



Metro

Metropolitan Transportation Authority

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**FINANCE AND BUDGET COMMITTEE
JULY 21, 2005**

SUBJECT: ARTS DISTRICT BUSINESS IMPROVEMENT DISTRICT

ACTION: PARTICIPATION IN ARTS DISTRICT BUSINESS IMPROVEMENT DISTRICT

RECOMMENDATION

Authorize the Chief Executive Officer to sign a petition to establish the Art District Business Improvement District ("BID") contingent upon Metro's successful negotiation of a reduced assessment commensurate with the benefit to Metro property.

RATIONALE

Metro has been asked to sign a petition to establish the Arts District Property Based Business Improvement District. Establishment of the BID is a two-step process that includes (1) signing a petition to demonstrate support for the creation of the BID and (2) casting a ballot voting for the BID and the additional property tax. The Board adopted Guidelines on LACMTA Participation in Proposed Assessment Districts ("Guidelines") in June 1998. The Guidelines require staff to analyze each new assessment district and/or improvement based on whether they improve Metro property or facility, benefit Metro employees, benefit Metro's passengers, or reduce costs for the agency. Staff is to provide the Board with an analysis, on a case-by-case basis, that determines whether the Metro property benefits from the proposed services or improvements; and whether the benefit to the property exceeds the cost of the assessment.

The Arts District Steering Committee that is composed of property owners in the area is establishing the BID. The purpose of the BID is to provide new and continued improvements and activities in the area, including maintenance, security, image/communications and special programs to support the artist community. The area is bounded generally by Alameda Street on the west, the 101 Freeway on the north, the Los Angeles River on the east and Seventh Street on the south (See Attachment 1 – Arts District Business Improvement District Boundaries and Attachment 2 – Map). The proposed District includes the Metro Red Line Yards and Shops facility. This area is known as the "Loft District" and a number of art galleries, restaurants and residential developments are

planned for the area. The increased security and maintenance programs would enhance the area. As a property owner in the area, Metro is interested in being a good neighbor and is desirous of seeing improvements to the overall community. The services that the BID proposes would be of benefit to the overall area, but of only minor or some benefit to Metro.

The total proposed District budget for the 2006-year of operation is approximately \$1,050,355. The budget will cover improvements, activities and services which include (1) enhanced safety programs such as bicycle patrol and night vehicle patrol; (2) maintenance programs such as illegal dumping, trash removal and sidewalk cleaning; (3) special programs such as trash containers, information kiosks, banners; work with non-profits to develop community generated programs; publication of artist and business trade directory and to assist in promoting local events.

Metro has supported the formation of BIDS when the service or improvements provided a direct benefit to Metro property, employees and customers. Under Proposition 218, the assessing agency that proposes an assessment identifies all parcels that will receive a special benefit. The special benefit for each parcel is determined by: (1) the relationship of the capital cost of a public improvement; (2) the maintenance and operation of a public improvement; or (3) the cost of the property related services being provided. No assessment can be imposed on any parcel that exceeds the reasonable cost of the proportional special benefit on that parcel. Only special benefits are assessable. General enhancement of property value does not constitute special benefit. Also, Proposition 218 provides that *"parcels within a district that are owned or used by any agency...shall not be exempt from assessment unless the agency can demonstrate by clear and convincing evidence that the property will receive no benefit."*

In the past, staff has generally withheld participation during the petition and balloting phase in order to allow the non-governmental property owners to decide whether they wanted to tax themselves through the BID. Once the BID is established, all of the property owners in the Districts are taxed unless they are exempted.

Evaluation of Benefit to LACMTA

The BID includes thirty-six (36) parcels owned by Metro. The largest groups of parcels are improved with the Metro Red Line Yards and Shops that contain approximately 40 acres of land. Other uses include various properties acquired for Segment 1 of the Metro Red Line, and the Metro Gold Line Eastside Extension (See Attachment 3 for list of parcels). Properties outside of the yards and shops area are generally not occupied by Metro employees and are either vacant lots or buildings or properties involved in construction of the Gold Line extension. The proposed Arts District BID assessment to Metro would be \$123,361.06, which is approximately 11.745% of the total assessment for the BID.

The Guidelines established general guidelines for determining benefits to Metro properties, as outlined below. A list of Metro properties included in the proposed BID is attached, with an indication of the benefit to Metro according to Metro's guidelines.

TIER 1 – NO BENEFIT

- Subsurface easements
- Aerial easements
- Right of Way

TIER 2 – MINOR OR NO POTENTIAL BENEFIT

- Vacant Land
- Parking Lots

TIER 3 – MINOR OR SOME POTENTIAL BENEFIT

- Bus Division
- Bus Terminals
- Customer Service Centers
- USG Headquarters Building
- Maintenance Facilities
- Rail Division
- Rail Terminus
- Stations
- Miscellaneous Building

TIER 4 – ACTUAL BENEFITS

- Joint Development Projects – Any long-term ground lease includes a Possessory Interest provision that requires the master tenant to be subject to the payment of any special benefit assessment based on their possession of the property. Negotiations for a joint development on a portion of the Red Line Yards and Shops area are in progress under an Exclusive Negotiation Agreement. If a joint development were to occur, the benefit would increase and the assessment could be increased to the full amount for the area portion of the development on Metro property.

The Arts BID determined that the proposed improvements and activities derived from the assessments to be levied provide special benefits to the parcels assessed. The conclusion was based on the following statements. Each statement is followed by staff's response as it pertains to the Red Line Yards and Shops.

1. *All improvements and activities to be provided through the Arts BID are special services and are above and beyond the general level of service the City of Los Angeles currently provides* – Metro's primary operating facility in the area is staffed with security guards which implements Metro's safety and security program within the fenced and gated facility. Bicycle patrols would provide a minor improvement for the safety and security of Metro property and employees

2. *All improvements and activities to be provided throughout the Arts BID are designed by the property owners to increase business revenue and provide special benefits that may result in increased rental occupancy rates and annual revenue incomes to the owners of the real property within the District.* – Metro properties are dedicated to rail operations and/or construction and do not generate any revenue which would be influenced by the improvements and activities of the BID.
3. *All benefits derived from the assessments outlined in the Management District Plan are for services directly benefiting the property owners in this specialized district and support increased commerce and the goals and objectives of the BID.* – Metro will not receive any special benefits from the improvements and activities that propose to improve the appearance of the BID and enhance its image, improve safety and cleanliness, and market the businesses and properties in the BID.

FINANCIAL IMPACT

Metro's assessment for the Year 2006 under the proposed BID is \$123,361.06. This amount is subject to changes in the Los Angeles Consumer Price Index (CPI), for all urban consumers, not to exceed 5% per year. Funds to participate in this BID were not included in the FY06 budget. The FY06 budget includes approximately \$230,000 for all BIDs and special assessments for projects throughout the County that the LACMTA currently pays. No funds are included for this bid. Should the BID be approved, staff would return to the Board for a budget amendment

ALTERNATIVES CONSIDERED

Metro could refrain from signing the petition and vote "No" if a sufficient number of property owners sign the petition to bring the BID to a vote. If the BID were to be approved with Metro's assessment remaining at the current amount, Metro could request an exemption from the assessment since the amount is disproportionate to the benefit that Metro would receive.

Metro could sign the petition without negotiating a smaller assessment, and vote yes on the BID. This is not recommended since it would be inconsistent with both Board policy and the statutory requirements for the bid.

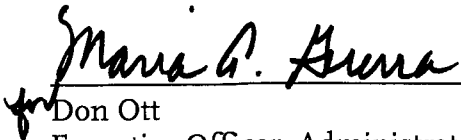
ATTACHMENTS

Attachment 1 – Arts District Business Improvement District Boundaries

Attachment 2 – Map of District

Attachment 3 – List of LACMTA owned Property in Art District Business District with the BID's proposed assessment for Metro property.

Prepared by Velma C. Marshall, Director of Real Estate

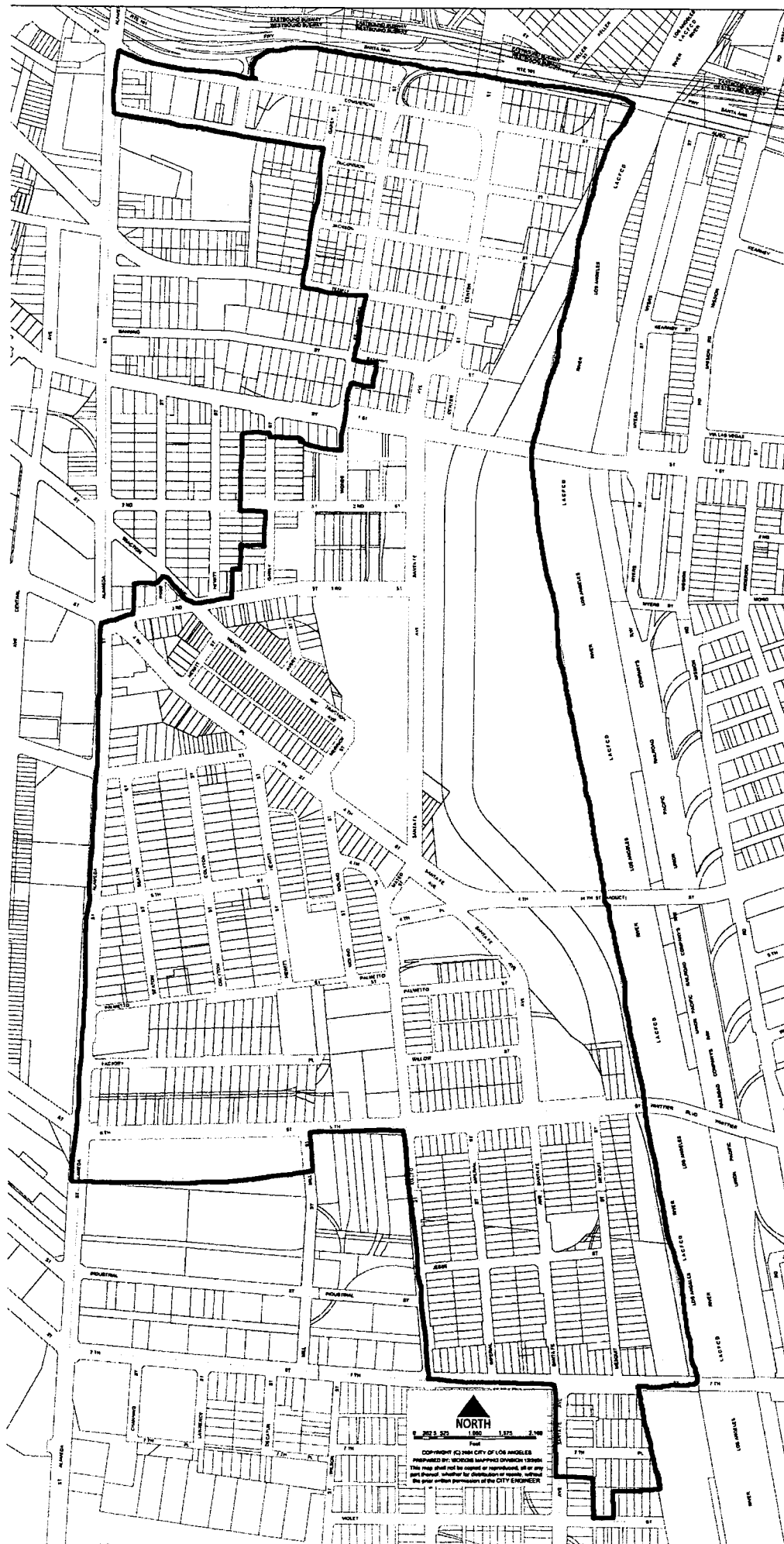

for Don Ott
Executive Officer, Administration


Roger Snoble
Chief Executive Officer

Section 2 Arts District Business Improvement District Boundaries

Description (Also see map on page 6)

Beginning on the southeast corner of Alameda Street and the 101 Freeway go east along the southern boundary of the 101 Freeway right of way to the Los Angeles River. At the Los Angeles River go south along the western boundary of the Los Angeles River to 7th Street. Turn west on 7th along the south property line of properties on the north side of 7th Street to the intersection with the east property line of parcel 5166-002-001. Turn south along the eastern property of parcel block 5166-002-001 and the eastern property line of parcel 5166-002-007 and the eastern property line of parcel 5166-003-006. Turn west along the south property line of parcel 5166-003-006 to the eastern property line of parcel 5166-003-012. Turn south along the eastern property line of parcel 5166-003-012. Turn west on the south property line of parcel 5166-003-012 to the west property line of parcel 5166-003-012. Turn north on the west property line of parcel 5166-003-012 to the intersection with the south property line of parcel 5166-003-001. Turn west on the south property line of parcel 5166-003-001 to the intersection with Santa Fe Avenue. Turn north on Santa Fe Avenue to 7th Street. Turn west on 7th Street. to the intersection with Mateo Street. Turn north on Mateo Street. to the intersection with 6th Street. Turn west on 6th Street to the intersection with Mill Street. Turn south on Mill Street along the eastern property line of parcel 5164-010-003 then west along the southern property line of 5164-010-003 to the intersection with Alameda Street. Go north on Alameda St to the intersection at 3rd Street. At 3rd St. turn eastbound, then north along the western boundary of parcel 5163-009-006. Go west along the northern property line of parcels 5163-009-006 and 004. Go north on Rose St until the intersection of Traction Avenue. Go southeast on Traction, then turn east along 3rd Street until the western property line of parcel 5163-007-010. Turn north at the western property line of parcel number 5163-007-010, follow this to the northern property line of parcel 5163-007-010. Turn east along the north property line of parcel 5163-007-010 to Garey Street. Turn north on Garey St to the intersection with 2nd Street. Turn west on 2nd Street until parcel 5163-003-019. Turn north along the western property lines of parcels 5163-007-019, 016, 014, 013, 011, 010, 009, 008, 006. Go east along the northern property line of parcel 5163-007-006. Continue east across Garey St. along the northern property lines of parcels 5163-004-004, 006, 011, and 007. Turn north on Vignes Street through the intersection at 1st Street. Continue north on Vignes St. to parcel 5173-013-014 and turn east along the northern property line of this parcel, then south along the eastern line of this parcel. Turn east on 1st Street to the western property line of 5173-013-020, then north along that parcels western property line to Banning Street. Turn west on Banning St., then north on Vignes St. to Temple Street. Go west on Temple until Garey St. Go north on Garey St. to Ducommun Street. Go west on Ducommun St. until Alameda St. Turn north on Alameda Street until the beginning point at the intersection with the 101 Freeway.



Revised Analysis for MTA parcels in Arts BID

7/27/05

APN	Owner	Site Address	Total Asmt	%	Revised Asmt	Comments
5163-017-900	LACMTA	Div 20-Red Line Yard/Shops	\$67,126.94	6.39%	\$67,126.94	Parcel fronts street-receives benefit
5163-017-901	LACMTA	Div 20-Red Line Yard/Shops	\$17,550.01	1.67%	\$0.00	Railroad right of way discounted
5163-017-902	LACMTA	Div 20-Red Line Yard/Shops	\$4,572.58	0.44%	\$0.00	Railroad right of way discounted
5164-004-900	LACMTA	Div 20-Red Line Yard/Shops	\$7,512.09	0.72%	\$0.00	Railroad right of way discounted
5164-004-901	LACMTA	Div 20-Red Line Yard/Shops	\$1,777.43	0.17%	\$0.00	Railroad right of way discounted
5164-016-906	LACMTA	Div 20-Red Line Yard/Shops	\$958.29	0.09%	\$0.00	Railroad right of way discounted
5164-016-908	LACMTA	Div 20-Red Line Yard/Shops	\$216.44	0.02%	\$0.00	Railroad right of way discounted
5164-016-909	LACMTA	Div 20-Red Line Yard/Shops	\$1,127.70	0.11%	\$0.00	Railroad right of way discounted
5164-017-905	LACMTA	Div 20-Red Line Yard/Shops	\$52.49	0.00%	\$52.49	Parcel fronts street-receives benefit
5164-017-906	LACMTA	Div 20-Red Line Yard/Shops	\$1,228.07	0.12%	\$1,228.07	Parcel fronts street-receives benefit
5173-001-901	LACMTA	Eastside Construction Site- Mobil Site	\$1,148.19	0.11%	\$1,148.19	Parcel fronts street-receives benefit
5173-002-901	LACMTA	ES-606 Vacant Lot (laydown site)	\$3,309.67	0.32%	\$3,309.67	Parcel fronts street-receives benefit
5173-019-901	LACMTA	Storage Building	\$957.89	0.09%	\$957.89	Parcel fronts street-receives benefit
5173-019-902	LACMTA	Storage Building	\$532.89	0.05%	\$532.89	Parcel fronts street-receives benefit
5173-019-903	LACMTA	Storage Building	\$344.41	0.03%	\$344.41	Parcel fronts street-receives benefit
5173-019-904	LACMTA	Railroad ROW-(metrolink)	\$352.31	0.03%	\$0.00	Railroad right of way discounted
5173-020-901	LACMTA	Vacant Lot-Adjacent to Red Line	\$108.42	0.01%	\$108.42	Parcel fronts street-receives benefit
5173-020-902	LACMTA	Red Line ROW	\$1,114.85	0.11%	\$1,114.85	Railroad right of way discounted
5173-020-903	LACMTA	Vacant Lot-used to store contaminated soil	\$124.97	0.01%	\$124.97	Parcel fronts street-receives benefit
5173-020-905	LACMTA	Vacant Lot-used to store contaminated soil	\$196.40	0.02%	\$196.40	Parcel fronts street-receives benefit
5173-020-906	LACMTA	Vacant Lot-used to store contaminated soil	\$226.89	0.02%	\$226.89	Parcel fronts street-receives benefit
5173-020-907	LACMTA	Vacant Lot-used to store contaminated soil	\$927.15	0.09%	\$927.15	Parcel fronts street-receives benefit
5173-020-908	LACMTA	Vacant Lot-used to store contaminated soil	\$160.91	0.02%	\$160.91	Parcel fronts street-receives benefit
5173-020-909	LACMTA	Vacant Lot-used to store contaminated soil	\$152.41	0.01%	\$152.41	Parcel fronts street-receives benefit
5173-020-910	LACMTA	Red Line Portal	\$398.24	0.04%	\$398.24	Parcel fronts street-receives benefit
5173-020-912	LACMTA	Railroad ROW-(metrolink)	\$408.49	0.04%	\$0.00	Railroad right of way discounted
5173-021-901	LACMTA	Vacant Lot-Adjacent to Red Line	\$16.55	0.00%	\$16.55	Parcel fronts street-receives benefit
5173-021-902	LACMTA	Red Line ROW	\$2,220.96	0.21%	\$2,220.96	Parcel fronts street-receives benefit
5173-021-903	LACMTA	Vacant Lot adjacent to ROW	\$836.78	0.08%	\$836.78	Parcel fronts street-receives benefit
5173-021-904	LACMTA	Railroad ROW	\$408.49	0.04%	\$0.00	Railroad right of way discounted
5173-022-901	LACMTA	Railroad ROW-Red Line	\$1,306.65	0.12%	\$0.00	Railroad right of way discounted
5173-022-902	LACMTA	Vacant Lot-Red Line ROW	\$1,911.54	0.18%	\$0.00	Railroad right of way discounted
5173-022-903	LACMTA	Vacant Lot-(Metrolink ROW)	\$1,145.74	0.11%	\$0.00	Railroad right of way discounted
5173-023-900	LACMTA	Vacant Lot-Red Line ROW	\$1,422.07	0.14%	\$1,422.07	Parcel fronts street-receives benefit
5173-023-901	LACMTA	Vacant Lot-Red Line ROW	\$1,018.83	0.10%	\$0.00	Railroad right of way discounted
5173-023-902	LACMTA	Railroad ROW	\$487.32	0.05%	\$0.00	Railroad right of way discounted
Petition Total			\$123,361.06	Revised Total	\$82,607.15	
Discounted Total			\$40,753.91			