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SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT OCTOBER 1986

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"The Benefit Assessment Districts represent a unique private-sector financial commitment to the future of the city. Los Angeles is once again demonstrating to the nation its leadership in private/public partnerships that will benefit the entire community. I urge you to carefully consider the value of revitalized transportation and its positive benefits on your property."

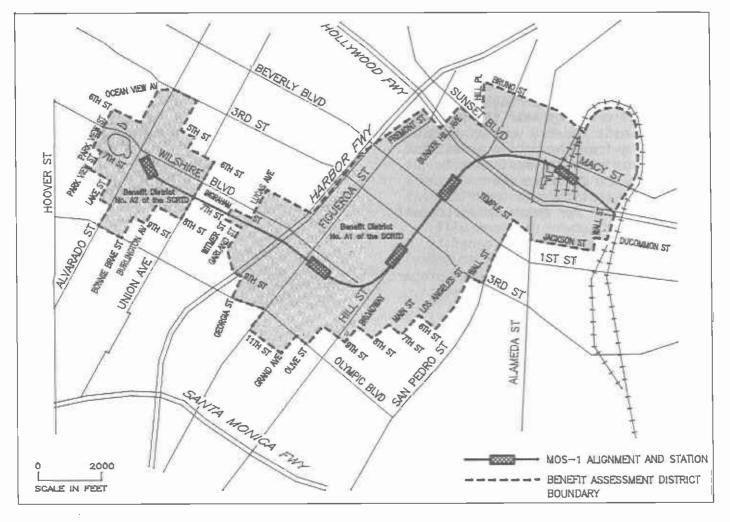
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# 1. INTRODUCTION

State Public Utilities Code 33000, et seq., authorizes the SCRTD Board to establish benefit assessment districts around one or more Metro Rail stations and to assess property located within specified distances from the stations. The SCRTD Benefit Assessment Program described in this booklet was established following a series of citizen task force and community meetings, two public hearings and formal action by the Los Angeles City Council and SCRTD Board of Directors. These actions were designed to create the most equitable program. In July 1985, the Southern California Rapid Transit District (SCRTD) Board of Directors adopted a resolution creating two special benefit assessment districts -- one for the Central Business District (CBD), and one for the Wilshire/Alvarado area (Figure 1). Revenues from these districts will be used to pay part of the construction costs for the first segment of the Metro Rail rapid-transit system.

#### FIGURE 1 SCRTD BENEFIT ASSESSMENT DISTRICTS & METRO RAIL MINIMUM OPERABLE SEGMENT -1



This initial segment, called Minimum Operable Segment-1 (MOS-1), will run from Union Station, through the CBD, to the Wilshire/Alvarado Station (Figure 1). Construction costs for MOS-1 are to be met by federal, state, county, and city funds, plus privatesector revenues generated via assessments. Funding agreements were signed in August 1986 with the federal government, finalizing all funding needed to construct MOS-1. Thus, CBD and Wilshire/Alvarado benefit assessments are included on the 1986 Joint Consolidated Tax Bills.

Benefit assessments have been used in California and throughout the United States to finance such public improvements as street lighting, sewer systems, parking structures and flood control facilities. The entire region will benefit from the increased mobility provided by the rail system. Everyone in the region will help pay for its development through the local sales tax and federal and state taxes. Users of the rail system will benefit from improved mobility and will help pay for the system through fares. Owners of property near the public improvements receive special benefits resulting from the public investment. Those receiving the most direct benefits are asked to share in the project's cost through benefit assessments. For Metro Rail, property owners near subway stations will realize various monetary benefits. Thus, they are being asked to share in Metro Rail costs. Residential property is excluded from SCRTD assessments.

## 2. STATUS OF METRO RAIL

Planning for the full Metro Rail system continues and includes a study mandated by Congress to evaluate candidate Metro Rail alignments that would not tunnel in the Wilshire/Fairfax area. The federal government has approved the environmental assessment report for MOS-1; and, as this initial segment is constructed, the SCRTD and other authorities will continue to evaluate, plan, design, and secure necessary funding for completion of the full system. Metro Rail is a critical component of the 150-mile, county-wide rapid transit system approved by Los Angeles County voters in 1980 under Proposition A (Figure 2). When completed, Metro Rail will efficiently serve the most heavily traveled corridor in the region.

#### FIGURE 2

PROPOSITION A TRANSIT DEVELOPMENT



## 3. NEED FOR ASSESSMENT PROGRAM

There is a genuine need for benefit assessments. MOS-1 construction will cost some \$1.25 billion when completed. Of this, the federal government will pay \$695.9 million (56%), the State of California will pay \$213.1 million (17%), the Los Angeles County half cent sales tax (Proposition A) will contribute \$176.6 million (14%), and the City of Los Angeles will provide \$34 million (3%). An additional \$130.3 million (10%) is needed to construct MOS-1, and SCRTD benefit assessments are designed to raise these funds.

# 4. BENEFITS

Based on documented experiences of other North American cities with rail transit systems built since 1970, it is anticipated that Metro Rail will generate a series of benefits in Los Angeles. The full community should benefit from enhanced accessibility, mobility, and employment opportunities, a stimulated economy, cleaner air, and a reduction in the growth of traffic congestion. Construction of the full Metro Rail project should generate more than \$5 billion in wages, salaries and sales in the metropolitan area, an equivalent of 12,000 new jobs.

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

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

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

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

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

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

## 5. DISTRICT BOUNDARIES

For the most part, direct benefits from a rapid transit system occur because people walk some distance to and from the stations, creating additional pedestrian activity and improved access for properties near the stations. This results in increased levels of commercial activity and enhanced opportunities for commercial growth and real estate development. As a result, walking distances from station centers of 1/2 mile for the CBD and 1/3 mile for the Wilshire/Alvarado area were primary determinants of benefit assessment district boundaries. Additionally, a set of rules regarding inclusion of city blocks, consideration of barriers to walking and adjustment of boundaries for irregular shapes were used to define the boundaries. (Figure 1 shows adopted boundaries.)

## 6. ASSESSMENT RATES

The 1986 assessment rate is thirty cents (\$0.30) for each assessable square foot of property. The annual rate may be increased or decreased to generate necessary revenues to finance a portion of the construction, but the rate will never exceed forty-two cents (\$0.42) per square foot. SCRTD may be contacted at (213) 972-6456 to confirm the current rate.

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

## 7. ASSESSMENT COLLECTION AND USE

Benefit assessments will be collected by the Los Angeles County Tax Collector by way of Joint Consolidated Tax Bills. Payments are to be made to that office.

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

## 8. ASSESSMENT APPEALS

An assessment appeals process has been established by the SCRTD. Consistent with the Section 33000, et seq., of the Public Utilities Code, a property owner or his/her legal representative may petition the SCRTD Board, requesting that the property be excluded from benefit assessment on grounds that the real property sought to be excluded is not benefited, or requesting a reduced assessment on grounds that the assessment exceeds benefits to the property. Types of appeals may include, but are not limited to, assessment of exempt uses or parcels, incorrect square footage of parcels or improvements, floor areas that are vacant due to requirements of regulatory codes, building inefficiency or assessment of property not located in an assessment district.

# 9. EXEMPT PROPERTIES

The term "property" in the SCRTD Benefit Assessment Program includes both parcels (land) and improvements (buildings). Three types of properties are EXEMPT from assessment:

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

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

For properties where either ownership or use is not in an exempt category, the property is not exempt. For example, a public entity renting private office space is not exempt (e.g., the SCRTD headquarters building is rented from a private owner). 10. PROPERTIES SUBJECT TO ASSESSMENT

Subject to the rules below, the following properties are assessed:

- Improvements used as: offices, commercial, retail, hotels and motels (Referred to as "assessable improvements")
- All parcels.

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

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

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

For all other properties, the assessment is based on the square footage of the parcel.

\* Some improvements are classified as neither assessable nor exempt. Examples include parking structures, industrial and warehouse buildings. The square footage of these improvements is not used in the calculation of assessments, with one exception: If there is a mix of exempt and non-exempt properties on the parcel (see Section 11), the "total improvement square footage" includes the square footage of all improvements, specifically, the sum of the square feet for assessable. exempt and all other improvements (including parking structures).

# 11. MIX OF EXEMPT AND NON-EXEMPT PROPERTIES

The assessment calculation is more complex for properties with both exempt and non-exempt improvements. For these properties, the square footage of the parcel is pro-rated as part of the assessment calculation. The pro-rated parcel square footage is calculated by determining the percentage of total improvements (see Section 10 for description of total improvement square footage) that is non-exempt and applying this percentage to the total parcel square footage. The assessment is then based on the square footage of the assessable improvements or the prorated square footage of the parcel, whichever is larger. Figure 8 is an example of mixed exempt/non-exempt properties, where the parking garage is a non-exempt use.

# 12. CALCULATING THE ANNUAL ASSESSMENT

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

STEP 1: DETERMINE THE FOLLOWING:

- A. SQUARE FOOTAGE OF THE PARCEL (Property A = 15,000)
- B. SQUARE FOOTAGE OF ALL IMPROVEMENTS ON THE PARCEL \* (Property A = 40,000)

\*Includes assessable, exempt and other improvements (see Section 10).

- C. SQUARE FOOTAGE OF ASSESSABLE IMPROVEMENTS ON THE PARCEL (Property A = 10,000)
- D. SQUARE FOOTAGE OF IMPROVEMENTS IN EXEMPT USE (Property A = 20,000)

NOTE: IF THERE IS NO EXEMPT PROPERTY ON THE PARCEL, GO DIRECTLY TO STEP 4. STEP 2: CALCULATE PERCENT OF THE IMPROVEMENT THAT IS NON-EXEMPT, A TWO-STEP PROCESS:

A. DETERMINE PERCENT OF THE IMPROVEMENT THAT IS EXEMPT:

> SQUARE FOOTAGE OF IMPROVEMENTS <u>IN EXEMPT USE</u> X 100 = PERCENT\* SQUARE FOOTAGE OF ALL IMPROVEMENTS\*\* (Property A: 20,000/40,000 X 100 = 50%)

- \*Percent is used to pro-rate the parcel square footage for parcels with both exempt and non-exempt improvements.
- \*\*Includes assessable, exempt and other improvements (see Section 10).
- B. SUBTRACT PERCENT FROM 100% TO FIND PERCENT OF IMPROVEMENT THAT IS NON-EXEMPT. (Property A: 100% - 50% = 50%).

STEP 3: APPLY PERCENTAGE OBTAINED IN STEP 2B TO THE PARCEL SQUARE FOOTAGE. (Property A: 15,000 X 50% = 7,500)

STEP 4: COMPARE PARCEL SQUARE FOOTAGE (From Step 3 if calculated) WITH SQUARE FOOTAGE OF ALL ASSESSABLE IMPROVEMENTS AND CHOOSE THE LARGER. (Property A: greater of 7,500 Sq.Ft. or 10,000 Sq.Ft. = 10,000 Sq.Ft.)

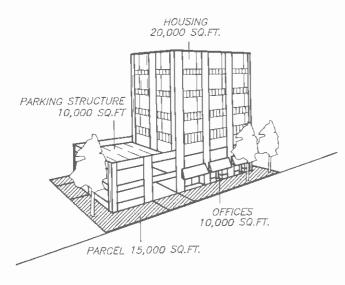
STEP 5: MULTIPLY ANNUAL ASSESSMENT RATE (CURRENTLY \$0.30) BY RESULT OF STEP 4 TO CALCULATE ANNUAL ASSESSMENT. (Property A: \$0.30 X 10,000 Sq.Ft. = \$3,000 annual assessment)

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

# 13. SAMPLE BENEFIT ASSESSMENT CALCULATIONS

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

FIGURE 3 SAMPLE PROPERTY A MIXED COMMERCIAL & RESIDENTIAL WITH PARKING FIGURE 4 SAMPLE PROPERTY B ALL ASSESSABLE IMPROVEMENTS (IMPROVEMENTS LARGER THAN PARCEL)



STEP 1: A.Parcel: 15,000 Sq.Ft. B.All improvements: 40,000 Sq.Ft.\* C.Assessable improvements: 10,000 Sq.Ft. (office) D.Exempt improvements: 20,000 Sq.Ft. (housing) STEP 2: 100%-50% exempt = 50% non-exempt STEP 3: 50% X 15,000 = 7,500 Sq.Ft. STEP 4: 7,500 Sq.Ft. compared to 10,000 Sq.Ft. STEP 5: \$0.30 X 10,000 Sq.Ft. = \$3,000 annual assessment

\* includes assessable, exempt and other improvements (see Section 10).

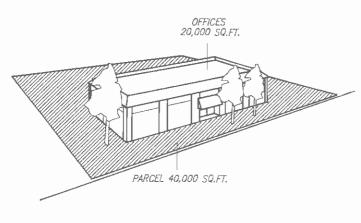
OFFICE 250,000 SQ.FT.

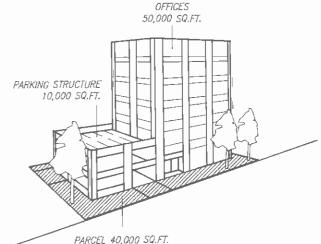
STEP 1:

- A. Parcel: 50,000 Sq.Ft.
- B. Entire improvement: 250,000 Sq.Ft.
- C.Assessable improvements: 250,000 Sq.Ft.
- D. Exempt improvements: 0 Sq.Ft.
- STEP 2: N/A (no exempt improvements)
- STEP 3: N/A (no exempt improvements)
- STEP 4: 50,000 Sq.Ft. compared to 250,000 Sq.Ft.
- STEP 5: \$0.30 X 250,000 Sq.Ft. = \$75,000 annual assessment

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

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





#### STEP 1:

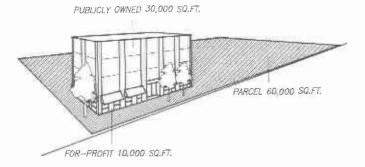
- A. Parcel: 40,000 Sq.Ft.
- B. Entire improvement: 20,000 Sq.Ft.
- C. Assessable improvements: 20,000 Sq.Ft.
- D. Exempt improvements: 0 Sq.Ft.
- STEP 2: N/A (no exempt improvements) STEP 3: N/A (no exempt improvements)
- STEP 4: 20,000 Sq.Ft. compared to 40,000 Sq.Ft.
- STEP 5: \$0.30 X 40,000 Sq.Ft. = \$12,000 annual assessment

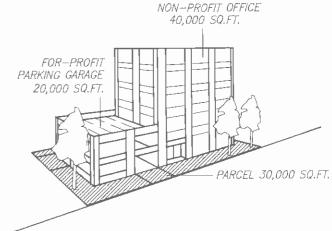
STEP 1:

- A. Parcel: 40,000 Sq.Ft.
- B. Entire improvement: 60,000 Sq.Ft.\*
- C. Assessable improvements: 50,000 Sq.Ft.
- D. Exempt improvements: 0 Sq.Ft.
- STEP 2: N/A (no exempt improvements)
- STEP 3: N/A (no exempt improvements)
- STEP 4: 40,000 Sq.Ft. compared to
- 50,000 Sq.Ft. STEP 5: \$0.30 X 50,000 =
  - \$15,000 annual assessment

\* includes assessable, exempt and other improvements (see Section 10).

FIGURE 7 SAMPLE PROPERTY E PUBLICALLY-OWNED/PART OCCUPIED BY FOR-PROFIT BUSINESS (MIX OF EXEMPT AND ASSESSABLE IMPROVEMENTS) FIGURE 8 SAMPLE PROPERTY F NON-PROFIT OWNER/PART OCCUPIED BY A FOR-PROFIT PARKING GARAGE (MIX OF EXEMPT AND OTHER IMPROVEMENTS)





STEP 1:

- A. Parcel: 60,000 Sq.Ft.
- B. Entire improvement: 40,000 Sq.Ft.
- C. Assessable improvements: 10,000 Sq.Ft.
- D. Exempt improvements: 30,000 Sq.Ft.
- STEP 2: 100% 75% exempt = 25% non-exempt
- STEP 3: 25% X 60,000 = 15,000 Sq.Ft.
- STEP 4: 15,000 Sq.Ft. compared to
- 10,000 Sq.Ft.
- STEP 5: \$0.30 X 15,000 Sq.Ft.= \$4,500 annual assessment

STEP 1:

- A. Parcel: 30,000 Sq.Ft.
- B. Entire improvement: 60,000 Sq.Ft.\*
- C.Assessable improvements: 0 Sq.Ft.
- D. Exempt improvements: 40,000 Sq.Ft.
- STEP 2: 100% 67% exempt =
- 33% non-exempt
- STEP 3: 33% X 30,000 = 10,000 Sq.Ft.
- STEP 4: 10,000 Sq.Ft. compared to 0 Sq.Ft.
- STEP 5: \$0.30 X 10,000 Sq.Ft. = \$3,000 annual assessment

\* includes assessable, exempt and other improvements (see Section 10).

# 14. BUILDINGS VACANT DUE TO REGULATORY CODES

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

# 15. DEFINITION OF QUALIFIED NON-PROFIT ORGANIZATIONS

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

# 16: RESIDENTIAL AND APARTMENT HOTELS

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

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

# 17. CALCULATING THE SQUARE FOOTAGE OF BUILDINGS

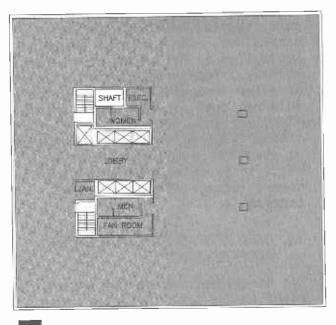
The gross square footage of a building is calculated from its outside dimensions. The building length is multiplied by its width and number of stories. Appropriate modifications are made for irregularly shaped buildings, internal open-air courtyards and multifloor atriums. If part or all of the ground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

# 18. ADJUSTING FOR BUILDING INEFFICIENCY

The assessment for an improvement is based on the total building gross square footage if 80% or more of the floor space is rentable. Such a building is considered efficient. The building is considered inefficient if less than 80% is rentable. For such cases, the gross square footage is reduced by the following factor: (80-X)/80, where X = the per cent of the building that can be rented. For example, if only 60% of a building is rentable, the assessable area is reduced by (80-60)/80 or 1/4. For these cases, if the assessable area of the building drops below the parcel area, the parcel square footage is assessed.

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

## FIGURE 9 RENTABLE AREA



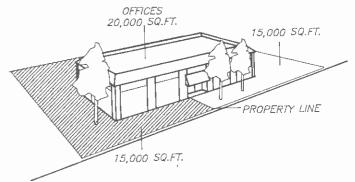
RENTABLE SPACE

# 19. BUILDINGS THAT CROSS PROPERTY LINES

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

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

#### FIGURE 10 BUILDINGS THAT CROSS PROPERTY LINES



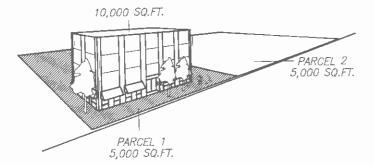
## STEP 1:

- A.Combined Parcel: 30,000 Sq.Ft.
- B. Entire improvement: 20,000 Sq.Ft.
- C.Assessable improvements:
  - 20,000 Sq.Ft.
- D.Exempt improvements: 0 Sq.Ft.
- STEP 2: N/A (no exempt improvements)
- STEP 3: N/A (no exempt improvements)
- STEP 4: 30,000 Sq.Ft. compared to 20,000 Sq.Ft.
- STEP 5: \$0.30 X 30,000 Sq.Ft.= \$9,000 annual assessment

# 20. SEPARATE BUT ADJACENT PARCELS OWNED BY THE SAME ENTITY

Unless a building crosses a property line, adjacent parcels are considered as separate. For example, if a building of 10,000 square feet on a lot of 5,000 square feet is adjacent to a 5,000 square foot lot owned by the same entity, the owner is assessed for each parcel separately, \$3,000 for the lot containing the building and \$1,500 for the vacant lot (See Figure 11).

#### FIGURE 11 SEPARATE BUT ADJACENT PARCELS



PARCEL 1

STEP 1: A. Parcel: 5,000 Sq.Ft. B Entire improvement: 10,000 Sq.Ft. C. Assessable improvements: 10.000 Sq.Ft. D. Exempt improvements: 0 Sq.Ft. STEP 2: N/A (no exempt improvements) STEP 3: N/A (no exempt improvements) STEP 4: 10.000 Sq.Ft. compared to 5,000 Sq.Ft. STEP 5: \$0.30 X 10,000 Sq.Ft.= \$3,000 annual assessment PARCEL 2 STEP 1: A. Parcel: 5,000 Sq.Ft. B. Entire improvement: 0 Sq.Ft. C.Assessable improvements: 0 Sq.Ft. D. Exempt improvements: 0 Sq.Ft. STEP 2. N/A (no exempt improvements) STEP 3: N/A (no exempt improvements) STEP 4: 5,000 Sq.Ft. compared to 0 Sq.Ft. STEP 5: \$0.30 X 5,000 Sq.Ft.= \$1,500 annual assessment TOTAL ANNUAL ASSESSMENT =

 $3_000 + 1_500 = 4_500 *$ 

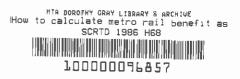
\* Total to be paid by property owner. Each parcel will receive a separate Joint Consolidated Tax Bill.

# FOR FURTHER INFORMATION

Contact the SCRTD Community Relations Department at (213) 972-6456, 425 S. Main Street, Los Angeles, California 90013 for further information.

This brochure is provided for informational purposes. If any apparent conflict arises between this brochure and any statute or resolution that applies to benefit assessments, the language of the statute or resolution shall mrevail. 12 . .

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Southern California Rapid Transit District 425 South Main Street Los Angeles, California 90013

