of joint development potential at the 17 rapid transit station sites proposed by SCRTD.

REGIONAL DEMOGRAPHICS

The greater Los Angeles region is California's most populous metropolitan area and the second most heavily populated region in the United States. Because of its already advanced state of development, Los Angeles County is projected to grow only marginally during the coming 20 years in terms of its resident base.

The general development trend within Los Angeles County is one of increasing density and vertical development, with increasing attention drawn toward the close-in areas of Los Angeles City as fuel supplies and prices raise questions about the future of long-distance commuting from suburban residential areas to in-town employment centers. Among the areas most likely to be intensely affected by this emerging urban development focus is the "Regional Core," a 55-square-mile triangular area encompassing essentially the entirety of the proposed Union Station-Wilshire Corridor-North Hollywood starter rail rapid transit system proposed by SCRTD.

Population within this regional core in 1979 was estimated at about 664,000 residents. This figure is projected to grow to some 693,000 persons by 1990. The current 1980 estimate of regional core

employment is approximately 601,000 workers, expected to climb to nearly 662,000 employees by 1990.

Median family income within the Regional Core in 1977 ranged between \$9,500 in the Westlake area and the central business district to nearly \$15,500 in North Hollywood. The most heavily populated residential areas of the Regional Core are Hollywood and the Wilshire Corridor. These two areas account for the majority of both single-family and multi-family housing units. The Regional Core contains an average of 2.07 persons per household.

BART DEVELOPMENT IMPACTS

At the regional level, BART thus far has had only a relatively small impact on land use patterns. Rather, the more evident impacts have been in terms of personal behavior trends such as worker location decisions and shopping patterns.

Implementation of the BART system in the San Francisco/Oakland Bay area has led to very little of what could truly be called joint development activity, and to installation of virtually no explicit value capture mechanisms other than limited leaseholds. While downtown San Francisco has seen active vertical office development in the vicinity of BART stations, the rapid transit system alone cannot be credited for generating this activity except in a distributional sense. Joint development planning was not a prominent part of the overall BART planning process. As a result, stations in many cases were not located in areas suitable for joint development activities. Thus, one of the major lessons of the BART experience is that value capture planning must be an integral part of the overall rapid transit system planning process if such public/private sector cooperative opportunities are to be maximized.

JOINT DEVELOPMENT/VALUE CAPTURE IN TORONTO AND WASHINGTON, D.C.

High-intensity real estate development has occurred at a number of metro station areas in metropolitan Toronto. In contrast to the experience of BART in the San Francisco/Oakland area, where joint development activities have been a comparatively rare occurrence, public/private sector cooperation has worked generally well in Toronto to promote a wide spectrum of joint development activities.

While further strengthening the downtown central business core, the Metro system in Toronto and the land use policies of the public sector have promoted a number of high-density projects in outlying station areas. This cooperation has generated favorable air-rights agreements at a number of metro stations, resolving in substantial cash flows to the transit operators.

Toronto's Metro system was not by itself responsible for the rapid pace of recent development in the urban area. Much of this development would have occurred without the rapid transit system. However, Toronto's Metro system has had a clear distributional effect on locational choices by developers. In Toronto, the close degree of public/private sector cooperation and the availability of sufficient assembled parcels in station areas have been two major keys to the degree of joint development success realized in the city.

Because of the comparative newness of Washington, D.C.'s Metro system, the scale of joint development activities and regional land use impacts have been clearly below that of Toronto. However, several notable examples of public/private sector cooperation involving ground leases and/or air rights over Metro properties have already occurred with favorable results.

Washington, D.C. Metro planners apparently did not fully take joint development potentials into account when planning the subway system. Even so, the climate appears favorable for additional joint development opportunities along the system as it is constructed over the coming decade.

JOINT DEVELOPMENT/VALUE CAPTURE IN OTHER MAJOR CITIES

Joint development activities have varied widely between the major mass rapid transit-using communities of North America. Most of the cities surveyed by ERA have, with relatively few exceptions, not actively pursued joint development opportunities. Specific value capture mechanisms, other than the receipt of rents from leased properties and proceeds from land sales, have essentially remained unemployed in these cities. Once again, the fundamental lesson from this prior experience is the importance of including joint development planning within the overall planning framework for rapid transit development.

REGIONAL CORE OFFICE DEVELOPMENT POTENTIALS

A total of about 80 million square feet of high-rise office space is currently in use throughout Los Angeles and Orange Counties, with nearly 90 percent of this space developed since 1960. About 52 percent of this space is located within the Regional Core, with the highest concentration (27 million square feet) within the downtown central business district. Nearly 33 million square feet of high-rise office space has been developed in the Regional Core since 1960, with nearly 21 million square feet of this total coming on line prior to 1970.

ERA has projected a 1980-1990 market requirement for some 13.1 million square feet of new high-rise office space within the Regional Core. This estimate takes into account the anticipated effects of regional employment growth and replacement demand. As in previous years, the majority of this growth will focus on the downtown central business district, with the Wilshire Corridor being a secondary focus of office space development.

REGIONAL CORE RETAIL PROJECTIONS

The predominant retail shopping pattern within the Regional Core is one of extensive retail clusters along major transportation arteries, most intensely within the central business district, Wilshire Corridor, and Hollywood. Extensive, full-line regional shopping centers, relatively common in more suburban markets, are found only infrequently in and near the Regional Core.

Based upon estimated Regional Core per capita income and the existing inventory of major department stores and regional shopping centers, ERA estimates a current shortfall of about 1.5 million square feet of major department store space. A shortfall of this magnitude can be partially rectified through development of a regional shopping center incorporating major department store retailers as anchor tenants.

Much of the Regional Core's existing retail base is housed in older structures located in somewhat unattractive commercial districts. A stimulus to the gradual urban renewal process is required in many of these neighborhoods, and the presence of RTD stations in certain of these areas may tend to precipitate successful redevelopment in the station environments. Should the anticipated 275,000 RTD rapid transit patrons each spend \$2 per day on casual station-area retail expenditures, some \$143 million in annual station-area retail sales would be generated. While not fully attributable to the RTD system, these station-area retail sales would tend to stimulate redevelopment activities such as upgradings of storefronts, signage, interior remodeling, and improvement of the merchandise mix of individual retail outlets. These expenditures will also support mezzanine/arcade shops and outlets within the stations themselves.

REGIONAL CORE RESIDENTIAL DEVELOPMENT POTENTIALS

Given the previously indicated population growth projections and average persons per household, approximately 13,000 new households will

be formed within the Regional Core over the coming 10-year period. This growth rate, combined with estimated turnover demand of current residents and related factors, suggests annual demand for some 1,500 new Regional Core housing units annually over the 1980s. About 80 percent will be ownership units, with the remainder developed for rental. A major area of residential focus will be the Wilshire Corridor, with the downtown CBD emerging as an important residential location as well.

STATION AREA DEVELOPMENT POTENTIALS

Section VIII of this report presents detailed estimates of development potentials generally within a 1.5-block radius of each of the 17 proposed RTD station areas. In total, up to about 10.3 million square feet of high-rise office space--nearly 80 percent of the anticipated Regional Core periodic total of 13.1 million square feet--may potentially be attracted to station-area environments. Approximately 924,000 square feet of specified retail categories including in-station mezzanine/arcade outlets, one or more major department stores and miscellaneous other retail, is also indicated, along with between 4,950 and 6,450 new residential units. Some 80 percent of these residential units are expected to be owner-occupied with the remainder developed for rental.

This analysis does not attempt to match indicated market support in every case with potential land availability. The problems of land assembly, and the entire issue of how broad the land acquisition powers of RTD will be in terms of distance from the station and whether land may be acquired solely for development with no direct rapid transit use intended, represents supply-side issues and must be balanced against the indications of demand-side market support indicated in this section.

VALUE CAPTURE

Section IX examines the several concepts for creation of a value capture mechanism which can generate regular ongoing revenues flows for SCRTD. A single value capture district, composed of up to seventeen noncontiguous areas each having roughly a one-half mile diameter, is suggested as the most viable approach, based upon property valuation (both in place and to be developed).

ERA believes, based upon forecasted market demand, that roughly \$2.1 billion in new development value may be built at or near the station sites in the period 1980-1990, and in the period after the Starter line transit service commences. This will substantially add to the \$1.7 billion plus of development values now in place at primary and secondary impact zones at the seventeen station sites.

Several possible value capture formulas are examined. ERA believes that a revenue objective for annual value capture, once full Starter line services are operational, would be in the \$13-\$15 million range. The existence of redevelopment projects already taking tax increments, and the possibility of imposition of an assessment technique for the Downtown People Mover must be dealt with in creating any SCRTD value capture mechanism. It is also recommended that SCRTD justify the value capture revenue need for station operations and maintenance, rather than for future line extension.

JOINT DEVELOPMENT IMPLEMENTATION

Joint development is defined for purposes of this study in Section X as all other revenue-generating activities which SCRTD may enter into at the specific station sites, including joint structural development, various SCRTD owner/developer cost participation techniques, density bonuses, off-street parking "forgiveness", advertising, retail space lease, air rights lease, and concessionaire contracts. Each station site is analyzed as to the probable level of private development interest. A number of stations, because of emerging land use controls or intensive governmental property ownership and function do not appear to provide substantive likelihood for joint development revenues.

Eight of the seventeen station sites do promise eventual "high yield" of joint development revenues. The captures of funds, however, will require dramatic and coordinated public policy initiatives in Los Angeles. (Non-fare revenues in nine other transit systems in North America provide only \$20.6 million annually in total!). While it will be quite natural to focus heavily upon one-time joint development cost sharing agreements during the intensive station construction period, ERA strongly suggests maximization of regular annual revenues in any joint development agreements. We believe it should be possible to design the station systems with regular periodic revenue return in mind. Based upon the performance of other transit properties in North America, it is felt that a range of \$4.4 million to \$8.75 million in annual joint development revenues can be captured by SCRTD.

It is recommended that one-time joint public/private construction partnerships be used to reduce initial SCRTD capital costs, and that periodic revenue flows from joint development contracts be pledged to future Metro Rail line extension.

ORGANIZATIONAL RECOMMENDATIONS

A discussion of alternative methods of organization for conduct of joint development negotiations and management is carried out in Section XI. A number of administrative techniques are examined. The consultant proposes that three alternatives are most workable:

- o SCRTD self-staff the function
- o Create a non-profit joint development corporation.
- o Create a joint-powers authority composed of SCRTD, The City (Mayor and City Council representation), and the Los Angeles County Transportation Commission.

ERA favors the corporation approach because it has the greatest incentive to conduct the business of joint development as a business on behalf of SCRTD. A schematic proposal for a non-profit joint development corporation is defined, including a possible range of costs of staffing the new effort.

LEGISLATIVE RECOMMENDATIONS

The report concludes with targeted recommendations for legislative actions at four levels of jurisdiction:

- o SCRTD itself
- o The City of Los Angeles
- o The County of Los Angeles
- o The State of California

Section XII briefly indicates the probable role each jurisdiction may play, and the ordinances and statutes which may be necessary in order for both value capture and joint development to proceed to implementation. In a general sense, the primary initiatives must come from the SCRTD itself.

Part I

REGIONAL CORE ECONOMIC PROFILE

Section III

REGIONAL ECONOMIC FACTORS

This section discusses the regional setting of the proposed starter rapid transit line in Los Angeles. Neighborhood characteristics such as historic and projected development patterns, population, employment and related factors of importance to subsequent analysis are discussed and evaluated. This section concludes with definitions and amplification of the concepts of joint development and value capture as they relate to the proposed Los Angeles rapid transit system.

REGIONAL SETTING

The Los Angeles region represents California's most populous metropolitan area. After greater New York City, it is the second most populated area in the United States. In excess of 10 million people live in the six counties of Southern California, with nearly 85 percent of these persons clustered in adjoining Los Angeles and Orange Counties.

Historic population patterns within Southern California are illustrated in Table III-1. As indicated in the table, each of the Southern California counties realized appreciable population growth between 1960 and 1980. The total region expanded in terms of population by nearly 50 percent during this period, with Los Angeles County, clearly the dominant population center of the region, increasing by nearly 28 percent.

The most recent SCAG forecasts of population within the six-county Southern California region through the year 2000 are depicted in Table III-2. As shown, the total region is projected to expand beyond its current population base by about 21 percent, or nearly 2.4 million persons, by the year 2000. Los Angeles County, because of its advanced state of development, is expected to grow only marginally during the coming 20 years.

Table III-1

HISTORIC POPULATION PATTERNS
SOUTHERN CALIFORNIA REGION
1960-1980
(thousands)

<u>County</u>	<u>1960</u>	<u>1970</u>	<u>1975</u>	<u>1980^{1/}</u>
LOS ANGELES	6,041	7,039	7,021	7,140
Orange	704	1,420	1,684	1,939
Imperial	72	74	83	94
Riverside	306	459	532	627
San Bernardino	504	628	696	825
Ventura	<u>199</u>	<u>378</u>	<u>432</u>	<u>513</u>
Total Region	7,826	9,998	10,448	11,138
Average Annual Percentage Change				
Total Region				
1960-1980	1.8%			
1970-1980	1.1			
1975-1980	1.3			
Los Angeles County				
1960-1980	0.8%			
1970-1980	0.1			
1975-1980	0.3			

^{1/} Preliminary estimates.

Source: Southern California Association of Governments and California State Department of Finance.

Table III-2

POPULATION PROJECTIONS
SOUTHERN CALIFORNIA REGION
1980-2000
(Thousands)

<u>County</u>	<u>1980^{1/}</u>	<u>1985</u>	<u>1990</u>	<u>1995</u>	<u>2000</u>
LOS ANGELES	7,140	7,286	7,457	7,638	7,771
Orange	1,939	2,176	2,400	2,597	2,758
Imperial	94	104	113	122	129
Riverside	627	719	796	862	911
San Bernardino	825	941	1,031	1,095	1,151
Ventura	<u>513</u>	<u>583</u>	<u>651</u>	<u>719</u>	<u>788</u>
Total Region	11,138	11,809	12,448	13,033	13,508

Average Annual
Percentage Increase

Total Region

1980-2000	1.0%
1990-2000	0.9

Los Angeles County

1980-2000	0.4%
1990-2000	0.4

^{1/} Preliminary estimates.

Source: Southern California Association of Governments, SCAG-78 Growth Forecast Policy, August 1978.

The general development trend within Los Angeles County is one of increasing density. As developable land becomes more scarce and higher-priced, this pattern of increasing density can be expected to increase both for residential and commercial uses. Extensive vertical development has already occurred in portions of the central downtown Los Angeles business district, along the Wilshire Boulevard corridor and other major centers of intense commercial activity.

The Los Angeles Urbanized Area, consisting primarily of central and south Los Angeles County and northwest Orange County, was by the time of the 1970 Census the third most densely populated urbanized area (5,313 residents per square mile) in the United States, below only New York City (6,683 residents/square mile) and Philadelphia (5,349 residents/square mile). Within the Los Angeles Urbanized Area, the highest-density residential concentrations are clustered within the City of Los Angeles.

THE REGIONAL CORE

The authors of the environmental impact statement and related materials^{1/} concerning the Los Angeles Rapid Transit project, the focal point of this study, defined a 55-square-mile triangular area encompassing the most dense portions of the Los Angeles Urbanized Area as the "Regional Core." The Regional Core encompasses essentially the entirety of the proposed Union Station-North Hollywood starter rail rapid transit system. The boundaries of the Regional Core are Robertson Boulevard to the west, Burbank Boulevard to the north, the Hollywood Freeway, Sunset Boulevard and Alameda Street to the east, and the Santa Monica Freeway to the south. Over 664,000 residents (22.5 percent of the City of Los Angeles total) and 601,000 jobs are estimated within the Regional Core currently in 1980. Additionally, this geographic area contains the Southern California region's most extensive concentration of numerous urban resources, including government offices and foreign consulates,

^{1/} SCRTD/UMTA, "Final Alternatives Analysis/Environmental Impact Statement/Report on Transit System Improvements in the Los Angeles Core," Element IV of the Regional Transit Development Program, April 1980.

financial institutions, major retail outlets, historical and architectural sites, cultural and other related resources.

The following comments concerning specific locales within the Regional Core draw both upon observations by the authors of the previously cited environmental impact statement and related materials, and upon those of Economics Research Associates.

Central City

This area is the geographic and commercial focus of Southern California. Neighborhoods within the central city range in quality from heavily depressed on the east side to fundamental prosperity and high potential in the newer financial-commercial district to the west. Several redevelopment projects, now under way or in planning stages, are expected to improve the vitality of this area in future years.

Westlake

Located between the central city and the major commercial development further along the Wilshire Corridor, Westlake is an older, densely populated, predominantly low-income community with an important senior citizen element. Residential rehabilitation projects are being pursued in an effort to reverse the recent pattern of neighborhood deterioration. Such projects are intended to eventually restore the neighborhood.

Wilshire

The Wilshire areas of influence extend westward along the Wilshire Boulevard spine from Westlake to Beverly Hills. This general area is composed of several districts, including Wilshire Center and Miracle Mile. Wilshire Center and Miracle Mile are primarily commercial in nature along Wilshire Boulevard, and are surrounded in adjoining areas by high-density residential concentrations.

Hollywood

Hollywood's primary reason for being has for decades been the entertainment industry. Though the focus of worldwide renown in the first half of the century, the area's commercial core has deteriorated substantially. Several revitalization projects are in planning for the community in a long-term effort to reverse its current negative circumstances. Hollywood housing patterns vary from lower income, high-density apartments to large hillside single-family homes.

Sherman Oaks/Studio City

This area along the southern border of the San Fernando Valley is most notably characterized by single-family homes, with generally low- to mid-rise commercial structures clustered primarily along Ventura Boulevard. A major area employment focus is the nearby Universal City entertainment complex.

North Hollywood

Among the older communities of the San Fernando Valley, North Hollywood is also primarily a focus of single-family residential neighborhoods. However, high-density housing units during recent years have become more prominent within the housing mix. The city's commercial areas, such as Lankershim Boulevard, have been weakened by competition from more modern area shopping facilities and are currently in a state of general decline.

REGIONAL CORE ECONOMIC FACTORS

As indicated in Table III-3, the two most dominant areas of the Regional Core in terms of geographic size are Hollywood and North Hollywood. Wilshire and Hollywood have the largest populations, although Westlake has the highest population density. The central city with its extensive inventory of vertical private and public sector office

Table III-3

POPULATION AND EMPLOYMENT ESTIMATES
REGIONAL CORE

Area	Number of Square Miles	Population (1979) (thousands)	Indicated Population per Square Mile (1979)	Employment (1970) (thousands)	Indicated Employment per Square Mile (1970)
Central City	3.44	18.7	5,430	200.0	58,140
Westlake	3.24	81.0	25,005	75.6	23,320
Wilshire	13.91	218.8	15,730	126.8	9,120
Hollywood	15.69 ^{1/}	181.8	11,580	87.9	5,600
Sherman Oaks-Studio City	9.14	70.6	7,725	23.3	2,550
North Hollywood	<u>10.15</u>	<u>93.0</u>	<u>9,165</u>	<u>28.1</u>	<u>2,760</u>
Total Regional Core	55.57	663.9	11,945	541.7	9,750

^{1/} Excludes the two census tracts primarily devoted to Griffith Park.

^{2/} Studio City only.

Source: Los Angeles City Planning Department, Data Support Unit, Population Estimates and Housing, 10/1/79, and SCRTD/UMTA (April 1979).

space has the highest employment of any area within the Regional Core, both in absolute numbers and employment density per square mile. Though its employment base is much smaller, Westlake is the second most dense employment center behind the central city and is well ahead of the other four areas within the Regional Core in this regard.

Total Regional Core population in 1979 was estimated at nearly 664,000 persons, for an average population density per square mile of approximately 11,945 persons. The Regional Core thus comprises over 22 percent of Los Angeles City's 1979 population of 2.957 million persons. Total 1970 employment within the Regional Core stood at about 542,000 workers, an overall average of approximately 9,800 employees per square mile of Regional Core land area.

Population and Employment Projections

Regional Core population by 1990 is projected to increase to a figure of some 693,000 residents. Over 20 percent of Los Angeles City's population is projected to be located within the Regional Core by 1990, in contrast with the fact that the Regional Core contains only about 12 percent of the city's land area. Employment growth is forecast at an average annual rate of 0.8 percent, reaching to 662,000 employees in 1990 compared with 541,700 employees in 1970 and an estimated 601,800 currently in 1980.

Income patterns within the Regional Core are portrayed in Table III-4. These estimates, developed by the Los Angeles City Community Analysis Bureau and expressed in 1977 dollars, reflect a range of from approximately \$9,500 in the Westlake area and the central business district to nearly \$15,500 of median family income in North Hollywood.

Single-family housing units within the Regional Core are largely concentrated within the Hollywood and Wilshire areas. These two locales also account for the dominant majority of multi-family housing units.

Table III-4

MEDIAN FAMILY INCOME
REGIONAL CORE COMMUNITIES^{1/}
1977

<u>Community</u>	<u>Median Family Income</u>
North Hollywood, Van Nuys	\$15,470
Hollywood	12,269 ^{2/}
Wilshire	12,467
Westlake, Central Business District, Silverlake, Echo Park	9,518
Los Angeles City, citywide figure	14,030

^{1/} In some cases, regional core communities are linked with adjacent communities outside the regional core.

^{2/} Excludes two Griffith Park area census tracts.

Source: Los Angeles Community Analysis Bureau and SCRTD/UMTA (April 1979).

Together, Wilshire and Hollywood combine to account for over 60 percent of all housing units within the Regional Core. This housing unit data is portrayed in Table III-5.

Comparison of 1979 population and housing unit figures for areas within the Regional Core has produced the average persons per household estimates depicted in Table III-6. The indicated range is between less than 2.0 persons per household in the central city to slightly over 2.2 persons per household in North Hollywood. This distribution of persons per household and the overall Regional Core average of about 2.1 persons per household strongly indicate the decided orientation toward high-density multiple-family residential structures within the Regional Core.

STARTER LINE ROUTE NETWORK

The 18.4-mile starter rail rapid transit line is currently proposed to connect a point approximately one-half mile east of Union Station in east-central downtown Los Angeles with the intersection of Lankershim and Chandler in North Hollywood, a close-in community of the San Fernando Valley. The routing from Union Station will pass the government center at First and Broadway, proceeding down Broadway to Fifth Street and curving west to the high-density commercial concentration at Seventh and Flower. From this point the line is proposed to move westward along Wilshire Boulevard, with stations at Alvarado, Vermont, Normandie, Western, Crenshaw, La Brea, and Fairfax. The line is then to move northward along Fairfax, with stations at Beverly and Santa Monica. The route will then move east to the intersection of Hollywood and Cahuenga before turning north to the Hollywood Bowl and the San Fernando Valley with stops on Ventura Boulevard at Vineland and the Lankershim/Chandler terminus.

Approximately 275,000 persons were projected in the previously cited environmental impact report and related documents to patronize this starter system, under a slightly modified route arrangement

Table III-5

HOUSING UNITS
REGIONAL CORE
1979

<u>Community Plan Area</u>	<u>Single-Family Units</u>	<u>Multiple-Family Units</u>	<u>Total Housing Units</u>	<u>Percent of Total Units</u>
Central City	487	8,976	9,463	3.0%
Westlake	4,033	32,921	36,954	11.5
Wilshire	19,946	86,775	106,721	33.3
Hollywood ^{1/}	23,372	67,276	90,648	28.3
Sherman Oaks-Studio City	17,003	17,670	34,673	10.8
North Hollywood	<u>17,709</u>	<u>24,153</u>	<u>41,862</u>	<u>13.1</u>
Totals	82,550	237,771	320,321	100.0%

1/ Omits two Griffith Park area census tracts.

Source: Los Angeles City Planning Department, Data Support Unit,
Population Estimates and Housing, 10/1/79.

Table III-6
 INDICATED PERSONS PER HOUSEHOLD
 REGIONAL CORE
 1979

<u>Area</u>	<u>Population</u>	<u>Total Housing Units</u>	<u>Indicated Persons per Household</u>
Central City	18,682	9,463	1.97
Westlake	81,016	36,954	2.19
Wilshire	218,829	106,721	2.05
Hollywood	181,725	90,648	2.00
Sherman Oaks-Studio City	70,613	34,673	2.04
North Hollywood	<u>93,011</u>	<u>41,862</u>	<u>2.22</u>
Regional Core Totals/Average	663,876	320,321	2.07

Source: Los Angeles City Planning Department; and Economics Research Associates.

calling for 16 stops with some stations located at slightly different points. Daily ingress-egress volumes for each of these stations are portrayed in Table III-7. As shown, turnstile counts at the individual stations are projected to range from 4,000 at the Hollywood Bowl station on an average weekday to 68,000 at the major Seventh and Flower commercial station and 44,000 at the First Street/Broadway civic and government center.

JOINT DEVELOPMENT AND VALUE CAPTURE: DEFINITIONS AND DESCRIPTIONS

Joint development, according to the Urban Land Institute,^{1/} is real estate development that is closely linked to transportation services and station facilities and relies to a considerable extent on the market and locational advantages provided by the transit facility. The real estate projects may include entrances to transit stations or involve a less direct form of pedestrian access such as an underground passageway, surface route, or skyway. Regardless of the physical structural relationship of the public and private components, joint development requires close cooperation and sometimes contractual agreements among the private entities developing the real estate, public transit authorities, and other public agencies.

Value capture, in the words of the Southern California Association of Governments,^{2/} refers to the value added to private property resulting from the construction of a public improvement. The concept of value capture is based on the premise that investments in rapid transit systems can generate added value in terms of land use improvements. Value capture is a process which operates through purchasing, controlling or otherwise

1/ Urban Land Institute, "Joint Development: Making the Real Estate-Transit Connection," page 1, Washington, D.C., 1979.

2/ Southern California Association of Governments, "Evaluation of a Wilshire Transit Line Value Capture Potential," research report prepared for the Department of City Planning, City of Los Angeles, June 1977.

Table III-7

STATION-SPECIFIC VOLUME ESTIMATES
RTD STARTER LINE

Station	Daily Passenger Volume ^{1/} (thousands)	Percent of Total
Union Station ^{2/}	38	6.9%
Civic Center ^{3/}	44	8.0
Spring & Fifth ^{4/}	30	5.4
Seventh & Flower	68	12.5
Seventh & Alvarado ^{5/}	51	9.4
Wilshire & Vermont	34	6.2
Wilshire & Normandie	28	5.1
Wilshire & Western ^{6/}	30	5.4
Wilshire & La Brea	18	3.3
Wilshire & Fairfax	41	7.4
Fairfax & Beverly	22	4.0
Fairfax & Santa Monica	14	2.5
Hollywood & Cahuenga	42	7.6
Hollywood Bowl	4	0.7
Universal City ^{7/}	49	8.9
North Hollywood	<u>37</u>	<u>6.7</u>
Total Volume	550	100.0%

^{1/} Expressed in terms of total ingress and egress. Since each rider accounts for one ingress and egress, totals are twice that of the actual number of passengers expected to use the system.

^{2/} This RTD station is to be located at Macy and Vignes.

^{3/} This RTD station is to be located at First and Broadway.

^{4/} This RTD station is to be located at Fifth and Broadway.

^{5/} This RTD station is to be located at Wilshire and Alvarado.

^{6/} An RTD station is to be located between the Wilshire stations at Western and La Brea, at Wilshire and Crenshaw.

^{7/} This RTD station is to be located at Ventura and Vineland.

Source: SCRTD/UMTA (April 1979).

managing the development of land in the vicinity of transportation facilities in order to derive monetary benefits which can then be used to finance a share of the transit facilities. The identified potential value capture techniques include the following (Southern California Association of Governments definitions).

Real Property Development and Retention

The transit authority in this case acquires land and develops it with transit-related facilities in the vicinity of the rapid transit station. The authority then leases or rents these facilities to the general marketplace.

Real Property Development for Sale

The transit authority acquires the land, develops transit-related improvements on the land at the station site and sells any surplus land and improvements.

Hold Real Property for Later Sale

The transit authority acquires real property for the purpose of retention until some later point in time. Under this technique the property or at least limited rights to the property is sold downstream, after beneficial income and/or appreciation has been realized.

Real Property Lessor

Under this technique, surplus land, development or other rights are leased rather than sold. The advantage in the case is an extended income stream coupled with expectations of appreciation.

Joint Venture Participation

A transit authority in this case enters into agreements with the private sector or other public agencies whereby it retains an interest in the future value and income potential of the subject properties.

Taxation Techniques

The transit authority may also be empowered to utilize techniques such as ad valorem taxation, special district taxation and/or marginal value taxation (tax increment financing) to generate revenues stemming from station-area development. Each of these taxation techniques are related to the real property tax.

CONCLUDING COMMENTS

This section has discussed the regional setting and recent economic dynamics of the areas to be most directly affected by the proposed starter rail rapid transit system in Los Angeles. The section concluded with brief discussion of the related concepts of joint development and value capture.

In the following section, the experience of the San Francisco/Oakland Bay area is examined relative to land use and development impacts stemming from implementation of the Bay Area Rapid Transit (BART) system.

Part II

JOINT DEVELOPMENT/VALUE CAPTURE EXPERIENCE
OF MAJOR NORTH AMERICAN CITIES

Section IV

BART DEVELOPMENT IMPACTS

In this section, ERA details the observed impacts of the Bay Area Rapid Transit (BART) system upon land use and real estate development patterns in areas adjoining the various station sites along the system's 71-mile route network.

The following information has been developed through ERA's primary inspection of the recent development patterns at each BART station location, and by an extensive research program prepared for the U.S. Departments of Transportation and Housing and Urban Development by a group of private consultants. The draft final report relative to land use and urban development impacts of BART,^{1/} along with several related working papers, technical memoranda, and planning documents are substantially quoted, paraphrased and otherwise utilized in this section. These related documents are listed in the Bibliography which follows this report.

OVERALL LAND USE AND URBAN DEVELOPMENT IMPACTS

The major objective of the consultants' research program relative to land use and urban development impacts of BART upon the San Francisco/Oakland Bay Area was to determine how BART influenced the spacial distribution of people and activities within the region. Employers' location decisions, work place and residence location decisions, development decisions, retail trade and services impacts, property values and rents, real estate speculation, and a variety of related factors were examined with the intent of identifying and measuring BART's effects upon the community and the region. Changes both in the immediate vicinity of BART stations and in development patterns at the regional scale were analyzed.

^{1/} John Blayney Assoc./David M. Dornbusch & Co., Inc., "Land Use and Urban Development Impacts of BART," Draft Final Report, August 1978.

To a limited extent, both office and housing construction have been influenced by the BART system. Additionally, BART is becoming a common, though not highly ranked, factor in the location decisions of both households and employers.

BART has been less influential in the sphere of retail activity. Retailers almost completely disregard BART in their location decisions. Sales data show no advantages for stores located near BART stations, although a few merchants near BART stations have reported that this location factor has enhanced their sales. BART is being used to reach downtown shopping districts and outlying retail areas, and survey data suggests that a potential shift in shopping patterns toward certain BART-served areas has occurred. BART has affected property prices and rents, but the impacts thus far have been small.

At the regional level, BART has not had a measurable impact on population and employment growth. However, development in BART-served corridors and in downtown San Francisco is somewhat greater than it would have been had BART not been built.

To date, the effects of BART have been small relative to expectations. Many projected land use impacts have not been realized. For example, high-density residential development has not occurred in BART station areas zoned for such uses. Possible reasons for this lack of development include insufficient time for the effects to occur (relating to the minimal mobility advantages produced by BART), zoning restrictions in some locations, and simply the absence of demand for this type of development in the particular areas chosen for station locations when more favorable alternative sites are available to service a market area.

DEVELOPMENT PATTERNS

Though BART has influenced the distribution of development within the BART corridors and in some station areas, these influences have not been as substantial as originally anticipated. For instance, BART has not

increased regional service area growth at the expense of other Bay Area counties. Population and employment continue to grow at a faster rate in the rest of the region and, most specifically, in Santa Clara County. Population growth inside the BART service area was less than 1 percent between 1970 and 1975, while regional population outside the service area increased by 9 percent.

Within the four BART corridors, the system has affected both employment and residential location decisions. However, effects on employment location are the more apparent. BART's effects within station areas have also been greater in terms of employment location decisions than residential location decisions. While few new housing units have been built within 1,500 feet of BART stations, a significant amount of new office space construction oriented to take advantage of proximity to BART has occurred close in to station areas.

BART-related employment in station areas has been greater in the older central cities of San Francisco and Oakland than in suburban areas such as Walnut Creek, Hayward, or Fremont. BART, along with other development incentives such as zoning and public redevelopment, influenced the location of over 3 million square feet of new office space in San Francisco and Oakland, affecting job opportunities for over 12,000 persons. The only other major office buildings located in response to BART were in Richmond (400,000-square-foot Social Security Administration Center), Berkeley (135,000-square-foot Great Western Building), and Walnut Creek (the 135,000-square-foot Walnut Creek Plaza Building).

BART's impacts on development patterns have been less than anticipated, for several reasons. First, BART does not yet offer full, seven-day service, and has suffered from poor service quality and adverse publicity. Second, patronage has been substantially lower than projected; a daily BART patronage of 220,000 trips anticipated under full service conditions would likely have somewhat greater land use impacts.

At current patronage levels, BART is used on less than 3 percent of all service area trips, and only about 5 percent of service area work trips. Finally, the low intensity commercial and residential districts adjacent to many suburban stations were not easily converted to the higher intensity clustering anticipated to form suburban subcenters.

In many cases, local public policy did not reinforce or encourage BART impacts. Some development opportunities were intentionally blocked, while others were not pursued aggressively. Fragmented local decision-making perpetuates existing urbanization patterns and is not sensitive to the potential benefits of transit-oriented development.

In recent years, a depressed multi-family housing market has not provided much support for any high-density station area housing proposals. The aggregate trend has been toward more single-family dwellings built on vacant land well removed from BART locations.

The development of large park-and-ride lots, as well as initial route and station location decisions that were not conducive to clustered development, contributed to the lack of land use changes in suburban areas. In several station areas with possible potential for redevelopment, zoning regulations were changed to restrict development at other stations around which high-density development was permitted, market demand was weak and little redevelopment occurred. Without higher density zoning bonuses near the stations, the costs of redevelopment in station areas tended to exceed the costs of building on vacant land. While some households moving into Walnut Creek expressed a willingness to pay more for a site near BART, and while developers expressed a willingness to pay an additional \$500 to \$5,000 per residential unit for land near BART stations, the differential cost of land acquisition and development has been greater than what the developers had been willing to pay, given the difficulties of land assembly and general station area environments.

In conclusion, these findings are not particularly surprising because of the relatively small impact BART has had on regional accessibility and mobility. It is perhaps unreasonable to expect BART to have a more pronounced impact upon land use until competitive transportation modes (freeways, etc.) become more congested and BART begins to offer significant savings in travel time and cost. Further, the limited opportunities for housing development in the BART service area provided a real constraint on BART's ability to affect land use and development decisions.

WORKER LOCATION DECISIONS

Typically, job location is a secondary rather than a primary factor in job choice. However, the desirability of a specific job location in the Bay Area has often become a function of BART accessibility. Among Bay Area workers surveyed, at least one in four gave some consideration to proximity to BART in choosing a job, or looked for a job with the expectation of commuting by BART.

Those most interested in proximity to BART were downtown San Francisco workers commuting from the East Bay. This group viewed BART as an important factor in job location decisions twice as frequently as San Francisco workers living in the city itself or in northern San Mateo County. The large number of jobs in downtown San Francisco close to BART, the Bay Bridge congestion problems, and high parking charges cause East Bay residents employed in San Francisco to have a high propensity to use transit, which explains BART's influence on their job location decisions.

HOUSEHOLD LOCATION DECISIONS

Surveys of Bay Area residents have tended to suggest that transportation considerations are generally not a substantial motivating factor in decisions to move. However, once the decision to move has been made, transportation options become much more significant in determining where the new residence will be located.

In this regard, some 20 percent of survey respondents mentioned BART as a major consideration in the determination of where to move, while another 20 percent stated that BART was at least a minor consideration. Among respondents viewing BART as a major factor in their residential location decisions, 62 percent also indicated that BART was important in job location decisions. Among respondents uninfluenced by BART in their residential location decisions, only 36 percent also viewed BART as important in job location decisions. Thus, BART accessibility appears to be important in some residential location decisions, but the numbers are not extremely high.

BART's importance in the residential location decision increases with commute time, whereas long-distance commuters tend to be more affected by BART in their housing decisions. As a corollary, BART has had a greater effect on moves to or within suburban locations than to innercity locations. Individuals in the middle and upper income brackets more frequently considered BART in their location decisions than did low income movers.

EMPLOYER LOCATION DECISIONS

Public transportation in general, and BART in particular, were found to be minor factors in most firms' locational choices. BART tends not to be valued highly in this regard because it represents only a marginal improvement in the regional transportation system. Moreover, patronage has not yet reached predicted levels, full service has not yet begun, and well-publicized operational problems still plague the system. Surveys were not able to locate firms which may have moved to a given area in anticipation of a BART-induced growth in households in order to gain access to the expanding labor force.

OFFICE CONSTRUCTION IMPACTS

ERA's surveys and the aforementioned research conducted for the Department of Transportation and other public agencies and extensively quoted herein, suggest that BART has not generated a significant redistribution of office space in the Bay Area. Though building permit data

indicate that BART-served suburban communities have substantially increased their share of new office construction in the three-county BART district, from 6 percent in 1963-1965 to 14 percent in 1974-1976, the increase cannot be attributed solely to BART. Rapid population growth in these areas, combined with favorable land prices and availability, appear to be the driving forces behind the suburban office expansion only minor increases in the suburban population may be attributable to BART. Thus, BART's indirect effect on office construction in these communities are judged to be minimal. No offices were found to be induced by BART to locate in the suburbs instead of central cities, notwithstanding the Social Security Administration's decision to move facilities from downtown San Francisco to Richmond, an older, less central urban area though not a suburban community.

Additionally, BART has apparently not initiated significant trends toward greater centralization in the traditional city centers. San Francisco and Oakland's share of regional office construction has declined slightly (from 80 percent to 75 percent) from the early 1960s to the mid 1970s. No recently completed downtown San Francisco office buildings could be identified as likely to have been located elsewhere had BART not been built.

Though BART has not as yet caused any pronounced shifts in the distribution of new office construction in the regional Bay Area, it has had important effects at the subregional level. Within San Francisco, BART has influenced the location of seven major projects since 1965, and has contributed to a definite redirection of new office buildings toward Market Street. Formerly an undesirable area, the Market/south of Market Street area has experienced a dramatic rise in its share of the downtown's major new office development, from virtually none before BART (1960-1962) to 88 percent since BART's operation (1974-1977).

In downtown San Francisco, over 90 percent of the 22.5 million square feet of office space built since 1965 is within 1,500 feet of the four downtown BART stations. Two events primarily attributed to BART, a

\$35 million Market Street development project and new zoning codes adopted by the City, have contributed to this redirection of growth.

Office construction in BART station areas has also increased in the cities of Oakland, Berkeley, Richmond, and Walnut Creek. The total amount of new office space in these cities has been much smaller than that which was added in San Francisco. About 2 million square feet of major new office space has been added in downtown Oakland since 1965. About 1.5 million square feet was built within 1,500 feet of the two downtown Oakland stations, and BART was one factor which influenced the location of 80 percent of this new space. Another major influence was the City Center Redevelopment Project, which is located at the site of BART's Twelfth Street station. BART enabled the project to be expanded because funds spent for the BART station were used as part of the local credits to obtain matching federal funds. Therefore, BART's influence on the location of office space in downtown Oakland has been both direct (the result of its service and facilities) and indirect (the result of the City Center Project which is, in turn, partially attributable to BART).

In Richmond, Berkeley, and Walnut Creek, station area office construction has risen substantially relative to office construction elsewhere in the community during the BART development period. However, total office construction in these centers (especially in Richmond and Berkeley) has been small and one or two buildings dominate the city totals. In other communities, generally no significant increase in the station area's share of city construction has occurred.

HOUSING CONSTRUCTION IMPACTS

Though BART has impacted the housing construction industry within its service area, thus far the impacts have been different from those which were originally anticipated. No nodes of high-density development have materialized at station areas.

Several explanations have been offered for the absence of new high-density residential development at BART stations. In Rockridge, for example, residents reacted to forecasts of BART-induced growth by supporting new zoning regulations that entirely barred higher density land use changes. New zoning to limit the intensity of new station area development was also passed in eight other station areas, precluding appreciable construction in those communities.

Several communities have zoned land adjoining BART stations for high-density development. Reasons for the lack of development in these areas include a lack of demand for high-density residential product in the suburbs, continued automobile reliance, and preference for single-family dwellings among suburban residents, and possibly that the approximately six years of BART operation are not sufficient to generate the full range of anticipated impacts.

Residential developers have indicated that BART has heightened the demand for housing in two areas at or beyond the terminus of BART lines, previously perceived as beyond commuting distance to San Francisco and Oakland. It is likely that development there would have occurred eventually even without BART, given the scarcity of developable land near the major cities, the continued demand for single-family dwellings, and the completion of several major highway improvements. BART, however, may have stimulated early growth in these peripheral areas by enhancing their accessibility to central employment locations.

RETAIL PATTERNS AND TRENDS

Retailers have generally tended to disregard BART in location decisions. Other forms of transportation, such as the automobile in suburban areas, and buses and streetcars in central downtown areas, have been more important than BART in influencing retail locations. BART station sites in downtown areas in Oakland and San Francisco are well served by buses and streetcars, making it difficult to distinguish a BART impact from the

effects of other transportation services. However, it is possible that the future long-term provision of BART services on Saturdays may eventually increase its importance to shoppers and to retailers in this regard.

RESIDENTIAL PROPERTY PRICES AND RENTS

Anticipated benefits from a location close to a BART station had a significant, though marginal, positive impact on single-family home prices within 500 to 1,000 feet of a station, according to a multiple regression analysis of price changes in six BART station areas. Since service began, this effect has disappeared and even turned negative where BART-related automobile traffic and parking have become a nuisance. The expected negative impact of being near BART tracks, either elevated or at-grade, was not found in the analysis.

Residential rents in the locations studied apparently were unaffected by BART once service began. On an aggregate level, BART may have raised areawide property values and rents in certain locations, notably Walnut Creek and the Glen Park district in San Francisco. If so, BART has had a marginal distributional effect in the Bay Area by allocating some of the demand for higher-priced housing to these areas.

COMMERCIAL PROPERTY PRICES AND RENTS

Proximity to a BART station has affected office rents in San Francisco, Oakland, and Walnut Creek. However, in Oakland it was only the upper range of rentals (the prestigious offices) which were affected. The magnitude of the impact was largest in suburban Walnut Creek and smallest in San Francisco, where it was marginal and virtually disappeared beyond 200 feet of a station. In each area, the impact was noticeable only after BART transbay service began.

OVERALL PROPERTY VALUE IMPACTS

Property price gains attributable to BART have been small thus far. The findings of the aforementioned research program do not support the theory that a rapid transit system is likely to cause large increases in the price of properties near its facilities, which could then be taxed to help pay for the system. BART's effects in this regard have been too small to be a useful source of financing for the system. However, it should be recognized that BART has no entrepreneurial authority which would permit it to exploit the potential it creates.

REGIONAL EFFECTS

BART's land use impacts have taken place primarily at the local rather than the regional level. BART has increased neither population nor employment in its three-county service area at the expense of other Bay Area counties. On the other hand, employment within the primary BART service areas has increased more rapidly than in other parts of the greater service area, and some employers have been attracted to station areas at least partly by BART. Regression analyses, however, did not show BART to be positively associated with employment increases.

Overall, areas with the greatest accessibility improvements and which are closest to BART stations have not experienced the greatest increases in population. This, however, was to be expected because BART was built to serve existing urban areas. Consequently, little new housing has been built within 1,500 feet of the BART stations, even when there was vacant land available for this purpose. However, regression analysis has shown a positive relationship between BART proximity (weighted by patronage) and the change in occupied dwelling units.

A few residential developers were influenced by BART in selecting a site within a predetermined market area. However, land developed as a result of BART was more or less in the path of development in any case. BART has not fostered urban sprawl, nor has it induced high-density housing development in station areas.

Several reasons explain why most new development in BART station areas has consisted of commercial or institutional uses rather than housing. Zoning incentives encouraged commercial development in four cities, and in eight station areas downzoning precluded intensive residential development. Commercial uses affected by BART must be within walking distance of the station, while housing can benefit at a greater distance, especially where commuter park-and-ride lots are provided. Further, adequate demand may not exist for high-density residential projects in the suburban station appropriately zoned. This, however, may change because of parking problems at suburban stations and the high cost of new housing.

POLICY IMPLICATIONS

The experience of the BART system's impacts on land use and development is instructive in projecting potential development impacts at the various station sites selected for the Los Angeles starter system. For example, the BART experience has suggested that a rapid transit system will not particularly affect the rate of urban development within the service area. In the absence of strong economic demand in a specific area, a rapid transit station will not necessarily cause new development. A station may serve to shift the demands for office space or housing within a community and even a metropolitan area, if those demands exist and incentives are offered for station area development.

A further lesson from BART is that a rapid transit system will not necessarily change development patterns without accompanying and consistent policies from all levels of government. In order to have the effects anticipated, it would be necessary to institute supportive zoning and land use incentives and controls, much more so than has been the case in most communities served by BART. Density bonuses near stations, such as higher floor area ratios or minimum density residential zoning districts adjoining station areas, offer examples of possible steps to encourage densities supportive of substantial pedestrian usage of stations.

Development tends to be less attracted to sites near transit stations which primarily rely upon park-and-ride patronage than it is to downtown station areas. Without coordinated and careful joint use planning, the size of the parking lots and traffic impacts create undesirable residential environments around park-and-ride stations. Successful joint use residential projects in station areas must consider noise and traffic impacts of the station, and be appropriately designed with these problems in mind.

Stations primarily devoted to park-and-ride patronage possibly should be located in undeveloped areas where large amounts of land could be assembled at costs lower than that associated with acquisition and relocation of existing uses in built-up suburban neighborhoods. This would also minimize adverse effects of any overflow parking and increased traffic on nearby neighborhoods.

Pedestrian stations located in urban central business districts will serve to reinforce these areas more effectively than park-and-ride stations will reinforce suburban areas. The highly visible public commitment to the central cities is important for encouraging private capital investment in these areas. The majority of new suburban development occurs on vacant land away from station areas, and suburban station area redevelopment awaits demand for intensification.

Because BART (and, by implication, the Los Angeles system as well) is recognized as an amenity by office workers and sales workers, it provides support for continued centralization of office space and the retail core. BART has had some effect on employment opportunities to the extent that some workers sought employment in specific areas only because of BART access.

CONCLUSION

At this point in its operating life (approximately six years), BART appears to have had more of an impact upon personal behavior trends such as shopping patterns and worker location decisions than upon structure

location decisions (office location, employer location decisions, housing). This tends to suggest that the most significant land use and urban development impacts, if they are to occur, are still years away.

Because BART's impact on regional accessibility and mobility has been relatively small, its impact upon land use and urban development has also been small. However, San Francisco's commercial center continues to grow, and the city's urban design plan will allow the downtown to triple its present commercial floor area. Residential development potential in San Francisco is extremely limited under present and proposed zoning. Many, if not most, of the future San Francisco workers will likely reside in the BART service area.

Marginal improvements may be made in freeways and the efficiency of their use, but improvements can only slow the inevitable increase in highway congestion. Therefore, BART's relative attractiveness as a transportation mode will increase as its own efficiency improves. This in turn will tend to lead to gradual, continued land use and development impacts.

Implementation of the BART system in the San Francisco/Oakland Bay Area has led to very little of what could truly be called development activity, and to installation of virtually no value capture mechanisms. Findings of ERA's on-site surveys of joint development/value capture activities in connection with the rapid transit systems in Toronto and Washington, D.C., are presented in the next section.

Section V

JOINT DEVELOPMENT/VALUE CAPTURE EXPERIENCE IN TORONTO AND WASHINGTON, D.C.

In the previous section, ERA presented the principal findings of its survey of land development impacts resultant from the BART regional rapid transit system in the San Francisco/Oakland Bay Area, as well as the findings of an extensive research program commissioned by federal agencies. In this section, ERA provides initial reports of its on-site inspection of joint development/value capture activities in the cities of Toronto and Washington, D.C.

TORONTO, ONTARIO

The Toronto rail mass rapid transit system (Metro) is a 31-mile conventional heavy rail network which first opened in 1954. The majority of track mileage is underground. No further expansion of this system to outlying areas is anticipated, though one or more light rapid transit (LRT) lines will extend farther outward into suburban areas from the terminus of present system lines. Average station spacing along Toronto's Metro system is slightly in excess of $\frac{1}{2}$ mile.

Public Policies Toward Joint Development

The land use policies of metropolitan Toronto public agencies have had a significant impact in terms of encouraging new development in the vicinity of transit stations. In general, the public sector has created a favorable climate for intensification of station-area development.

The downtown area, where Metro stations are most common, has for almost 30 years been formally designated for intensive high-rise, multiple-use development. Outside the downtown area, a comprehensive policy has been instituted, permitting high-intensity development within a general

750-foot radius of stations located in other than stable low-density residential neighborhoods whose residents desire to maintain the status quo. This policy structure has aided in bringing about a development pattern of high-rise residential and commercial structures surrounding many transit stations outside the downtown area, while in the remainder of metropolitan Toronto such structures are clearly the exception rather than the rule. As Toronto's Transit Authority was restricted from acquiring land in excess of actual requirements for transit system construction, joint development activity has typically involved the leasing of air rights by the Transit Authority to the private developer.

Downtown Station-Area Development Patterns

Because the downtown area was already established as Toronto's major commercial core before construction of the Metro system, it is difficult to precisely quantify the extent to which subsequent land development in the downtown core is traceable to the Metro system.

Besides being a government and financial center, downtown Toronto has traditionally been the focus of city retail activities. Several of the major department stores have been in downtown Toronto for as much as 100 years. In general, while several major suburban shopping centers have been developed in keeping with retailing patterns throughout North America, the major Toronto retailers, while participating in these suburban ventures, have also strengthened and reemphasized their downtown retail outlets.

The major downtown retail facility is Eaton Centre, an urban mall which opened in 1977 and which will ultimately include 250 satellite tenants and an Eaton's Department Store anchor of up to 1 million square feet. Eaton Centre has direct access to two subway stations, with access to a third proposed with facility expansion.

Outlying Development Patterns

Nodes of intensive real estate development have occurred at a number of station areas in outlying locations. At Eglinton Station, the Toronto Transit Commission (TTC) built a major terminal and bus station. Two high-rise office towers were developed at the Eglinton Avenue/Yonge Street intersection station area, both having direct subterranean access to the Metro. The Canada Square high-rise development was developed in air space over the Metro station. Other adjacent development includes two office buildings, two apartment complexes, and ancillary retail outlets.

At the Davisville station, air rights over the TTC maintenance and storage facility have been leased by a private developer for several years. The developer proposes a mixed-use development, reportedly encompassing some 1,400 apartments, upwards of 500,000 square feet of commercial space, and related uses in several high-rise towers. Opposition by neighborhood residents has thus far impeded the development process. However, another high-rise apartment complex known as Radcliffe Towers has been developed at this station.

At the junction of the Bloor and Yonge Street Metro lines, a number of recent office and retail projects have occurred at the intersection and within a two-block radius. Developer reports have indicated that Metro access was an important locational factor.

At the High Park station on the Bloor-Danforth line, the city modified allowable floor area ratios upward to encourage high-density development. As a result of this policy, a number of 14- to 16-story apartment buildings were developed with direct transit access. Additional high-rise apartment/commercial development has occurred at Islington on the Bloor-Danforth line. Development activity at this station began prior to the opening of the Metro line, but was apparently stimulated to a large extent by the prospect of ready access to rapid transit service.

Summary

High-intensity real estate development has occurred at a number of Metro station areas in metropolitan Toronto. In clear contrast to the experience of BART in the San Francisco/Oakland Bay Area, where joint development activities have been a comparatively rare occurrence, public/private sector cooperation has worked generally well in Toronto to promote a wide spectrum of joint development activities.

While further strengthening the downtown central business core, the Metro system in Toronto and the land use policies of the public sector have promoted a number of high-density projects in outlying station areas. Besides generating favorable air-rights agreements resulting in substantial cash flows to the transit operators, this cooperation has resulted in efficient land use in station areas and availability of mass rapid transit facilities to a large number of persons.

It should be noted that institution of a mass rapid transit system in Toronto was not by itself responsible for the rapid pace of recent development, especially in the downtown core where Metro stations are most condensed. Much of this development would have occurred without the rapid transit system. However, rapid transit lines in Toronto, as elsewhere, have had a clear distributional effect on locational choices by developers.

In Toronto, the close degree of public/private sector cooperation and the availability of sufficient assembled parcels in station areas have been two major keys to the degree of joint development success realized in the city. An additional contrast in Toronto has been success in the use of air-rights leases to provide space for development and cash flow generation, on the one hand, and, on the other hand, the strength of opposing neighborhood groups and other special-interest factions in retarding the pace of development in residential areas.

As for specific value capture techniques, there are no explicit mechanisms in place other than the leasehold and space rental agreements mentioned earlier. As each municipality in metropolitan Toronto subsidizes Toronto Transit Commission operations, there is in theory some indirect value capture as a result of station site development in these communities.

WASHINGTON, D.C.

Some 30 miles of an eventual 100-mile rail mass rapid transit system are currently operating in Washington, D.C. Three lines are in operation, each of which is scheduled for further extension in future years.

Land Use Impacts

Due in large part to the newness of the system, the Metro system in Washington, D.C., has not as yet had a significant regional impact on land use patterns. However, several successful joint development projects have been carried out thus far. Notable among these are the following:

Farragut North Station

A privately developed commercial building has been constructed at Connecticut Avenue and "L" Street. The site is owned by the Washington Metropolitan Area Transit Authority (WMATA) and was leased to a private developer under a long-term agreement. An important feature of this commercial complex is its direct access to the Farragut North station. In terms of value capture mechanisms, the developer is to share profits from this development extending beyond his expected return on investment with the WMATA.

A larger-scale development at 18th and "K" Streets, known as International Square, also has direct access to the station. Though adjacent to a transit station, it is commonly believed that this development would have occurred without transit station construction at that site because of its generally favorable location.

Private Metro-Related Investment

Table V-1 indicates the investment magnitude of projects completed or under way since 1976 in Metro station areas. Additionally, the table indicates potential development projects in which some investment has been committed but final development decisions are pending. Longer term potential projects are also cited in general terms.

Summary

Because of the comparative newness of Washington, D.C.'s Metro system, the scale of joint development activities and regional land use impacts has been clearly below that of Toronto. However, several notable examples of public/private sector cooperation have already occurred with favorable results.

Washington, D.C., Metro planners apparently did not fully take joint development potentials into account when planning the subway system. Even so, the climate appears favorable for additional joint development opportunities along the regional rail mass transit system as it is constructed over the coming decade.

Table V-1
 METRO-RELATED PRIVATE INVESTMENT
 WASHINGTON, D.C.
 (Millions)

	<u>Washington, D.C.</u>	<u>Maryland</u>	<u>Virginia</u>	<u>Total Metro Service Area</u>
Projects Completed or in Progress Since 1976	\$359.8	\$202.5	\$ 409.7	\$ 972.0
Initial Investment Commitments, Final Decision Pending	879.4	468.1	683.3	2,030.8
Potential Development Activity ^{1/}	370.6	841.8	1,661.3	2,873.7

^{1/} Projections by public and/or private sector planners.

Source: Federal City Council, Washington, D.C.

Section VI

JOINT DEVELOPMENT/VALUE CAPTURE ACTIVITIES IN OTHER MAJOR CITIES

This section presents capsule summaries of initiatives taken (or not taken) by rapid transit authorities in a number of additional major cities throughout the United States and Canada relative to joint development and value capture. These summaries were developed through interviews conducted by ERA with key transit officials in each city.

MONTREAL, QUEBEC

Joint Development

The METRO subway system was originally built and paid for by Montreal Public Works. Upon completion, the system was turned over to the Montreal Urban Transit Commission (MUTC) for operation.

It was soon discovered, however, that municipalities outside of Montreal were benefitting but not helping to support subway operations. For this reason a regional government, the Montreal Urban Committee, was formed. The Metropolitan Transportation Bureau oversees bus and subway planning throughout the 29 municipalities served by the system.

Each municipality owns the land and air rights over subway stations, and retains exclusive development rights. There has been extensive private sector participation, as each station is designed to accommodate high-rise construction aboveground. Additionally, numerous stations have mezzanine-level access to retail and/or office facilities, with subway access paid for by the facilities served.

Value Capture Techniques

Initially, only 17 of the 29 municipalities were served by transit services although all were equally taxed via property taxes. This situation created obvious political problems. To correct this situation,

the regional government now subsidizes 100 percent of system operating costs. There are no explicit value capture mechanisms in place.

PHILADELPHIA

Joint Development

In 1963, the South Eastern Pennsylvania Transit Authority (SEPTA) created a state agency, the Philadelphia Transit Commission, to oversee planning and financial aspects of transit services. The ensuing subway system was developed on property purchased by the state agency. This property was then leased to the city of Philadelphia. The city then leased back all of these assets, plus all city-owned transit properties, to SEPTA.

SEPTA is responsible for subway operations, but does not participate in joint development agreements regarding retail space or air rights which the city oversees. The extent of Transit Authority private development is limited to transit shelter construction.

Value Capture Techniques

There are no value capture mechanisms in place and none planned. Due to the subway system's age, most work is "fix-up" in nature. The city of Philadelphia handles all commercial/retail developments, including air rights, of facilities such as Market Street East.

ATLANTA

Joint Development Agreements

Several joint agreements are anticipated by the Transit Authority, but only one such agreement currently exists. The State of Georgia was involved in a property exchange with the Transit Authority. The air rights above the Georgia State Station were given over to the State to erect two office buildings in exchange for a single compensation. The additional structural supports needed for the office buildings were also negotiated into the agreement.

The Transit Authority is now contemplating leasing out air rights over other stations to private developers. In addition, the Authority bought extra land around the subway stations, anticipating the option of either leasing or selling the land at a later date.

Value Capture Techniques

The Transit Authority currently has no value capture techniques in place.

CLEVELAND

Joint Development Agreements

The Transit Authority has no joint development agreements. The option to lease or sell air rights above the stations is now pending. A major obstacle has reportedly developed, owing to the city council's allegedly somewhat uncooperative position with respect to approving necessary zoning changes for this purpose.

Value Capture Techniques

No value capture techniques are in place in Cleveland at this time.

BOSTON

Joint Development

Several joint development agreements exist in the Metropolitan Boston Transit Authority (MBTA) District. Approximately six air rights agreements are in place, generally under 99-year leasehold arrangements with the Transit Authority.

The Transit Authority is also included in joint development ventures with the Boston Redevelopment Agency and the Cambridge Redevelopment Agency. The Authority is jointly developing the South Station Transportation Center with the Boston Redevelopment Agency, along with the Federal

Railroad Administration and the Stone and Webster Corporation. This five-year project requires the Federal Railroad Administration to upgrade the Amtrak lines and junction at South Station while the Stone and Webster Corporation is involved by exchanging some of their land rights to the site for parking facilities and new access to their building.

The Transit Authority has bought the old South Station building from the Redevelopment Agency, and will rehabilitate the structure to service the commuter rail and bus system in addition to developing shops and office space in the building. The Authority plans to receive revenues from the leasing of space to private concessionaires and businesses. The Boston Redevelopment Agency will participate in the project by constructing additional parking facilities and possibly a hotel.

The Transit Authority is also in the initial negotiating stage with the Cambridge Redevelopment Agency in a joint development agreement. The Kendall Station is in need of expansion, and the two entities will cooperate in the redevelopment of the station and the land above it.

Value Capture Techniques

There are no value capture techniques in place, nor are any planned in the future.

CHICAGO

Joint Development

The Chicago Rapid Transit District strongly supports joint development projects, and believes the public prefers this type of arrangement. The leasing of air rights by the Transit District to public and private entities is quite common.

The Transit District, in agreement with the University of Illinois Hospital Center, built a station on property adjacent to the Center that had been exchanged by the University of Illinois. The Transit District and Center are now jointly working on providing additional parking,

lighting, and a pathway between the station and Center. The Hospital is also leasing space in the Transit District's power station for their back-up electricity supply.

Another development the District is currently negotiating is an agreement with the University of Loyola and a group of doctors. The joint venture would build a bus terminal, parking facility, and medical office complex. The University would exchange the land to the District for the construction of parking spaces above the bus terminal which the District would build. The doctors would then construct medical offices above the parking spaces by leasing the air rights from the Transit District.

It is estimated that the Transit District currently receives some \$750,000 annually from concession leases. The majority of the District's right-of-way space is leased out.

Value Capture Techniques

There are no value capture techniques presently existing. However, the District is considering the idea with further discussion pending.

NEW YORK

Joint Development

The entire subway system in New York City was built by private developers. In 1941 the system was turned over to the New York Transit Authority to operate and maintain.

The only joint agreements currently existing are the contracted rents collected from the subway concessionaires. These concessionaires are generally located on the mezzanine floor of each station.

Value Capture Techniques

There are no value capture techniques in place. None are planned in the future.

Transit Operation Revenue Survey

During May 1980, ERA surveyed nine North American transit properties in order to determine the levels of revenues which are collected from joint development and value capture mechanisms which are now in place. The survey results are shown on Table VI-1 which follows. Two issues are immediately obvious:

- o Rental and concession income from retail activities in and at stations is substantial for virtually all properties, followed by advertising revenues. Income from land revenues air rights accounts for only 10 percent of revenues.
- o The revenues collected are not pledged to specific uses; virtually all of the \$20.6 million collected annually goes into the general fund mechanism, and is not reserved for an explicit expenditure purpose.

The third important finding from the survey was the very modest scale revenue collection by all of the combined nine properties. In effect, there is not much substantive precedent for Los Angeles, other than that the Los Angeles system must do a far better job.

CONCLUSION

Joint development activities have varied widely between the major mass rapid transit-using communities of North America. Most of the cities surveyed, with relatively few exceptions, have not actively pursued joint development opportunities. Specific value capture mechanisms, other than the receipt of rents from leased properties and proceeds from land sales, have essentially remained unemployed in these cities.

Table VI-1

TRANSIT OPERATION REVENUE SURVEY
 May 1980
 (Thousands of Dollars)
Annual Revenues

	<u>Land</u>	<u>Air Rights</u>	<u>Retail^{2/}</u>	<u>Advertising</u>	<u>Other</u>	<u>Total</u>	<u>Uses</u>
New York City	--	--	\$2,332.4	\$ 8,777.3	\$705.2	\$11,814.9	General fund
Philadelphia	--	--	1,010.0	610.0	--	1,620.0	General fund
Toronto	--	--	2,000.0	--	--	2,000.0	General fund
Atlanta	--	Pending	Pending	500.0	--	500.0	General fund
Boston	--	\$ 175.0	1,515.0	85.0	--	1,775.0	General fund
Washington, D.C.	\$125.5	380.5	85.5	115.0	--	706.5	
Montreal	125.0	45.0	735.5	100.0	--	1,005.5	General fund
San Francisco	85.0 ^{1/}	--	100.0	90.5	35.0 ^{3/}	310.5	General fund
Chicago	--	750.0	150.0	--	--	900.0	\$200,000 goes for property maintenance; balance to operating fund
Total	\$335.5 2%	\$1,350.5 7%	\$7,928.4 38%	\$10,277.8 50%	\$740.2 3%	\$20,632.4	

^{1/} Diminishing annual revenue as surplus land is sold off.

^{2/} Rentals, concessions.

^{3/} BART security police issued citations revenue.

Source: ERA telephone survey of each transit property.

Part III

JOINT DEVELOPMENT POTENTIAL IN LOS ANGELES

Section VII

REGIONAL CORE DEVELOPMENT POTENTIALS

In this section, ERA analyzes trends at the Regional Core level relative to development of office and retail space, and new residential units. Forecasts of aggregate 1980-1990 Regional Core demand by product category are developed, based upon population, employment, income, and related regional dynamics.

This section begins with an overview of the Los Angeles regional office market. Because of the Regional Core's well-established position as a regional and national office market, office buildings can be expected to comprise a significant portion of new development in RTD station areas. Analysis of retail and residential development potential then follows.

REGIONAL OFFICE TRENDS

A total of approximately 80 million square feet of high-rise office space is currently in use throughout Los Angeles and Orange Counties. As indicated in Table VII-1, roughly 38 million square feet was developed during the 1960s with an additional 33 million square feet brought on line during the 1970s.

Regional Core Trends

Although the various districts of the Los Angeles Regional Core, site of the proposed RTD rapid transit starter line, have declined in terms of their relative share of the area-wide high-rise office market, Table VII-1 shows that each area--downtown Los Angeles, Hollywood-Sunset Strip, Mid-Wilshire and Miracle Mile are the primary nodes of high-rise office development within the Regional Core--is expanding in terms of absolute square footage. Downtown Los Angeles, with an

Table VII-1

NEW HIGH-RISE SPACE BY MARKET AREAS

	Square Footage as of January 1 ^{1/}			Percent Distribution of Space			Average Annual Increase in Space 1970 to 1980		Percent Growth 1970-1980
	1960	1970	1980	1960	1970	1980	Square Feet	Percent of Region	
	Airport-Marina Area	0	1,938,000	4,554,000	0%	4%	6%	261,600	
Beverly Hills-Century City Area	262,000	5,388,000	11,567,000	3	12	14	617,900	19	115
Downtown Los Angeles Area ^{2/}	5,253,000	18,260,000	26,957,000	60	39	34	869,700	26	48
Hollywood-Sunset Strip Area ^{2/}	197,000	2,034,000	2,550,000	2	4	3	51,600	2	25
Long Beach-South Bay Area	0	1,224,000	2,662,000	0	3	3	143,800	4	117
Mid-Wilshire Area ^{2/}	2,003,000	6,696,000	8,764,000	23	14	11	206,800	6	31
Miracle Mile Area ^{2/}	965,000	2,309,000	3,053,000	11	5	4	74,400	2	32
San Fernando Valley Area	77,000	1,570,000	4,807,000	1	3	6	323,700	10	206
San Gabriel Valley Area	0	1,717,000	2,823,000	0	4	4	110,600	3	64
Westwood-West Area	0	2,960,000	5,231,000	0	6	7	227,100	7	77
Orange County Area	44,000	2,552,000	6,636,000	$\frac{1}{2}$	6	8	408,400	13	160
Total Los Angeles-Orange County Region	8,801,000	46,648,000	79,604,000	100%	100%	100%	3,295,600	100%	71%

^{1/} By year construction started.

^{2/} Includes Regional Core areas.

Source: Western Economic Research, Inc., and Economics Research Associates.

increase of nearly nine million square feet since 1970, has been the single most active center of new high-rise office development in recent years. About two million additional square feet were developed during the 1970s in the Mid-Wilshire area. Miracle Mile and Hollywood-Sunset Strip have seen comparatively less new office development since 1970. Regional Core office development trends are presented in the following text table:

<u>Area</u>	<u>New High-Rise Square Footage (millions)</u>	
	<u>1960-1970</u>	<u>1970-1980</u>
Downtown Los Angeles	13.0	8.7
Hollywood-Sunset Strip	1.8	0.5
Mid-Wilshire	4.7	2.1
Miracle Mile	<u>1.3</u>	<u>0.7</u>
Total	20.8	12.0

Downtown Los Angeles remains the region's primary office center, with 34 percent of total high-rise office space and 26 percent of new development during the 1970s. Conversely, Hollywood, Mid-Wilshire and Miracle Mile, the proposed locations for the majority of RTD station sites, are decreasing in relative (though not absolute) importance as office centers.

Historic Office Development Patterns

Table VII-2 presents the annual rate of post-1950 high-rise office development throughout the Los Angeles/Orange County region. This data includes only commercial buildings, excluding governmental, institutional and special purpose buildings. The data clearly illustrate the cyclical nature of office development.

Prior to 1955, high-rise (eight or more stories) office development was very limited, partly reflecting Los Angeles' sprawling, low-density development pattern and partly earthquake and building code

Table VII-2

COMMERCIAL HIGH-RISE OFFICE CONSTRUCTION IN THE
LOS ANGELES-ORANGE COUNTY REGION
1950-1979

<u>Year Started</u>	<u>Number of Buildings</u>	<u>Square Footage</u>	<u>Permit Valuation</u>
1950	3	507,000	\$ 5,000,000
1951	2	250,000	4,800,000
1952	1	170,000	4,100,000
1953		0	0
1954	1	201,000	2,800,000
1955	5	662,000	10,900,000
1956	1	180,000	3,200,000
1957	2	550,000	10,000,000
1958	6	667,000	17,900,000
1959	6	1,006,000	28,100,000
1960	4	812,000	21,100,000
1961	11	2,096,000	54,100,000
1962	11	2,048,000	48,500,000
1963	10	2,116,000	51,400,000
1964	8	1,403,000	38,300,000
1965	15	3,471,000	85,900,900
1966	8	2,282,000	64,700,000
1967	7	1,686,000	45,200,000
1968	14	3,518,000	89,300,000
1969	25	8,499,000	235,600,000
1970	24	5,110,000	138,100,000
1971	25	9,408,000	387,700,000
1972	7	972,000	33,000,000
1973	9	1,576,000	51,900,000
1974	5	1,017,000	41,600,000
1975	1	100,000	2,400,000
1976	1	214,000	6,000,000
1977	2	329,000	10,600,000
1978	6	1,382,000	66,100,000
1979	<u>19</u>	<u>6,025,000</u>	<u>294,300,000</u>
Total 30 Years	239	58,257,000	\$1,852,600,000

Source: Western Economic Research, Inc., and Economics Research Associates.

limitations. During the growth years of the 1960s, high-rise development averaged slightly over two million square feet annually, mostly in downtown Los Angeles.

The 1968-1979 period saw a great surge in high-rise building activity, with an average of some seven million square feet annually constructed, and a substantial oversupply of office space was created. As a result, new development declined substantially after 1972. After the recession of 1974-1975, high-rise development activity essentially stopped altogether, averaging only 200,000 square feet annually during the 1975-1977 period. During this time, however, leasing activity continued at close to the historical rate of some three million square feet annually, and by mid-1977 a shortage of space was beginning to emerge.

Because of long planning lead times, fear of recession, and other factors, the real estate industry has been slow to respond to the situation. Not until 1979 was there a surge in new building construction, when over six million square feet were started. Low-rise construction is currently running at about 25 to 30 percent of the high-rise volume in terms of space constructed.

During the past three years (1977-1980) this shortage of space has generated an unprecedented and dramatic increase in office lease rates in Los Angeles. This recent rate of increase, far in excess of the overall inflation rate, is even more dramatic when one considers that Proposition 13 had the direct effect of reducing operating costs for new construction by over \$1.25 per square foot annually.

Rent Levels by Area

Prevailing rents for prime quality office space (generally in high-quality buildings in downtown Los Angeles, Beverly Hills, Westwood and Century City) are illustrated in Table VII-3. From 1968 through 1973, such lease rates increased from approximately \$6.50 per square foot to \$8.00 per square foot, and through mid-1975 rates were about \$9.00 per square foot. In roughly four years since late 1975, lease rates for

Table VII-3
 HISTORICAL OFFICE LEASE RATES
 PRIME LOS ANGELES LOCATIONS

	<u>Annual Rent per Square Foot^{1/}</u>	<u>Increase from Prior Year</u>
1968	\$ 6.50	--
1969	6.75	4%
1970	7.10	5
1971	7.50	5
1972	7.75	3
1973	8.10	4
1974	8.40	4
1975	9.00	7
1976	9.70	8
1977	10.70	10
1978	12.40	16
1979	15.00	21
1980	19.00	27

^{1/} As of January 1.

Source: Economics Research Associates.

top-quality buildings have increased from around \$9.00 per square foot to roughly \$19.00 at the present time. This represents a compound annual increase of 20 percent per year over this four-year period, compared to an overall inflation rate of less than 10 percent during this period and construction cost inflation of less than 12 percent annually.

Table VII-3 pertains to rates at better quality buildings in the prime locations, but rates at secondary locations have followed a generally similar pattern. Table VII-4 presents the average new space rental rates for major office areas of Los Angeles County as of December 1979. It pertains primarily to new space, but also includes vacant space leased in existing buildings. As shown, rents in downtown Los Angeles average \$1.39 per square foot, \$.09 above the regional average but about \$.19 below the overall Table VII-3 average for prime space. Mid-Wilshire is roughly \$.10 below downtown. Hollywood rates are about \$.40 below those of downtown.

REGIONAL CORE OFFICE DEMAND PROJECTIONS

The demand for commercial office space in a given market is a function of the size and characteristics of the market area's economic base. As the area's urbanization intensifies and its economy becomes more sophisticated, the need for office space increases at an accelerating rate in response to: (1) the increasing portion of business services provided locally; (2) the greater proportion of local employees engaged in occupations requiring office facilities; and (3) a heightened ability to serve regional and national markets.

Sources of Demand

Office space demand is generally traceable to two primary sources, local users and regional/national firms. Local users consist of such tenants as neighborhood business firms, bank branches, insurance offices, and local attorneys, accountants and physicians. For mature neighborhoods

Table VII-4

AVERAGE RENTAL RATE
BY MARKET AREA
December 1979

MONTHLY RENT PER SQUARE FOOT

	<u>Rate^{1/}</u>	<u>Square Feet Leased June-December 1979</u>
Downtown Los Angeles	\$1.39	332,000
Mid-Wilshire	1.29	119,000
Hollywood	0.97	21,000
Beverly Hills	1.58	57,000
Century City	1.64	49,000
West Los Angeles	1.62	308,000
Santa Monica	1.41	208,000
Fox Hills	1.18	163,000
West San Fernando Valley	1.15	277,000
East San Fernando Valley	1.29	415,000
Glendale and Pasadena	1.20	124,000
Airport/South Bay	1.09	280,000
All Other	<u>1.35</u>	<u>N.A.</u>
Average/Total	\$1.30	2,355,000

1/ Average rate for new space leased in new or existing buildings.

Source: J.J. Studley, Inc., Los Angeles Times, and Economics Research Associates.

of relatively average socioeconomic profile, demand is generated for approximately two square feet of such office space per capita.

Regional/national firms are those which serve city, state or national markets. These firms are generally not confined to a specific neighborhood, and can locate in any appropriate area within the city. The demand from these users typically ranges from five to ten square feet per capita, depending upon the size and nature of the community.

Regional Core Population Patterns

As detailed previously in Section III, population within the Regional Core was estimated at 664,000 persons in 1979. By 1990, this figure is projected to increase to some 693,000 residents, a gradual increase at an average annual rate of 0.4 percent. As the single-family component of the Regional Core housing inventory is essentially built out, growth in housing units to service this indicated 1979-1990 population increase will largely be in multiple-family units. Many of these units will tend to be vertically clustered along major transportation arteries.

Employment Patterns and Trends

Employment growth--especially growth within certain key office-using employment categories--is a fundamental indicator of future new office space requirements within a given market area. In the case of the Regional Core, a very large percentage of employment gain is not incrementally related to resident population growth at all, but is rather a function of the area's large-scale regional/national office development, chiefly in the CBD and the Wilshire corridor.

In Section III, ERA projected Regional Core employment at some 662,000 employees in 1990. This represents an average annual growth rate of 1.0 percent over the estimated current 1980 employment level of 601,800 persons. ERA further estimates that 75 percent of this employment growth, or 45,100 employees, will be in categories which require

new office space. At an average ratio of 200 square feet of office space per employee, some 9 million square feet of new office space will be required in the Regional Core by 1990 to accommodate this employment growth.

Replacement Demand

Should the estimated current 41-million-square-foot Regional Core inventory of high-rise office space (see Table VII-1) be replaced (due to obsolescence, suboptimal location, etc.) at an average yearly rate of 1 percent, some 4.1 million additional square feet of new space will be required by 1990 (410,000 square feet per year).

Combined Demand

This combined employment and replacement demand will thus create total market support for 13.1 million square feet of new high-rise office space in the Regional Core between 1980 and 1990. This represents about a 10-percent increase over the 1970-1980 construction level.

The experiences of the major North American rapid transit-using cities as described in Part II of this report, and ERA's analysis of future office space demand patterns in Los Angeles in the context of rapid transit development, suggest that implementation of rapid transit starter system within the Regional Core will not clearly increase the regional demand for office space. Rather, a distributional effect is expected. For instance, office developers may find certain RTD station sites acceptable in terms of worker accessibility, whereas without the rapid transit system, these sites would tend to be comparatively difficult to reach from freeways and otherwise competitively unattractive. The impact this distributional effect will have on decisions to locate new office space within the environments of RTD stations will be further examined in the following section.

REGIONAL CORE RETAIL PATTERNS AND TRENDS

The predominant retail shopping pattern within the Regional Core is one of extensive retail clusters along major transportation arteries, most intensely within the Central Business District, Wilshire corridor, and Hollywood. Extensive, full-line regional shopping centers, relatively common in more suburban markets, are found only infrequently in and near the Regional Core.

The 390,000-square-foot Broadway Plaza at 700 South Flower Street in the Central Business District represents the only regional shopping center within the Regional Core itself. Developed on a city block covering 4.5 acres, this 33-tenant urban mall generated \$35 million in estimated 1977 sales. The major anchor tenant is the 262,000-square-foot Broadway Department Store. A Hyatt Regency hotel is another major occupant of the Broadway Plaza. A proposed relocation of Bullock's in downtown to a multi-use project at Seventh and Figuero now appears certain. It is highly likely that the May Company will also shift to the west side of downtown within five years. An additional regional mall, in concert with condominiums and office space, is in advanced planning stages for a four-square block site surrounding the intersection of Hollywood Boulevard and Vince Street in Hollywood.

Regional shopping centers adjacent to the Regional Core include the 520,200-square-foot Laurel Plaza at 6100 Laurel Canyon Boulevard in North Hollywood (May Company anchor), the 283,000-square-foot Ward Plaza at 18th Street and La Cienega Boulevard (Montgomery Ward anchor), and the 719,000-square-foot Century Square shopping center at 10250 Santa Monica Boulevard (Broadway, Bullock's, and J. Magnin anchors). A 730,000-square-foot regional center (Broadway and Bullock's anchors) is under development was the southwest corner of La Cienega and Beverly Boulevards. This new center is scheduled to open in October 1981.

Major freestanding department stores within the Regional Core have included Broadway stores at Wilshire near La Brea (just closed) and on Hollywood Boulevard near Cahuenga, a May Company at Wilshire and Fairfax,

Bullock's Wilshire on Wilshire east of Vermont, and a Sears on Santa Monica Boulevard near Western. Most of these stores are located at or in the vicinity of a proposed RTD transit station. The Regional Core currently is somewhat underrepresented in terms of the ratio of regional shopping center and major department store space to population, though this shortfall will improve somewhat should the abovementioned new developments be brought successfully onstream.

Regional Shopping Center and Major Department Store Development Potentials

Current per capita income within the Regional Core is estimated at approximately \$8,750. Studies of numerous regional and national retail markets have indicated that persons at this general income level tend to spend approximately 7 percent of their gross annual income, or about \$613 annually, on department store purchases.

With current sales among successful department stores in the greater Los Angeles area generally averaging an estimated \$140 per square foot, the estimated 666,000 residents of the Regional Core in 1980 could theoretically support about 2.9 million square feet of major department store space. This figure would rise marginally to somewhat over 3.0 million square feet by 1990, based upon the Regional Core's estimated population increase over that period and the use of constant 1980 dollars in computations.

The Regional Core at present contains less than 1.5 million square feet of major department store space, including the Broadway Plaza regional shopping center and the several freestanding department stores mentioned above. This apparent shortfall indicates that residents of the Regional Core are traveling outside the immediate area for nearly 50 percent of their department store purchases. With much of the indicated sales activity occurring at the abovementioned nearby centers. This general analysis suggests an apparent potential demand for up to one million or more square feet of new major department store space within the Regional Core.

Other Retail Requirements

In addition to the abovementioned potential demand for enough new major department store space to fully anchor one or more major regional shopping centers within the Regional Core, other areawide retail needs are apparent. Much of the Regional Core's existing retail base is housed in older structures located in somewhat unattractive commercial districts. A stimulus to the gradual urban renewal process is required in many of these neighborhoods, and the presence of RTD stations in certain of these areas may tend to precipitate successful redevelopment in the station environments.

As a means of evaluating the potential stimulus of RTD transit stations to local-area retail redevelopment, ERA has developed very general conservative estimates of potential per capita spending patterns among RTD patrons. As indicated previously in Table III-7, some 275,000 patrons are expected to use the RTD rapid transit system on an average weekday. Should these patrons average \$2 in daily retail purchases in station-area stores and shops, approximately \$550,000 daily, or \$143 million yearly based upon 52 five-day weeks, would be generated in station-area retail outlets.

These purchases would not be fully attributable to the RTD system. Much of this amount would be spent by these people regardless of their form of transportation. However, as in the case of office space location, a distributional effect on these retail expenditures would be noted. Instead of being spent randomly throughout the Regional Core and the larger metropolitan area along existing surface transit systems, these purchases would tend to be focused in station-area environments. It is this stimulation of station-area retail sales which, in ERA's opinion, will tend to precipitate the station-area retail redevelopment process, culminating in more modern and extensive station-area retail facilities. The impact of this ridership and resulting station-area retail expenditures on each individual station will be further examined in Section VIII of this report.

REGIONAL CORE RESIDENTIAL DEVELOPMENT PROJECTIONS

As noted previously, ERA expects Regional Core population to expand by 1990 to a level of some 693,000 residents, as contrasted with some 666,000 persons currently in 1980. At a total Regional Core indicated persons-per-household average of 2.07, approximately 13,000 new households will be formed within the Regional Core over the coming ten-year period. This growth rate, and the estimated turnover demand of current residents and related factors combine to produce a conservative demand estimate of some 1,500 new Regional Core housing units annually over the decade of the 1980s.

Because of the virtual absence of developable land for single-family units, essentially all of the new housing activity will be in multiple-family units. In gross terms, about 80 percent of the new housing product (1,200 units annually) will represent ownership units with the remainder developed for rental.

Regional Core Housing Trends

The Regional Core is well located in terms of proximity to employment and includes a wide range of neighborhoods (mostly developed prior to the 1950s) and housing values. During the 1950s and 1960s this area as a whole declined in relation to other areas of the county, and up through the early 1970s it appeared that substantial portions of this area would fall into a spiral of urban decay. However, during the past five years there is strong evidence that the central location, in combination with burgeoning growth of downtown office space, has reversed these trends. During the most recent six months this area has experienced very rapid price movement. ERA anticipates very substantial long-range potentials for high-rise development in this zone.

Regional Core Housing Characteristics

In general, the Regional Core was fully developed from the standpoint of housing prior to the 1960s. Most areas had suffered a decline

in social and economic status, with increasing incidence of crime, poverty, and physical deterioration. However, over the past five years, this trend appears to have been reversed. With increasing gasoline costs and planning for the RTD system in this general vicinity, recent trends show a strong resurgence of real estate values and development opportunities in this area. Currently over 2,000 condominium units, roughly 50 percent of the new construction, are proposed in the West Hollywood-Hollywood areas alone.

The area of most active current development in the general Regional Core vicinity includes several adjacent communities or districts, each with a somewhat distinct character. Included are the unincorporated county area of West Hollywood, Los Angeles City just east of Beverly Hills, and the Wilshire corridor from Beverly Hills to Hancock Park. These areas offer many of the same fundamental advantages as the west Wilshire area, though to a lesser degree, with proximity to employment centers of Beverly Hills, Mid-Wilshire, Hollywood, and for the more easterly portions, downtown Los Angeles. This area includes a great variety of cultural and commercial amenities, including the County Art Museum, Pacific Design Center, Melrose boutique area, and excellent restaurants. The relatively lower income of residents compared to the west Wilshire corridor and the low-income, somewhat deteriorated neighborhoods which lie to the east of this general district are comparative disadvantages weighed by developers.

Condominium development has proceeded in this area at a much slower pace than on the west Wilshire area. Table VII-5 shows information on five projects developed in this general vicinity.

Government Regulations and Community Attitudes

Government and community attitudes towards mid- or high-rise construction are at present very uncertain within this entire area. Los Angeles City land use is regulated by a series of "community plans," each surrounding a high-density district. Current plans permit high-rise

Table VII-5

SELECTED CONDOMINIUM PROJECTS
REGIONAL CORE VICINITY

Name	Type	Unit Type	Square Feet	Price	Number of Units
Westbury Terrace San Vicente at La Cienega	11 floors	2/2	1,330 av.	\$160,000	82
		1/1½	1,050 av.	120,000	
Sierra Towers Doheny near Sunset	31 floors conversion	1/1½	1,250	220,000	144
		2/2	1,800	350,000	
		3/2½	2,170	450,000	
Fountain View Fountain East of La Cienega	3-5 floors wood frame	1/D/1½	1,310	150,000	97
		2/2	1,510	165,000	
		2/2	1,720	180,000	
		2/D/2½	2,000	235,000	
The Wilshire Fremont Wilshire Boulevard at Rossmore	6 floors	2/2½	2,000-2,150	340,000-375,000	48
		2/D/2½	2,200-2,440	380,000-425,000	
		2/D/2½	2,600-3,200	480,000-560,000	
Horne Plaza 1230 Horne	4 floors conversion	1/1	890	105,000-160,000	102
		2/2	1,073-1,360	157,000-229,000	

91-IIA

Source: Economics Research Associates.

development along much of the length of Wilshire Boulevard, and in other vicinities of existing high-rise development including portions of La Cienega Boulevard, Sunset Strip, the West Hollywood area, La Brea, and other areas.

However, local resident opposition may be precipitated in response to specific proposals. In early 1979, substantial mid- to high-rise condominium development was anticipated in the Hancock Park vicinity of Wilshire Boulevard. However, highly vocal community groups have been successful in impeding much of this development.

Downtown Los Angeles

Downtown Los Angeles has had no new residential development of significance since the Bunker Hill Towers rental apartments in 1970. However, recent trends indicate that the downtown area will emerge as a major development focus in future years. The primary attraction of the downtown from the residential standpoint is the proximity to the over 20 million square feet of office space in the downtown financial center and the three major theaters of the Music Center, which are the major focus for Los Angeles legitimate theater, symphony, and other cultural events.

Extensive new office, hotel, and retail development during the past 10 years has vastly improved the physical environment of the central downtown and provided a variety of restaurants and shopping facilities. With increasing concern with gasoline cost and availability, and with the rapid appreciation in housing values throughout the metropolitan area, residential development in the central city now appears feasible. It is probable that the city government will encourage, rather than restrict, high-rise development in the downtown.

The primary drawback of the downtown has been its totally commercial orientation and the preponderance of very low-income residents in the adjacent, deteriorated residential areas, which include Los Angeles' "skid row." As of the 1970 census, the areas surrounding the downtown had the lowest single-family home values in the entire county.

The downtown residential market is still unproven, although tenant sales at Bunker Hill Towers have been very strong at over \$160 per square foot. This high-rise, 710-unit project fell far below the developer's expectation as a rental during its first six years, although inflation has "bailed out" the project during the past three years. Sales to the general public began in July 1980.

A Shapell Industries condominium project in Bunker Hill is nearing completion, with projected prices in the \$150 per square foot range. Sales are to begin in September 1980. All phases are now planned to total 800 units, and with increased density this well-located project could dominate any emerging downtown market for several years.

Other condominium projects are under discussion at various locations in and around the downtown, including locations west of the Harbor Freeway and in Little Tokyo and Chinatown, but none of these has yet proved the depth or nature of the downtown market. Assuming the Shapell project proceeds successfully, additional competition appears assured. Based on existing employment levels, excluding subsidized housing, a long-term potential for over 4,000 high-density housing units is reasonable. Approaching this level will require a major reorientation of attitudes and product preferences among several market segments.

Locational Impacts of RTD System Upon Housing Units

From the above data, it is clear that the predominant housing trend within the Regional Core is toward development of multiple-family units. The single-family unit inventory within the Regional Core is essentially complete, as virtually no additional land exists within the area for additional single-family development activity.

As with the previous examinations of office and retail development potential, ERA anticipates a distributional effect upon residential unit locations resulting from development of proposed RTD rapid transit system, subject to zoning and land availability restrictions. However,

since the rapid transit system is proposed to be installed along corridors which have already been appreciably developed with residential units, the anticipated distributional effect of the RTD system will tend to be complementary rather than responsible for the dominant portion of initial activity. Developers will tend to locate multiple-family residential structures near RTD stations because of the station locational factor, but also because in most cases the station areas are already well-established in the context of intense residential as well as commercial development.

SUMMARY

Resulting from its analysis of Regional Core development potentials, ERA has developed estimates of market support for high-rise office space, department store-type retail space and residential units between 1980 and 1990. These estimates are portrayed in the following text table.

<u>Category</u>	<u>Indicated Market Support 1980-1990</u>
High-Rise Office	13.1 million square feet
Department Stores	1.0-1.5 million square feet
Residential	15,000 units
Ownership	12,000 units
Rental	3,000 units

Section VIII

LOS ANGELES RTD STATION AREA DEVELOPMENT POTENTIALS

This section of the report contains projections of development potentials along the proposed RTD system in Los Angeles. These projections are based upon the analysis of Regional Core development potentials presented earlier in Section VII, and ERA's site-specific surveys of the seventeen proposed Los Angeles RTD station areas. The physical environment and existing development at each station are evaluated and projections made of office and retail space market support, and residential development potentials.

SUMMARY OF REGIONAL CORE DEMAND POTENTIALS

In Section VII, gross 1980-1990 market support was projected in the Regional Core for 13.1 million square feet of high-rise office space. Additionally, indications of market support were described for one to two full-line regional shopping centers, or their urban equivalent in size and merchandise mix. Station-area casual retail sales by RTD patrons were projected at nearly \$145 million annually. The bulk of these sales are expected to translate not into new retail space construction (with the primary exception of station mezzanines, arcades and so forth) but rather into station-area redevelopment such as new storefronts, signage, interior remodelings, and financial support of formerly marginal enterprises.

Finally, population and other demographic indicators were converted into gross 1980-1990 market support for some 15,000 new housing units. About 12,000 of these units are expected to be ownership, with the remainder required by renters. The very dominant majority--essentially all--of new Regional Core housing construction will be multiple-family, with high-rise structures appearing at key locations along

major transportation arteries as public policy and community acceptance permit.

Allocation of portions of this gross demand to individual RTD station environments is carried out on the following pages. Since the proposed station areas in many cases represent key locations within the Regional Core, these station environments are expected to attract a substantial percentage of this new anticipated Regional Core development activity. Text tables following each station-area discussion summarize 1980-1990 development potentials at general station vicinities (typically one- to five-block radius).

STATION 1--MACY/VIGNES

Evaluation of each specific proposed RTD station site begins with this southeast terminus of the starter line. This location is in a generally blighted neighborhood of bail-bond shops, auto wrecking yards and comparable inner-city land uses. County jail facilities are situated about one-half mile north of the station site, with Union Station one-half mile west. The nearest residential areas are clusters of lower income apartments some three-fourths of a mile southeast across the Los Angeles River.

The new Piper Technical Center is under construction southeast of the Macy/Vignes intersection. This site area may also be utilized as the location of the terminal Metroport. The technical center represents essentially the only new construction in the station vicinity, and will house much of the city's support, repair, and stores facilities, with approximately 900 employees.

Given the remoteness of residential neighborhoods, there is virtually no population base within a one-half mile radius of the station location. Additionally, very little current density exists in terms of retail and office activities.

ERA does not foresee significant near-term private capital investments occurring in this immediate neighborhood unless strongly stimulated by

local government. The city, the state, and SCRTRD are involved in a joint powers agreement to purchase the entire Union Station complex of 44 acres for creation of a multi-modal center with substantial private development program for 6 to 8 acres of new development and have drafted a concept including a 200- to 250-room hotel and some 60,000 square feet of retail space. This concept also involves parking space for 600-700 autos and the potential reuse of the south wing of the station for commercial purposes. A grant application for acquisition funds is now being sent forward. The Union Station development concept lies west of the Macy/Vignes SCRTRD starter line station location.

Forecasting development at this site is also made more difficult by the host of transportation projects now proposed in the immediate vicinity:

- o SCRTRD Administrative and Maintenance Facility.
- o Extension of the exclusive lane freeway bus corridor into the Union Station terminal area.
- o Development of the Downtown People Mover terminal station and train yard, also in the same location.

Because these governmental uses appear to have first call on available properties, we are reluctant to forecast significant private development at the immediate station site. ERA has, therefore, projected no specific major joint development potentials for this site.

Notwithstanding these observations, ERA is aware of potential increases in Olvera Street visitation once the Pico House restaurant and associated areas are opened. To the extent that these and other area statements of interest crystallize, the initially perceived prospects for Macy/Vignes are subject to change and possible improvement. In the interim, however, limited on-site concessionaire outlets such as newstands and tobacconists (up to 2,000 square feet) would appear to be the practical limit of private investment potential, particularly if the city's Union Station development concept is sited away of the train yard areas to the west.

<u>Category</u>	<u>Indicated Development Potentials 1980-1990 (square feet)</u>
Office	--
Retail	2,000
Residential	--

STATION 2--FIRST STREET/BROADWAY

This station will be located at the hub of the downtown government complex and Times Mirror Square, and will be the RTD station nearest to the emerging Bunker Hill redevelopment complex. The predominant public sector land ownerships and apparent permanence of existing structures at this station site suggest that substantial public policy adjustments would be required preparatory to vertical private-sector development on most close-in land parcels now held by government entities.

The southerly half block bounded by Broadway, Temple, Spring, and First Streets, presently consisting of cleared land and large areas of open-air walkways and other nonintensive uses, may be developed with new state office facilities or traded to Los Angeles County for future development. Most other close-in sites are programmed for government development and neighborhood redevelopment projects. These projects represent potential for some sharing of costs for rapid transit and people-mover stations should future structures at these sites be developed with direct linkage to these transit facilities. Because of the unique land assembly problems related to this station environment, ERA tentatively projects no specific public/private sector joint development opportunities other than mezzanine retail outlets (up to 4,000 square feet) within the station and the aforementioned station corridor linkages with existing and proposed nearby structures. The nearly Bunker Hill redevelopment project, already under way, is not considered in this context.

<u>Category</u>	<u>Indicated Development Potentials 1980-1990 (square feet)</u>
Office	--
Retail	4,000
Residential	--

STATION 3--FIFTH STREET/BROADWAY

The predominant retail character of Broadway, both north and south of Fifth Street, is of ground-level stores and shops, many with bilingual (English/Spanish) orientation. Apparel and electronic goods are the most common retail categories. Much of this ground-level retail has several stories of older office space on upper levels. This older, somewhat run-down character is evident for approximately three blocks in any direction.

Private capital is likely to be most readily attracted to locations east of the proposed station site. Pershing Square and the remodeled Biltmore Hotel are one to two blocks east of the Fifth Street/Broadway intersection. At the southeast corner of Hill and Fifth Streets, one block west of the station, is a quarter-block of largely unusable building space. This quarter-block, immediately north of the 11-story, \$30 million International Jewelry Center (330,000 square feet) under construction at Hill and Sixth Streets, and the remainder of the full-block area, appear natural sites for eastward extension of the high-rise office development now largely clustered along and near Flower Street. ERA expects the station at Fifth and Broadway to act as a genuine magnet in this regard, drawing this development eastward as economically and environmentally suitable building sites permit. The Downtown People-Mover station on the north side of Pershing Square will also add to reinvestment incentive.

Major new development along Broadway and in areas east of Broadway will likely take place subsequently to development west of the station site. The recently constructed UCB Building at 600 Spring Street, however, indicates that developers and corporations are not wholly opposed to new projects located well within the older core. Substantial older buildings such as the Title Insurance and Trust Building at 419-433 Spring Street,

about one and one-half blocks southwest of the station site, have become the focus of renewed governmental office interest following development of rehabilitations proposals by the Community Redevelopment Agency. While there appears to be some underutilization of vertical development potential along Broadway in the general station area, and from a building removal and redevelopment standpoint, sites in this area may be comparatively attractive for development purposes, developers most probably would not look favorably upon such sites for new construction this far into the older core area without first exhausting more attractive sites to the east.

There is clear potential for joint development activities at this station site. ERA expects that the primary development product at this site, as at the Seventh and Flower station site to be discussed subsequently, will be vertical office space with ground-level retail.

The projection of new office demand in a market such as downtown Los Angeles, which is heavily oriented toward regional and national space users and whose space inventory is governed heavily by factors of land assembly and public policy, is a highly judgmental procedure. In the decade of the 1970s, approximately 8.7 million square feet of new high-rise office space was developed in downtown Los Angeles (see Table VII-1). The most prominent concentration of this space, as mentioned above, is along and near Flower Street north of Seventh. At least 4 million square feet of new space is now under construction or in advanced planning stages. Additionally, the recent selection of the Cadillac Fairview development concept for the hilltop parcels of Bunker Hill indicates massive phased development for the next decade at that location.

Based on these recent trends and patterns, the pace of current new construction and the projections of gross 1980-1990 Regional Core demand developed earlier in Section VII, ERA projects total new high-rise office space in the CBD between 1980 and 1990 in the range of 9 million square feet. The dominant majority of this space is expected to be located proximate to the downtown RTD stations at Seventh and Flower and Fifth and Broadway. Should land availabilities and related economic, physical and

environmental factors permit, ERA believes that up to 250,000-300,000 square feet or more of this annual space requirement (2.5-3.0 million square feet over the 10-year period) may be drawn to sites proximate to the Fifth and Broadway station. A substantial portion of this gross square footage represents potential joint development and value capture opportunities.

Retail development in this station area will tend to be in the form of structural and merchandise upgradings at retail outlets closest (most probably within a one-block radius) to the station and in ground floor retail accompanying the anticipated office development. Some convenience retail (newsstands and related concessionaires) will be appropriately located within the station itself. No significant short-term residential impacts are anticipated at this station site.

<u>Category</u>	<u>Development Potentials 1980-1990 (square feet)</u>
Office	2,700,000
Retail	90,000
Residential	--

STATION 4--SEVENTH STREET/FLOWER

This station will serve the major high-rise office buildings along Flower and nearby streets, and the expanding retail shopping areas of the Broadway Plaza and other nearby stores and shops. Close-in development potentials north of this station will tend to focus upon ground-level parking areas such as that at the northwest corner of Wilshire and Figueroa adjacent to the new 911 Wilshire Building (Cabot, Cabot and Forbes), across Wilshire from the Los Angeles Hilton Hotel. Construction of the \$110 million, 48-story Wells Fargo Building, to contain 890,000 square feet GLA, is in progress at Fifth Street and Flower. The twin-tower Crocker Center, the first tower of which is to contain 1.3 million square feet, has already broken ground in Bunker Hill. At Fifth and Figueroa, a 400,000-square-foot, 20-story office building is underway.

In gross terms, more future potential new development may exist south of Seventh Street. A large, open car park is located at the southwest corner of Figueroa and Seventh Street, with an additional parking area south of the older building at the southeast corner of this same intersection. In this area, site preparation has begun for a \$160 million office/retail mall complex to include two office towers and a new Bullock's Department Store scheduled to open in 1982. West of the Harbor Freeway, the 32-story Beaudry Center office building is scheduled to begin construction in late 1980. There is interest in building an east-west pedestrian concourse parallel and south of Seventh Street to create a five-block retail shopping mall to serve downtown employees and future residents. May Company is among the department store retailers considering a new outlet in this general area. Several hotels are in various stages of planning, including a 500-room Trust House Forte to be constructed in 1981-1982.

Additionally, once below Eighth Street, the area rapidly becomes underutilized in comparison with the intensive land uses to the north. Flower Street, south of Seventh Street across from the Broadway Plaza, is also generally in this condition. Full-blocks between Eighth and Ninth Streets, bounded by Flower-Figueroa and Grand-Olive, have previously been identified by SCR TD consultants as further potential development sites.

In its discussion of the Fifth Street/Broadway station area, ERA defined annual 1980-1990 potentials for up to 250,000-300,000 square feet of new high-rise office space with proximity to that station, out of a total of approximately 900,000 square feet annually for the downtown core. Should that proportional observation generally hold true, approximately 600,000-650,000 additional square feet will locate throughout the remainder of the downtown area including Bunker Hill. The majority of the now Bunker Hill space would likely be focused in proximity to the Seventh and Flower station. In general, ERA expects that the areas surrounding these two stations will together account for roughly 80 percent or more of downtown Los Angeles private high-rise office development during the 1980s, exclusive of Bunker Hill build out.

Retail opportunities at the Seventh and Flower station will include ground-level and subterranean plazas within new office towers, mezzanine/arcade space within the station itself, and large-scale adjacent retail development including one or more major department stores.

<u>Category</u>	<u>Development Potentials 1980-1990 (square feet)</u>
Office	5,000,000
Retail	500,000
Residential	500-1,000 units

STATION 5--WILSHIRE/ALVARADO

This primarily residential station area is characterized by lower-to middle-income apartments and senior citizens' facilities. Commercial development along Alvarado is primarily low-rise stores and shops, most of older vintage. This area has seen very little new building activity, with the minor exception of some recent branches of banking and savings and loan institutions.

Notwithstanding recent public recommendations for extensive revitalization programs in the area, ERA does not envision major development impacts stemming from implementation of the RTD rapid transit system. Though some new retail and/or office space to serve primarily neighborhood needs may be precipitated by station development, no extensive vertical office development is expected. Station placement at this location will tend to stimulate upgrading of storefronts and merchandising within retail outlets close-in to the station, but is not likely to result in any major community retail expansion.

Residentially, the transit system will tend to stabilize the neighborhood as an acceptable residential location for current residents. However, ERA does not expect that the RTD station will stimulate significant additional interest in neighborhood residential units on the part of persons now living outside the Wilshire/Alvarado district. As the area stabilizes, a market may develop or expand for conversion of apartment

units to condominiums. This process is, of course, subject to public policy restraints, and may be strongly resisted by lower income members of the community in need of rental housing.

Since nearly half of the quarter-mile radius extending outward from this station site is MacArthur Park, the close-in land area able to respond to RTD-stimulated development interest is significantly reduced. For this and the other reasons cited above, ERA projects joint development/value capture opportunities at this station site in the form of in-station concessionaires, somewhat accelerated replacement demand for new office and retail space, small-scale residential development, and possible linkage with neighborhood redevelopment and revitalization projects yet to be defined and implemented.

<u>Category</u>	<u>Development Potentials 1980-1990 (square feet)</u>
Office	50,000
Retail	--
Residential	100 units

STATION 6--WILSHIRE/VERMONT

This station, the first of six proposed to service Wilshire corridor office, retail and residential centers, will serve a number of high-rise office buildings with extensive complements of regional and national tenants, and surrounding high-density residential units. Recent commercial construction includes the Pacific Indemnity Building at Seventh and Vermont and the 3250 Wilshire Building one block west of the station site. A number of other, newer mid- to high-rise commercial structures have been developed in this area along Wilshire Boulevard as well as in selected locations along Seventh Street south of Wilshire.

This area has already established itself as a focus of high-rise office space, and the RTD station location may assist in stimulating further new development. In terms of distribution it is probable that

up to 70 percent or more of this new construction would locate on Wilshire Boulevard, with the bulk of the remainder located along Seventh Street.

ERA expects that the RTD stations on Wilshire Boulevard at Vermont, Normandie and Western in Wilshire Center will represent important locational factors in future office space development decisions in this portion of the Wilshire corridor. There is a very strong probability that the dominant majority of local new vertical office construction will be located close-in to these proposed stations. Each station intersection has direct access to the Santa Monica Freeway, an important factor in office location.

In considering factors such as land assembly, surface access, historic development patterns and current trends, ERA projects gross high-rise office space demand in Wilshire Center (served by the Vermont, Normandie and Western stations) in the range of 2 million square feet through 1990. Given the distributional effect of rapid transit upon locational decisions and the historical tendency to cluster vertical office structures at major intersections, ERA expects the very dominant majority of this space will be positioned within the immediate (1.5-block radius) environment of these three stations. Of these three Wilshire Center stations, ERA expects Vermont to attract the highest concentration of new vertical office development, in the range of 700,000-1 million square feet (70,000-100,000 square feet annually) during the 1980s.

The retail development at this station will primarily take two forms, ground-floor retail in the new office buildings and mezzanine/arcade space within the station. Total new space is projected at up to 30,000 square feet.

The surrounding residential character is essentially middle-income, multiple-family residents. ERA does not project significant residential building impacts subsequent to the RTD program at Wilshire/Vermont, expecting rather that such impacts will be primarily focused in this area at Wilshire/Normandie.

<u>Category</u>	<u>Development Potentials 1980-1990 (square feet)</u>
Office	800,000
Retail	30,000
Residential	200 units

STATION 7--WILSHIRE/NORMANDIE

In its discussion of the Wilshire/Vermont station, ERA developed a general 1980-1990 demand estimate of some 2 million square feet (200,000 square feet annually) for new Wilshire Center office space, of which up to 70,000 to 100,000 square feet annually will focus at Wilshire/Vermont. The Wilshire/Normandie station area will tend to attract somewhat less office space, but may be more active in terms of residential and retail development.

ERA projects Wilshire/Normandie area demand for up to 400,000 to 500,000 square feet of office space during the 1980s. This office space will be accompanied by ground-floor retail, and a requirement will also be present for mezzanine/arcade retail space in the station.

Subject to land assembly and major retailer interest, the centrality of this location in terms of east-central Wilshire residential neighborhoods and the character of the station area's surrounding commercial development suggest that this location could attract additional retail development. Specifically, this station area could be appropriate for a higher quality, freestanding department store in the 125,000-square-foot range. High-rise residential structures housing up to 1,500 or more families are also appropriate to this area.

<u>Category</u>	<u>Development Potentials 1980-1990 (square feet)</u>
Office	500,000
Retail	140,000
Residential	1,500 units

STATION 8--WILSHIRE/WESTERN

The entire block at the southeast corner of this intersection involves an older retail/office building and a theater, and is now proposed to rehabilitate the Wiltern Theater structure. The southerly portion of the block, a primary development site, and the timing of development is likely to be enhanced by an RTD station at this intersection.

However, this area has not developed as intensively as either the Vermont or Normandie station areas, and ERA believes that significant differentials in land acquisition costs and possible density bonuses may be required to attract developers to this site as opposed to other, more immediately favorable station environments along Wilshire. Since Western provides direct access to the Santa Monica Freeway, the intersection is acceptable from this standpoint for a large commercial structure.

Retail installations in the station area are of somewhat lower quality and are less substantial than in the Wilshire/Normandie area. Surrounding residential areas generally maintain the character discussed for the previous Wilshire station sites beginning with Wilshire/Vermont.

ERA believes that one or more commercial structures at or near this intersection containing up to 400,000-500,000 square feet of general office space, along with accompanying ground-floor retail and upgradings of other retail installations in the station environment, will be economically feasible on a longer term basis.

Generally, development in this location will be more of a long-term process; in the absence of significant developer incentive, several of the other Wilshire Boulevard station areas will tend to develop more immediately. However, the full-block development site mentioned above may be appropriate for development of subregional or urban/regional shopping facilities, perhaps in the context of architecturally preserving certain of the existing structures.

This represents one of the few immediate RTD station-area sites potentially available for shopping center development, for which market

support was previously indicated in Section VII. A major question at this site is the character of the surrounding area. This comparatively negative environment may deter retailers from committing to this site.

It should also be noted that a single block land assembly has been reported on the north-east corner of Wilshire and Western, and that the final building of the Ahmanson Center complex, one block east, has not yet been constructed. There appears, therefore, to be substantial joint development promise at this station location.

<u>Category</u>	<u>Development Potentials 1980-1990 (square feet)</u>
Office	400,000
Retail	40,000 ^{1/}
Residential	100 units

STATION 9--WILSHIRE/CRENSHAW

This station area has attracted comparatively little important commercial development to date. An undeveloped parcel at the northeast corner of Wilshire and Irving east of the station site is appropriately sized for a mid- to high-rise commercial structure. Service stations are presently located on either side of Crenshaw Boulevard where it junctions with Wilshire. Thus, sufficient acreage exists for substantial vertical office and accompanying retail development at this station site.

The residential character north of Wilshire in this area is one of large, expensive homes. South of Wilshire, the multi-family character of earlier station sites prevails.

While commercial development has traditionally not focused upon this intersection, the combination of the RTD station and direct access to the Santa Monica Freeway via Crenshaw Boulevard could conceivably generate significant new commercial development, both in terms of neighborhood-serving facilities and more extensive regional/national office

^{1/} Not including the possibility, discussed in the text, of subregional or regional shopping center development at this station area.

concentrations. Residential impacts in terms of new high-density development would most likely be focused south of Wilshire.

Because of the growth limitations imposed in the Park Mile Specific Plan ordinance, ERA expects that vertical office development will not occur at this intersection until implementation of the RTD starter line, and that its magnitude and timing will generally compare with that expected for Wilshire/Western. ERA understands that the rationale for selection of the Crenshaw station included a policy direction that bus access to the mass transit line was needed from southwest Los Angeles. If this should ultimately result in a bus mass transit transfer point, substantial surface area may be needed for bus movements, particularly because of the irregular intersection movement pattern.

Significant retail development proximate to the station is not expected, other than in-station concessionaires and ground-floor retail ancillary to the major office development.

Subject to land availability and the current regulatory climate, apartment conversions to condominiums and new condominium/townhouse development will be among anticipated residential impacts. This area, from the demand standpoint, could support up to 1,000-1,500 new high-density residential units during the 1980s.

<u>Category</u>	<u>Development Potentials 1980-1990 (square feet)</u>
Office	200,000
Retail	25,000
Residential	1,000-1,500 units

Note: Residential development would need to be spread along Wilshire and southerly under the Park Mile specific plan.

STATION 10-WILSHIRE/LA BREA

This site is at the eastern edge of the "Miracle Mile." However, significant vertical commercial development does not intensify for

several more blocks to the west. La Brea is an undistinguished commercial avenue both north and south of this intersection, with auto dealers among the major land users.

A 55,000-square-foot shopping center is planned for the northwest corner of this intersection. Older structures occupied by Pacific Telephone and Mutual of Omaha are at the northeast corner. U.S. Life Savings and Loan Association has developed the only apparent recent new structure with a branch office at the southeast corner.

Residentially, the area is a heavy focus of apartments north of the boulevard, with mostly single-family residences south of the boulevard. Given these high densities, residential impacts may include apartment/condominium conversions along with development of new high-density residential units.

ERA believes that extensive commercial development at Wilshire and La Brea, notwithstanding specific public agency policies aimed at revitalization in this neighborhood which could alter this projection, is a very long-term proposition. With more competitively attractive sites potentially available at other RTD stations, ERA expects that Wilshire/La Brea will be one of the slower developing station sites, both residentially and commercially.

<u>Category</u>	Development Potentials
	<u>1980-1990 (square feet)</u>
Office	50,000
Retail	10,000
Residential	500 units

STATION 11--WILSHIRE/FAIRFAX

This intersection has not been a focus of significant vertical commercial development. The general area is best known for the ethnic Jewish neighborhoods to the north, CBS Television City, and Farmer's Market. The intersection itself is improved with an older May Company structure and a May Company budget store building to the east, and an

Ohrbach's, all of which would clearly benefit from a Metro stop at this intersection. Expansion of these stores following construction of the station and direct ingress-egress corridors from the station into the stores is a definite possibility. The other corner locations are presently occupied by a Standard Shoe Store and a coffee shop. Undistinguished commercial and residential structures keynote the surrounding area. It is important to note that May Company also owns 51 percent of the Park La Brea complex, and the shopping center in the southeast corner of Fairfax and Third Street, and thus has a unique multi-property vantage point concerning future new development and rehabilitation decisions.

Because Fairfax does not provide the immediate, convenient free-way access of previously discussed station sites, developers would most probably require clear land acquisition price differentials from other Wilshire Boulevard station areas before pursuing parcel development, even following installation of the Wilshire/Fairfax RTD station. As with Wilshire/La Brea, ERA expects that Wilshire/Fairfax area vertical development will eventually occur, but at a slower pace than at the more primary Wilshire Boulevard station locations. In this area, it is most probable that any future commercial development will focus on Wilshire Boulevard itself and not on parallel streets as has been the case at locations such as Wilshire/Vermont. Specific development volumes and joint development opportunities for this station include up to 4,000 square feet of mezzanine/arcade retail space in the station and working relationships with the May Company and Ohrbach's to develop direct-access corridors between the stores and the station.

<u>Category</u>	Development Potentials
	<u>1980-1990 (square feet)</u>
Office	--
Retail	10,000
Residential	100 units

STATION 12--FAIRFAX/BEVERLY

This station is to serve an older, settled area. CBS Television City comprises a very large facility at the southeast corner of this intersection. Mostly moderate income, ethnic neighborhoods exist in the station area. Any increase in rents and home prices in this environment following RTD rapid transit service would most probably bring real hardship to current residents, and would additionally tend to jeopardize the traditional ethnic character of this neighborhood.

The demographic make-up of this residential area is such that expensive residential development such as new condominiums or townhouses most probably could not be supported. Apartment/condominium conversions would probably be strongly resisted as well. This neighborhood does not appear appropriate for extensive vertical commercial development except on a very limited scale (up to about 50,000 square feet) to serve neighborhood and community purposes.

There are several large ownerships which have expressed interest in development and private redevelopment on the east side of Fairfax, south of Beverly:

- o CBS has been interested in additional facilities
- o Farmers Market (and the drive-in theater) has considered reinvestment
- o Parke Sotheby Bernet Galleries have noted a need for visitor accommodations

All three of these adjoining properties combine to make up a regional visitor attractions center. It is quite possible that coordinated land development can increase visitation if accommodations and supporting facilities are built in the future. Immediately east of these ownership lies the Pan Pacific State Park site, destined for urban regional park development.

Retail impacts of a station location at Fairfax and Beverly are also expected to be generally limited to mezzanine/arcade space (up to

4,000 square feet) within the station and store-front upgradings and interior remodeling among the stores and shops in the immediate station area. Thus, this station environment itself is not expected to be an important potential joint development/value capture focus. We would, instead expect substantial future private redevelopment among the primary landholders east of Fairfax.

<u>Category</u>	<u>Development Potentials 1980-1990 (square feet)</u>
Office	50,000
Retail	10,000
Residential	--

STATION 13--FAIRFAX/SANTA MONICA

This station will serve a primarily high-density residential area with virtually no vertical commercial development and only neighborhood retail installations such as upermarkets and local shops. An RTD station at Fairfax/Santa Monica might not appreciably change this neighborhood character. The County of Los Angeles is proposing a community business revitalization program in this unincorporated area, to commence in 1981-1982.

The principal development impacts from location of an RTD station at this intersection will include replacing, relocating or otherwise modifying structures affected by the construction process. For the most part, these activities would not involve issues of joint development or value capture. No appreciable new office demand is anticipated. Retail impacts, other than the aforementioned replacement/modification of immediate station-area facilities, will chiefly be limited to mezzanine/arcade space (up to 4,000 square feet) in the station.

The RTD station is likely to precipitate heightened interest in residential units within walking distance of the station. Subject to zoning and land availability, ERA expects that residential development on

the order of 500-1,000 units during the 1980s would be appropriate at this station. Young Israel Community Development Corporation has already initiated programming for development of 150 units of senior citizen housing northeast of the station site.

<u>Category</u>	<u>Development Potentials 1980-1990 (square feet)</u>
Office	--
Retail	10,000
Residential	500-1,000 units

STATION 14--HOLLYWOOD/CAHUENGA

This area's image problems have for years restricted private sector capital inflows. Effective, long-term public/private sector commitments to community revitalization and redevelopment, combined with presence of an RTD station at this intersection, could clearly lead to beneficial impacts in terms of both new development and station-area renovations.

In terms of ultimate potential, the focus in this station area will most probably be on commercial rather than residential development, although an appreciable inventory of high-density apartments exists within a half-mile of the station. In terms of commercial development, the station environment has been a retail rather than an office focus. New office development in the general area has recently occurred to the south on Sunset Boulevard. Should local public policy be cooperative in this regard, ERA believes that this station area could develop in terms of vertical office space. Zoning, land assembly and related issues, however, will have to be addressed in an environment conducive to the development process. To the extent this occurs, ERA believes that the Hollywood/Cahuenga station area has definite medium- to longer-term potential in terms of office and related retail development, as well as retail renovations in the general station area.

Two recent development proposals may alter the future character of the Cahuenga station, or make relocation of the station a possibility:

- o American Income Properties propose, on 20 acres (4 city blocks) a program of 900,000 square feet of shopping mall, 600 residential units, 500 hotel rooms, and 500,000 square feet of office east of Vine between Sunset and Hollywood Boulevards.
- o Trizec proposes 1.2 million square feet of office use on the west side of Vine Street.

Thus, the major center focus will lie east of Cahuenga, and may be a reason for SCRTD consideration of Vine Street as a station alignment.

As indicated previously in Table VII-1, only about 500,000 square feet of new high-rise office space was developed in the Hollywood-Sunset Strip area during the 1970s. This comparatively low total is a direct reflection of the area's aforementioned image problems, and ERA believes that the area is fully capable of supporting approximately one million square feet of new office development during the 1980s. Potentially, 25-35 percent of this community-wide demand--250,000 to 350,000 square feet--could be focused in the Hollywood/Cahuenga RTD station area, as a direct impact of the beneficial stimulus of RTD system operation and Hollywood station location.

Though the area could support a major department store, retail impacts are projected to mostly take the form of ground-floor retail stores and shops within the office facilities, renovations of existing retail structures in the station area, and mezzanine/arcade space (up to 4,000 square feet) in the station. While a number of factors including RTD station placement and gradual community upgrading should work to heighten residential development potentials in the general station area (one-half mile radius), no significant residential impacts beyond those now in development planning by American Income Properties are forecast at the immediate station vicinity.

<u>Category</u>	Development Potentials
	<u>1980-1990</u> <u>(square feet)</u>
Office	300,000
Retail	20,000
Residential	--

STATION 15--HIGHLAND/ODIN (HOLLYWOOD BOWL)

At this station site, the Hollywood Bowl is the dominant land use. This facility accounts for approximately one-third of the quarter-mile radius circle from the station. The remainder of the station environment is almost exclusively residential, with virtually no close-in commercial activity. Some medium- to high-density residential exists east of the site across the Hollywood Freeway. Most of the residential adjacent to the Hollywood Bowl is single-family, predominantly upper income.

In terms of development potential, no further land appears to exist for new single-family residential development. The RTD station could be a spur, again subject to regulatory policy, to apartment/condominium conversions in the station area, as well as new condominium/townhouse development activity to the extent that land availabilities allow. Demand for 250-500 or more residential units, subject to zoning restrictions and land availability, is projected in this general station area (one-half mile radius) resulting from RTD station placement. Because of land use and assembly factors, it is unlikely that any substantial amount of this new residential construction will be located within one-fourth mile of the station. Commercial activity at the Hollywood Bowl station will be generally restricted to on-site concessionaires (up to 3,000 square feet).

<u>Category</u>	Development Potentials
	<u>1980-1990</u> <u>(square feet)</u>
Office	--
Retail	3,000
Residential	--

STATION 16--VENTURA/VINELAND

This station may function more efficiently as the primary collector site for San Fernando Valley patrons than might the North Hollywood terminal station, owing to its presence immediately adjacent to both the 101 and 134 freeways as well as the major Ventura Boulevard corridor.

The residential character of this area is predominantly single-family higher income residences near the hills south of Ventura Boulevard, with a small number of apartment buildings. North of Ventura Boulevard, the residential character is more oriented toward middle-income residences with a higher proportion of multi-family structures.

Commercially, the area is characterized by higher quality, ground-level retail and service structures. Very little mid-rise and virtually no high-rise office structures exist in the station area. Current community anxiety about high-rise office structures has brought on an accelerated City Planning Department program to bring the height district limitations (3 stories or 4 stories) in the community plan into regulatory reality by conforming the zoning designations. Thus, the outlook for substantial dense office or residential development along Ventura Boulevard is very thin. This station will serve Universal Studios and related film industry facilities in Studio City and Burbank.

Development potential at this station appears to be both in terms of residential (200 high-density apartments and/or condominiums, with virtually no land available for single-family development) and low-rise office and accompanying retail in the range of 100,000 square feet, primarily to service neighborhood needs. Though neither condominiums nor other than low-rise commercial structures have been attracted to the immediate station area, ERA believes that the presence of an RTD station at this intersection will provide a genuine stimulus to development of this nature. Mezzanine/arcade retail shops (up to 3,000 square feet) will be warranted in the station.

<u>Category</u>	<u>Development Potentials 1980-1990 (square feet)</u>
Office	100,000
Retail	15,000
Residential	200 units

STATION 17--LANKERSHIM/CHANDLER

This terminal station is located in a somewhat blighted, older neighborhood which was designated as a redevelopment project in 1979. This station area has awkward and somewhat remote freeway access, and otherwise appears less suitable as the primary collector for San Fernando Valley riders than does the aforementioned Ventura/Vineland station (which may be restricted in terms of parking facilities).

The commercial activity along Lankershim is in predominantly older, low-rise shops and stores. Some lower to middle-income apartments exist in the surrounding area, along with auto dealers and other undistinguished land uses.

Because of the general character of North Hollywood and the pressures for primary office development along Ventura Boulevard well south of this station site, ERA believes that office development impacts resulting from the RTD station will be oriented primarily toward neighborhood/community rather than regional space user requirements. The most probable scale of development will be 100,000-200,000 square feet.

In terms of retail activity, ERA expects that site area retail shops will be stimulated to renovate and otherwise upgrade their facilities and that a limited amount of convenience retail space may be added, mostly to serve the anticipated light industrial development. Though this station area has been discussed as a potential regional shopping center site (see below), ERA expects that the presence of existing regionals such as Laurel Plaza and Victory Plaza and the general demographic and environmental factors of the station area, will work to inhibit retail development of this scale.

Potentials for residential development related to the RTD station are projected in the range of 250 new condominium and/or apartment units.

A community revitalization study previously prepared for North Hollywood by the Los Angeles Community Redevelopment Agency identified 1975-1995 markets for the area in terms of office space (in excess of 100,000 square feet), a 700,000 square-foot regional shopping center, 500 housing units and specified industrial and institutional development. To the extent that other station-area land use patterns allow, the RTD facility may cause the Lankershim/Chandler location to be competitively attractive as an office location. Success of a regional shopping facility, however, will require a level of freeway and major surface street accessibility which Lankershim/Chandler does not offer. Should zoning and land assembly factors permit, the station area may be appropriate for light industrial development.

<u>Category</u>	<u>Development Potentials 1980-1990 (square feet)</u>
Office	150,000
Retail	15,000
Residential	250 units

Please note that this projection by ERA is at variance with the demand study conducted by Taylor Dark for the CRA in February, 1980, and with recent concept planning for the CRA by Gruen Associates which identified a build-out of 1.1 million square feet of offices and up to 225,000 square feet of specialty and community shopping uses on 24 acres of land proposed to be cleared and redeveloped. In addition, Gruen proposed 350 condominiums and 350 senior citizen dwelling units as well as a 400-room hotel. Parking structures would provide some 4,185 off-street spaces for the office/retail development. The urban development concept proposed to the CRA is very ambitious and would recreate a North Hollywood community core. At this point, the only active proposal by a developer involves a potential hotel.

SUMMARY

ERA's analysis of RTD station area development potentials has indicated market support in the range of 10.3 million square feet of high-rise office space, over 900,000 square feet of specified retail space, and 4,950-6,450 new residential units by 1990. These potentials are summarized in Table VIII-1.

Table VIII-1

SUMMARY OF MARKET SUPPORT
RTD STATIONS

<u>Station</u>	<u>Office (square feet)</u>	<u>Retail (square feet)</u>	<u>Residential (units)</u>
1 Union Station	--	2,000	--
2 Civic Center	--	4,000	--
3 5th/Broadway	2,700,000	90,000	--
4 7th/Flower	5,000,000	500,000	500-1,000
5 Wilshire/Alvarado	50,000	--	100
6 Wilshire/Vermont	800,000	30,000	200
7 Wilshire/Normandie	500,000	140,000	1,500
8 Wilshire/Western	400,000	40,000	100
9 Wilshire/Crenshaw	200,000	25,000	1,000-1,500
10 Wilshire/La Brea	50,000	10,000	500
11 Wilshire/Fairfax	--	10,000	100
12 Fairfax/Beverly	50,000	10,000	--
13 Fairfax/Santa Monica	--	10,000	500-1,000
14 Hollywood/Cahuenga	300,000	20,000	--
15 Hollywood Bowl	--	3,000	--
16 Studio City	100,000	15,000	200
17 North Hollywood	<u>150,000</u>	<u>15,000</u>	<u>250</u>
Total	10,300,000	924,000	4,950-6,450

Source: Economics Research Associates.

PART IV

JOINT DEVELOPMENT AND VALUE CAPTURE IMPLEMENTATION
FOR THE SCR TD STARTER LINE

Section IX

VALUE CAPTURE

The SCRTD has asked the consultant to define potential opportunities for the recovery of regular revenue flows from rapid transit station areas via the establishment of mechanisms which capture some part of the financial betterment realized by the private sector because of the nearby placement of a station. The SCRTD has already researched its own capacity in the State law to establish assessment districts which would help support the costs of operation of a mass transit line. In concept, the District has proposed that a trust fund be established to receive both value capture and joint development revenues (joint development is dealt with in the next section) for the purposes of helping to fund the local share costs of future extensions of the mass transit (rail) system. This idea is based upon the assumption that all the capital costs of the 18.4-mile start line have been covered in the current financing proposal which mixes Federal, State, and local public funds commitments.

A. AUTHORITIES

The right to establish assessment districts to recover the costs of unique public services which benefit a particular locale is clear. California has long-standing legislation and clarifying amendments, thereto, which enable local governments and special districts to create assessment districts to recover the capital improvement costs and the operating and maintenance costs of the facilities especially provided for a specifically defined service area.

The 1911 and 1913 Assessment District Acts ("A-11" and "A-13") are often used throughout the State for development of public services for a requesting localized community. Additional State statutes provide for highly specialized public services, such as:

- o Off-street parking districts
- o Pedestrian and public malls
- o Public park districts
- o Library services districts
- o Street lighting districts

Since the passage of Proposition 13 and Proposition 4, local governments have reassessed this capacity to provide public services to newly developing urban areas as well as to fund the refurbishment of older urban areas desiring revitalization in order to compete with newer peripheral developments. Of particular note is the recent interest and implementation activity in two areas:

- o Establishment of downtown or special theme area off street parking assessment districts
- o Establishment of assessment districts for the construction of capital improvements and maintenance of basic utilities services in newly developing urban areas (sewers, storm drains, etc.)

In the context of the SCRTD starter line, three jurisdictions already have authority to establish assessment districts which could provide revenues for the capital costs and some maintenance and operating costs associated with some aspects of rapid transit station development, maintenance, and operation. These are as follows:

- o The SCRTD
- o The City of Los Angeles
- o The County of Los Angeles

The key questions lie in the exercise of initiative by one or all of the jurisdictions, and the successful education of the station location public (probably the owners) who must approve the creation of the district.

One issue requires authoritative resolution. Can the SCRTD, or any other body working to establish the mass transit system, establish a value

capture technique which raises funds for future extension of the initial system? It is probable that legislative clarity and mandate will be needed to ensure this point. ERA believes that the current practice of establishing development charges for future facilities and services demands provides precedent, but not necessarily transferability. Southern California communities have recently imposed substantial front end fees on both residential and nonresidential developments which can be shown to demand public services in the immediate future. For example:

- (a) School development fees per dwelling unit, collected at the time of issuance of building permit, are being imposed in several growth communities.
- (b) "Acreage" fees for future storm drainage projects are being collected from developers who subdivide land.
- (c) Park development fees per dwelling unit are being defined during the tract map stage, and collected at the time of building permit issuance.

These examples of fees, however, are developer charges (passed through to the ultimate property buyer or tenant) for near terms necessary facilities in an immediately adjacent or surrounding service area.

The SCRTD concept of value capture for future line extension in another area poses the question of raising funds which do not have specific application or direct benefit to the immediate project at hand--the station location area from which the funds are to be sought. This issue has been carefully and slowly refined in cumulative legislative actions concerning tax increment redevelopment projects. Experience in this specialized area may be instructive.

Tax increment utilization requires:

- o That the debt be incurred by a redevelopment agency prior to release of funds for use.

- o That a clear finding of project benefit, within the project area, or within an adjacent area, be made for each expenditure. (The CRA in Los Angeles used Bunker Hill tax increment to support the downtown mini bus for some years, and has used Bunker Hill increment for initial costs of Downtown People Mover planning--both of these transit systems did or will aid Bunker Hill, but both extend substantially outside the project area. The test was project benefit.)

More recently, State legislation has mandated use of tax increment for social equity, and now provides that stipulated portions of increment be used to assist in low- and moderate-housing development for project displacees, either in or outside of the project areas.

This discussion, then, poses for SCRTD the fundamental question of demonstration of "project area" (station location district) benefit, if value is to be captured through some assessment technique. Future mass transit line extension must clearly be shown to be a certain direct benefit to initial station districts. This appears to be the case in a general sense. The practical problem is: how quickly will the line extension occur? Can the assessed owner be assured that the benefits being paid for now will arrive in a tangible future?

If the SCRTD were to propose a value capture technique which funded starter line station maintenance and operation, or even systemwide maintenance and operation, the assessed public might respond more favorably in that contemporary service/benefit can be seen.

SUMMARY

1. SCRTD has the authority to establish assessment districts.
2. SCRTD has proposed that such district or districts provide revenues for future project extension.
3. There is precedent for fee collections and tax increment utilization for "off site," future public services--tied, however,

to demonstration of demand for public service or facilities by the immediate project, and of benefit to the immediate project.

4. Thus, it is probable that value capture for future line extension will need to clarify State legislation, although that will not necessarily assure that the station area assessed public will accept the concept when and if it is formally proposed for local legislative adoption.
5. If SCRTD pledged value capture funds to starter line maintenance and operations, a better chance of acceptance might be secured.

B. METHODS

Two elements of methodology are important to the starter line application of value capture: (1) the potential alternatives for capturing value, and (2) the probable manner of the formation of the district or districts.

1. Alternatives for Value Capture

There are at least six possible ways to measure benefits which are realized at or near the station site because of its placement. Exhibit IX-1 is a schematic definition of these types:

- a. Property values increase because of rapid transit service, in an area perhaps as large as a half mile in diameter. An assessment based upon the increases in assessed valuation could be levied.
- b. Accessibility/patronage increases because of rapid transit service, and is at a demonstrated higher level than that already existing on current public transportation systems. A formula could be devised to distribute benefit assessment based on this concept--as has been discussed vis-a-vis the Downtown People Mover.
- c. Increases in sales taxes and employment taxes in a station area could be used as a direct measure of benefit caused

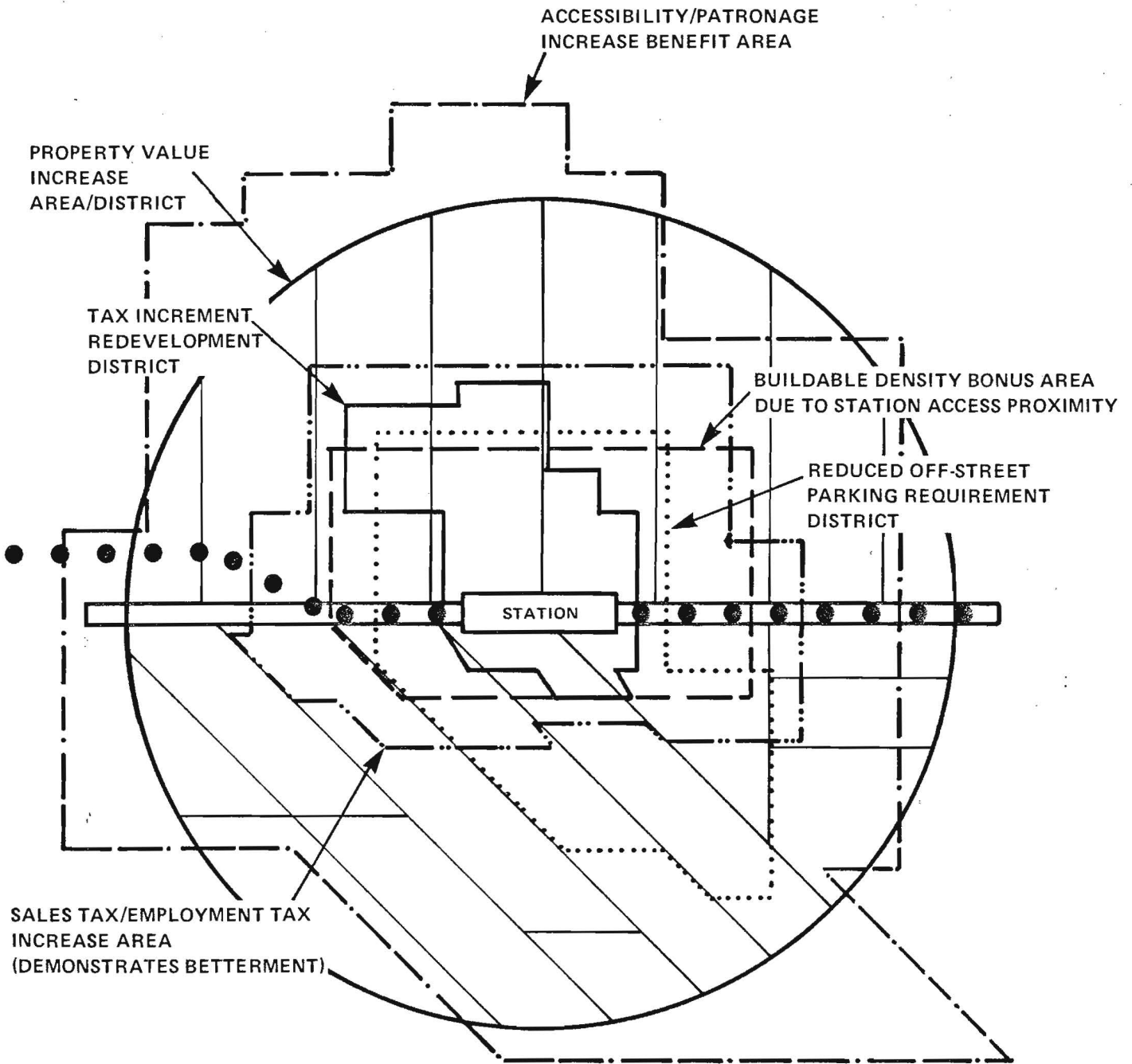


EXHIBIT IX-1
 SCHEMATIC
 POSSIBLE TYPES OF VALUE CAPTURE TECHNIQUES/DISTRICTS
 HAVING DIFFERENT BENEFIT MEASUREMENT AND/OR PURPOSE AREAS

by the station location, and could be the means of measuring positive economic change and defining an assessment formula.

- d. The station location provides a public planning policy opportunity to allow increases in density, and to "charge" for that additional development right. Thus, a buildable density bonus area might be established via a specific plan, which would also define a revenue stream.
- e. Transit station accessibility reduces the need for major investment in off-street auto parking for new developments, and allows existing developments to convert existing parking structures and surface lots to more intensive uses. Clear calculations of developer costs savings, and increases in revenue from space conversion can be the basis for a value capture technique.
- f. If a station area is economically obsolescent and exhibits serious blight, a tax increment redevelopment project could be authorized for purposes of causing revitalization and of paying for the public costs.

Each of these potential methods has attractive possibilities. Each requires a clear fixing of boundaries for the imposition of the value capture assessment. All require careful cooperation by the City and the County, and, in one case, the State (sales tax, employment tax reporting). The SCRTD could probably not impose any value capture system by itself, despite clear authority in law to do so via State assessment acts.

Time limited revenue gain versus ongoing value capture is critical to the SCRTD policy about the desired revenue instrument. It will be argued that the three building construction and redevelopment methods should be time limited. Off-street parking exemption and building density bonuses are frequently argued to be one-time savings, but, in fact, relate to the entire life revenue stream of the structures. ERA strongly

recommends that SCRTD define a method of value capture which provides for ongoing revenues rather than accept one-time revenues, unless they are for the purposes of immediate capital project development. (A tax increment redevelopment project, for example, might provide funds to share in costs of developing a mezzanine above the station platform which would enhance retail activity. In this case, the one-time contribution would be highly desirable.)

2. Formation of Value Capture Districts

Virtually all of the concepts will require enabling ordinances by local government. The process of formation of an assessment district is probably the model which will be observed:

- a. Petition to form district, or legislative body initiates.
- b. Define public purpose, public costs of "project."
- c. Define benefit to property owners through a distribution formula.
- d. Notify owners of proposed assessment district.
- e. Hold "project" hearing.
- f. Legislative body adopts ordinance establishing districts.
- g. "Project" is built (normally from proceeds from sale of bonds).
- h. Assessments are levied, and continuous rental paid off.

In the starter line case, the project capital costs are assumed to be covered. The purpose of the assessment is to provide funds either for the future line development or for contemporary maintenance and operation. Therefore, immediate construction funds are not being sought so it is unlikely that bonds will be sold. Uniquely, the process which will be proposed must seek to sell the concept of benefit which will occur to owners, and the need to collect a portion of that measurable benefit in order to pay for maintenance and operations of the benefit system or for its future extension.

ERA has diagrammed three alternative district concepts for SCRTD considerations. Exhibit IX-2 defines a program of 17 separate benefit/value capture districts, one at each station location, having roughly a one-half mile diameter, which can be justified as an accessibility/patronage increment zone (a 10- to 15-minute walk). Each area would contain roughly 126 acres. If all were adopted, some 2,142 acres would be under assessment. This option does not seem justified if each district must be separately adopted--some will probably fail during protest hearings. If a single district of 17 noncontiguous areas could be developed and put forward for approval this proposal probably would be more acceptable.

Exhibit IX-3 indicates linked groups of value capture districts of one-half- and one-mile diameters. The number of districts and size of areas would be as follows:

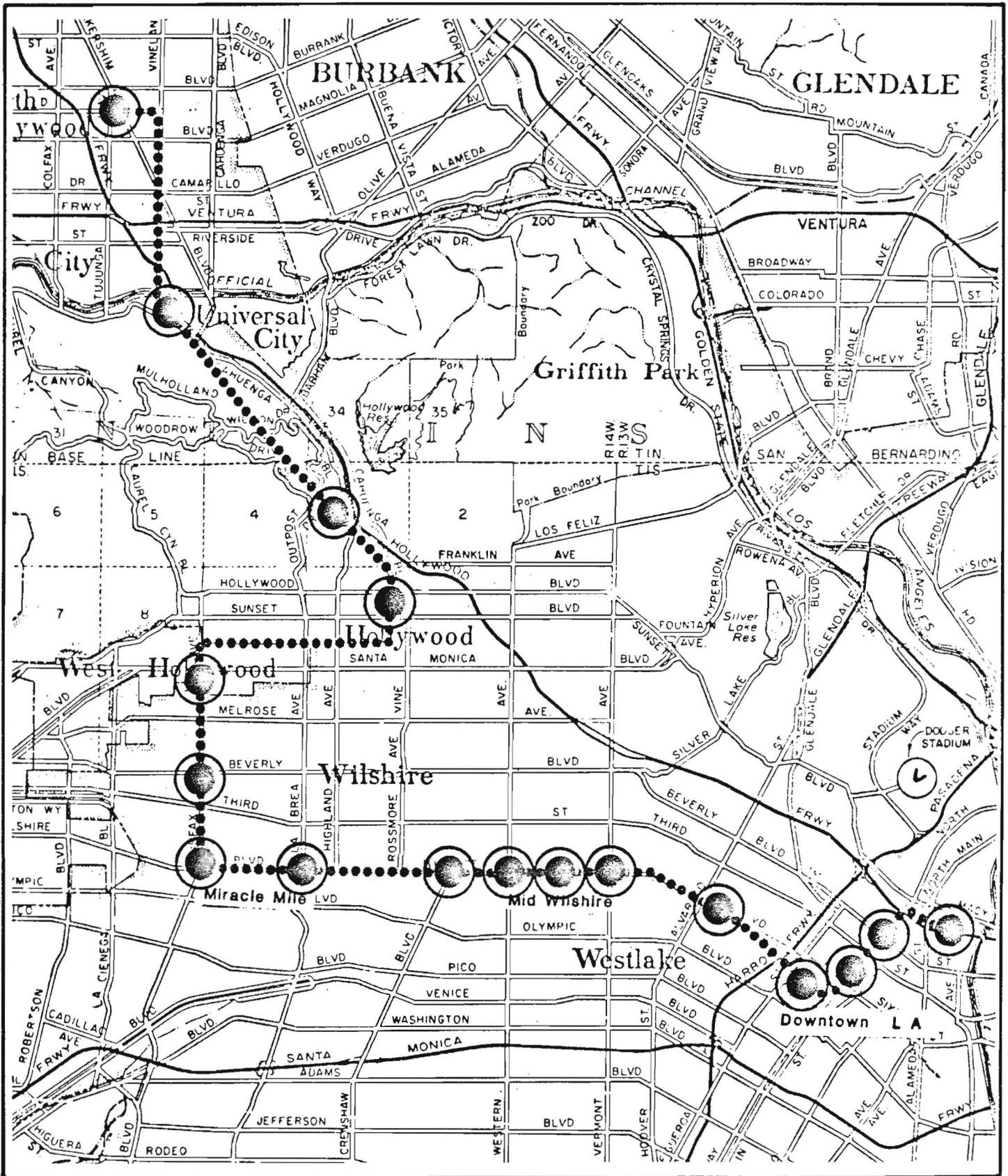
One-half mile	12 districts/areas	2,142 + acres
One mile	6 districts/areas	8,545 + acres

Depending on the types of value capture justification selected (property value increment would perhaps be most suitable for larger scale assessment districts, particularly because data is constantly available from the assessor's offices) and the formula which is devised, a spreading of the assessment could be devised which more generally speaks to the benefit provided by the entire rapid transit system.

Exhibit IX-4 proposes a concept which creates a single-value capture district composed of six noncontiguous areas, connecting in corridor fashion the several close-together station groups. The idea also includes the extension of the value capture district when "in-fill" stations are built in the future. The total acreage initially aggregated in this concept would probably be 8,500-plus acres. ERA believes, however, that if the single district of noncontiguous areas is viable, it will be more defensible if the individual areas are of one-half mile diameter, aggregating to approximately 2,142+ acres.

These three alternative concepts pose one primary issue: shall value captures be attempted piecemeal, station site by station site, or

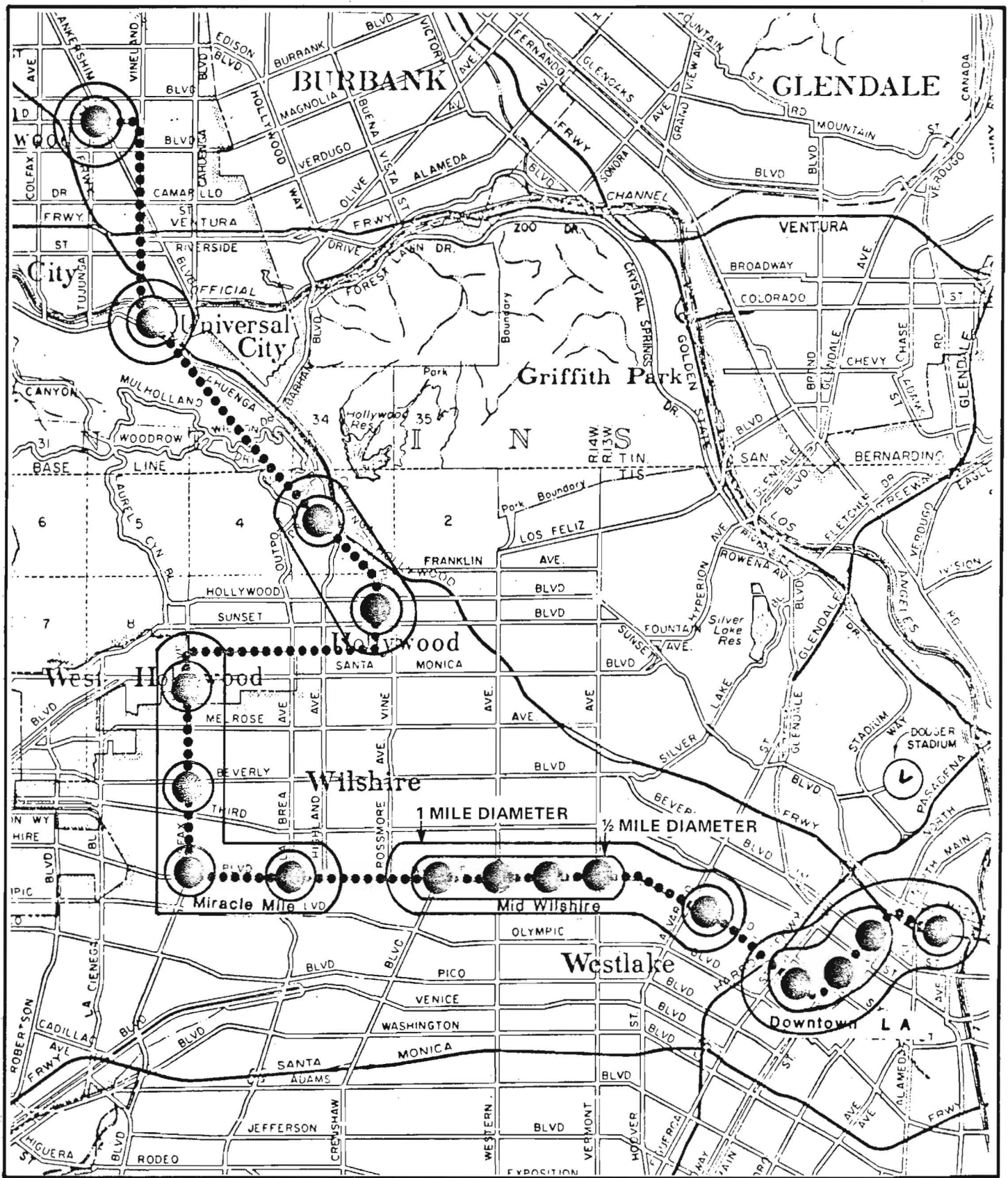
SCRTD BOARD PREFERRED ALTERNATIVE
 MODIFIED ALTERNATIVE II



NOT TO SCALE

CONCEPT: INDIVIDUAL VALUE CAPTURE DISTRICTS AT EACH
 STATION SITE (NOT OVERLAPPING) AT ROUGHLY
 1/2 MILE DIAMETERS—CONTAINING UP TO 125 ACRES.

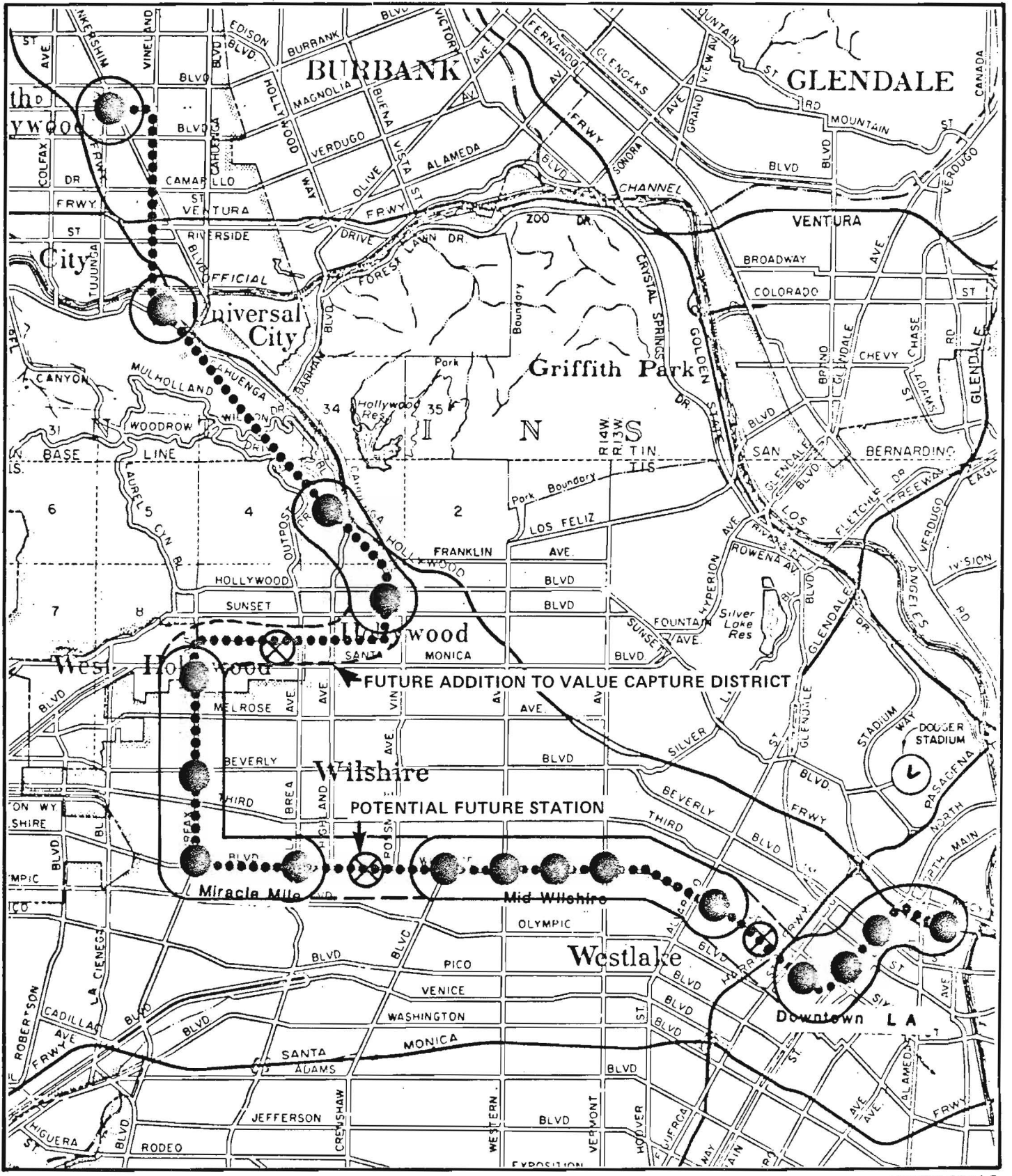
SCRTD BOARD PREFERRED ALTERNATIVE
MODIFIED ALTERNATIVE II



NOT TO SCALE

CONCEPT: GROUPS OF VALUE CAPTURE DISTRICTS, SOME HAVING MULTIPLE STATIONS (LINK TOGETHER THOSE STATIONS WITHIN 1/2 TO 1 MILE OF EACH OTHER).

SCRTD BOARD PREFERRED ALTERNATIVE
 MODIFIED ALTERNATIVE II



NOT TO SCALE

CONCEPT: FORM A SINGLE VALUE CAPTURE DISTRICT COMPOSED OF SEVERAL NONCONTIGUOUS BENEFIT AREAS, AND PROVIDE FOR FUTURE ADDITIONAL STATION AREAS TO JOIN.

shall a single "district" be proposed for adoption. Quite obviously the latter is the better choice because it can be uniform in application, while recognizing different station traits. It is also capable of being administered more easily, and presents an economy of scale in terms of costs of operation.

C. DEMONSTRATION OF BENEFIT CAUSED BY PUBLIC ACTION

In the design of the value capture instrument, the most obvious recipients of the public benefit caused by rapid transit station location must be identified, and that group will become the primary participants. Tangible instances of economic benefit must be defined so that the "making of the market" at the station location is fully demonstrated. It seems obvious that the property owners around station sites are the essential beneficiaries. Several examples of gain will serve to illustrate the potential economic benefits:

- o A 25 percent building density bonus at a station site creates a substantial gross leasable area increment in a commercial structure, and a large number of additional units in a residential development.
- o An off-street parking space in a structure has a cost range of \$6,500-\$12,000, and requires 350-400 square feet of floor area. Any multiple of parking spaces exempted will be costs foregone by the developer, and may also result in space constructed for greater revenue producing uses.
- o Any existing off-street parking space converted to new use will enable realization of substantial revenues. A surface lot space of 350 square feet, earning \$80.00/month (or \$.15 per square foot per month) might be converted to commercial office or retail space earning \$2.00 per square foot per month.
- o An older office structure at a station location now commanding \$.75 per square foot per month rent might command \$1.25 per square foot per month because locational convenience and accessibility is greatly increased by the rapid transit service.

Similar examples concerning apartment rental rates in the absence of rent control and condominium value increases could be defined. Increasing retail sales per square foot could also be project-based in large part initially on the early years of patronage performance and increasing over time as site area density increased due to new construction and resultant employee and residential population increases.

D. RANGES OF POTENTIAL REVENUE CAPTURE

Several alternative examples of potential value capture based upon real estate valuation have been calculated. First ERA determined the probable value of new real estate developments at the station vicinities, as projected in the market study completed in Section VIII. Average per unit values of development were then multiplied against the units of new demand. Table IX-1 indicates the potential for some \$2.18 billion in new market value which might be built at station sites during the 1980-1990 decade.

ERA next researched existing assessed valuation (1980) at the station sites by defining an immediate impact zone ("1⁰") of those four or more city blocks adjacent to the station site, and a close-in secondary impact zone ("2⁰") of city blocks surrounding the primary zone. This is shown by example on Exhibit IX-5. Los Angeles County Assessor's data was then collected by the two impact areas for each station site.* This data was then aggregated for each station site, as shown in the first column of Table IX-2. New development value was added to result in total projected assessed valuations shown in the third column. These figures provided ERA with a base for developing several "trial" concepts for value capture revenue generation, which are as follows:

VALUE CAPTURE REVENUE ALTERNATIVES
(Trial Concepts)

In each alternative, a differential "assessment" of locational betterment has been assigned to the primary impact area and the immediate secondary impact area ("1⁰" and "2⁰" on the maps).

*This data is contained in the Appendices, pages A-5, 6, 7, and is mapped for each station in the Map and Data Atlas which accompanies this report.

Table IX-1

DEVELOPMENT POTENTIAL BY STATION BASED ON ERA MARKET STUDY

Station	Office Sq.Ft. (thousands)	Office Improvement Cost (thousands) ^{1/}	Retail Sq.Ft. (thousands)	Retail Improvement Cost (thousands) ^{2/}	Residential Units	Residential Costs ^{3/}	Total Improvements by Station (market value)
1			2	\$ 200			\$ 200,000
2			4	400			400,000
3	2,700	\$ 303,750	90	9,000			312,750,000
4	5,000	562,500	500	50,000	750	\$123,821,250	736,321,250
5	50	5,625			100	16,509,500	22,134,500
6	800	90,000	30	3,000	200	33,019,000	,019,000
7	500	56,250	140	14,000	1,500	247,642,500	317,892,500
8	400	45,000	40	4,000	100	16,509,500	65,509,500
9	200	22,500	25	2,500	1,250	206,368,750	231,368,750
10	50	5,625	10	1,000	500	82,547,500	89,172,500
11			10	1,000	100	16,509,500	17,509,500
12	50	5,626	10	1,000			6,625,000
13			10	1,000	750	123,821,250	124,821,250
14	300	33,750	20	2,000			35,750,000
15			3	300			300,000
16	100	11,250	15	1,500	200	33,019,000	45,769,000
17	150	16,875	15	1,500	200	33,019,000	51,394,000
	10,300	\$1,158,750	924	\$92,400	5,650	\$932,786,750	\$2,183,936,750

Special Note: A June 1978 report to SCRTD by the Urban Development Group estimated \$580 million in New Development opportunities on the starter line. The ERA analysis indicates a substantially higher potential because the entire 1980-1990 decade has been examined, as well as the potential for further attraction of development some years after the line is fully operational.

^{1/} Range \$100-\$125 per square foot for office space. Average equals \$112.50.

^{2/} Range \$90-\$110 per square foot for retail space. Average cost equals \$100.

^{3/} Range \$150,000-\$180,190 per unit for residential units. Average cost equals \$165,096 per unit.

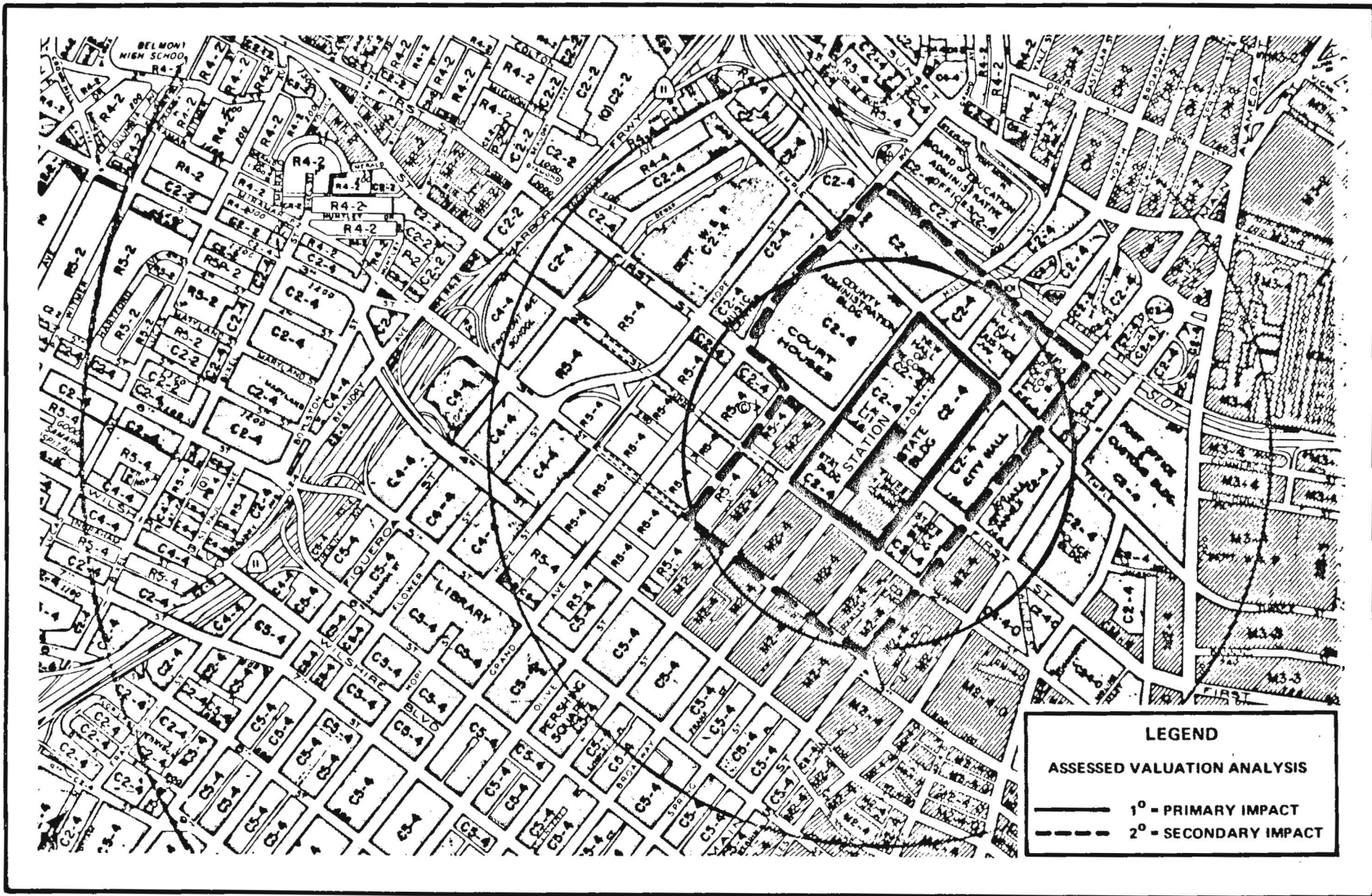


EXHIBIT IX-5 PRIMARY AND SECONDARY IMPACT ZONE EXAMPLE
 (Each Station Site is Shown in the Map and Data Atlas)

Table IX-2

PROJECTED ASSESSED VALUATION BY STATION SITE
(Net Improvement)

<u>Station</u>	Current Assessed Value (plus improvements) ^{1/}	Market Demand Improvements (assessed values) ^{2/}	Total Projected Assessed Value ^{3/}
1	\$ 9,004,726	\$ 50,000	\$ 9,054,726
2	17,111,529	100,000	17,211,629
3	41,891,559	78,187,500	120,079,169
4	100,413,730	184,080,312	284,494,042
5	76,108,115	5,533,625	81,641,740
6	33,093,755	31,504,750	64,598,505
7	29,298,720	79,473,125	108,771,845
8	26,726,390	16,377,375	43,103,765
9	13,431,595	57,842,187	71,273,782
10	5,009,199	22,293,125	27,302,324
11	15,941,560	4,377,375	20,318,935
12	18,320,445	1,656,250	19,976,695
13	12,340,235	31,205,312	43,545,547
14	14,174,412	8,937,500	23,111,912
15	2,055,210	75,000	2,130,210
16	8,790,117	11,442,250	20,232,367
17	9,813,954	12,848,500	22,662,454
	<u>\$433,525,461</u>	<u>\$545,984,187</u>	<u>\$979,509,648</u>

^{1/} This includes "10" and "20," the primary and secondary impact areas at the immediate station sites.

^{2/} Total improvement by station, market value divided by 4.

^{3/} Difficulty lies in determining what existing structures may have to be replaced to accommodate projected improvements. It is assumed that the projected improvements are added to the total existing value.

We have calculated several alternatives for an "as-is" situation (without waiting for eventual new development), and for future "built-out" station areas.

I. As-Is Alternatives (assessing what's already in place)

- A. Apply a \$.10/\$100 of assessed valuation (AV) annual assessment to the city blocks at the station site ("1°") and apply a \$.05/\$100 of AV annual assessment to the next ring of blocks ("2°"):

Yields: \$ 278,642/year

as compared to \$17,341,378 in real property taxes collected annually at \$4/\$100 of AV (1% of market value) after Proposition 13.

- B. Apply a \$.30/\$100 of AV annual charge to the primary blocks, and \$.15/\$100 of AV to the secondary blocks.

Yields: \$ 835,926/year

- C. Apply \$.40 and \$.20 respectively, as above.

Yields: \$1,114,568/year

- D. Apply \$.40 and \$.20 of market value (MV), respectively.

Yields: \$4,458,272/year

II. Development Capture

Capture all developments in the primary and secondary impact areas during the next decade. (\$2,183,936,750 in new additional market value.) Assume one-third is built on the primary impact station site city blocks, and the remaining two-thirds is built on the secondary impact close-in ring of city blocks.

1° = Primary \$ 727,978,916 MV x \$.40/\$100 MV = \$2,911,915

2° = Secondary \$1,455,957,834 MV x \$.20/\$100 MV = \$2,911,915

\$5,823,830/year

Thus, \$5.8 million in additional value capture revenue flows could be available at the end of a decade. Add in the As-Is revenue flows of Alternative I (D) above and the total grows to \$10,282,103 per year.

III. Capture Portion of New Developments, Collect Lower Assessment

Capture one-half of new developments projected by ERA, because many will be under-way in the development process prior to establishment of value capture districts. Split the locations one-third to primary impact area and two-thirds to secondary ring of blocks. Assess developments at \$.20/\$100 of market value in the primary area and \$.10/\$100 of market value in the secondary area. No assessments collected from as-is in place developments.

Yields: \$1,455,956/year

Note : Existing developments today yield at least \$17.3 million in real estate taxes. New developments would yield an additional \$21.8 million in real estate taxes, for a total of \$39.1 million annually at the end of a decade.

IV. Capture of Benefit from Off-Street Parking Construction Exemption

The concept suggests that SCRTD and the City of Los Angeles jointly develop a value capture mechanism that collects annual assessments from office and retail property development which may be exempted from off-street parking requirements because of immediate proximity to the transit station. For example, if 10.3 million square feet of new office space and 924,000 square feet of new retail is built, one-third of the space at the station site, and two-thirds of the space in the secondary impact area, and differing benefit rates are applied; e.g.:

1/3 Office Space = 3.4 million sq.ft. x \$.30/sq.ft./year = \$1,020,000

2/3 Office Space = 6.9 million sq.ft. x \$.15/sq.ft./year = 1,035,000

\$2,055,000/year

1/3 Retail Space = 308,000 sq.ft. x \$.40/sq.ft./year =	\$ 123,200
2/3 Retail Space = 616,000 sq.ft. x \$.20/sq.ft./year =	<u>246,400</u>
	\$ 369,600/year
New Development Potential Total	\$2,424,600/year

This concept should also apply to existing buildings at or near station sites which wish to convert parking garages, or portions thereof, to additional office, retail, or other higher revenue-producing uses. It is possible, then, that eventually some \$3,000,000/year might be collected from property owners as a direct betterment ("exempted" off-street parking development costs value) for new and existing developments along the starter line based on off-street parking "foregivings" alone.

These trial concepts provide an indication that if meaningful value capture is to take place, some combination of measures which will yield a range of \$5-\$10 million per year will be an appropriate target range.

E. PROBABLE VALUE CAPTURE CONSTRAINTS

ERA believes that there are several serious constraints which work against a uniform value capture program. There are primary issues which are apparent at this time:

1. The City and the County are consistently working to stimulate greater economic development in numerous areas of the regional core, through redevelopment, revitalization, grants capture, and other developer incentives. Conversely, value capture "taxes the betterment." While this supposed contradiction is obviously a simplistic statement, it is nevertheless, a matter of determining whether meaningful value capture can take place if many of the station sites are officially designated as economic recovery program areas and stimulants are the order of the day, rather than revenue raising.
2. Four station sites are already in redevelopment projects in which tax increment pledges and commitments for years ahead are likely.

3. Social equity policies of the City and County to hold down rental rates in existing buildings and to limit condominium conversions depress somewhat the potential for property value increases that a standard value capture assessment mechanism would rely upon. We believe that these policies are likely to continue indefinitely.
4. Three stations have very substantial government ownerships (Union Station, Civic Center, Hollywood Bowl) and are unlikely to produce significant value capture revenues.
5. Two stations have growth control regulations which make substantive new development questionable in the early 1980s-- Wilshire/Crenshaw and Studio City. The Park Mile Specific Plan ordinance and the Studio City height district plan-zone conformance process do not provide incentives for private development of large-scale structures.

These elements of value capture constraint are shown graphically on Exhibit IX-6. Based upon these constraints we have broadly judged the ability of the 17 station sites to contribute substantial revenues. This overview is shown as Exhibit IX-7.

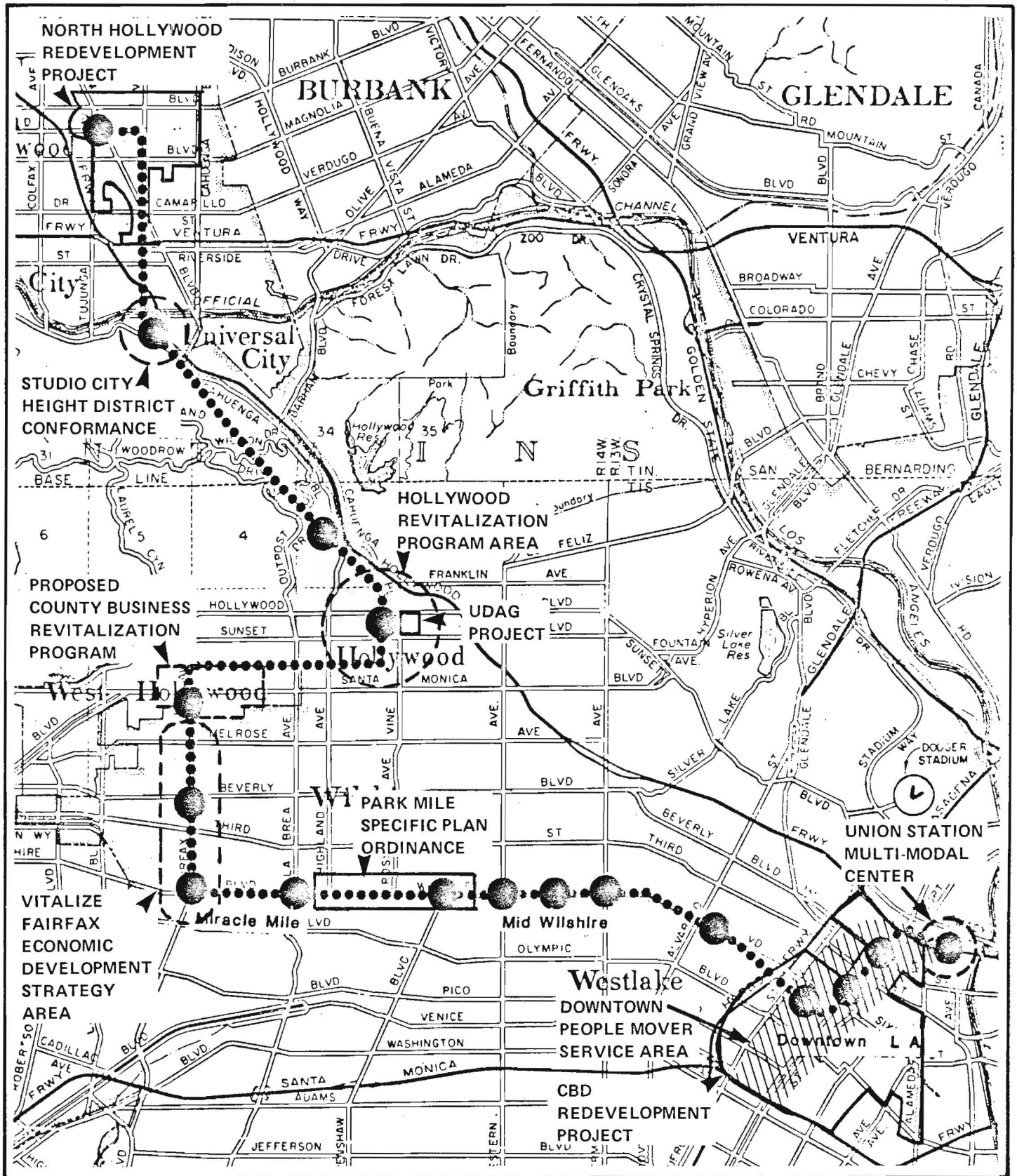
This judgment may be unduly harsh. It is very much colored by the existence of tax increment redevelopment commitments in downtown areas which will experience high development activity during the next decade.

F. SHARED INITIATION OF A VALUE CAPTURE PROPOSAL

Despite the foregoing somber evaluation of constraints, it is well worth assembling a proposal for a systemwide value capture district along the following lines:

1. SCRTD, the City, and the Los Angeles County Transportation Commission staff establish a working group to develop a working proposal for discussion at the elected official level

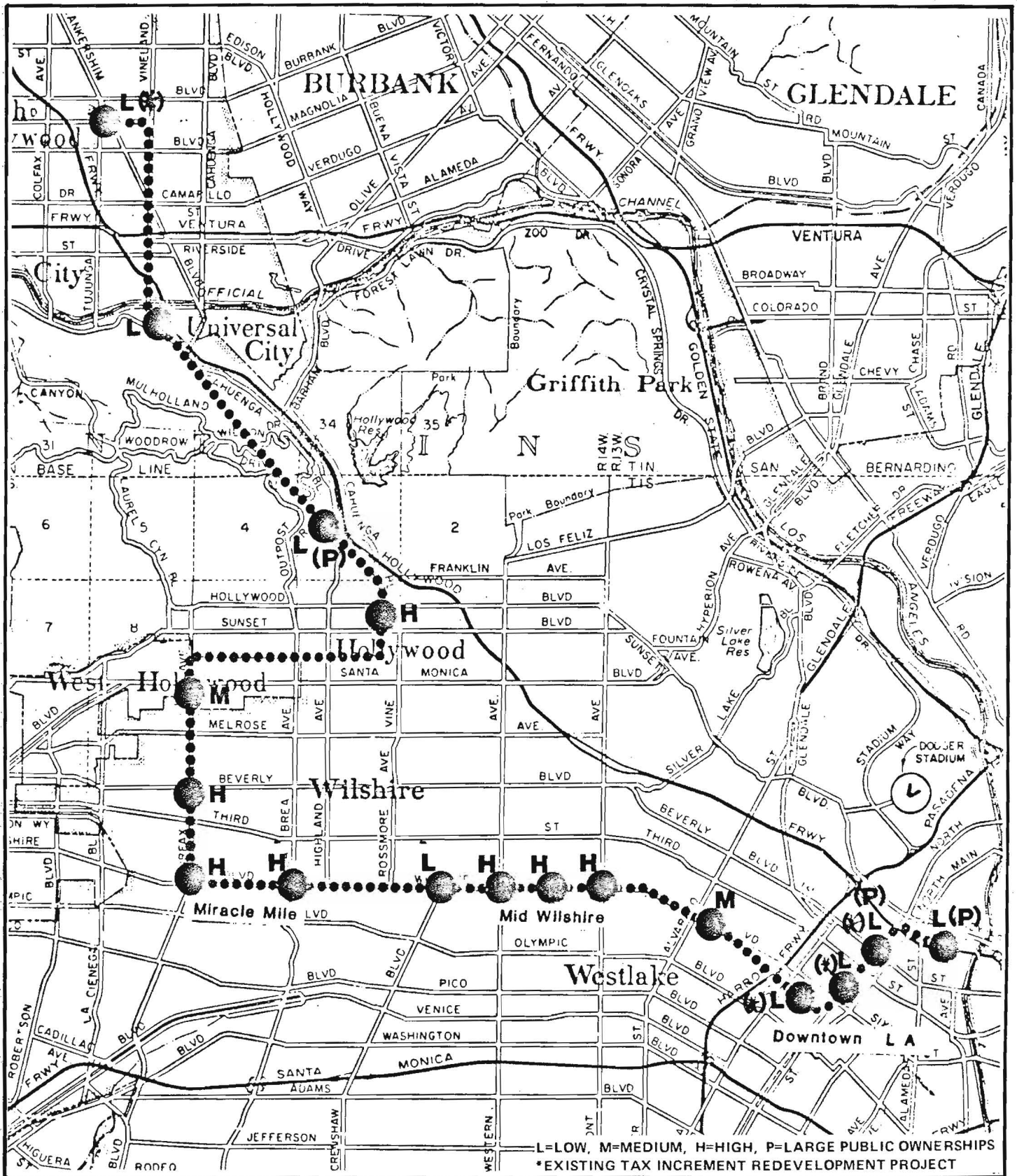
SCRTD BOARD PREFERRED ALTERNATIVE
MODIFIED ALTERNATIVE II



NOT TO SCALE

CONCEPT: ECONOMIC DEVELOPMENT PROGRAM AREAS, REDEVELOPMENT PROJECTS, AND SPECIFIC PLAN AREAS WHICH IMPACT ON JOINT DEVELOPMENT AND VALUE CAPTURE OPTIONS.

SCRTD BOARD PREFERRED ALTERNATIVE
MODIFIED ALTERNATIVE II



CONCEPT: PROBABILITY OF VALUE CAPTURE TECHNIQUE CONTRIBUTING
SUBSTANTIAL REVENUES.

EXHIBIT IX-7

2. Select an assessment method based on property valuation betterment.
3. Make the policy choice between funding initial system maintenance and operations or sequestering funds for future line extension.
4. Seek legislation which will allow numerous noncontiguous areas to be part of the same value capture district.
5. Request City Council and Board of Supervisors' support for legislation concerning:
 - o Noncontiguous areas as a single district;
 - o Public purpose of a district which raises revenues for system extension.
6. Design of a joint powers agreement between the City, County, and SCRTD for the creation of the single value capture district.
7. Formation of the district along known assessment district process lines.

The steps described above are intended to place all of the elected leadership in coordinated policy positions and then to move toward a single instrument for value capture. Frankly, the bigger the policy issue and the greater the concept, the more probability of forward momentum and eventual adoption.

G. MEANINGFUL SCALE OF VALUE CAPTURE ASSESSMENT

We may define at least two possibilities:

- o Assessment based on cost of development of future stations
- o Assessment based on cost of annual maintenance of existing stations

1. We shall take as future cost, \$200 million as the potential cost of development of each future line and station extension increment (1990-2000) in any extension of the starter line. (The SCRTD has estimated station development to be 25 percent of total system costs.) In this case, we are looking

10 to 20 years ahead, compensating inflationary impact, and proposing to collect value capture revenues necessary to meaningfully provide funds for capital costs of extension lines development. Let us assume that \$200 million per increment station extension is necessary, and set an extension goal of 10 additional stations, at one-mile intervals, adding 10 miles to the initial 18.3 mile starter line.

The current financing program for the starter line (80 percent Federal, 20 percent State and Local) has committed 5 percent local share. We would anticipate the need to establish a 10 percent local share contribution for any future line extension, or some \$100 to \$200 million in collected revenues in a trust fund over a 10- to 20-year period. Thus, the goal would be \$10 to \$20 million in value capture revenues per year from the starter line station districts. Recognizing the differential capacity of the 17 stations to deliver the revenue ranges needed, some average value capture concept is needed, by combining existing and new land types. We shall take \$885,000 per year per starter line station as the average revenue objective.

This will "produce" \$15,045,000 per year after build out of the station sites (first impact and second impact areas) in the 1980-1990 period, after 1990. During the 1990-2000 decade, some \$150,045,000 would be available to invest in stations on an expansion route program, plus perhaps \$37.6 million in 1980-1990 period revenues, for a potential total of \$175 to \$190 million. Realistically, we might expect a sum total of \$140 million (three-fourths of optimistic projections) during the period 1980-2000 from starter line station district value capture (all in 1980 dollar values).

The potential \$150 million revenue total to be collected during a 1990-2000 period might then be compared against a "built out" forecast of \$979.5 million assessed valuation for existing and new development. For each 1990 assessed valuation dollar, this example would collect a revenues over a 10-year period \$.15--or \$.015 per year. This is certainly a modest revenue imposition on the starter line station locations.

2. Another approach--that of seeking revenues to offset costs of station maintenance and operations--can be conceptualized as follows:

- o 17 stations x 500' platform lengths x 40' widths x \$10/sq.ft./year maintenance = \$3,400,000
- o Double the figure so that maintenance costs for potential mezzanines are included = \$6,800,000
- o Add the potential station operating systems costs (escalators, lights, climate control, etc.,) at perhaps \$3,200,000/year
- o Add incremental personnel costs (security, information) at perhaps \$3,000,000/year

Thus, a conceptual annual cost demand of \$13,000,000 might be aggregated--or some \$130 to \$150 million during the first full decade of operations (1990-2000).

ERA agrees with SCRTD that it is valid and necessary to create a revenue instrument that funds the local share of line extension and thereby materially supports the continuing vitality of the starter line. We believe, however, that SCRTD will be asked to prove that value capture revenues will not be necessary for starter line systems operations before the concept of commitment of value capture assessment to future line extension will receive a fair hearing. There are also some practical political difficulties in attempting to obtain revenues from benefit districts for the purpose of expenditure in the future well outside of the benefit district itself. It is therefore proposed, as a more realistic approach, that SCRTD (and its jurisdictional partners) seek to create a single revenue-producing value capture district of noncontiguous areas which pledges the revenues first to station maintenance and operations and, secondly, to rapid transit system-wide maintenance and operations.

Section X

JOINT DEVELOPMENT IMPLEMENTATION

For many of the reasons we have been cautious concerning value capture opportunities, we are much more optimistic about joint development probabilities. The essence of joint development is stimulation of the private participant who desires to capture the new business potential.

A. THE SEVERAL ALTERNATIVES

Much has already been written concerning joint development techniques. ERA prefers to look at joint development as a case process of individually negotiated performance contracts within a larger policy guideline which stipulates broad objectives. Because of the potential for overlays of several programs and jurisdictional authorities at any one station site, we believe it will be useful to define joint development almost solely as physical development and rehabilitation incentives. A picture of possible overlays of jurisdictions and multiple public objectives in an area is defined by Exhibit X-1 which illustrates the combination of separate (and concerted) efforts which may be simultaneously underway:

- o A value capture district
- o A specific plan ordinance governing allowable densities and providing a framework for performance negotiation
- o A tax increment redevelopment project providing developers incentives for new construction and rehabilitation, and capable of exercising eminent domain.
- o A financially advantageous commercial rehabilitative loan program for revitalization of older structures
- o A series of individual joint development contracts with property owners

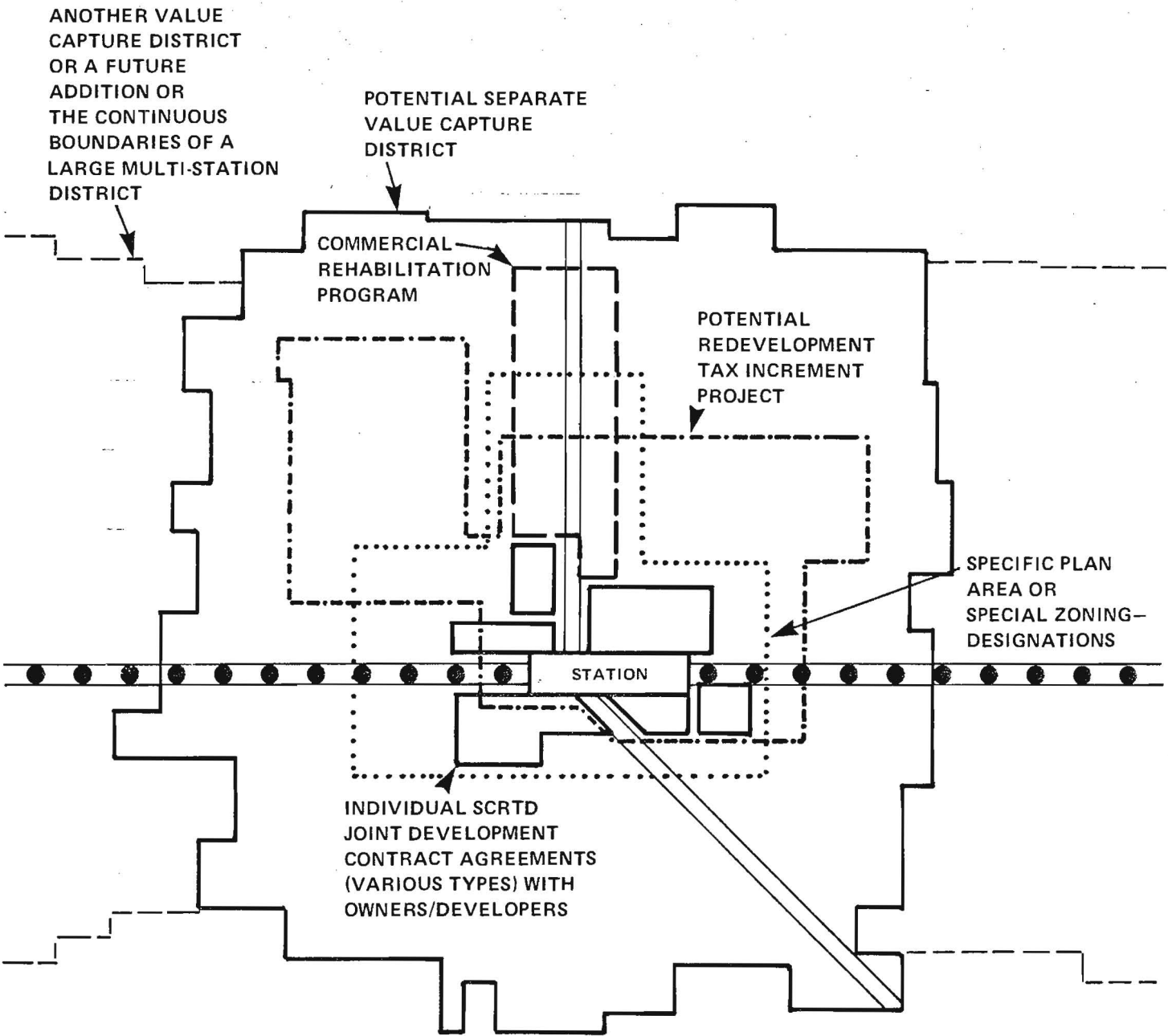


EXHIBIT X-1
 POSSIBLE OVERLAYS OF VALUE CAPTURE
 AND JOINT DEVELOPMENT TECHNIQUES WITH
 PLANNING CONTROLS AND ECONOMIC DEVELOPMENT PROJECTS

The next illustration, Exhibit X-2, then defines several possible types and mixes of joint development contracts and financial arrangements in a physical setting. Very briefly, the diagram illustrates:

- o Air rights lease or purchase opportunities
- o Negotiated mass scale development around and integrated with a station, including foundation work and pedestrian circulation systems
- o Rehabilitation of existing structures to revive station access and egress
- o Tandem use of redevelopment and grants capture to achieve housing and community use objectives at a station location
- o Several forms of revenue receipt from advertising, shop space lease, and concessionaire contracts

To be more precise, SCRTD has many potential negotiation instruments, as outlined below, with which to stimulate developer performance and cost sharing.

Incentives by type:

1. The Obvious Market Feasibility
 - A. Enhanced locational value--at a specific access/egress point
 - B. Assured patronage/traffic volumes
 - C. Multiple rather than single-purpose use; extended hours of building use and revenue/income
 - D. Certainty of protection, maintenance, of public purpose areas
 - E. Enhanced "bankable" character of lending package sought by developer
2. "Hardware" Incentives
 - A. Land or air rights, sale, or lease
 - B. Structure space lease (to developer by RTD, or by RTD from developer)

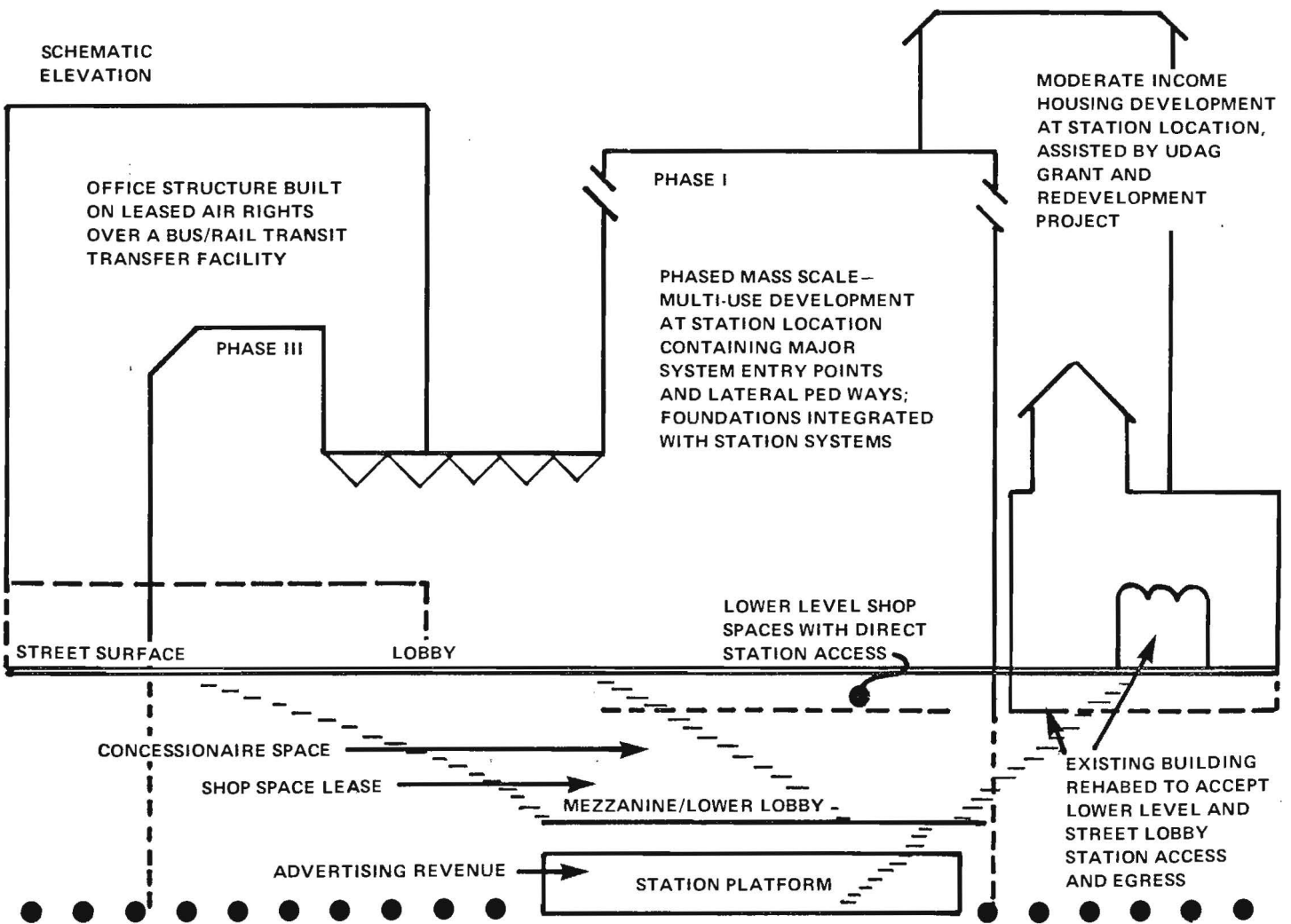
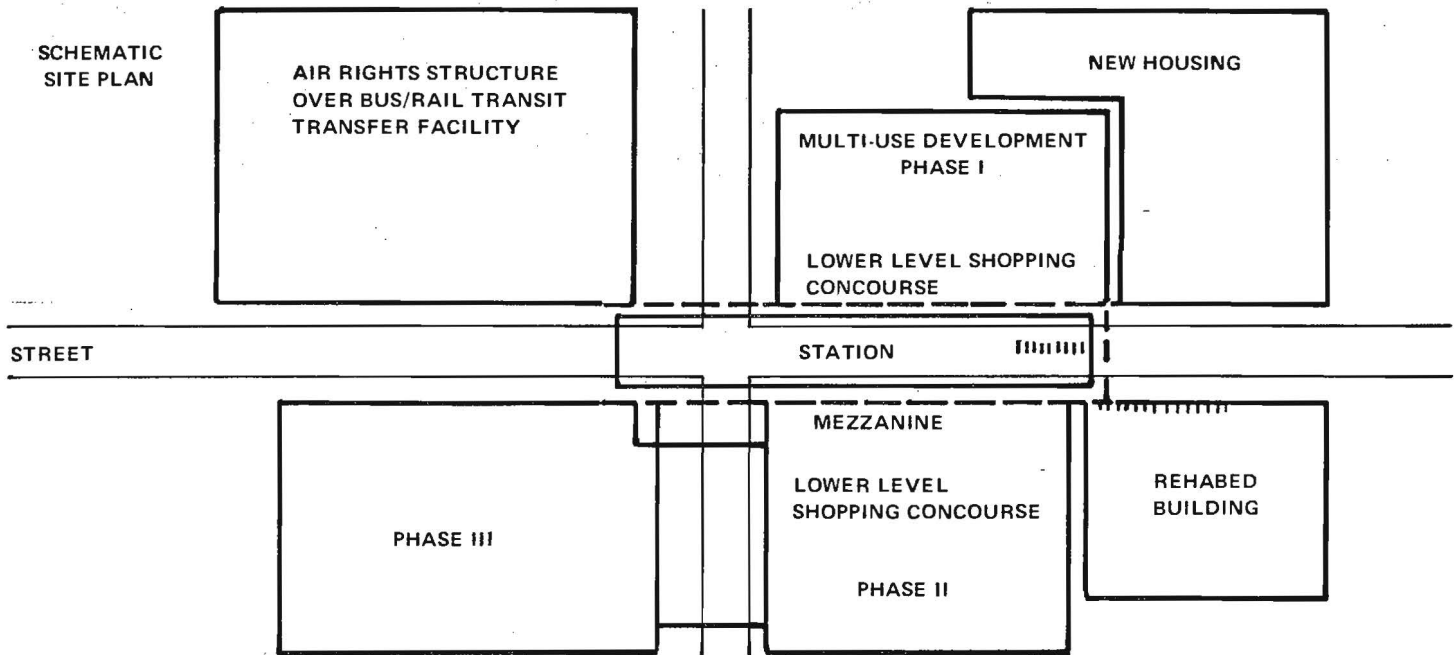


Exhibit X-2

- C. Joint participation in portions of foundations, mezzanine, and red way construction costs
 - D. Participation in service system costs (utilities, emergency and back-up systems) required by transit and by developer
3. Development Management and Profitability Incentives
- A. Developer design-built for RTD at station site
 - B. Portions of structure may be property tax exempt (public use)
 - C. Lower cost of money from several governmental and quasi-governmental sources if in a revitalization program district
 - D. Enhanced public purpose support and advocacy from local governments seeking successful joint development and revenue flows
4. Explicit "bread and butter" development incentives--to both new developments and rehabilitation/use conversion projects
- A. Land assembly; length of lease recognizing "new" circumstance of transit station
 - B. Assist in existing tenant relocation
 - C. Assist in structural demolition for purposes of station construction
 - D. Public improvements at street grade by City and RTD which will improve building setting and immediate neighborhood environment

PARTICIPATION LEVEL PROBABILITIES

Based upon the analysis ERA undertook in Section IX, concerning value capture, and the circumstances of existing public policy at the 17 station sites, which is briefly reviewed in Exhibit X-3, a rough cut of potential joint development participation by private owners and developers has been defined on Exhibit X-4, which immediately follows.

Exhibit X-3

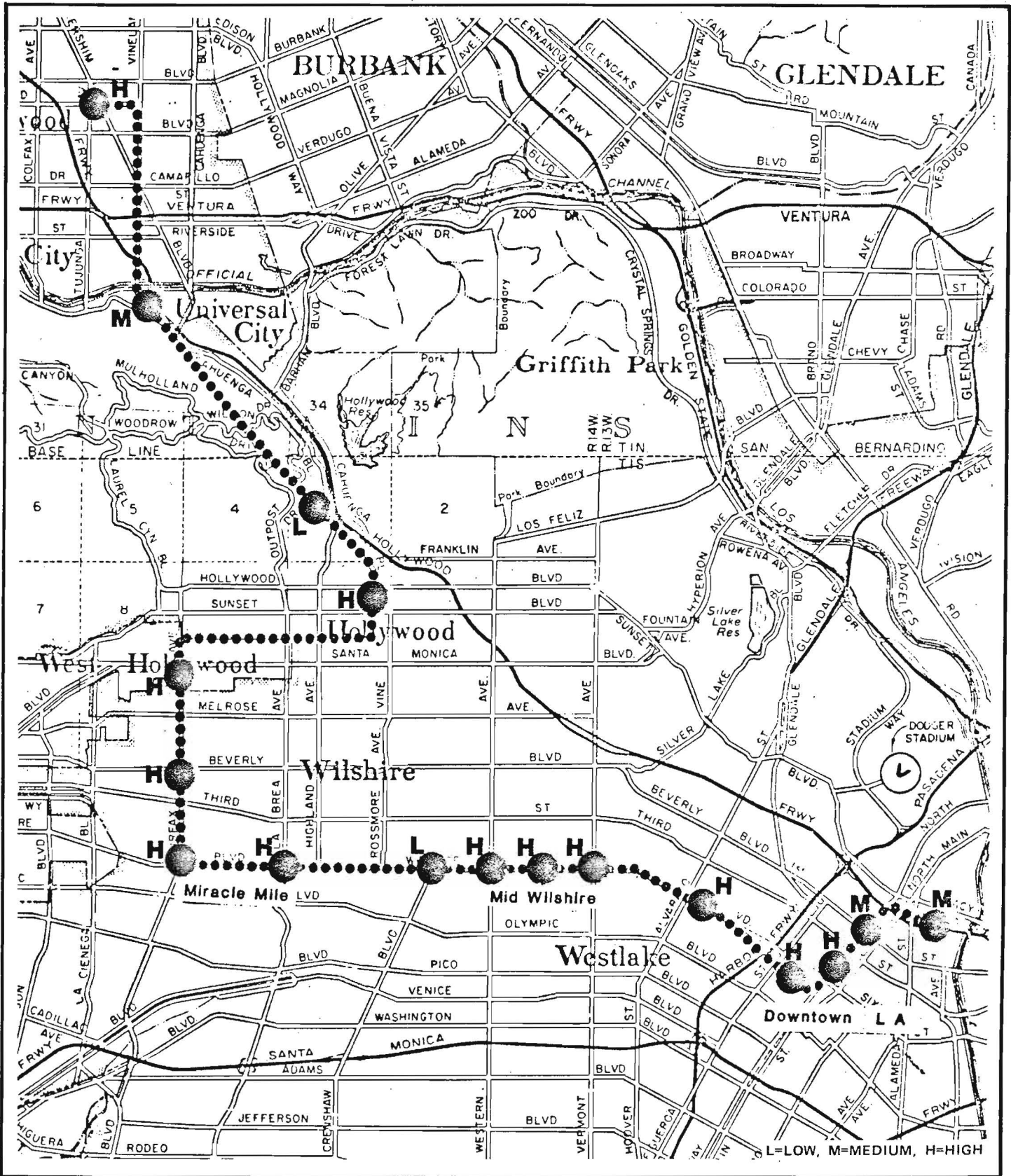
CONDITIONS WHICH IMPACT BOTH JOINT DEVELOPMENT
AND VALUE CAPTURE OPTIONS

- o Stations where tax increment is already committed:
 - 2. Civic Center (First/Broadway)
 - 3. Fifth/Broadway
 - 4. Seventh/Flower
 - 17. North Hollywood
- o Station with substantial governmental facilities (property not taxed/exempt):
 - 1. Union Station (Macy/Vignes)
 - 2. Civic Center (First/Broadway)
 - 15. Hollywood Bowl
- o Stations with downtown people mover proximity/potential DPM operations assessment district:
 - 1. Union Station
 - 2. Civic Center
 - 3. Fifth/Broadway
 - 4. Seventh/Flower
- o Stations with current local government economic development programming commitments:

All CRA Projects (2, 3, 4, 17)

 - 14. Hollywood/Cahuenga (Hollywood revitalization)
 - 13. Fairfax/Santa Monica (County Community Business Revitalization)
 - 12. Fairfax/Beverly (Vitalize Fairfax Committee, Young Israel Community Development Corporation, major land owners)
- o Stations where private participation in joint development may be limited :
 - 1. Union Station
 - 2. Civic Center
 - 15. Hollywood Bowl
- o Stations where value capture imposition of assessments may have limited or no utility:
 - 1. Union Station
 - 2. Civic Center
 - 3. Fifth/Broadway
 - 4. Seventh/Flower
 - 9. Wilshire/Crenshaw
 - 15. Hollywood Bowl
 - 17. North Hollywood

SCRTD BOARD PREFERRED ALTERNATIVE
 MODIFIED ALTERNATIVE II



NOT TO SCALE

CONCEPT: PROBABILITY OF SUBSTANTIAL JOINT DEVELOPMENT PARTICIPATION
 BY PRIVATE OWNERS/DEVELOPERS.

The reader will quickly note that most stations are classified as high probability locations. This is based in large part on the existence of economic development stimulation techniques, or intentions to create such techniques at over half the station sites at this time. ERA believes this fortunate circumstance defines an opportunity for SCRTD joint development contracts which gather in other agencies' development incentives.

B. SCRTD IMPLEMENTATION WITH OTHER AGENCIES

The cast of participants is numerous. By definition, the City, the County, and the Los Angeles County Transportation Commission, are involved because of territorial jurisdiction or because of legislative mandate and memorandum of agreement. More specifically, however, the key staffs who will work together to develop negotiatory framework for joint development opportunities will probably be:

SCRTD Joint Development Staff

The Community Redevelopment Agency (City or County)

The Community Development Department (City or County)

The City Planning Department/Regional Planning Department

The Bureau of Engineering/County Engineer

The Transportation Department/County Engineer

The Building and Safety Department/County Engineer

(In each case we have shown the City and the County counterparts.)

C. EXAMPLES OF SHARED COSTS

Each station will have unique mezzanine and street entry level configurations. Over the decade of starter line construction, the structural changes by property owners will continue and may also continue into the 1990-2000 decade, requiring an ongoing capacity to negotiate space and function change above the station platforms, as well as around the platform. Examples are as follows:

1. Foundations
2. Utility systems (except for auxiliary power)

3. Pedestrian movement systems (escalator lobbies, elevator lobbies)
4. Interior design themes of public and private mixed space
5. Maintenance contracts where mixed space occurs

Each has a value, from a scale of perhaps \$100,000 to \$30 million. Most of the shared costs items will probably be one-time cost participation joint development contracts as new buildings are built or existing structures are rehabilitated. These agreements will result in costs not realized wholly by SCRTD, but will not be regularly occurring, nor definable as cash flows.

D. POTENTIAL FOR ONGOING INCOME FROM JOINT DEVELOPMENTS

We have previously seen that several revenue streams may be possible. For example, the following matrix suggests potential revenue ranges:

<u>Function</u>	<u>Coverage</u>	<u>Agreement Type</u>	<u>Revenue Range (millions)</u>
Advertising	All stations	Sales contract	\$.5-\$.75/year
Concessionaire	10-15 stations	Multiyear contracts	\$.4-\$1.0/year
Retail Space Lease	All stations	Multiyear competitively bid contracts	\$2-\$4/year
Air Rights Leases	5-10 stations	50-99 year lease contracts	\$1.5-\$3.0/year
Total of Potential Ranges			\$4.4-\$8.75 million/year

These are ongoing revenue streams. Land sale has not been included here because ERA has assumed minimum site assembly by SCRTD, and thus, minimum "surplus" property sale or lease.

These range estimates should be compared with the experience of other cities in North America, which were recorded earlier in Section VI. The reader will note that ERA has been conservative in estimating annual revenues in early years.

The \$4.4 million to \$8.75 million annual revenue range has been defined as follows:

- o Advertising Based upon the average performance of the nine transit properties previously reviewed, with particular attention to the Atlanta and Philadelphia experience. SCRTD, in ERA's judgment, should design for advertising revenue.
- o Concessionaire For purposes of quality control of specific services, including food outlets, and in order to ensure uniform availability of some service types on the mezzanine levels above the station platforms. The contracts should be based on an initial fixed rate, replaced by a percent of gross. The minimum annual forecast of revenues is based on 20,000 square feet of SCRTD controlled concessionaire space in the system at a minimum of \$20 per square foot.
- o Retail Space Lease This estimate is derived from a minimum of 80,000 square feet of SCRTD controlled mezzanine retail purpose space throughout the system, at a minimum annual rent of \$25 per square foot, with rent convertible to 8 percent of gross revenue when base rents are exceeded by the latter formula.
- o Air Rights Leases This estimate is based upon the assumption that both air rights and ground leases have a capitalized value range of \$20 to \$30 per square foot and could command \$2 to \$3 per square foot per year in rent. It has also been assumed that SCRTD may need to purchase and clear some 15 to 20 acres of prime land at up to ten station sites which could then be offered under either air rights or ground lease conditions. It is strongly suggested that SCRTD not sell acquired properties which have long-term revenue potential.

E. JOINT DEVELOPMENT OPTIONS - STATION BY STATION

ERA has next defined the relative priority for initiation of joint development discussions with owners and developers at the several station sites. A matrix has been prepared, as shown in Exhibit X-5, which follows, which calls out eight station areas as priority locations where current developer interest is high, major projects are in formation stages, or significant land assemblies and forecasted market demand coincide. Thus, it is recommended the SCRTD initiate discussions with both City agencies and property owners at:

Station 3	5th/Broadway
4	7th/Flower
6	Wilshire/Vermont
7	Wilshire/Normandie
11	Wilshire/Fairfax
12	Fairfax/Beverly
14	Hollywood/Cahuenga
17	North Hollywood

F. RECOMMENDED USE OF JOINT DEVELOPMENT REVENUES

Unless otherwise directed by other policy and program agencies, the SCRTD should be very tough-minded about the end uses of the several joint development revenue flows. As pointed out previously, virtually all joint development revenues will result from carefully negotiated long-term contracts between the SCRTD, the City of Los Angeles, and the private developers and property rehabilitators. On occasion, the Community Redevelopment Agency will also enter into contracts with the several parties.

There are essentially two basic joint development revenue types:
1) those which are realized one time as cost savings due to developer or CRA participation in a specific partnership construction project at the station site; and 2) those which have annual or periodic revenue flows because of the nature of the rents, services, or continued higher property and use values. ERA strongly recommends that:

Exhibit X-5

PRIORITY FOR INITIATING JOINT DEVELOPMENT

	<u>Forecasted Development Character</u>	<u>Existing Supporting Economic Development Technique</u>	<u>Estimate of Joint Development Potential</u>	<u>Priority for SCRTD Discussion With Owner</u>
1. Union Station	Governmental uses/transit	Concept plan	Medium	--
2. Civic Center	Governmental uses	Redevelopment DPM	Medium	--
3. 5th/Broadway	Office	Redevelopment DPM	High	High
4. 7th/Flower	Office/ Retail	Redevelopment DPM DPM Concourse	High	High
5. Wilshire/Alvarado	Office	--	High	--
6. Wilshire/Vermont	Office	--	High	High
7. Wilshire/Normandie	Office/ Retail	--	High	High
8. Wilshire/Western	Office	--	High	--
9. Wilshire/Crenshaw	Residential	--	Low	--
10. Wilshire/La Brea	Office	--	High	--
11. Wilshire/Fairfax	Retail	--	High	High
12. Fairfax/Beverly	Entertain- ment	--	High	High
13. Fairfax/Santa Monica	Residential	--	High	--
14. Hollywood/Cahuenga	Office/ Retail	UDAG	High	High
15. Hollywood Bowl	Cultural	--	Low	--
16. Studio City	Office	--	Medium	--
17. North Hollywood	Office/ Residential	Redevelopment	High	High

1. The one time cost savings be used to reduce SCRTD Metro Rail Starter Line capital development costs.
2. The periodic revenues be assigned to the proposed trust fund for purposes of future line extension.

This direction of construction savings and periodic revenues will aid the Metro Rail project in realizing the key extension capabilities which make the starter line a regional system. Obviously, this designation must be made conceptually by the SCRTD Board of Directors as a policy statement in the near future--if the policy is to succeed against the buffering of those who wish to submerge the future line extension issue. This policy announcement has become even more critical now that Proposition A passage by a majority of Los Angeles County voters is likely to be contested in court.

ERA further proposes that the Los Angeles County Transportation Commission also adopt a similar policy so that there is clarity of joint interest about line extension. Potentially, state enabling legislation will be required in order to sequester and invest funds for future line extension.

Section XI

ORGANIZATIONAL RECOMMENDATIONS

INTRODUCTION: PURPOSE OF ANALYSIS

As a part of the examination of the value capture and joint development potentials at 17 proposed Rapid Transit station sites on the initial SCRTD starter line, the SCRTD Board of Directors has recognized the need to examine alternatives for delivery of joint development implementation. It is becoming apparent that SCRTD will need to build the capacity and the institutional arrangements to carry out complex negotiations for both substantial new developments at Rapid Transit station sites as well as to negotiate complex rehabilitation development contracts with owners of existing structures which may be connected to the Rapid Transit stations. This will be a new departure for SCRTD; in effect, SCRTD must make the choice to become an economic development and redevelopment stimulator at 17 Rapid Transit station sites. Obviously, this will happen whether SCRTD wishes to take the initiative to become a direct stimulator and negotiator or not.

Essentially the main issue is not whether joint development is possible, or whether SCRTD has the capacity to carry out complex financial and real estate development transactions. The main issue is the determination to take the initiative, develop the performance negotiation and implementation mechanisms, and achieve the greater public purpose of superior economic development which can support rapid transit service. Because of the critical nature of the need for station revenue generation for future line extension, SCRTD is required to establish the workable instruments and staff capacity to direct and achieve effective joint development. Should SCRTD not take the initiative, other local governmental entities will fill the gap. We may be assured that such other governmental entities will

trade heavily with SCRTD's own incentives which will flow from the cash power of the future capital grants.

SEVEN POSSIBLE ALTERNATIVES

In recent conversations with Rapid Transit Planning staff and with the members of the SCRTD Board of Directors, seven potential alternatives have been identified as follows:

1. SCRTD Build Own Staff

SCRTD may elect to hire its own staff who would be charged with the responsibility of developing all of the incentive and negotiating instruments. Such in-house staff hired for a long-term continuity would be responsible for negotiating and implementing joint development packages at all of the proposed and future stations with private enterprise. The SCRTD Joint Development staff would also act to advocate developer proposal approvals from the several City and other local governmental jurisdictions who must sit in approval and measure urban planning, land use, economic return, and other necessary public purposes such controlled private developments must perform. ERA believes that such a highly qualified staff would need to be in place within six months to one year's time and would probably represent a compensation, overhead, and space use commitment equivalent to roughly seven persons composed of five professional staff and two secretarial support staff. An SCRTD decision to create its own Joint Development staff will clearly focus responsibility and accountability within the District. In order to deal with this very much increased policy and business operations responsibility, and the proportional substantial increase in Board meeting time for conduct of the business of joint development, it will probably be useful to establish an additional subcommittee of the Board. The SCRTD Board itself would exercise direct control in selecting from among competing

development proposals and make numerous decisions granting approvals and fiscal incentives--on the recommendation of the Joint Development staff through the SCRTD Management.

2. SCRTD Contract With Redevelopment Agency

Alternatively, SCRTD may select to contract with the Los Angeles Community Redevelopment Agency who now conduct similar types of activities only within the City's redevelopment projects. The CRA staff are composed of real estate economists, negotiators, planners, architects, legal counsel, and other categories of talent necessary to cause implementation of both new construction and rehabilitation at a very major scale in the City's core and its important subcenters. From time to time, the City of Los Angeles has contracted with the CRA to carry out similar types of work programs.

3. SCRTD Contract With City Department(s)

SCRTD may contract with the City of Los Angeles Economic Development Office, or the Community Development Department, or other staff organizations and groups including the City Planning Department staff for such joint development negotiation and implementation services. These separate staffs, however, do not have across the board technical depth or continuing day-to-day familiarity with the private real estate development world. Each separate unit also has its own objectives and policy-making hierarchy. Their primary function has either been to negotiate effective City controls from a public purpose standpoint or to administer grant programs for the revitalization of blighted or economically obsolescent areas of the City of Los Angeles. This third alternative would also, by definition, require some kind of negotiated agreement with the County of Los Angeles for services at the Fairfax and Santa Monica transit station which lies in County unincorporated space.

4. SCR TD Hire Top Talent Consultant Team

SCR TD could choose to hire a consultant staff which would report to the Rapid Transit Department management. Such consultant staff commitments, however, would need to be made for the long-term for continuity purposes if maximum effectiveness is to be achieved. Consultants can be retained for these purposes based upon assembly of an effective team of talents composed of all of the technical capabilities required under annual contract agreements based upon assumed maximum numbers of hours to be devoted to "X" number of development negotiation cases. Alternatively, SCR TD could hire individual consultants or a team by personal services contracts in order to assure itself that it has gained virtually full-time commitment by key individuals for explicit times of performance. Such personal services contracts might afford SCR TD greater control over the individual consultant on the team and cause better responsiveness on the part of the consultants. The cost magnitudes might be slightly higher than the hiring of the staff by SCR TD. A number of redevelopment agencies in California are experienced in hiring real estate economists, project development managers, and legal counsel who specialize in development contract framing and negotiation. Frankly, the going rate for good consultant technical talent in this area is now \$75 per hour and moving up.

5. SCR TD Create Non-Profit Joint Development Corporation

SCR TD could create for itself a vehicle of convenience which would be a nonprofit joint development corporation whose purposes would be, as sole contractor to SCR TD, to carry out all of the functions described in the prior alternatives. Such a corporation could act along the lines of the San Diego Centre City Development Corporation which acts as the bridge between the local government redevelopment agency and the private sector who desire to take advantage of downtown development opportunities which are framed by both incentives and controls. A

development corporation, by definition, would have the objective of implementable joint development contracts and could avail itself of extremely talented development practitioners in Southern California. The corporation would have clearly spelled out purposes and would act essentially as a packager of development agreements which would then be approved by the SCRTD Board of Directors and other local government authorities. There are numerous contemporary examples of both nonprofit and for-profit public purpose development and revitalization corporations. Among the best known across the nation, which have admirable track records are:

- o Baltimore Inner Harbor Development Corporation
- o Old Philadelphia Development Corporation

Further, there are newer examples which are in advanced stages of public-private partnership negotiations, such as:

- o 42nd Street Development Corporation (New York City)
- o Foundation for Wichita Development
- o West End Development Corporation (Sioux City, Iowa)

6. SCRTD Select Master Developer At Each Station

SCRTD could seek joint development on a transit station by transit station process by identifying and selecting a master developer at each site. (Or, if a Joint Development Corporation (JDC) were established, as in #5 above, the JDC could hire or select a master developer, depending upon the role which was desired.) Thus the burden for effective joint development would be carried out by a master developer seeking to maximize profits and long-term economic feasibility. The burden for working out the primary negotiating positions and the mixing of the funding sources and the performance of the master development contract package would be left primarily to the private sector who have the capacity to self-select and respond by

competing for the right to perform. This last alternative may be most feasible for those Rapid Transit station sites which have the highest immediate probability of undergoing dramatic private redevelopment in response to the arrival of Rapid Transit. Those station sites which, by definition and by economic analysis, do not yield immediate or short-term development profitability would not be effectively served by this latter model, nor would it be realistic to expect that individual master developers would take on long-term responsibility for less feasible station site developments as the price of being selected to cause joint development at the more feasible station sites.

This alternative may, however, prove viable in any event because of very considerable demonstrated interest in Southern California real estate development by major American and Canadian corporations. The current competition for the "build-out" of the top of Bunker Hill is an indication of this marketplace interest. Among examples of major firms which specialize in large scale time-phased master planned public and private developments are the following:

- o Portman Properties (Atlanta, Detroit, San Francisco)
- o Metropolitan Structures (Chicago, Los Angeles)
- o Rouse Company (Santa Monica, Baltimore, Boston)

Locally, in Southern California, we have several groups which have developed multiple parcel locations:

- o Ernest W. Hahn (Trizec)
- o Carter-Hawley-Hale
- o May Stores
- o Kilroy Industries
- o The Koll Company

7. SCRTD Enter Joint Powers Authority

Finally, a joint powers agreement between the several governmental entities could be negotiated for the express purpose of carrying out joint development negotiation and implementation. This would be an unusual action model; most joint powers authorities have limited singular purposes, such as the financing of a multi-party civic center, or the precise definition of who does what at an individual rapid transit station (BART, SEPTA). Recent example of joint powers arrangements in Los Angeles have been:

- o The now departed City-County-State Commission which governed El Pueblo Historic Park;
- o The Los Angeles Memorial Coliseum Commission; and
- o The proposed authority for Union Station multi-modal transit center development.

Joint powers of agreements and authorities tend to have the aura of diplomatic treaties and very occasional business meetings. Despite excellent intentions and the clear desire to accommodate numerous valid concerns, the ultimate result is often deadlock-- as in the case of the ill-fated El Pueblo Commission whose passing few regret at the State, County, or City level.

Nevertheless, it would be possible to construct a joint powers authority whose purpose would be rapid transit station joint development. Of necessity the general parties would be SCRTD, the City of Los Angeles, and the Los Angeles County Transportation Commission (LACTC).

Quite obviously, the more players, the more time lost in gaining procedural and political "check-offs" before any actionable decision is available for implementation. Also, the effective operation of joint powers means the joint exercise of voting

power within a contractual framework. Therefore, a developer or building owner must be sure of literally all of the performance conditions and all of the negotiating unknowns--which each party to the joint powers may bring to the table. Unless strongly led by decisive and empowered negotiators, a joint powers joint development entity may impose uncomfortable costs of waiting upon the developers/owners.

BEST ALTERNATIVE

SCR TD's consultant, Economics Research Associates (ERA) believes that the nonprofit development corporation model may hold great promise for SCR TD. The realities of the day indicate that SCR TD's first and primary function must be the design and construction of the Rapid Transit line. This main task presupposes a gigantic management task which emphasizes in initial years effective administration of multiple design and engineering and construction contracts, progress schedules, and ongoing effective financing mixes. A nonprofit joint development corporation can be established with single focus and purpose and made totally responsive to the SCR TD. New talent can be brought to bear, given explicit purpose, and perform within the constraints and opportunities which the Rapid Transit line, as a whole, will provide.

ERA observes that it may be useful to have a Board of Directors for such a corporation which would give credence to the role of developing effective joint development contracts, agreements, and financing schemes which are feasible to commit to by the private investor and owner community. Such a Board of Directors would be small in number, would be drawn from the most senior successful business entrepreneurs in the Southern California region and would perform an initial screen check function in examining the proposed negotiating contract elements which would subsequently be presented to the SCR TD Board of Directors for approval. The JDC Board would be appointed by SCR TD, the City, and the LACTC. Such a Board of Directors

would be effective in carrying the message to the SCRTD Board and to the general public that joint development is good business. A Joint Development Corporation Board of Directors would also be able to effectively advocate the approval of the numerous other elements of an implementation contract before other local governmental boards, commissions, and approval entities.

THE KEY IS PERFORMANCE CONTRACTS

In effect, whatever joint development model is chosen, the SCRTD Board would have the responsibility for approving complex joint development agreements which would be very much like the disposition and development agreements ("DDA") which redevelopment agencies now negotiate with private developers for major scale developments.

The elements of a joint development "contract" which the SCRTD Board would be required to approve are as follows:

- o Purpose of agreement--Public purpose to be fulfilled.
- o Description of improvements (new or rehabilitated) in explicit term.
- o Estimation of market value or impact upon private property betterment.
- o Commitment of public resources (all jurisdictions) and financial considerations.
- o Definition of revenues to flow to separate jurisdictions, including SCRTD.
- o Time of performance under this contract.
- o Deliverables and physical conditions quality commitments, by the developer, SCRTD, and other jurisdictions.

As an example, the disposition and development agreement between the LA/CRA and Security Pacific Bank ran to several hundred pages and specified such elements as:

- o The People Mover tunnel physical performance requirements.
- o The pedestrian bridges (2) foundation support commitments.
- o The public fine arts and landscaping requirements.
- o The basis for computation of the land price.
- o Maintenance cost responsibilities on the pedestrian bridges.
- o Explicit and severe penalties for nonperformance.
- o A 30-year plus contract enforcement period.

THE SCALE OF THE "ACTION"

Once preliminary engineering grant funds are approved, SCRTD will need to be in a negotiating posture with multiple developers at each station site. At the very least its rapid transit staff will need to build a case file of inquiries and candid responses. Economics Research Associates is aware of several potential developments which are being sized in response to potential rapid transit availability along the starter line.

It would not be unusual for the SCRTD Board to approve negotiated agreements committing \$10 to \$20 million in capital grant funds per development contract per property for \$50 to \$80 million private reinvestments on individual city blocks which have transit station access and egress points.

Because of its unique responsibility for construction and operation of the rapid transit line, the SCRTD Board needs to control the primary decisions concerning the degree of public purpose served, and the quality of the negotiated commitment contract, in each joint development location. The exercise of these important business and public purposes will shape the success of line operation and extendability.

FINANCING INITIAL JOINT DEVELOPMENT COSTS

Covering the costs of staffing and initial negotiations from 1980 onward will probably require a mix of eligibilities and cost accounts. Very preliminary discussions with UMTA regional staff indicate potential eligibilities as follows:

- o "Section 5"--Operating Assistance Grant: Next annual cycle or amendment to current cycle.
- o "Section 8"--Planning Grant: Need to define a project process.
- o "Section 3"--Preliminary Engineering: There may be only limited eligibility, because of "P.E." focus on the capital grant.
- o Early Right-of-Way Acquisition Loan--UMTA has already indicated the explicit conditions for an SCRTRD application; some administrative costs would be eligible, however.

Inasmuch as UMTA has placed premium importance on joint development, ERA recommends that SCRTRD further clarify UMTA financing sources and define the feasible grant amendment or new grant capture approach. We believe at least a three-year funds availability strategy should be defined initially.

AN ANALYSIS OF THREE WORKABLE ALTERNATIVES

Economics Research Associates believes three of the alternatives are potentially useful for joint development implementation:

- o The SCRTRD self-staffing alternative
- o The nonprofit joint development corporation approach
- o The joint powers authority

The remaining four alternatives probably will not be viable either politically or in terms of strong accountability and day-to-day continuity of sustained effort. In each of the three potential alternatives noted above, two key control elements may be common to all--an explicit core staff group working with and for the SCRTRD and the establishment of policy guidance

by either the SCRTD Board of Directors or another Board of Directors which is derivative of the SCRTD Board and in whole or in part answerable to the SCRTD Board.

In all three alternatives, the prime question: "Who is the glue?" is answered in a manner which can be satisfactory to SCRTD and the joint developers. Some words of caution are necessary concerning the self-start alternative and the joint powers approach, however.

The SCRTD self-staff alternative will require a start from scratch recruitment and selection process which should commence now and be completed with staff in place very quickly. The organizational decisions about positioning the staff internally, the charge to the staff, and its management should be dealt with at this time--and become part of the overall management design already underway by SCRTD consultants.

The joint powers approach is never self-activating unless it is explicitly designed, staffed, and funded to be an operating entity. Prior joint powers agreement exercise at BART, MARTA, and SEPTA, in examples which have been analyzed, has been limited in physical scope, effective time of agreement, and in funding resource agreement. Joint powers agreements either take on the character of diplomatic treaties between negotiating jurisdictions or are structured as limited one-time site-specific problem resolution contracts. In the case of joint development, the owners and developers would be invited as third parties to negotiate with a joint powers entity which is continually negotiating internally between its member parties.

If the selected alternative was the joint powers authority, SCRTD would need to directly involve itself in the design of the Joint Powers Management Board. We emphasize "management" in order to convey the notions of action, decisions, and direction. Board membership would probably be drawn directly from the SCRTD Board, the Mayor and City Council, and the Los Angeles County Transportation Commission. Inasmuch as SCRTD would almost certainly fund the operations of the staff and any consultants, it would be entirely appropriate for SCRTD to be identified as the Joint Powers Management Board Chairperson.

The functions of the joint development joint powers authority would be essentially the same as those described for the nonprofit development corporation in the accompanying separate paper. The essential functions are:

- o Negotiations with private developers and owners for transit station site joint development.
- o Sizing of the financial incentive commitments--for ultimate approval by the joint powers body and by the SCRTD Board.
- o Advocacy on behalf of the developer's negotiated project during approvals processes before other local governmental jurisdictions.
- o Maintenance of cooperation between SCRTD, the City, the County, and LACTC.

Rather obviously, ERA favors the joint development corporation alternative, and has developed an outline of powers and duties which will serve the purposes of the several interested jurisdictions more directly.

A PROPOSAL FOR A JOINT DEVELOPMENT CORPORATION
for
THE SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

PURPOSE DEFINED

The SCRTRD desires to establish effective joint public-private developments at 17 rapid transit station sites along the starter line in the City and County of Los Angeles. The SCRTRD will shortly be proposing a ten-year investment program for the 1980s decade which will yield an 18+-mile rapid rail subway transit system. A joint development corporation will have as its purpose the stimulation of private investment through negotiated use of public incentives. The joint development program will include rehabilitation of existing structures and utilities systems as well as new construction of new facilities which are not now at the station sites. The corporation should be formed as a nonprofit entity.

The SCRTRD may establish a Joint Development Corporation as an implementation mechanism for carrying out the long-term and continuing investment programs. There is no such entity now available either in the City or at the SCRTRD. The emphasis is not on planning and studies. Rather, the Corporation's primary charge will be to stimulate private reinvestment and new investment at the station sites. The Corporation should be seen as an arm of the SCRTRD having separate corporate status.

DUTIES AND RESPONSIBILITIES

In outline format, the powers, the duties and the responsibilities of the Joint Development Corporation may be as follows:

- A. It may buy, sell, or lease land and structures or otherwise hold interest and dispose of interest in real property as may be necessary to carry out the joint development of station sites. It will not exercise any powers of eminent domain.

- B. The Corporation shall be empowered to receive funds from any source, including but not limited to grants, donations, land sales or lease revenues, contracts for services performed on behalf of the SCRTD or any other jurisdiction and on behalf of any developers or landowners.
- C. The Corporation shall be able to contract for professional technical services and for construction or other implementation actions necessary to carry out private investment stimulation at station sites. The Corporation shall establish its own rules concerning contracting procedures and the selection of contractors.
- D. The Corporation, under the laws of the City of Los Angeles, County of Los Angeles, the State of California, and the United States Government, may fund joint public-private development and rehabilitation through the sale of bonded indebtedness or other forms of long-term and temporary debt.
- E. The Corporation may offer direct technical assistance to property owners and developers who desire to rehabilitate existing structures.
- F. The Corporation, insofar as possible, shall extend priority emphasis to existing landowners and investors who reside in or have as their main business location, the individual station sites and existing station area properties or businesses.
- G. Where convenient, time efficient, and cost effective, the SCRTD may choose to select the Joint Development Corporation for the construction of major capital works, renovation of utilities systems, and any public purpose facilities which may be developed within the context of joint public-private partnerships which may include private property developments. The normal sphere of JDC activities shall not extend beyond 1,300 feet from a station centerpoint unless substantial need and opportunity for linkages which support station site viability are present. All activities of the JDC must be shown to be clearly transit related.

- H. As a part of its implementation tasks, the SCRTD may from time to time instruct the Corporation to carry out specific project feasibility studies and, based upon finding of feasibility, may further instruct the Corporation to undertake real estate property marketing and development negotiations functions designed to capture reinvestment or new investment on a project-by-project basis.
- I. It shall be the objective of the SCRTD that the Corporation shall be self-supporting as soon as possible, and therefore, in return for the public purpose of the nonprofit corporation which is served by achieving both joint development and effective continuing revenue flows via value capture techniques, the Corporation shall be entitled to receive revenues on a regularized basis from any of its activities and in the performance of any service contracts for any organization or developer.
- J. The Corporation shall have a limited initial life span of not greater than five years, extendable by five-year increments. Its incorporating papers shall feature a sunset clause requiring an SCRTD analysis of the effectiveness of the Corporation five years from the date of its incorporation. A positive finding of the Corporation's usefulness and of its work program achievements shall be necessary for the Corporation to continue for the second five years and any period thereafter. The Corporation shall make and file every six months an explicit progress report with the SCRTD Board of Directors, the Los Angeles City Council and the Los Angeles County Transportation Commission.
- K. The Corporation shall make and file an annual work program for each calendar year which shall be reviewed and approved by the SCRTD Board of Directors. Said work program shall include a proposed schedule of costs and revenues, of estimated building rehabilitation and new construction, and of any and all contractual or service activities which may be conducted within the outlines of the above public purposes.

CREATION OF "JDC," COMPOSITION OF BOARD OF DIRECTORS

It is proposed that the Joint Development Corporation be created by the SCRTD by Corporate Charter from the Secretary of State of the State of California. Its incorporators shall be five well-known and successful lay businessmen and professional persons who reside within the County of Los Angeles. The initial incorporators shall be nominated as follows:

- o Two members by the SCRTD Board of Directors.
- o Two members from the City of Los Angeles; one appointed by the Mayor and one appointed by the City Council.
- o One member from the Los Angeles County Transportation Commission.

The incorporators shall serve as the first Board of Directors for staggered terms of from one to five years with sequential appointment and confirmation of new members of the JDC Board of Directors annually as individual terms expire.

Members of the JDC Board of Directors shall not be elected officials of any other government, nor shall they hold any full-time posts with any level of government. Insofar as possible, care should be taken to appoint incorporators and follow-on members of the JDC Board from among the ranks of successful businesspersons who can make substantive public purpose time commitments to the work of the Joint Development Corporation. Members of the JDC Board shall also adhere to explicit conflict of interest guidelines.

The Joint Development Corporation is intended to be and shall be a unique institution for the effective and timely economic development of the numerous rapid transit station sites. It shall not exercise any powers of eminent domain. It shall not fiscally obligate any local government or public agency except by approval of the legislative body of that government or agency. No debt sold by the Corporation shall pledge the full faith and credit of any other local government entity or public purpose corporation. Any debt sold by the Corporation shall hold the SCRTD not liable for recovery of principal or interest.

OPERATIONAL STYLE AND STAFFING

It is recognized that the very essence of success by a new Joint Development Corporation shall result from complex and sensitive negotiations between owners, developers, tenants, local governments, financing institutions, utilities systems, and the Corporation itself. Such negotiations may be conducted in a confidential manner by the chief executive officer of the Corporation. Any development agreement arrived at or stimulated by the Corporation and the expenditure of either its funds or the pledge of other SCRTD funds shall require a majority vote of the JDC Board of Directors and shall be considered a public document and shall be filed with the Secretary of the Board of Directors of SCRTD where it may be examined by an interested public. Such filing shall take place before any public meeting of the Joint Development Corporation to vote upon the proposed contract. Any contract approved by the JDC Board shall be considered a recommendation for approval by the full Board of SCRTD.

It shall be the operating intention of the JDC Board of Directors to hire and maintain a small professional staff. Inasmuch as SCRTD's Rapid Transit Department will have assembled several talent groups--such as design, acquisition, relocation, and contracts administration, it will not be necessary to duplicate those disciplines on the JDC staff. The organizational style of the Joint Development Corporation shall be to use highly qualified technical consultants on an as-needed basis, preferably for short-term assignments, thus requiring that the Executive Director of the Corporation be a hands-on highly experienced implementation expert who is also capable of effective contract negotiation.

The Joint Development Corporation shall seek to identify an initial investment "budget" of joint development incentives as well as grants and loan funds from several sources.

Upon incorporation of the JDC by the SCRTD, the incorporators who shall be the new Board of Directors will immediately establish a first-year work program which shall include identification of joint development incentive options and selection of first action projects.

FINANCING START-UP

A mix of UMTA grant funds is anticipated to be available and committable to a JDC. This was pointed out in the preceding paper. It is probable that some matching funds will be needed--perhaps up to 20 percent. Under the developing relationship between SCRTD and the Los Angeles County Transportation Commission, it would be appropriate for LACTC to fund the needed share from the State of California pass-through funds available to LACTC.

ALLOCATIONS OF REVENUE

It is an objective of the JDC concept to establish cost-of-operation self-sufficiency at the earliest time--probably out of earnings proceeds from revenue-producing joint development contracts. Additional revenues will, by policy, flow to further transit development funding in Los Angeles County, including the need for initial starter line extension. ERA has not initially seen a role for the JDC in developing value capture revenue operations; the JDC function has been limited to the getting of effective joint development.

EXHIBIT XI-1

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT
TRANSIT STATION JOINT DEVELOPMENT

ROUGH ESTIMATE--JOINT DEVELOPMENT CORPORATION STAFFING

I. Direct Salaries	
A. Executive Director/Manager	\$ 35,000-\$ 40,000
B. Real Estate Development Principal	\$ 33,000-\$ 37,000
C. Real Estate Analyst	\$ 19,000-\$ 30,000
D. Administrative Coordinator	\$ 19,000-\$ 26,000
E. Contract Administrator	\$ 25,000-\$ 30,000
F. Records/Clerical/Support	\$ 11,000-\$ 17,000
G. Word Processor	<u>\$ 11,000-\$ 15,000</u>
	\$153,000-\$195,000
II. Benefits @ 35% of direct salary	\$ 53,550-\$ 68,250
III. Overhead @ 75% of direct salary	<u>\$114,750-\$146,250</u>
Subtotal	\$321,300-\$409,500
IV. Land Development/Public Program Legal Counsel @ \$75/hour for 1/4 person-year (520 hours)	\$39,000
V. Structural Engineer/Cost Estimator/Mechanical Systems Engineering @ \$55/hour for 1/4 person-year	\$28,600
VI. Miscellaneous specialized short-term contract consulting assignments 5 contracts @ \$12,500 each	\$62,500
VII. Board of Directors meetings compensation \$100/hour x 3 hours x 12 meetings/year x 5 members	<u>\$18,000</u>
Range Totals	\$469,400-\$557,600

- Notes: 1. These range totals would probably apply to any of the alternatives described in the previous discussion paper. Obviously, first-year and second-year expenditures would build up to the range totals shown above, starting at \$150,000 to \$175,000 in the first year.
2. SCRTD Rapid Transit management costs to effectively administer either an in-house or contract group would probably be in the range of full-time equivalents of two professional and one clerical position, requiring \$75,000 + overhead.

THE TRUST FUND AND ITS PURPOSE

SCR TD has proposed to create a trust fund to receive joint development and value capture revenues. In concept, the fund will hold in trust the revenues which accrue through any value capture assessment and also revenues which regularly flow from selected types of joint development payments contracts. It is recommended that the two types of revenues be split as to purposes:

- o Joint development revenues be pledged to starter line station maintenance of operation; thus, revenues flowing from a particular station activity place are used to support sustained quality maintenance and operation at the stations on the initial line.
- o Value capture revenues flow to the trust fund for the purposes of line extension.

The trust fund, then, may operate several accounts--one for future line extension, and one or several for existing station maintenance and operation. If significant scale of revenues is eventually realized there can be great advantage within the trust fund for development of investment programs and for inter-account money borrowing at times where major expenditures capitalization is needed. A scheme in which the trust fund might be a flexible funds management administrator allowing interest income earnings, private market borrowings (based on known repayment from forecasted cash flows), and interaccount borrowing would provide a much needed capability for SCR TD to self-finance both future starter line station maintenance and operations and line extension.

One caveat is in order. Because of the intricate nature of SCR TD bus operations debt and indentures, it will be necessary to keep any rapid transit trust fund entirely separate. This may require authorizing legislation.

Section XII

LEGISLATIVE RECOMMENDATIONS

From the foregoing discussions, it is obvious that several levels of legislative actions appear to be necessary. We have catalogued these by the legislative areas in which the actions will be needed.

A. SCRTD

The Board of Directors will need to:

1. Create the proposed Joint Development Corporation, or authorize entry into a Joint Powers Agreement Corporation for purposes of carrying out coordinated joint development.
2. Initiate the value capture district--probably in concert with the City, the County, and LACTC.
3. Create the trust fund, if it is found that it may exercise initiatives in this matter without awaiting State-enabling legislation.
4. Create, by defined boundaries, joint development district designations at each of the state sites, in order that SCRTD enables itself to focus and concentrate its resources and incentive techniques. In the territorial sense, this will probably mean district designations not greater than 4-6 city blocks, essentially the "primary impact" area previously described.

There has been some discussion in the past of potential need for a development moratorium at the station sites. We believe this would be a negative approach, and could be rejected automatically. Certainly, no moratorium or "building pause" could be seriously proposed until the SCRTD and the city had a workable joint development negotiation process in place. That is the main issue, not moratoriums.

B. THE CITY OF LOS ANGELES

The City's local legislature program will probably be quite complex. ERA envisions the following types of ordinances:

1. One or two new redevelopment project ordinances (Wilshire/Alvarado and Fairfax/Beverly station locations may be appropriate), and potential amendments to existing project ordinances to allow greater capability to coordinate transit station site development and jointly fund with SCRTD a scale of public purpose developments not previously foreseen.
2. Specific plan ordinances for station sites not within current or projected redevelopment projects wherein the City wishes to encourage development performance in return for negotiated planning and building incentives.
3. Initial formulation of "overlay" districts at station sites coterminous with SCRTD definition of joint development districts. The transit stations area overlay zone, a temporary device, would essentially provide for developer-owner referral to SCRTD and City staffs so that development concepts can begin to be negotiated at an early date. The overlay is not intended to be a moratorium device.
4. The City will almost certainly join SCRTD, or even take the lead, in formation of the value capture districts.
5. The City may initiate a series of zoning conformance actions, as in the case of the current process to be followed in Studio City. These may have the effect of reduction of buildable density.

C. THE COUNTY OF LOS ANGELES

The County legislative program will not necessarily be confined to its territorial interests in West Hollywood. While it may carry out each of the planning, zoning, and redevelopment ordinances tasks described above for the City, the County may also move to take initiative in the establishment of the value capture district, possibly as a partner in a joint powers authority.

D. THE STATE OF CALIFORNIA

It is believed that two or three items will be required from Sacramento:

1. Authorization will be needed to sequester funds for "off-site" future development of rapid transit extensions from the existing benefit districts or districts. As discussed previously the issues are (a) demonstrating public purpose benefit by expansion of system to current assessment participants, and (b) pledging funds to a somewhat uncertain future.
2. Legislation will be needed to allow formation of a large value capture district composed of noncontiguous benefit areas, served by the same rapid transit system. Such legislation should also allow large scales of properties to be included in the district. For example, the single-district concept described in Section IX, having 8,500 plus acres, would mean encompassing some 13 or 14 square miles, where as SCRTD believes it may now be limited in using existing assessment district legislation to a maximum of three square miles. Inasmuch as the legislative needs from Sacramento are both unique and precedent setting, it is probably advisable to approach the legislators in that vein rather than to seek adjustment of existing general authorities for SCRTD's special needs.
3. There may be a need for legislative action to establish the trust fund as a separate fiscal entity within the SCRTD enabling legislation.

BIBLIOGRAPHY

BIBLIOGRAPHY

The following is a partial bibliography of materials cited and otherwise incorporated in this report.

1. U.S. Department of Transportation, Urban Mass Transportation Administration, Southern California Rapid Transit District, "Final Alternatives Analysis/Environmental Impact Statement Report on Transit System Improvements in the Los Angeles Regional Core," September 1979.
2. U.S. Department of Transportation, Urban Mass Transportation Administration, Southern California Rapid Transit District, "Final Alternatives Analysis/Environmental Impact Statement Report on Transit System Improvements in the Los Angeles Regional Core," Appendix I, Technical Analysis, April 1979.
3. U.S. Department of Transportation, Urban Mass Transportation Administration, Southern California Rapid Transit District, "Final Alternatives Analysis/Environmental Impact Statement Report on Transit System Improvements in the Los Angeles Regional Core," Appendix III, Urban Design/Joint Development/Value Capture Analysis, June 1978.
4. Department of City Planning, City of Los Angeles, "Evaluation of a Wilshire Transit Line Value Capture Potential," May 1977.
5. Federal City Council (Washington, D.C.), "Report on Metro-Related Development," July 1979.
6. Thomas J. Martin, "Mass Transit Investments--New Opportunities for Urban Revitalization," Commentary Magazine, Volume 4, Number 1, January 1980, pp. 13-16.
7. John Blayney Associates/David M. Dornbusch and Company, Inc., BART Impact Program, "Draft Final Report: Land Use and Urban Development Impacts of BART," October 1978.
8. John Blayney Associates/David M. Dornbusch and Company, Inc., BART Impact Program, "Study of BART's Effects on Property Prices and Rents," July 1978.
9. John Blayney Associates/David M. Dornbusch and Company, Inc., BART Impact Program, "Working Papers: Study of Employer's Locational Decisions," July 1978.

BIBLIOGRAPHY
(Continued)

10. John Blayney Associates/David M. Dornbusch and Company, Inc., BART Impact Program, "Working Papers: Study of Office Construction Industry," August 1977.
11. McDonald and Grefe, Inc., BART Impact Program, "Technical Memorandum: The Economic Impacts of BART Capital and Operating Expenditures," October 1977.
12. John Blayney Associates/David M. Dornbusch and Company, Inc., BART Impact Program, "Working Papers: Station Area Land Use," November 1977.
13. Ronald S. Jonash, BART Impact Program, "Planning Document: The Impact of BART on Land Use and Development Policy," September 1977.
14. John Blayney Associates/David M. Dornbusch and Company, Inc., BART Impact Program, "Working Papers: Study of Worker's Location Decisions," November 1977.
15. John Blayney Associates/David M. Dornbusch and Company, Inc., BART Impact Program, "Working Papers: Study of Development Patterns," September 1978.
16. John Blayney Associates/David M. Dornbusch and Company, Inc., BART Impact Program, "Working Papers: Study of Retail Sales and Services," July 1978.
17. John Blayney Associates/David M. Dornbusch and Company, Inc., BART Impact Program, "Working Papers: Study of the Housing Industry," April 1978.
18. Metropolitan Transportation Commission, BART Impact Program, "Working Papers: The Impacts of BART on Property Values--A Case Study of the Rockridge Neighborhood," January 1976.
19. McDonald and Grefe, Inc., BART Impact Program, "Final Report: The Economic and Financial Impacts of BART," January 1978.
20. McDonald and Grefe, Inc., BART Impact Program, "Technical Memorandum: The Impact of BART on the Competitive Advantage and Efficiency of Bay Area Business Operations," August 1977.

BIBLIOGRAPHY
(Concluded)

21. Jefferson Associates, Inc., "Social Impacts of BART Service," Paper for Presentation at the American Society of Civil Engineers (ASCE) Annual Convention, October 1977.
22. Urban Land Institute, "Joint Development: Making the Real Estate-Transit Connection," July 1979.
23. Rice Center for Community Design and Research, "Joint Development Value Capture Applications," January 1976.
24. DeLeuw, Cather and Company, "Land Use Impacts of Rapid Transit: Implications of Recent Experience," August 1977.
25. Toronto Transit Commission, "Transit in Toronto," 1976.
26. Metropolitan Atlanta Rapid Transit Authority, "The Atlanta Rapid Transit System," May 1980.
27. Atlanta Regional Commission, "Working Paper: Selected Value Capture Opportunities Related to the Rapid Transit System in Metropolitan Atlanta," May 1978.
28. Metropolitan Atlanta Rapid Transit Authority, "Rapid Transit and Urban Development in Atlanta," May 1978.
29. Washington Metropolitan Area Transit Authority, "Metro Site Joint Development Prospectus: Van Ness-UDC Metro Station," January 1979.

ASSESSSED VALUATIONS (1980 TAX YEAR)
 AT 17 SCR TD STARTER LINE
 STATION SITES

Note:

1^o indicates primary impact city blocks (see maps).

2^o indicates secondary impact city blocks.

Note that areas analyzed vary in size from station to station.

	<u>LAND</u>	<u>IMPROVEMENTS</u>	<u>TOTAL</u>
1. Union Station (Macy/Vignes)			
1 ^o	\$ 573,772	\$ 345,508	\$ 919,280
2 ^o	3,649,943	4,425,503	8,085,446
2. Civic Center (First/Broadway) - government ownerships concentrated			
1 ^o	1,690,145	9,637,025	11,327,170
2 ^o	3,892,279	1,892,180	5,784,459
3. Fifth/Broadway			
1 ^o	5,236,518	3,861,866	9,098,284
2 ^o	16,738,550	16,063,835	32,802,385
4. Seventh/Flower			
1 ^o	7,283,170	33,653,025	40,936,195
2 ^o	15,776,695	43,700,840	59,477,535
5. Wilshire/Alvarado (McArthur Park not valued)			
1 ^o	448,500	355,550	804,050
2 ^o	20,881,550	54,422,515	75,304,065
6. Wilshire/Vermont			
1 ^o	3,446,985	5,313,700	8,760,685
2 ^o	5,552,560	18,780,510	24,333,070

		<u>LAND</u>	<u>IMPROVEMENTS</u>	<u>TOTAL</u>
7.	Wilshire/Normandie			
	1 ^o	\$ 4,081,775	\$ 9,612,785	\$13,694,560
	2 ^o	4,453,100	11,151,060	15,604,160
8.	Wilshire/Western			
	1 ^o	2,604,565	4,562,680	7,167,245
	2 ^o	5,936,695	13,622,450	19,559,145
9.	Wilshire/Crenshaw			
	1 ^o	1,839,425	2,983,210	4,822,635
	2 ^o	4,527,680	4,081,280	8,608,960
10.	Wilshire/La Brea			
	1 ^o	730,135	1,086,309	1,816,444
	2 ^o	2,107,330	2,145,325	3,192,755
11.	Wilshire/Fairfax			
	1 ^o	2,163,535	2,504,445	4,667,980
	2 ^o	5,198,000	6,075,580	11,273,580
12.	Fairfax/Beverly			
	1 ^o	2,574,200	4,588,200	7,162,400
	2 ^o	6,948,965	4,209,080	11,158,045
13.	Fairfax/Santa Monica			
	1 ^o	1,957,655	1,569,205	3,526,860
	2 ^o	3,745,820	5,067,555	8,813,375
14.	Hollywood/Cahuenga			
	1 ^o	2,101,270	3,430,230	5,531,500
	2 ^o	4,597,197	4,045,715	8,642,912
15.	Hollywood Bowl (county owned Bowl not on assessed rolls)			
	1 ^o	--	--	--
	2 ^o	771,125	1,284,085	2,055,210

	<u>LAND</u>	<u>IMPROVEMENTS</u>	<u>TOTAL</u>
16. Studio City			
1 ^o	\$ 967,305	\$ 1,283,750	\$ 2,251,055
2 ^o	2,052,606	4,486,456	6,539,062
17. North Hollywood			
1 ^o	536,364	726,915	1,263,279
2 ^o	4,106,665	4,444,010	8,550,675
Totals			
1 ^o	<u>\$123,749,622</u>	x4 =	<u>\$ 494,998,488</u>
2 ^o	<u>309,784,839</u>		<u>1,239,139,356</u>
	\$433,534,461		\$1,734,137,844