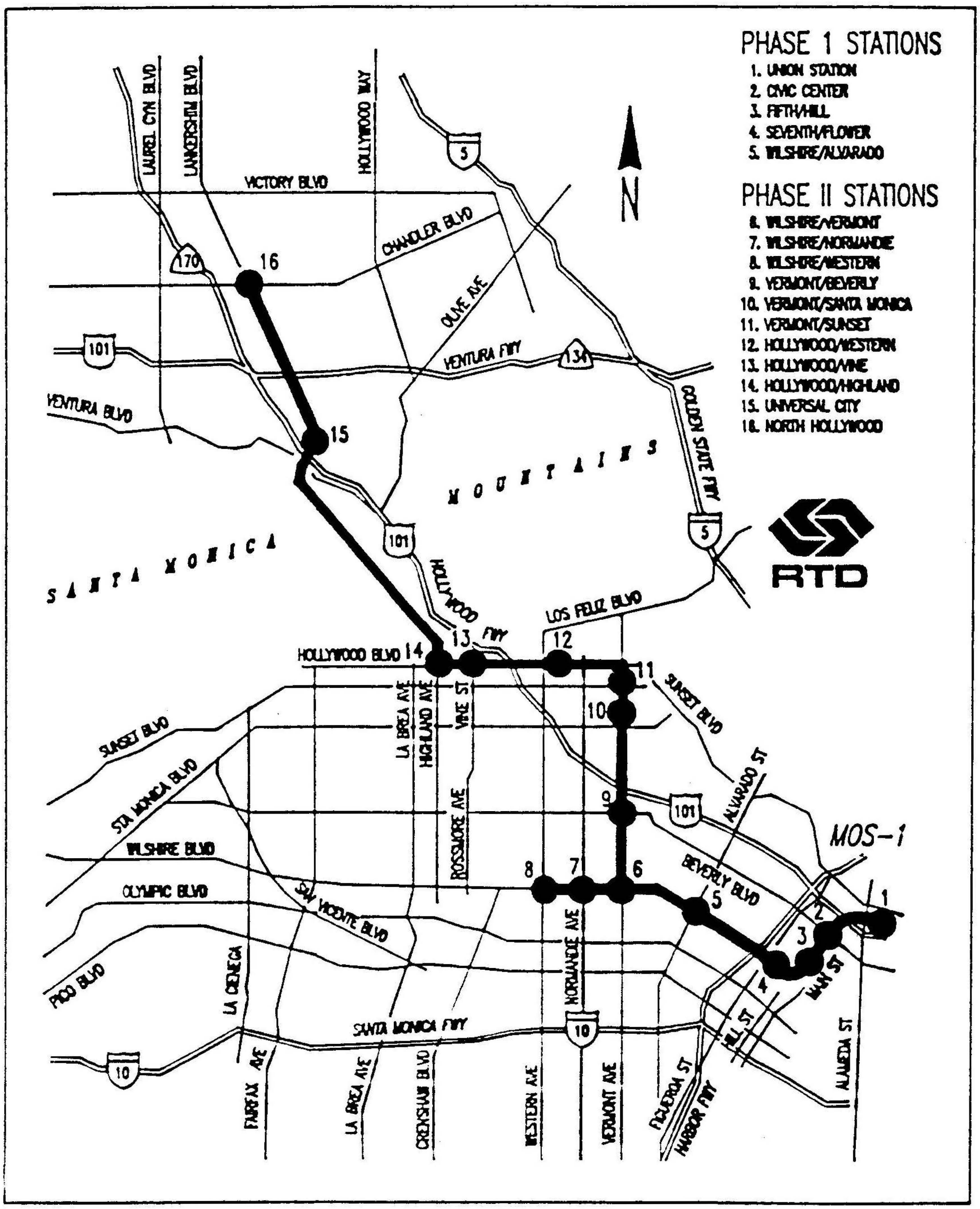
METRO RED LINE PHASE II

BENEFIT ASSESSMENT

INFORMATION



SCRTD PLANNING DEPARTMENT APRIL 1990

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT
PROPOSED METRO RED LINE PHASE II BENEFIT ASSESSMENT PROGRAM

INTRODUCTION

The benefit assessment proposal described in this informational handout was approved by the Southern California Rapid Transit District (RTD) Board of Directors on March 8, 1990 and has been sent to the Los Angles City Council and the County Board of Supervisors for their review. PLEASE NOTE THAT THIS PROGRAM MUST BE APPROVED BY THE CITY AND COUNTY BEFORE IT CAN BE FINALIZED.

The California State Public Utilities Code Section 33000, et seq., authorizes the RTD to establish benefit assessment districts, subject to local governmental approval, to help fund the construction of the Los Angeles Metro Red Line project. A benefit assessment is a fee on properties in a specified area that is used to pay all or part of the cost of specific capital improvements made in and specifically benefiting that area.

METRO RED LINE PHASE II

Phase II of the Metro Red Line project connects to Phase I at MacArthur Park and extends 12.9 miles serving eleven stations along Wilshire Boulevard, Vermont Avenue, Hollywood Boulevard, and at Universal City and North Hollywood (see cover). Phase II is expected to open for service in three phases with the complete alignment open in 2001.

The Metro Red Line Phase II is part of a planned 150-mile regional rail system for Los Angeles. Approximately 44 miles of this system are currently under construction and will be open by 1993.

FUNDING

The Phase II benefit assessment program will contribute approximately three percent of the construction funding for the second phase of the subway project. The majority (over 97 percent) of the construction funding for Metro Red Line Phase II is being provided by the Federal Government, the State of California, Los Angeles County, and the City of Los Angeles. The State contribution comes from gas tax revenues, while County and City funds come from the 1/2 cent sales tax approved by the voters in 1980 (Proposition A).

There is a genuine need for benefit assessment. Phase II construction will cost some $2.5 billion when completed. After all the governmental funds are contributed, there is a gap of $75 million needed to construct Phase II. The RTD benefit assessments are designed to raise these funds. Benefit assessment, by demonstrating a local private commitment, also helps Los Angeles compete for state and federal monies for the Metro Red Line and for future subway extensions.

DISTRICT BOUNDARIES

The RTD has proposed six Phase II benefit assessment districts. (See attached maps.) For the most part, direct benefits from a rapid transit system occur because people walk 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 distance from station centers of 1/2 mile is the primary determinant of benefit assessment district boundaries. Per state law, RTD can only assess properties located within a half-mile distance from station centers.

BENEFITS

Based on documented experiences of other North American cities with rail transit systems built since 1970, it is anticipated that the Metro Red Line 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. <u>In addition to these general benefits, special monetary benefits are expected to be realized near the stations by</u>:

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

ASSESSMENT COLLECTION AND USE

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

Benefit assessment revenues will be used as security to back bonds, and assessments will terminate once the bonds are retired. Assessments will not exceed the amount needed to pay for or to finance $75 million in capital construction costs, plus any associated interest, bond issuance, and direct program administrative costs.

ASSESSMENT START DATE

Assessments will start in each district when the Metro Red Line opens for service in that district. Assessments in each district will be collected for a maximum of twenty-nine (29) years. THE ANTICIPATED START DATES FOR THE ASSESSMENTS ARE AS FOLLOWS:

District A-3:	Wilshire	FY 1995/1996
District A-4:	Vermont	FY 1998/1999
District A-5:	Hollywood	FY 1998/1999
District A-6:	Hollywood	FY 2000/2001
District A-7:	Universal City	FY 2000/2001
District A-8:	North Hollywood	FY 2000/2001

If the subway is not open by these dates, the start date for the assessments will be delayed.

Property owners who wish to pay in advance (e.g., in order to avoid bond interest costs) may do so under one of three alternative payment options. Advance payment is totally at the election of the property owner, and persons interested in more information on paying in advance should contact the RTD.

ASSESSMENT RATE

The estimated average assessment rate for all Phase II districts is eighteen cents ($0.18) per assessable square foot per year. The RTD may increase or decrease this annual rate in any given year to generate revenues necessary for financing the $75 million needed for construction. Bonds will be issued at the lowest reasonable interest rate, and growth in the assessable square footage base will be used to lower the rate or end the assessments sooner. The maximum rate that could ever be charged is thirty-two cents ($0.32) per square foot.

EXEMPT PROPERTIES

The following parcels and improvements are EXEMPT from assessment:

- Residential property - including single-family homes, condominiums, apartment buildings, and long-term residential hotels.

- Property both owned and used by a public entity, and

- Property both owned and used by a qualified nonprofit organization. Nonprofit organizations are defined as those which qualify under Sections 202, 203, 206, 207, and 214 of the California Revenue and Taxation Code.

Combinations of ownership and use within these categories are also exempt. For example, a publicly owned property used by a nonprofit 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).

ASSESSABLE PROPERTIES

WITH THE EXCEPTION OF THE EXEMPT PROPERTIES DISCUSSED ABOVE, THE FOLLOWING PROPERTIES WILL BE ASSESSED:

- Improvements used as office, commercial, retail, hotels, motels, and freestanding commercial parking garages not used to meet zoning code parking requirements. (These are 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 such as office, retail, hotel, or freestanding commercial parking improvements not required by zoning codes, the assessment is based on the gross square footage of the improvements or the square footage of the parcel, whichever is larger.

For a parcel containing improvements that are not assessable, such as industrial and warehouse buildings, and parking lots/noncommercial parking structures, as well as for vacant property, the assessment is based on the square footage of the parcel.

For a parcel containing both assessable and nonassessable improvements such as an office building and a code required parking structure, the assessment is based on the gross square footage of the assessable improvement only (the office building but not the parking) or the square footage of the parcel whichever is larger. When a parcel contains a mix of assessable/nonassessable and exempt uses, the calculation is more complex. Questions on these propertes should be referred to the RTD at (213) 972-4845.

CALCULATING THE SQUARE FOOTAGE OF BUILDING

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

ASSESSMENT APPEALS

An assessment appeals process has been established by the RTD. A property owner 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, incorrect 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.

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 not assessable. If the entire building cannot be occupied, or if the square footage that can be occupied is less than the parcel square footage, the parcel square footage is assessed.

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 percent 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.

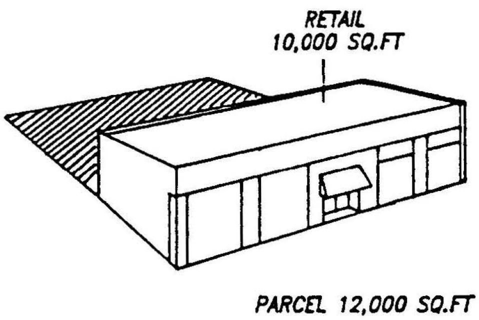
FOR FURTHER INFORMATION:

Contact the SCRTD Planning Department Benefit Assessment Office at 425 South Main Street, Los Angeles, CA 90013-1393, (213) 972-4845.

This summary sheet 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 resolution shall prevail.

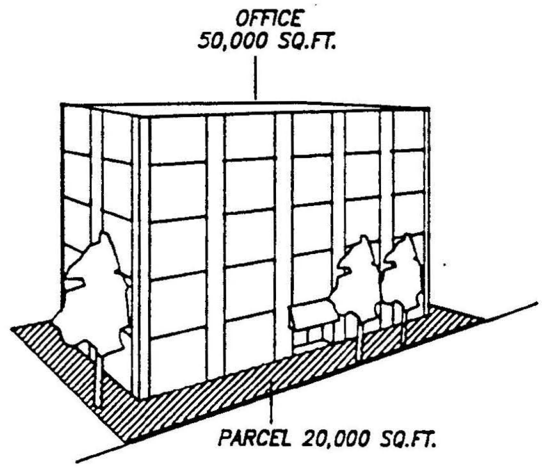
SAMPLE CALCULATIONS

PROPERTY 1
IMPROVEMENT–RETAIL
(IMPROVEMENT SMALLER THAN PARCEL)



A. Parcel: 12,000 Sq.Ft
B. Improvement: 10,000 Sq.Ft
C. 12,000 Sq. Ft. compared to 10,000 Sq. Ft.
D. Estimated Average Annual Assessment = $0.18 x 12,000 = $2,160

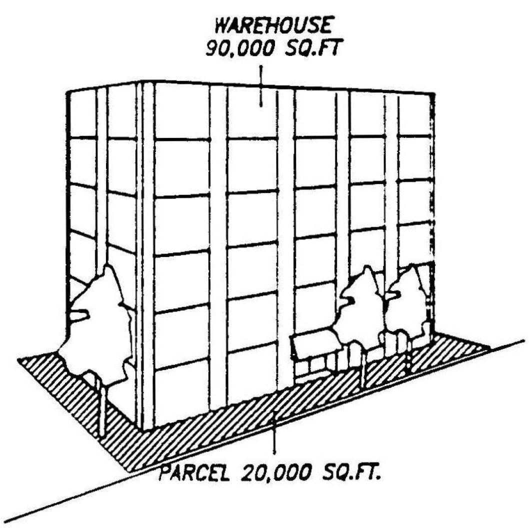
PROPERTY 2
IMPROVEMENT–OFFICE BUILDING *
(IMPROVEMENT LARGER THAN PARCEL)



A. Parcel: 20,000 Sq.Ft
B. Improvement: 50,000 Sq.Ft
C. 50,000 Sq. Ft. compared to 20,000 Sq. Ft.
D. Estimated Average Annual Assessment = $0.18 x 50,000 = $9,000

*Note: If building contains floors for parking, that square footage is not included in the improvement square footage

PROPERTY 3
IMPROVEMENT–WAREHOUSE*



A. Parcel: 20,000 Sq.Ft
B. Improvement: 90,000 Sq.Ft
C. Annual Assessment = 0.18 x 20,000 = $3,600

*Note: Because of use, assessment is based on parcel size only

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