Joint Development and Value Capture in Los Angeles

Local Policy Formulation

January 1983

Joint Development and Value Capture in Los Angeles: Local Policy Formulation

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FORWARD

A number of cities in Systems Planning and Alternatives Analysis have expressed an interest in maximizing the potential revenues from Joint Development and Value Capture that may result from proposed rail systems. The articulation of these policies is particularly relevant since maximum Federal funding has been reduced for new rail systems and UMTA seeks the largest local public and private financing of proposed rail systems as a ranking criteria for ultimate funding.

The Southern California Rapid Transit District (RTD) concurrently with their Alternatives Analysis produced this document to guide at the policy level the land use and economic development that might be realized as a result of the Metro Rail Project. A conscious policy has been adopted by RTD with implementing mechanisms to foster new high density development at designated rail station "centers". Associated legislation at the State level has also been pursued by RTD so that Transit Benefit Districts may be implemented at Metro Rail Stations. This document therefor reflects the best up-to-date approach which has been taken to constructively integrate development with a proposed rail system and to commensurate revenue benefits to a transit agency.

Cities with existing rail systems and cities proposing rail systems should seek to clarify and publicly announce what their policies are in the area of land use and development. Subsequently, these articulated policies allow land developers and affected landowners to proceed with their respective projects with the confidence that their developments will be consistent with transit agency objectives.

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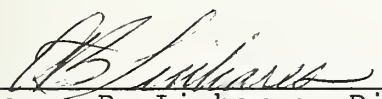

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FOREWORD

Since June 1980, the Southern California Rapid Transit District (SCRTD) has been engaged in the preliminary engineering phase of the Metro Rail Project. This project encompasses the preliminary design of an 18-mile rail line which will be the initial segment of southern California's ultimate rapid transit network. As part of the 1976 Regional Transportation Development Program, Metro Rail is designed to help solve the increasing transportation problems of Los Angeles' high-density urban center - the Regional Core.

Before Metro Rail goes into operation, it will have passed through the five conventional stages of rapid transit development: (1) planning and alternative analysis, (2) preliminary engineering/environmental impact analysis, (3) final design, (4) construction, and (5) operational testing. The RTD successfully guided the project through the first phase from 1977 to 1980 and has since been engaged in the preliminary engineering phase. This is an intensive 2-1/2 year program during which the key elements of the subway project are to be defined and designed. This phase encompasses the selection of the precise route alignment (where the trains will go), the station locations (where the trains will stop), the preliminary station designs (what the stations will look like), the vehicle designs (what size the cars will be and how they will look), and construction methods.

Simultaneous with the design work will be an extensive, detailed analysis of the possible environmental impacts of this project on the affected communities along Metro Rail's Downtown to North Hollywood route.

Pending the acquisition of necessary capital funding, the final design phase will commence, followed by a four- to six-year construction period, and culminating with a system inspection and testing period.

The preliminary engineering program is proceeding under the general direction of the SCRTD General Manager, and under the administrative and technical management of the Metro Rail Project Manager/Chief Engineer. The District has also engaged the professional services of the following consulting firms for specialized work: Daniel, Mann, Johnson, & Mendenhall/Parsons Brinckerhoff Quade and Douglas (ways and structures); Kaiser Engineers, Inc. (subsystems); Harry Weese & Associates (station architectural design); Booz-Allen & Hamilton, Inc. (systems analysis); City of Los Angeles Department of Planning (land use analysis), Department of Transportation (traffic analysis) and Police, Fire and Engineering Departments; County of Los Angeles Department of Regional Planning (land use analysis), Road Department (traffic analysis), and Sheriff, Fire, and Engineer Facilities Departments; Sedway/Cooke (land use and development planning/environmental analysis), the Converse Consultants (general geotechnical and seismic exploration); Lindvall-Richter & Associates (special geotechnical and seismic evaluation); Wilson-Ihrig Associates (noise and vibration); PSG/Waters

(corrosion control); Gage-Babcock (fire protection); Barton-Aschman (patronage estimates); and Robert J. Harmon & Associates, Inc. (joint development).

The Metro Rail Project Staff is responsible for direction and control of the consultants' work. Together, the project staff and the consultants from the project team.

During the next few months, decisions will be made on 12 vital interrelated points of project development - called "milestones" - that will lead to the ultimate system definition. These milestones represent successive incremental steps in establishing a final system plan that will be the basis for detailed design and construction. Each milestone is a major decision point for the Metro Rail Project.

Milestone Six addresses land use and development and is being prepared under the supervision of the SCRTD Director of Planning. In addition to Planning Department staff, the Milestone Six project team comprises four consultant firms headed by Sedway/Cooke, Los Angeles; and including Robert J. Harmon & Associates, Washington, D.C.; Peat, Marwick, Mitchell & Co., Los Angeles; and Robert Conradt, San Rafael, California.

I. INTRODUCTION

Background

The California State Legislature created the Southern California Rapid Transit District (SCRTD) in 1964 with a legislative mandate to design, construct, and operate a rail rapid transit system within the Los Angeles County area. The success of such a program is dependent upon the availability of funds. In June 1974, Proposition 5 was passed by a solid majority which allowed for the use of a portion of state gasoline taxes for rapid transit development. This measure provided a local source of funds for SCRTD to begin its rail rapid transit development program in Los Angeles.

SCRTD also received federal funding in 1974 to evaluate 16 transit corridors in the Los Angeles metropolitan area. A Rapid Transit Advisory Committee (RTAC), composed of representatives of local and state agencies, guided this effort. The evaluation resulted in the identification of a rapid transit corridor that justified further development and evaluation.

Based on the results of the RTAC study, a Regional Transit Development Program was adopted by state and local jurisdictions. In September 1976, representatives of the City of Los Angeles, Caltrans, Southern California Association of Governments, the County of Los Angeles, and SCRTD applied to the Urban Mass Transportation Administration (UMTA) for assistance in financing the Regional Transportation Development Program. Designed to focus on transportation problems in the Los Angeles area, this four-part program included improvements to the existing street system, freeway transit projects, a proposed Downtown People Mover System, and an evaluation of alternative transit solutions for the Regional Core, the approximately 55-square-mile portion of the metropolitan center of Los Angeles. The program was immediately endorsed by the newly established Los Angeles County Transportation Commission in 1977.

Having received UMTA and Proposition 5 funds to evaluate transit corridors, SCRTD began in 1977 an in-depth analysis of 11 alternatives: a "status quo", five rail/bus, and five all-bus alternatives. The critical issues considered during the evaluation included:

- Which alternative could serve the largest number of people?
- Which corridor was experiencing the greatest surface traffic congestion without any plans for relief?
- Which alternative would reduce the greatest number of auto trips per day?
- Which corridor would best accommodate the city and county land use plans?

- Which corridor might have the greatest impact on local air quality and energy savings?

- Which alternative would offer the best opportunity for efficient operations?

- Which alternative might provide the greatest economic benefits to the Los Angeles metropolitan area?

Concurrently, a comprehensive environmental impact analysis was conducted to examine the effects of each of the alternatives on the affected communities. In September 1979, the District Board of Directors selected its "preferred alternative" - an 18-mile rapid transit line extending from the Central Business District through the Wilshire Boulevard corridor to Fairfax Avenue, and northerly through Hollywood to North Hollywood.

The results of this analytical work, published in the final Alternatives Analysis/Environmental Impact Statement/Report (AA/EIS/R), were submitted to UMTA for evaluation in April 1980. Two months later, SCRTD was allocated $12 million from UMTA and $3 million from local sources to begin the first phase of the 10-year project - preliminary engineering. This phase includes additional environmental analysis and the basic work leading to the final design and construction of a rail system. UMTA noted that the Metro Rail Project is one of the most carefully studied and thoroughly justified projects of its kind in the country. It is the only new rail start for which the current federal and state administrations and congress have been willing to grant funds for preliminary engineering.

To date, combined government funding committed for preliminary engineering totals approximately $27 million. All indications are positive that the additional $11 million necessary to complete this critical phase will be forthcoming.

Community Participation Program

An important factor in the development of the Metro Rail Project has been region-wide public support. This broad-based support has been demonstrated on numerous occasions. Particularly impressive were the public hearings conducted in 1979 when businessmen, officials, organizations, and citizens from all areas of Los Angeles testified that this project was the one with which to begin rail rapid transit system development in the Los Angeles community.

As part of the process of designing and developing the rail system, the SCRTD Metro Rail project team is now involved with land use planning, service criteria, social issues, energy concerns, and environmental impact and aesthetic considerations. The Project Team recognizes that designers and decision makers must be responsive to the public's needs and desires.

Given the history of experiences in other cities, it is most essential that the team maintain sensitivity to public concerns by means of a public participation process before definitive plans are made. An extensive Community Participation Program has been established to meet that need. The purpose of the Program, as adopted by the SCRTD Board of Directors, is to provide interested, concerned, and affected citizens of the Los Angeles area with a means to interact with and provide input to the project team, city and county officials, and the Board in regard to Metro Rail

preliminary engineering issues, as well as on related areas of planning and development.

The key element of this Program is the policy decision-making process, or Milestone Process. Community participants will help the project team make decisions on 12 basic, interrelated points of development - called Milestones - that must be made during the preliminary engineering phase of the subway project. (These are the 12 most critical decision points of the project such as route selection, vehicle design, and cost estimates.) It is through this mechanism that community participants will be informed of and able to provide input to the most significant aspects of the Metro Rail Project.

This does not mean, however, that the District Board of Directors and involved local elected officials will relinquish their respective responsibilities where decisions are concerned. But it does mean that important decisions will be made with the overall values, needs, and priorities of the community in mind. Since the greatest amount of public interest is expected from those who live and work in the areas most directly affected by the Metro Rail Project, the Community Participation Program has been structured to encourage and accommodate participation by means of three levels of organization: the sector level, the segment level, and the system level.

The sector level is the base organization level and is divided into six key geographical areas along the subway alignment, called "sectors". Representatives from each of these sectors will participate in the appropriate groups of the next level of organization. Special organized groups will be encouraged to participate at this level.

The segment level forms the second level of community organization. Sector representatives will be grouped into three geographic segments along the alignment (i.e., the Central Business District segment, the Wilshire segment, and the Fairfax/Hollywood/North Hollywood segment). They will discuss issues that affect these three broad segments of the alignment. Representatives from each segment group will participate in the next level of organization.

The system level forms the third level of community organization. Segment participants will join other interested citizens, established organizations, and special interest groups in forming this final level of community organization. The system level will convene meetings on more general issues that concern all segment and sector level groups. This level will function as the primary group for conflict resolution of community and project team concerns and recommendations.

The above structure has been developed for citizens to review, comment on, and have input to the 12 project milestone reports that relate directly to the design, engineering, and environmental impact of the Metro Rail Project. These milestones will be presented to the public in a series of community meetings throughout preliminary engineering.

Through the community participation process, the public will have three opportunities to review and comment on each milestone proposal. The first opportunity will be in the Data Presentation Meeting. At the community meetings the project team will present its inital data and discuss the pros and cons of alternatives relative to each particular milestone. Copies of the data report will be distributed to each participant for review and comment. Subsequent meetings may be necessary to

answer participants' questions. The second opportunity will be in the Draft Report Meeting. A second public review will occur upon publication of a draft milestone report, which will include comments relative to the particular initial milestone data along with the project team's responses to that input. The third opportunity will be in the Board Hearing. Prior to adopting each milestone report, the SCRTD Board of Directors will convene a hearing, thus giving the participants a final opportunity to comment on that specific milestone.

These three key input points will occur in the overall community participation process, which will take approximately 45 to 60 days to implement for each milestone. This process will be conducted for each of the 12 milestones, thus meeting the mid-1983 preliminary engineering completion deadline. (See Table I-1 for a list of the project milestones and the general timetables for public reviews.)

The information contained in this report has been available to the public in the form of a Background Data Report, and was presented and distributed at a series of public sector meetings. Questions and comments regarding the Background Data Report were received from the public at sector meetings held on September 7, 8 and 9, 1982 and subsequently via telephone, mail, and a second round of public sector meetings held September 28, 29 and 30, 1982.

The SCRTD believes that through the Community Participation Program, the Metro Rail Project design alternatives adopted at the conclusion of preliminary engineering will best represent the needs and desires of the community.

Report Outline

The District's land use and development objectives, policies, and implementation measures are presented in Chapter II. This chapter also provides a brief description of the purpose and scope of Milestone Six and a definition of key terms. Chapter III introduces the relationship between land use and transportation which is fundamental to this report. Land use and transportation issues are discussed on a regional scale and a station area scale in Chapter IV. Chapter V presents six transit station area design categories representative of the proposed Metro Rail stations. Chapter VI presents the concept of joint development and Chapter VII discusses value capture/cost recovery techniques which could be used by the District to generate a portion of the capital and operating costs of the Metro Rail Project.

Table I-1.

TIMETABLE FOR MILESTONE REVIEWS

Community Review Schedule	Milestone	Approximate SCRTD Board Hearing Date
March-April 1982	1. Preliminary System/ Operational Plan 2. System Design Criteria	May 13, 1982
May-June 1982	3. Route Alignment 4. Station Location	July 22, 1982
June-July 1982	5. Relocation Policy	August 12, 1982
August-September 1982	6. Development/Land Use	October 14, 1982
September-October 1982	7. Safety, Security, System Assurance	November 10, 1982
November-December 1982	8. Systems and Subsystems	January 13, 1983
January-February 1982	9. Supporting Services	March 10, 1983
February-March 1983	10. Fixed Facilities	April 14, 1983
March-April 1983	11. Cost Estimate	May 12, 1983
May-June 1983	12. System Plan	July 8, 1983

II. LAND USE DEVELOPMENT OBJECTIVES, POLICIES, AND IMPLEMENTATION

Purpose and Scope of Milestone Six

The fundamental purpose of the Milestone Six Report is to forge an effective and coherent set of SCRTD land use and development objectives and policies that will effectively govern the implementation of Metro Rail Project. At the regional level, the Metro Rail Project will serve as a primary element in realizing the land use and economic development policies as articulated in the city of Los Angeles and Los Angeles County General Plans. The core of this plan is the centers concept. This concept defines an urban form in which most new development is to be located within designated centers at relatively intense densities, thereby leaving existing residential and neighborhood commercial areas to continue at present densities.

At the local level, documented experience in other major U.S. and Canadian metropolitan areas with rail systems has demonstrated that the optimum level of compatible station area joint development can be achieved in parallel with the preservation of existing residential neighborhoods. This has proven successful in instances whereby central land use and development issues are addressed in a comprehensive manner from the outset of the transportation system design process. The Milestone Six Report has been designed to serve as the essential first step in this vital process for establishing an effective land use and development program at the earliest possible stage of Metro Rail system implementation.

At each Metro Rail Project implementation stage including: final engineering, construction, initial and long-term operation periods -- there is a complex set of land use and development issues that must be resolved. The SCRTD maintains that the station/corridor area development process must protect the interests of the local community, the private sector, and the transit operator during each of these system development phases.

Resolution of these complex issues will require the establishment of new institutional arrangements and/or new development mechanisms, and clear guidelines for the comprehensive land use and development process. Finally, various development coordination and selected value capture mechanisms such as: residential parking permits, guaranteed access policy guidelines for retail and employee parking (during system construction), the transfer of development rights, retail concessions, advertising, and land/air rights leasing, etc. must be effectuated. Successful implementation of these value capture measures will help ensure that all interests in the entire greater Los Angeles community will share in an equitable return on the general public's investment in the Metro Rail Project.

Certain key terms are used throughout the Milestone Six Report. The definitions of these terms are central to understanding the objectives and policies contained in this report. Accordingly, the next section of this chapter defines these key terms.

Following definitions of key terms, the land use and development objectives of the SCRTD are presented. These objectives provide the foundation for four policy elements, which are presented next. Included within each policy element is a brief statement of its implementation.

Definitions of Key Terms

Throughout the Milestone Six Report certain terms are utilized that are intrinsic to the specialized field of transportation system and land use development. In order to facilitate the lay citizen and general public's understanding of this document, these terms are defined at the point of their initial appearance in the text. In addition, key terms are described below.

An established **corridor-scale institutional framework** is a prerequisite to effectively administrating and successfully implementing an equitable Metro Rail station area masterplanning process. Corridor-scale refers to the contiguous Metro Rail Project development impact area, covering the entire breadth of the system, from terminus-to-terminus station area. The overall transportation corridor often takes on the figurative characteristic of a "funnel" — ranging from a concentrated, yet relatively short radii primary impact area in the Central Business District, embodying a defined pedestrian domain, to a broad 5-10 mile radii impact area at the outlying system station area. The region must sponsor a viable public institutional entity empowered with the combined legal authority to oversee the transportation and land use development programs throughout the corridor.

A **station area masterplanning process** calls for a Metro Rail station-specific planning/development effort, capable of focusing expressly on a pre-defined impact area surrounding the subject station. This process must be coordinated closely with ongoing city and county-wide project and area-specific land use and transit station planning efforts and must provide fully for an active level of community participation in the development approval process. The regional institutional entity governing the corridor-scale implementation of the Metro Rail transit system and the private sector must adhere to the tenets established during the course of the station area masterplanning process.

Joint development is defined by the Urban Mass Transportation Administration (UMTA) as follows: ". . . is a process through which public transportation investments are coordinated with private land development investments so that they will generate a maximum stimulus to economic development and urban revitalization. Joint development occurs when the public and private sectors work cooperatively in the planning, financing, and construction of development projects adjacent to and integrated with transportation facilities."

Value capture is a technical development-related term that describes a generic set of tools or mechanisms that enable public interests to actively share in the monetary benefits accruing from the implementation of a regional rapid transit system. These benefits may be secured or "captured" directly through negotiated agreements with private sector development, promotional and retailing interests, and other interests which are sponsoring projects that profit directly from the construction and operation of a rapid transit system. Examples of value capture mechanisms include: 1) station cost sharing, 2) station connector fees, 3) transfer of development rights, 4) advertising and concession fees, etc. (all of which are defined and discussed within the body of the Milestone Six report).

A **cooperative agreement** is an established understanding to allow two or more public bodies to identify procedures and responsibilities required to implement a joint development program. A cooperative agreement would be established through the negotiation between the parties involved and would be structured to respond to the needs of a specific project(s). It may take the form of a mutual powers agreement, joint powers agreement, memo of understanding, etc.

An **objective** is an expression of desires, aspirations, or values articulated by an individual, group, or community. Objectives are similar to goals and frequently the two terms are used interchangeably. However, goals are much more broadly stated than objectives and for this reason disagreement regarding goals tends to be uncommon. As used in the Milestone Six report, objective is a more narrowly drawn and concrete expression of desires or values. A major focus of this report is SCRTD's objectives pertinent to land use and development.

An **issue** is recognition of current or projected conditions which are at variance with objectives. Thus, issues reflect objectives, and by examining issues we can more fully identify and understand the objectives actually held by an individual, group, or community. The land use and development issues discussed in this report primarily reflect the perspective of the SCRTD, but since the SCRTD is a public agency, these issues also reflect the perspective of the public it serves.

A **policy** is a fairly precise statement of how public regulatory powers and fiscal resources will be exercised and allocated over time to achieve a specific objective. Policies may be expressed in text, maps, diagrams, or some combination thereof. Since they are tangible, they often can be quantitatively measured. It is important to note that some policies are more specific than others. The policies contained in the Milestone Six Report are expressed in terms of "shall" or "should." There is an important distinction between these two terms. As used in this report, "shall" indicates an unequivocal commitment, while "should" indicates a slightly less rigorous commitment to be followed in the absence of compelling, countervailing factors.

The final link in the chain running from objective to its physical realization is provided by **implementation.** Implementation programs and measures are concerned with the specific actions necessary for accomplishing an order to execute or carry out policy within a definite time period. Although implementation is commonly spoken of in terms of programs implying a long-term effort, it may be of much shorter duration and simply referred to as a measure.

SCRTD Land Use and Development Objectives

These objectives were formulated by the SCRTD staff with the assistance of a consultant team. The land use and development objectives are divided into four categories as follows:

- Corridor-Scale Institutional Framework
- Station Area Masterplanning Process
- Joint Development Program
- Value Capture

CORRIDOR-SCALE INSTITUTIONAL FRAMEWORK

I-1 In the short-term, achieve an expanded role for the District participation in station area land use planning, leading to a long-term co-partnership in this area.

I-2 In the long-term, obtain for the District the degree of formal, regional, decision-making authority which is commensurate with its responsibility as the regional transit provider.

I-3 Provide for economic analysis of decisions regarding the provison of transit service to specific areas so that the level of service provided is related to the costs of providing service.

I-4 Achieve a land use pattern which allows all components of a regional transit system, e.g., bus, Metro Rail, and light rail, to work together and allows for their orderly, cost-effective growth and expansion.

I-5 Achieve land use patterns at the regional and station area levels to encourage off peak trips to utilize unused capacity of the Metro Rail System.

I-6 In the long-term, achieve a land use pattern which preserves options for new rights-of-way, expansions of initial stations and support facilities.

STATION AREA MASTERPLANNING PROCESS

P-1 Continue to recognize the importance of community values and community participation in the transit planning process.

P-2 Encourage land use development in accord with the adopted local and regional government plans.

P-3 Establish compatibility of residential areas and transit facilities.

P-4 At the station area level, achieve a level of density/intensity of development which is commensurate with station capacity and bus system capacity.

P-5 At the station area level, achieve a land use pattern which is supportive of the substantial public investment represented by the station.

P-6 At the station area level, provide levels of service and physical facilities which distinguish among residential, commercial, and mixed use land use patterns.

P-7 Ensure that the optimum level of compatible development occurs at (or near) the Metro Rail stations, in a pedestrian environment conducive to attaining increased system ridership and cost-efficient operations.

JOINT DEVELOPMENT

J-1 Establish the principle of joint private/public investment in public transit in order to ensure a stable, continuing source of funding for transit development.

J-2 Establish a Metro Rail station area masterplanning and development process that preserves existing residential neighborhoods and historic resources and protects small business interests.

J-3 In the short-term, establish interim controls in station areas to prevent pre-emption of the District's joint development options by premature development.

J-4 Achieve an equitable distribution of the dis-benefits, as well as the benefits, of transit system development and operation.

VALUE CAPTURE

V-1 Establish the principle that the District shall use value capture/benefit sharing mechanisms to enable the public to share in private sector windfalls created by transit investments and to avoid the inequitable distributions of windfalls through speculation.

V-2 Derive and sustain the highest level of revenues for the Metro Rail Project, without interfering with the private marketplace.

V-3 In the short-term, require new development to physically accommodate an appropriate mode of transit.

V-4 In the long-term, require new development to share in costs of constructing and operating transit facilities.

Major Policy Elements

Presented below are the SCRTD land use and development policies, organized into four categories as follows:

- Corridor-Scale Institutional Framework,
- Station Area Masterplanning Process,
- Joint Development Program, and
- Value Capture.

Each element includes: a policy statement, describing its basic framework; policy determinants, discussing the key factors that shape this framework; specific policy decisions; and a general statement of policy implementation.

These four policy elements are recommended for consideration by the SCRTD Board of Directors. Implementation of certain recommended policies may require coorperative action by other agencies or bodies.

POLICY ELEMENT ONE — CORRIDOR-SCALE INSTITUTIONAL FRAMEWORK

Policy Statement

In order to ensure that an orderly and effective corridor-scale joint development process is implemented in support of the Metro Rail project, the SCRTD shall enter

into cooperative agreements with the City of Los Angeles Community Redevelopment Agency, City of Los Angeles, Los Angeles County, and other agencies to establish a specialized entity to: 1) direct a comprehensive station area masterplanning process at each Metro Rail Station; 2) package specific joint development projects; 3) negotiate appropriate and equitable value capture agreements and administer other joint development mechanisms; 4) provide ombudsmen support services to facilitate joint development project implementation; and 5) monitor the implementation of the Metro Rail station masterplans. This corridor-scale joint development implementation program shall be formulated in a manner consistent with the governing transportation system and urban development in Los Angeles Metropolitan Area.

Policy Determinants

The comprehensive legal authority and specialized staff resources required to: 1) direct the station area masterplanning process; 2) coordinate the station area development process; 3) package and implement joint development; and 4) provide financial incentives and secure value capture agreements -- are not embodied in a "single" public agency in the Los Angeles Metropolitan Area. This statement would prove a valid observation in virtually every major U.S. metropolitan area that has sponsored the construction of an initial phase, regional rapid transit system (during the last twenty years). One of the major constraints on joint development is that (throughout the United States) local jurisdictional authority remains divided, with no single mechanism in place, for overseeing effective coordination of transportation system planning and land use. The SCRTD cooperative agreement policy was formulated to create this single coordinating entity.

In making this determination, SCRTD evaluated the merits of creating a new specialized department within the District itself, or creating a new Transportation Corridor Development Corporation (TCDC), as well as utilization of a cooperative agreement. To thoroughly examine these institutional options, an actual joint development project charettel was conducted as part of the Milestone Six program. This joint development charette process involved: the simulation of community response and private sector negotiation that would occur during Metro Rail system implementation; and application of these institutional options to determine their effectiveness in achieving the land use and development objectives of the SCRTD. The planning charette was held at the SCRTD offices with attendance by senior management/staff representatives of all major public agencies involved in transportation and land use development decison making in the Los Angeles Metropolitan Area

As a result of the consensus view of the participants of the charette, extensive national joint development case study analyses, and additional local legal and institutional evaluations, the SCRTD selected the cooperative agreement as the preferred institutional arrangement to carry out the Metro Rail joint development/value capture programs. This approach does not require the creation of a new institution (i.e., TCDC) with the related time delays and potential political conflicts. In comparison to either the TCDC or a new Joint Development Department within SCRTD, the cooperative agreement: 1) offers far greater joint development project packaging capability; and 2) ensures that a more effective community oriented station area masterplanning process will be established.

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1 A "charette" is an extended workshop session.

Policy Decisions

Presented below in a highlighted format are central policy decisons that emerged during the course of completing the Milestone Six Report evaluation of the corridor-scale institutional framework.

I-a The SCRTD shall enter into cooperative agreements with any or all of the following agencies -- the Community Redevelopment Agency (CRA) of the City of Los Angeles, the City of Los Angeles, and Los Angeles County -- in order to carry out the station area masterplanning process and the Metro Rail development/value capture programs. Such agreements may be with individual agencies or with two or more agencies as may be required.

I-b The SCRTD shall secure arrangements with the City of Los Angeles and the County of Los Angeles, respectively, in order to review and comment on proposed land use changes, at both the regional and station area levels, which will impact on short- and long-term Metro Rail system patronage.

I-c The SCRTD shall assume an active private/public coventure position toward joint development/value capture in the implementation of the Metro Rail system, while seeking to attain and sustain the highest level of system operational revenue and return without interfering with the private marketplace, but adopting a capital leveraging position when necessary.

I-d Joint development planning undertaken by the station/corridor area masterplanning process shall be closely integrated with the transit corridor specific plans prepared by the City of Los Angeles and the County of Los Angeles. Through this coordination, the resulting plans shall provide both flexibility sufficient to encourage, where appropriate, high quality joint development, and certainty regarding the future land use pattern to residents of the planning areas.

Policy Implementation

The implementation of the SCRTD's preferred approach to the recommended Metro Rail corridor scale institutional framework primarily involves establishing formal cooperative agreements with the City of Los Angeles Community Redevelopment Agency, City of Los Angeles and Los Angeles County, and their independent agencies involved in community and economic development. Subsequent to the adoption of the Milestone Six land use and development policies by the SCRTD Board of Directors, the District needs to initiate a formal negotiation process with the CRA and other designated agencies to finalize the specific details of these cooperative agreements in order to establish an effective joint development package and program.

In the event that unforeseen circumstances prevent these cooperative agreements from being established in the required timeframe, the SCRTD shall pursue state enabling legislation to secure the project packaging authority necessary to implement the Metro Rail Joint Development Program. If this course of action is taken, the SCRTD would establish the Joint Development Program under either a transit corridor development corporation (TCDC) or a new department created within the District. At this time it is anticipated that the required cooperative agreements with the designated local agencies will be "in place" by the early part of 1983 prior

to the time the SCRTD will initiate private sector joint development project negotiations.

POLICY ELEMENT TWO — STATION AREA MASTERPLANNING PROCESS

Policy Statement

The specific content and form of the short- and long-term Metro Rail land use and development program will be established through a comprehensive station area/corridor area masterplanning process. The adopted station area corridor masterplans shall be formulated in a manner consistent with the existing general land use planning process and will become the prevailing guide for all future land use development in these areas. The station area masterplans will build on the specific area plans now being developed by the Los Angeles City and County Planning Departments and will be refined through major community and private sector input. The station area masterplans shall be completed prior to the construction of the Metro Rail system and be expedited to be fully coordinated with the final Metro Rail station design efforts being conducted by the SCRTD.

Policy Determinants

The documented case studies of other United States and Canadian cities that have implemented regional rapid transit systems clearly indicate that the optimum level of compatible transit station area development occurs when the public sector takes an active posture in the land use development process. The most critical step to ensure both the protection of existing residential neighborhoods and to attract new private investment in transit station area development is to establish the "rules of the development process." A comprehensive masterplan that is formally adopted as an integral part of the region's general and specific area land use plans is the most effective means to devise the "rules of the development process." Therefore the SCRTD determined that initiation of a comprehensive station/corridor area masterplanning process would be the next formal step to establish the Metro Rail Joint Development Program subsequent to finalizing the cooperative agreements with the Community Redevelopment Agency and other public agencies, as required.

Through the cooperative agreement with the Community Redevelopment Agency, the SCRTD shall utilize this flexible redevelopment planning tool to masterplan all station areas currently located in redevelopment areas. In the remaining station areas that could not be designated as urban renewal districts, the specific area planning mechanism would be utililzed.

Policy Decisions

In relation to the SCRTD overall policy decision to establish a comprehensive station/corridor area masterplanning process, there were several additional specific policy decisions that were made regarding the masterplan program. These key policy decisions are described below.

P-a The station area masterplanning process shall be used to guide development in the vicinity of station areas so that options for future upgrading and expansion of these initial stations and their support facilities are not foreclosed.

It is important that new development in the station areas be properly oriented to the transit services and the pedestrian system, and that parking allocations

be controlled. Densities and staging must also be planned carefully. Without sufficient direction of development in the station areas, the potential of the transit system could be wasted, growth could be curtailed, and the objectives of the centers concept could be lost.

P-b The station area masterplanning process shall be used to develop strategies for parking development in the station areas.

Development may precede transit construction in some station areas, and development may occur more slowly in some station areas than in others. It will be necessary to support station area development with adequate parking in the earlier stages of the rail construction program. In the later stages, when transit services and patronage have increased, parking requirements may be reduced, and some parking areas may be converted to other forms of development. Strategies for acquiring and staging the use of land for parking should be prepared for each center and station area.

P-c The station area masterplanning process shall include plan elements to provide local supplementary distribution transit services.

P-d The Metro Rail Project shall support the centers concept for land development in the Los Angeles region.

The centers concept contained in the City of Los Angeles and Los Angeles County General Plans calls for the location of new development in high density centers interconnected by high capacity rail transit lines. The implementation of this concept will make it possible for RTD to serve a much larger proportion of the travel generated by new growth and land development in the region.

P-e The SCRTD shall actively participate in further definition of the centers plan.

The policy will require the SCRTD to work closely with the responsible land use planning agencies in their further definition of the development centers in the Regional Core and throughout the rest of the region. It is important that the transit stations and routes be planned integrally with the centers so that the efficiency of operation of the pedestrian, rail and supplementary local transit services will be assured, so that land requirements for parking can be defined, and staging of parking and transit services can be planned.

P-f The SCRTD shall undertake long-range planning to develop a plan for the expansion of the initial Metro Rail system to include new lines and new stations.

The high-capacity rail lines that interconnect the high-density development centers must form a system of routes that are easily understood by the general public, that make it easy and attractive for riders to use the system and to make transfers from one route to another. This system of rail lines will provide the basic form for the next phase of high-density urban growth in Los Angeles, and the importance of achieving clarity in some portions of the freeway network can be cited as examples of the confusion and operational problems that can be expected to occur if the Metro Rail system individual routes and their crossings are not clearly conceived and organized.

P-g Where appropriate, the station area/corridor masterplan shall encourage the creation of land use patterns fostering station interconnectivity.

Interconnectivity is defined as the phenomenon whereby land use activities at transit station areas serve as generators for trips originating at other station areas, as distinguished from trips originating outside the station areas. If station interconnectivity develops, it will serve to increase system ridership, with most of this increase occurring during system offpeak ridership periods.

P-h The balance of development among stations shall be distributed to the extent possible over the short- and long-term to allocate an appropriate amount of development to each station area and to avoid physical or economic harm to present businesses; and avoid undue growth at one station area at the expense of other station areas within the regional core.

P-i The distribution, density, scale, use mix and every other physical attribute of new development shall be designed to mix appropriately with the existing and projected physical and economic characteristics of the present community.

P-j SCRTD shall retain full control and authority over bus turnouts, bus layover parking, passenger drop-offs, and other pedestrian related facilities in a designated station area. Where other public or private transit and paratransit operators desire use of Metro Rail passenger facilities, the District reserves the right to determine the acceptability of the request. In some cases, franchise fees may be charged for joint use of facilities.

P-k During Metro Rail construction, local businesses in the construction impact area shall be ensured reasonable pedestrian and vehicular accessibility for their clientele and delivery services. A specific element of the corridor/station area masterplan will be developed to specifically define the mitigation measures required to carry out this policy.

Reasonable access will vary according to the type of business and the phase of the construction process. At times it may be virtually impossible to provide any access for limited periods of time in order to expeditiously proceed with certain key construction operation. When this occurs, businesses would be offered advertising assistance to notify their customers of this fact, as well as when access will be restored.

P-l Full community participation shall be provided in the station/corridor area masterplanning process, thereby protecting area merchants and preserving the integrity of the existing residential neighborhoods.

P-m Preferential parking programs, as authorized and governed by the Los Angeles City Council, shall be used in residential neighborhoods when desired by their residents to mitigate the on-street parking impacts of Metro Rail patrons.

Policy Implementation

The implementation of the SCRTD's station/corridor area master planning process will involve four types of efforts. Initially, the scope and content of the development, physical planning and transportation access issues that must be addressed for each station area shall be clearly defined. Secondly, a determination must be made by the SCRTD regarding the degree to which existing or ongoing redevelopment

plans of the CRA or ongoing project area specific plans being prepared by the Los Angeles City and County Planning Departments adequately address these issues. Based on the results of this analysis, the SCRTD shall identify those portions of the adopted redevelopment plans or specific project area plans requiring refinement, amendment, or detailed analysis. Specific station area masterplanning and work programs would then be developed by the SCRTD for the individual station areas and funding shall be sought to carry out these requisite work programs.

Given the seven to eight year time horizon for implementation of the Metro Rail system, provision shall be made in each of the adopted renewal or project area specific station area master plans to conduct an automatic five year review of the adopted development program. It is now anticipated that there will be at least two to four station areas where a completely new redevelopment plan would need to be formulated. In accordance with SCRTD, CRA, and the City and County of Los Angeles development policies, major emphasis shall be given to provide full allowance for both community and private sector input throughout the corridor/station area masterplanning process.

POLICY ELEMENT THREE — JOINT DEVELOPMENT PROGRAM

Policy Statement

The SCRTD shall adopt an active "project packaging" approach to the joint development of the Metro Rail station areas. This station area joint development packaging effort will be directed through the cooperative agreements between the SCRTD and the Community Redevelopment Agency of Los Angeles, the City of Los Angeles, Los Angeles County and other agencies, as required, and be totally consistent with the adopted station/corridor area masterplans. On an opportunity basis, the SCRTD will infuse leverage capital funds to ensure that successful joint development occurs. Joint development undertaken shall include a compatible mix and diversity of land uses which will attain and sustain the highest level of system operating efficiency and revenue return without interfering with the private marketplace.

Policy Determinants

Detailed case studies of other United States and Canadian cities evaluated by SCRTD demonstrate that a laissez faire and/or coordinated development level of participation in the transit corridor/station area development process are not adequate to ensure the optimum mix, staging and composition of rapid transit station area development. Almost universally, in recent years, the United States public transportation authorities operating and constructing regional rapid transit systems have instituted the more active "project packaging" approach to joint development. Case examples of the masterplanning process include: Washington, D.C., New York, Atlanta, Miami, Houston, San Francisco, Philadelphia and Portland, Oregon.

This decision is further supported by the historical urban redevelopment experience of the City of Los Angeles and the economic development experience of Los Angeles County. In order to successfully package joint development there are essentially five major capabilities that must be entrusted to the entity directing this process. These fundamental capabilities are as follows: 1) comprehensive planning and redevelopment coordination; 2) station facility and related transportation service design and location authority; 3) real estate project packaging

resources and direction; 4) ombudsmen support and inter-agency representation capability; and 5) financial leverage resources and value capture negotiation authority. These transportation and land use development controls can be made available through the future cooperative agreements between the SCRTD and the Los Angeles Community Redevelopment Agency, the City of Los Angeles, and Los Angeles County. Therefore, the fundamental institutional corridor/station area masterplanning and joint development policy statements are consistent and provide assurance of the overall success of the Metro Rail Project joint development program.

Policy Decisions

Presented below are the principal policy decisions reached in relation to establishing and implementing a successful Metro Rail Project joint development program.

J-a Consistent with the corridor-scale institutional approach (outlined above), the SCRTD shall conform in all respects to prevailing community land use procedures and regulations, in effectuating the Metro Rail Project's joint development program.

J-b In cooperation with the Community Redevelopment Agency (CRA) of the City of Los Angeles, and Los Angeles County, and in keeping with the provisions of future cooperative agreements, the District shall formulate a short- and long-term joint development program for each of the Metro Rail station areas.

J-c Primary emphasis shall be given by SCRTD to establishing a predictable and timely joint development project decision making process that will foster a positive investment climate with the private sector.

J-d Joint development programming undertaken within the framework of the station area masterplanning process shall be closely integrated with the transit corridor specific plans prepared by the City of Los Angeles and the County of Los Angeles, respectively. Through this coordination, the resultant station area development program shall provide the requisite flexibility to both ensure certainty regarding the future land use development pattern (to station area residents) and to encourage, where appropriate, high quality joint development projects.

J-e Full community participation shall be invited (and provided for) throughout the station area masterplanning process, thereby protecting area merchants and preserving the integrity and land values of surrounding residential neighborhoods.

J-f The SCRTD shall assume an active private/public coventure position in connection with implementation of the Metro Rail system joint development program. Along this vein, the District will seek to defray the cost of Metro Rail construction and to attain and sustain the highest level of system operational revenue return, without interfering with the private sector marketplace.

J-g When determined necessary, the SCRTD shall on a site specific, opportunity basis infuse public sector capital to leverage successful joint development investment in relation to the subject Metro Rail station areas (on the coventure basis described above).

J-h The SCRTD shall control (in keeping with the previously described cooperative agreements) the Metro rail joint development program under the policy of restricting the exercise of eminent domain exclusively to situations deemed absolutely essential, and when property acquisition does occur, it shall be consummated only in direct relation to bona fide transportation purposes.

Consideration is being given by the SCRTD to joining with CRA or other agencies to provide for the use of eminent domain for development or redevelopment purposes. It is the intent that eminent domain be used as a measure of last resort.

J-i In implementing projects under the Metro Rail Project joint development program, every effort shall be made by the District to afford reasonable opportunities for existing small businesses and merchants (who are displaced by said projects) to economically participate in them. These economic opportunities may take the form of right of first refusal for space available within the project, inverted rent schedules, and other similar mechanisms. Specific neighborhood community needs, such as day-care centers, parking and recreational facilities shall be accommodated (to the extent possible and appropriate) in relation to the new development.

J-j Joint development projects implemented in Metro Rail areas housing low- and moderate-income and elderly persons, will be required to provide for affordable replacement housing of comparative quality and location on a not less than one-for-one basis.

Policy Implementation

The implementation of the SCRTD joint development policy will require the establishment or designation of a highly qualified financial and real estate project packaging staff whose time will be solely devoted to carrying out the adopted Metro Rail Joint Development Program. In addition to these staff resources, a formal project design review and approval process will need to be established in a manner that is legally and institutionally consistent with the existing land use planning programs now governing community and economic development in the Los Angeles metropolitan area. In each Metro Rail station area, a comprehensive urban design, market and financial feasibility analysis must also be conducted as a critical input to the station area masterplanning program, as well as the joint development project packaging process.

In order to optimize the joint development opportunities at the Metro Rail station areas, additional sources of leverage capital funds, for example, HUD-UDAG, UMTA, private/public coventures, must be sought and secured. A single "one-stop" permit decision and coordination point must be designated among all public agencies involved in the joint development packaging program to: 1) facilitate private sector cooperation; 2) provide the required ombudsman support to successfully implement the approved Metro Rail joint development projects . Developers and/or investors who successfully carry out the initial Metro Rail joint development projects should be given priority consideration for subsequent, second-round joint development project opportunities.

POLICY ELEMENT FOUR -- VALUE CAPTURE

Policy Statement

The SCRTD shall secure a sustainable level of value capture revenues from the public sector investment in the Metro Rail Project, for the express purpose of sharing in the economic benefits derived from the system's implementation to support its ongoing operation and expansion. Station cost sharing agreements, connector fees, and land/air rights leasing shall be directly negotiated with existing and future development, physically or functionally linked to each Metro Rail station area. These agreements shall be negotiated by the SCRTD from an equitable and consistent set of pre-established principles. Full consideration shall be given in defining the terms of these agreements to enhance joint development feasibility during the critical first five years of commercial building and system operation.

The optimum level of station/vehicle advertising and station concession revenue shall be sought while maintaining the highest quality amenity and pedestrian-oriented system, along with a consistently high level of patron security. All food, beverage and tobacco concessions will be excluded from Metro Rail station areas, consistent with a prohibition on the consumption of these items on vehicles or in station areas. The SCRTD shall continue to monitor demonstrations of the new audio visual station advertising medium and the "magic teller" station bank outlets to determine their relevant application to Metro Rail stations.

All other viable fiscal approaches to value capture including: 1) tax increment financing; 2) benefit assessment districts; 3) employer contributions; 4) gasoline taxes; 5) transfer of development rights; and 6) assets speculation capital gains taxes -- shall actively be pursued by the SCRTD for inclusion in the Metro Rail Value Capture Program. This shall be accomplished in accord with the demonstrated level of incremental monetary benefits accruing to private sector interests, and in relation to development projects which effectively reinforce the stated design and development objectives of the individual Metro Rail station area masterplans.

The revenue objective for the Metro Rail Value Capture Program shall be to secure a sustainable annual cash flow stream at least equivalent to the capitalized 1982 costs of the Metro Rail station facilities. This is approximately equivalent to 25% of the total Metro Rail system capital costs. This level of private/public coventure participation in the Metro Rail system is consistent with recently attained results and adopted value capture programs in other major U.S metropolitan areas. In addition, the majority of ongoing station maintenance and security costs should be recovered through a successfully targeted and equitable Metro Rail Project Value Capture Program.

Policy Determinants

Formulation of the SCRTD Metro Rail value capture policy fully takes into account the recent private sector responses to reduced Federal funding prospects in virtually all major U.S. metropolitan areas. In addition, because the District is assuming a positive and active joint development packaging posture in relation to the individual Metro Rail station areas, the Value Capture Program is designed to be viewed more as a public/private coventure. Both the public and private sectors are investing in the Metro Rail system and equitable returns are being sought for both.

An additional consideration is to enhance private sector returns made possible through the joint development packaging process that fully coordinates station facility design with private joint development. The advertising and concession value capture policies are formulated from a documented national survey of the recent experience of other rapid transit system operators. The fiscal value capture mechanisms are selected and designed to fully conform with existing statutes as well as national and local precedents. In the case of the transfer of development rights mechanism, special attention is given to creating a means of protecting existing home owners and residential neighborhoods.

Policy Decisions

The key policy decisions related to Metro Rail capture programs are listed below by specific category of value capture mechanism. These categories include:

- Joint Development
- Taxation Approach
- Advertising
- Concessions

Joint Development

V-a SCRTD shall effectively utilize the following three fundamental joint development value capture mechanisms in relation to all Metro Rail stations: 1) station cost sharing, 2) connector fees, and 3) land/air rights leases.

V-b New private sector developers shall be afforded the opportunity to fully participate in the design of the Metro Rail transit stations in return for station capital cost sharing participation.

V-c A unified approach shall be established and pursued with respect to value capture participation in the area of station area capital cost maintenance and security provisions on behalf of commercial building owners and developers, respectively.

V-d Connector fees shall be negotiated with commercial building owners/developers of existing and future buildings for the physical/functional direct link to Metro Rail station facilities.

V-e Prevailing legal authority shall be employed in the area of applying connector fees in the form of either lump sum payments or "in lieu" dedication payments of private property or easements.

V-f The station connector fee value capture mechanism shall be employed in relation to all viable Metro Rail station joint development projects, regardless of the selective application of other related value capture mechanisms.

V-g A uniform and equitable pricing policy shall be implemented with respect to all categories of Metro Rail station connector fees. This will provide for a fee schedule mirroring potential credits for threshold levels of participation in Metro Rail station cost sharing agreements.

V-h The land/air leases value capture mechanism shall be employed in all straightforward negotiations in relation to real property currently owned (or purchased by the SCRTD in the future) for bona fide transportation purposes.

V-i SCRTD shall seek incremental returns on profit percentages above an established private sector level return on investment (R.O.I).

V-j Over the long-term the SCRTD shall execute land/air rights lease agreements in an equitable format based on the private sector's determination of maximum return on investment. Aggreements shall consider near- and long-term market conditions and allow for a "dedicated" stream of income to the District for the operation, maintenance, and future expansion of the Metro Rail System.

V-k SCRTD shall actively seek Metro Rail station maintenance and cost sharing agreements from each joint development project physically or functionally linked to a transit station, and equitable connector fees shall be negotiated with owners of existing buildings.

Taxation Approach

V-l SCRTD/CRA shall investigate the feasibility of using tax increment financing to fund certain redevelopment costs.

Among the redevelopment objectives, tax increment financing shall be used to implement development amenities, and to ensure the safe and efficient operation of the rapid transit stations.

V-m SCRTD shall pursue enabling legislation that would create a "value capture" tax that would also serve as an anti-speculation mechanism.

Such a mechanism would tax a portion of the increased value to real property generated by Metro Rail. Value could be captured through a tax on gross sales receipts, lease rates, or sales price. As with other taxing mechanisms, voter approval would be required. The proceeds of such a value capture tax should be made available to fund Metro Rail system capital and/or operating and maintenance costs.

V-n SCRTD shall seek to involve residents and property owners in a formal and systematic way in detemining the acceptability and equity of various taxing mechanisms.

V-o The use of the concept of transferable development rights shall be examined as one possible mechanism to secure to residents of Metro Rail station areas a means to share in future real estate appreciation potential emanating from implementation of the Metro Rail system, while being allowed to remain in their existing homes.

In the case of the Metro Rail project, the "transfer of development rights" program shall be designed to include residential neighborhoods. This program shall investigate the feasibility of allowing the private sector to purchase development rights from existing residents who would gain economically, and (for select homeowners) this marginal gain would permit them to maintain and retain their residences. Under this program, high density development may be encouraged to occur only within the immediate Metro Rail Station area.

V-p SCRTD shall seek state enabling legislation that would permit it to impose taxes whose proceeds would be used to defray operational and maintenance costs associated with station areas.

V-q SCRTD shall investigate the feasibility of establishing one or more special benefit assessment districts based on Section 99000 et seq. of the California Public Utilities Code. SCRTD shall also seek changes in this legislation that would permit interest rates on associated bond issues to more closely approximate market conditions.

The current six percent cap severely limits the marketability of such bonds.

Advertising

V-r SCRTD shall formulate and administer a coordinated advertising program in association with the Metro Rail Project that: 1) minimizes visual, design and pedestrian user conflicts; 2) assures consistently high levels of Metro Rail station security surveillance; and 3) maximizes system-user orientation and revenue return to the District for the sustained operation of the system.

V-s The latest audio-visual advertising media shall be monitored to determine its acceptability and profitability in relation to the Metro Rail system.

V-t Competitive bids shall be used for all major advertising contracts executed with private firms on an annual basis, and such contracts shall include escalator and renegotiation clauses when formulated on a yearly basis.

V-u Exclusive advertising agreements with private clients shall be entered into when the circumstances ensure reliable, stable, equitable and optimally profitable contractual terms.

V-v Consistent with the overall SCRTD advertising program framework, advertising media that infringes on pedestrian/user orientation or in any way compromises the security surveillance of the Metro Rail facilities shall be prohibited.

V-w All current and future film and movie rights to advertising and promotion related ventures (in relation to the Metro Rail station areas) shall be retained, and such media application shall be shielded from any exclusive contractual agreements.

V-x Advertising media programming shall be complemented with targeted socio-economic market evaluations and targeted direct mail programs in keeping with the user need priorities pre-established by SCRTD.

V-y SCRTD shall approve and support advertising media type and placement that conforms to the preordained parameters of minimizing maintenance costs; ensures user safety and physical environment acceptance; and maximizes potential short-and long-term revenue return, while allowing for the future accommodation (if proven suitable) of the now emerging audio-visual advertising medium.

Concessions

V-z The SCRTD shall prohibit food, beverage and tobacco retail concessions from Metro Rail station areas.

V-aa Except for Metro Rail stations that afford the physical development opportunity for retail concessions connecting to station entranceways, the SCRTD shall pursue only "built in" mechanical retail concession, such as newspaper vending machines.

v-ab The SCRTD shall give full consideration to physical provision for the "magic teller" outlets in the final design of Metro Rail stations, and they shall be located near the fully secured turnstyle of the facility.

V-ac The SCRTD shall make maximum provision for knock-out panels or second level walkways to maximize the physical connection between Metro Rail station facilities and nearby commercial/retail development

Policy Implementation

The implementation of the SCRTD's value capture policy will initially involve establishing a specific set of revenue/cost sharing objectives at the individual Metro Rail station level. Consistent with these objectives, the SCRTD shall develop an equitable set of private sector negotiation principles that would be formally published. The specialized entity (management and staff) responsible for the Metro Rail joint development program shall be given full authority by the SCRTD and other public agencies involved in the joint development cooperative agreement, to fully negotiate all station cost sharing and value capture agreements.

The payment terms and conditions of all station cost sharing and value capture agreements shall be established in a manner that maximizes: 1) front end leverage capital support for successful joint development; 2) establishes a sustainable source of capital and operating funding for the completion of the entire Los Angeles rapid transit system. All revenue from the station cost sharing and value capture agreements will be dedicated to the SCRTD and publically accounted for in the District's annual financial report.

Summary

This chapter has presented the recommended land use and development objectives and policies of the SCRTD. Presented in the following chapters are the bases for these recommendations.

III. LAND USE AND TRANSPORTATION INTERRELATIONSHIPS

Introduction

The Metro Rail Project will introduce within the Los Angeles metropolitan region a new method of transportation. Once the project is in operation, residents of the region will be able to travel within the initial 18-mile service corridor and ultimately throughout the region on a high speed rail line. But the Metro Rail system is more than just a new means of travel. It represents a factor which will have significant and far-reaching impacts on land use and development within the region it serves. To appreciate these impacts and guide them in ways which benefit the residents of the Los Angeles region, it is necessary to understand the nature of the relationship between transportation and land use. This chapter is divided into three sections which examine different aspects of this relationship.

Section one briefly examines the relationship between transportation and land use, and focuses on the land use influences of rail line mass transit systems. Section two contains a historical analysis of this relationship in the Los Angeles metropolitan region. The third section discusses the relationship between the Metro Rail Project and the centers concept of the City of Los Angeles General Plan.

Interdependent Relationship Between Transportation and Land Use

The relationship between land use and transportation is close, direct, and interdependent. This relationship operates at two different geographic scales--regional and local--with different implications at each scale. At the regional scale, the focus is on the interrelationships of transportation and urban form. At the local scale, the focus is on the interrelationship of transportation and private sector land use decisions. The land use influences of a rail line mass transit system may operate at each scale.

TRANSPORTATION AND URBAN FORM

"Transportation" describes the process of moving from one geographic location to another. Many times every day, each of us transports ourselves or is transported from one location to another--from home to work, from work to shopping center, from shopping to home. Most of us think of transportation in terms of the method or mode of travel--automobile, bus, airplane, bicycle, walking. This type of thinking encourages us to regard transportation as an independent, self-contained process.

"Land use and development" encompasses the physical use and development over time of land resources for housing, jobs, recreation, and other purposes. As

individuals, our opportunities to make use of these different land uses is in large part determined by the modes of transportation available to us to travel to them. A job which we may reach by a 30 minute bus ride from our house is much easier and cheaper to get to than a job which requires a 45 minute automobile trip. Land uses which cost less in time and money to reach relative to other land uses are said to be more accessible.

Accessibility of a particular land use is determined in part by what modes of transportation are available to travel to it. For several reasons, all persons within a region cannot enjoy the same level of transportation access to all land uses within the region. The major and most obvious reason for this fact is geography; some people live closer to certain land uses than other persons living within the region. Even if transportation resources were unlimited, it would be impossible to provide a person living 50 miles from his/her place of employment with the same level of access as someone who works at the same location but lives only 5 miles away.

Another major reason is cost. Transportation facilities are paid for by public funds and these funds are limited. Therefore, the level of transportation accessibility provided to a particular area within a larger region must bear some relationship to the number of people residing within this area. For example, it would not be economically possible to provide a sparsely populated rural county with the level of transit service currently provided in Los Angeles County by the SCRTD. Similarly, a fixed guideway rail rapid transit system, such as that proposed by the Metro Rail Project, requires a large, urban region to generate the ridership necessary to economically support this sytem.

Finally, there are limitations as to the amount of transportation facilities which can physically fit within a region. These limitations have two aspects. One, lands occupied by transportation facilities cannot be used for other, non-transportation land uses, unless additional funds are available to build over or under the land. Two, once certain capacity limits are reached by a transportation facility, building additional facilities will not increase capacity and hence accessibility. An excellent example is provided by the freeway system in Los Angeles. It would be practically impossible to achieve any substantial increase in freeway capacity by building more freeways because of the additional traffic conflicts that would be introduced by the closer spacing of routes and interchanges in the freeway grid.

In summary, the degree of transportation accessibility available to the residents of a region is determined by three major factors:

- The geographic distances between residence, place of employment, retail and other service facilities, recreation facilities, and other land uses.
- The overall size and geographic distribution of the population within the region.
- The amount of land available to be used for transportation facilities.
- The level of demand placed on these facilities relative to their capacities.

Each of these factors influencing transportation accessibility is a result of the pattern of land use within the region. Two relationships emerge when land use and transportation are analyzed together. On one hand, a certain land use pattern will require a certain type of transportation system in order for the residents of the

region to enjoy a minimum level of accessibility. On the other hand, a certain level of transportation accessibility requires a certain land use pattern in order to both economically support the transportation system and to not overtax its capacity.

Once these relationships are understood, it is no longer possible to think of transportation and land use as independent of each other. From this understanding flows the further insight that regional land use planning and regional transportation planning must be part of the same process if each is to be done effectively. It is impossible to plan a transportation system without understanding the pattern of land use within the region it will serve. Specifically, how many people live in the region and at what densities, where do they live, work, and recreate, and other land use factors must be considered in transportation planning. Conversely, land use planning cannot ignore the transportation implications of a particular pattern of land use. A land use pattern which requires some form of mass transit in order to function effectively cannot realistically be planned for only automobile circulation.

Within the context of large metropolitan areas, such as Los Angeles, Chicago, and Dallas-Fort Worth, the interdependent relationship between transportation and land use is concerned with the form or shape of the region's urban area. As will be more fully explained in the following chapter, the urban form of the Los Angeles region is a series of compact, densely developed centers surrounded by relatively moderate and low density residential areas. This urban form, combined with the expressed desire to perpetuate it, are givens to which the Metro Rail Project must and is responding in order to adequately serve the region. Therefore, the interdependent relationship between urban form and transportation provides one of the basic reasons for the preparation of Milestone Six: Land Use and Development. The other reason, which is discussed below, is the relationship between transportation and private sector land use decisions.

TRANSPORTATION AND PRIVATE SECTOR LAND USE DECISIONS

The previous discussion of transportation and urban form noted that the accessibility of a particular land use is determined, in part, by what modes of transportation serve it. At the scale of a particular land use or a particular parcel of land, accessibility may be expressed in terms of geographic distance from transportation system access points, such as the driving distance from a freeway interchange or walking distance from a bus stop or subway station. Accessibility also considers how many people may potentially travel via one or more of these modes to reach the parcel, and the associated travel costs.

Accessibility is one of the many factors which determines the value of a particular parcel of land. All other factors being equal, a parcel of land with better transportation access relative to another parcel of land is more valuable because more people may travel to it at lower costs, in less time, or both.

Given these relationships between transportation and land use and their direct influences on future property values, the construction of new access points, such as the Metro Rail Project with its many transit stations, will have dramatic impacts on property values and private sector land use decisions. These impacts provide the other basic reason for the preparation of the Milestone Six Report. Coordinated transportation and land use planning at the transit station area scale can optimize the influence of the Metro Rail Project on directing property gains to existing land owners and future developers, not speculators. From the perspective of fairness or equity, it seems that those who benefit from publicly funded transportation

improvements should help finance their construction by contributing some portion of their benefits. Again coordinated transportation and land use planning at the transit station area scale has application. Planning can enable this benefit sharing to take place in a manner which in fact enhances private investment opportunities instead of restricting them.

In sum, transportation and land use are interrelated and interdependent. At the regional scale, transportation planning must respond to the urban form of the region it will serve. The transportation system can be utilized as a principal tool in developing proper land use patterns, thus allowing land use planning and transportation planning to reinforce one another. An effective regional policy to integrate land use development planning and transportation planning will intensify a regional rapid transit system's catalytic effect upon the distribution of future land use developments.

On the other end of the scale at the local level, transportation planning must recognize and be accountable for its parcel-specific impacts on private sector land use decisions. These two sets of relationships form the substance and rationale of Milestone Six. Thus far we have considered these relationships generally in the abstract. Before applying them to Los Angeles and the Metro Rail Project, it is useful to briefly examine these relationships as they have operated in other North American cities with rail line mass transit systems similar to that proposed for Metro Rail.

LAND USE INFLUENCES OF RAIL LINE MASS TRANSIT SYSTEMS

The influences of transportation on the form of urban development is thoroughly documented in the histories of cities up to the present time. Notable historical examples included the pedestrian routes that established the pattern of Athens, the arrangement of streets in L'Enfant's plan for Washington, D.C., and the development of the new boulevards under Hausman that reorganized Paris and brought new economic growth and vitality to that city.

In the United States in the early 1900's, the effects of commuter rail lines in the New York, Philadelphia and Chicago areas, and down the peninsula south of San Francisco, provided more contemporary illustrations of this influence. In this period, land development, transit operators, and electricity producers combined to produce the "streetcar suburbs" and the once widespread intra- and interurban rail systems that furnished a significant measure of transportation in the era prior to the automobile.

During the post-World War II period of the United States, the automobile emerged as the dominant form of transportation. Through this dominance, the automobile shaped the urban form of the nation's metropolitan regions. Very few rail line mass transit facilities were built in the United States in this period. In contrast to the inter and intra-urban rail lines of earlier years, those facilities which were built seem to have had widely varying impacts on pre-existing patterns of land use and development, both at the regional and local community scales.

Since World War II new[1] regional rapid transit systems (i.e., fixed guideway) have been constructed and begun operations in San Francisco (BART); Washington, D.C. (WMATA); Atlanta (MARTA) and San Diego (Trolley) respectively. The degree, locus, and magnitude of land use influence of each of these systems, and the resultant level of joint development activity, have varied greatly. Extensive case study impact analyses of the BART system[2] indicate a relatively minor level of initial land use development and land value impact (during the first five years of BART's operation). In contrast, the Washington, D.C. system (WMATA) has directly induced nearly $2.5 billion in land value appreciation and influenced the location decisions of over $5 billion in new real estate development in the area immediately surrounding the existing Metro stations. The impact and joint development land use impact experience in Atlanta (MARTA) parallels that of Washington, D.C. while the San Diego experience to date appears to conform more closely to the BART model. Baltimore and Miami are experiencing significant land use impacts and joint development activity prior to system opening.

The development of recent subway extensions in Toronto, Canada, brought intensive new development into the station areas. Market conditions are not necessarily the dominant factor in achieving joint development. The new rail subway line in Montreal, Canada, for example, was closely integrated with new land development in the central district, and that development was extremely successful at a time when economic conditions were generally unfavorable for development elsewhere in that city. In sum, recent experience in the implementation of urban rail projects indicates that the nature, degree, and type of effects on land use and development are a direct function of the public sector development objectives and level of joint development planning.

The lesson for Los Angeles is that planning and design of the initial segment of the new rail system should be prepared in close coordination with the city of Los Angeles General plan and the rail system should be carefully designed to support that plan. The following section provides the background for this coordination by analyzing land use and transportation relationships in the Los Angeles region.

Land Use-Transportation Relationships in Los Angeles Region

The Los Angeles region lies in an irregularly shaped basin bordered by the two-mile high San Gabriel Mountains to the north, lower hills to the east, and the Pacific Ocean to the south and west. The basin is divided in an east-west direction by the Santa Monica Mountains. The mountains, with the exception of the Cahuenga Pass and a few other passes, separate the two great plains of the basin, the San Fernando Valley and the central Los Angeles plain. The very size of the basin served as an obstacle to transportation service because of the great distances which had to be traveled in order to connect the widespread communities.

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[1] Baltimore, Miami, Portland and Detroit are now constructing new fixed guideway transit systems, but these systems have not yet opened.

[2] See: "BART Impact Program: Land Use and Urban Development Project," Study of Property Acquisition and Occupancy/BART's Effect on Speculation, October 1978.

After the railroads provided access to Los Angeles, an electric rail system was built for the explicit purpose of making widely-dispersed areas of land accessible for new development. Most lines were installed by private developers to promote the sale of land and property. The new rail system extended from the center of Los Angeles to San Bernardino, Redlands, and Riverside on the east; to San Fernando on the north; to Santa Ana on the south; and to towns along the coast from Santa Monica to Newport Beach and Balboa. As shown in Figure III-1, Los Angeles was blanketed by electric rail lines which corresponded to early pathways through the basin established by the Spanish/Mexican missions. During the period from about 1890 to 1930, rapid extension of the system to all parts of the basin and the aggressive real estate development helped to establish the basic form of the Los Angeles region by locating the centers of development. This period demonstrates a very close relationship between transit and land development, with many of the transit providers often having a strong development role.

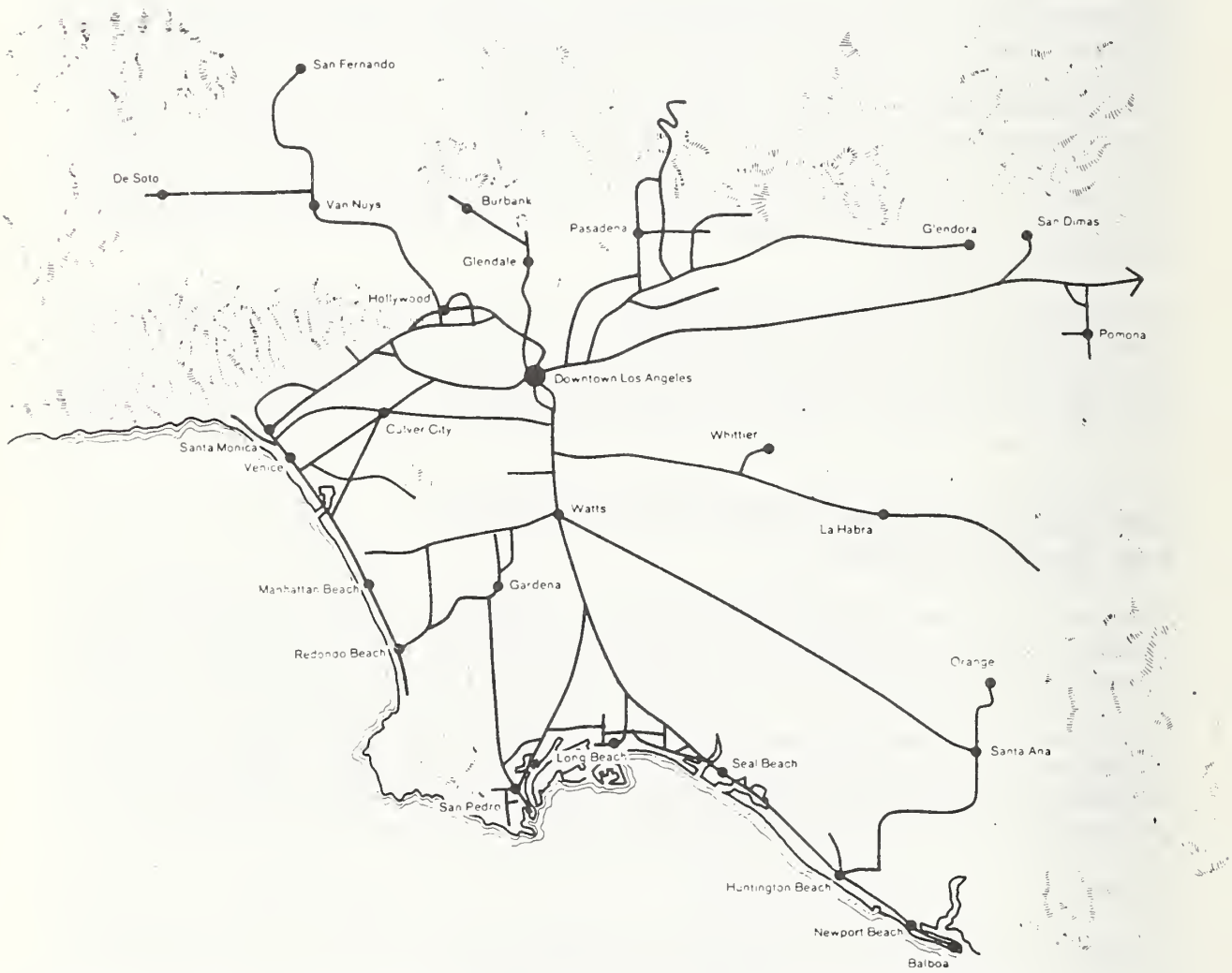


Figure III-1 PACIFIC ELECTRIC RAILWAY ROUTES, 1923

Automobiles became prominent, particularly for local circulation, in the 1920's, and began to dominate in the 1930's. The auto in the Los Angeles region offered greater mobility to travel in the basin. The establishment of an effective grid street system in the basin made land subdivison and land development easier. Development was extended beyond easy walking distance of the electric railway line. Figure III-2 shows the street grid system.

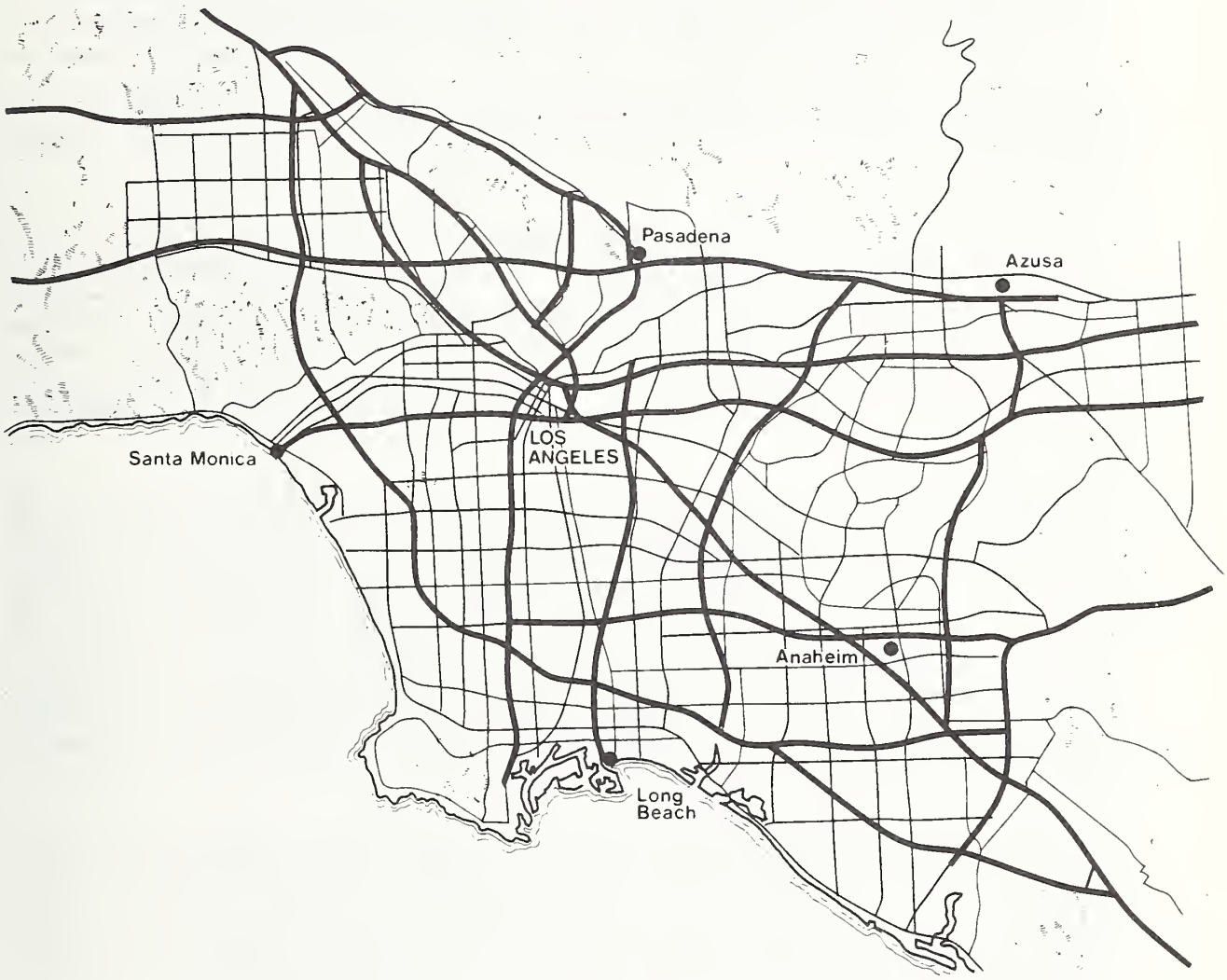


Figure III-2 STREET GRID AND FREEWAY SYSTEM

This period hastened the collapse of the electric rail system though the system still provided an essential service in the 1940's during the period of defense industries and gasoline rationing. After the war, the construction of freeways provided speed and ease of travel by automobile between various parts of the region and expanded access to virtually all the land that could be developed throughout the region, including (by way of local roads and streets) those areas outside the main corridors of travel.

The electric rail system was eliminated at the beginning of the period of freeway construction for a number of reasons. The system would have needed expensive upgrading to eliminate conflicts with automobiles and improve its safety to an

acceptable level. Ridership had dropped off because of the public's preference for automobiles after the war-time restrictions were lifted, and the rail service was no longer profitable. As if those reasons were not enough, some of the people most interested in promoting the use of rubber-tired vehicles took direct action in buying up and removing rail lines, and replacing the rail cars with buses. Availability of automobiles and expansion of the public road system made it possible to market new development on vastly larger areas of cheaper land, so the majority of landowners and developers also profited by promoting the shift from public transit to automobile. The shift started as early as the 1920's, but came into full force in the 1950's. The substitution of buses for rail transit accelerated the shift of commuters to automobiles, and the public transportation system settled into the lesser role of providing only limited and essential bus services for transit dependents.

Most of the freeways were built during the period from about 1950 to 1970. Traffic increased rapidly as the new highways were built and as new development occurred throughout the region. The freeways are now so heavily used that many freeway segments near key interchanges, particularly in areas close to the regional core, are overloaded during peak traffic periods. Traffic exceeds critical densities at those points during peak periods on most working days, and the volume of traffic that can pass is reduced to less than the capacity of the highway. Figure IV-2 shows how the system exists today.

Today transit has the additional role of trying to help relieve freeway congestion by carrying some of the commuters in the heaviest traffic corridors during peak periods, and by adding some peak hour transit capacity in heavily-traveled corridors that now are not served by a nearby freeway. It may be possible to add more traffic to some freeways as some further growth occurs, but the peak periods of traffic congestion will last longer each day. It would be practically impossible to achieve a substantial increase in freeway capacity for new development by building more freeways. Such an increase would cause destruction of established communities, and introduce additional traffic conflicts by the closer spacing of routes and interchanges in the freeway grid.

The traffic congestion and its side effects must inevitably influence decisions on the size and location of new development, and will tend to inhibit and distort investments and plans for further development in the region. The City of Los Angeles has recognized that any additional growth must be directed to locations where its encroachment on established low-density communities can be minimized, and that it must not rely on the existing freeway system for its principal means of access and support.

The Los Angeles Department of Planning has prepared a concept for future development that will direct growth into about 30 or more higher density centers that are to be linked by high-capacity rail lines. The centers concept is the official plan of Los Angeles, and the Metro Rail project is to be the first element of the rail system that will link the development centers. Public transit will again have a new role to play in the centers plan for regional development. Transit must provide the high-capacity links between centers, at least some of the local distribution services within the centers, and some local services to connect the centers to their surrounding communities. Rail transit will again have the key role in accommodating new development in Los Angeles.

The Centers Concept and Metro Rail

The previous section identifies a number of factors, which, when taken together, call for future land use-transit relationship different from that which presently exists. These factors include:

- The need for additional office space, dwelling units, and accompanying retail services in a city where vacant land within a reasonable distance of downtown is virtually not available.

- The strong concern of many homeowners to preserve their single family and low density residential areas; thereby further restricting the availability of land to accommodate additional uses.

- The increasing congestion of the surface and freeway system which given a number of constraints cannot be significantly increased in capacity.

The response of the City of Los Angeles to such issues is embodied in the centers concept, an approach to defining future land use, urban form, and transit.

DEFINITION OF THE CENTERS CONCEPT

The centers concept serves as the basis of the City's General Plan, and each of the thirty-five community plans which apply General Plan principles to the specific needs of each section of the City. The centers concept resolves the polar values of maintaining the low-density character of Los Angeles and the need to accomodate growth by restricting that growth to a number of designated centers within the city, where density would be increased.

The centers concept establishes 56 centers throughout the region of which 37 are located within the City of Los Angeles. Those centers within the Metro Rail Project initial corridor are identified in Figure III-3. They vary in size, shape, and intensity but will become the dominant physical elements of the city. The centers will function as focal points for adjacent suburbs and neighorhood communities. A typical center will consist of a core area with a radius of approximately one-quarter mile. Other characteristics include a balanced range of land uses, a rapid transit station and auxiliary transit systems, and a pedestrian system. Multiple function structures will be encouraged. Residential development will be medium to high density and in the larger centers, will be medium to high rise. High intensity commercial facilities would be located near rapid transit stations. Commercial uses will consist mainly of business offices, department stores, specialty shops and services, entertainment facilities, and convenience retail facilities. An open space network will extend throughout the City and will serve as a major organizing element. A recent report prepared by the City Planning Department, Centers Definition Report, defines three types of centers: community, intermediate, and primary. The intent of all is to have a wide to full range of land uses, with one or more foci of concentrated development. They differ in the range of uses, and scale and intensity of development.

The centers concept establishes a strong physical image and clear land use rationale for the city. Its limitations in terms of differentiation between types of centers and the need to define needed facilities within them, are now being alleviated by a current ongoing study by the City Planning Department. The results of this study will be the definition of long range goals for each center against which measure

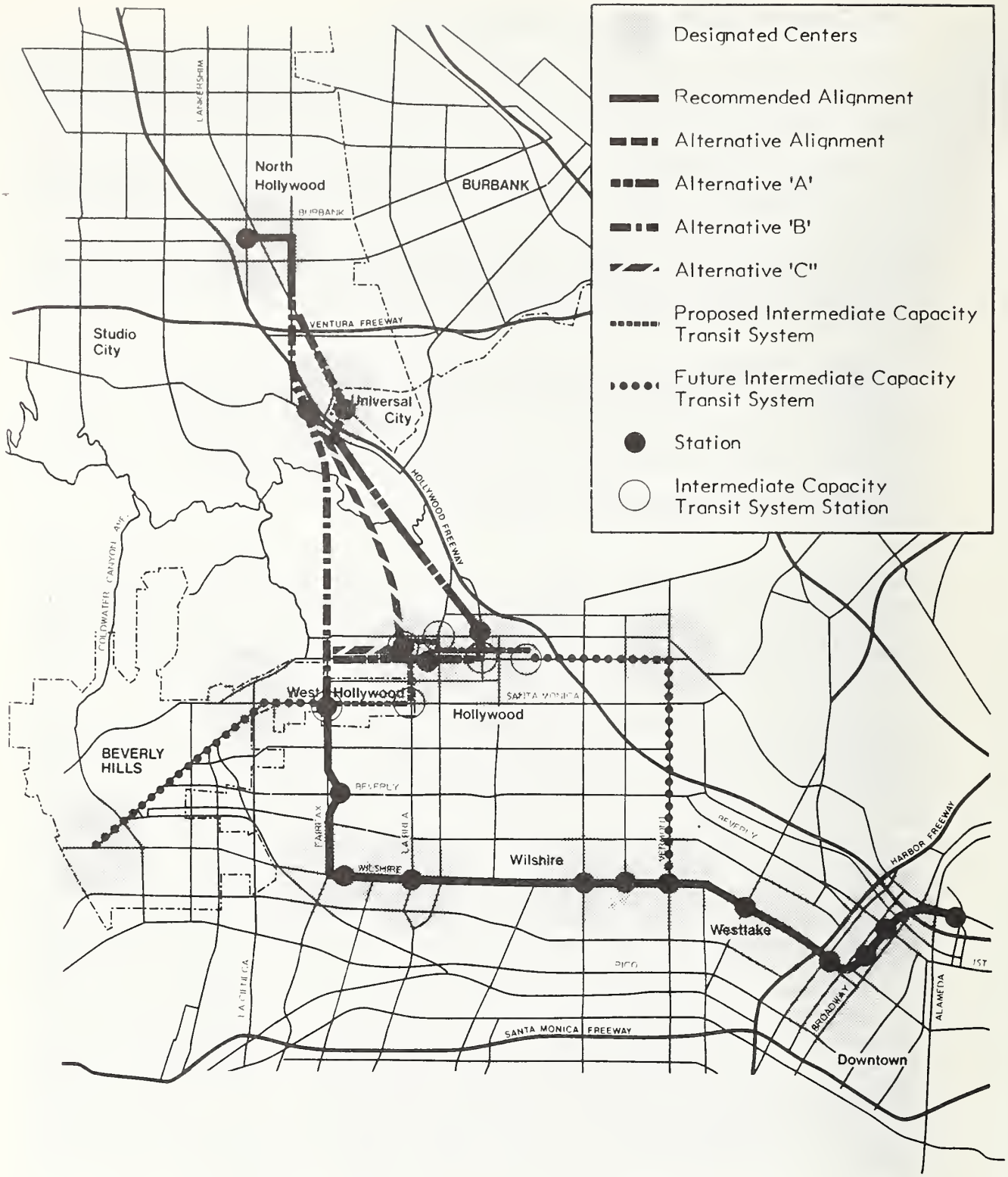


Figure III-3 METRO RAIL AND CITY CENTERS

centers in their present stage of development. Municipal actions will then be identified to bring existing centers closer to an ideal center in terms of the balance of jobs and housing, provision of a range of needed facilities, and adequate transportation.

Also as part of the General Plan process, community and district plans were prepared. These plans document in greater detail the specific land uses, auxiliary programs, and desired level of development for each area. The City is now in the process of changing all zoning to reflect community plan designations.

To help in achieving the goals of the General Plan, the City Planning Department is currently preparing specific plans to include each of the Metro Rail station areas. The intent of the specific plans is to institute those land use controls necessary to concentrate high density development around appropriate station stops. These controls should serve as incentives toward the creation of opportunities for the development of centers, including joint development projects around the stations. The controls would simultaneously create effective land use buffers between existing residential developments and newer high intensity uses. Conversely, at station stops where higher intensity development is more appropriate, land uses would be limited to an appropriate level of development.

RELATIONSHIP OF METRO RAIL TO THE CENTERS CONCEPT

To understand the centers concept, as well as its potential limitations is critical in determining the District land use and value capture policy. The centers concept frames the potential extent of joint development; potentially defines the extent and nature of development programs; sets a context for the integration of local transit systems and parking facilities with Metro Rail; and forms the conceptual basis for the community plans, defining recommended and in some cases mandatory land uses throughout the city, including around station stops.

The SCRTD, throughout its Metro Rail planning process, has realized the importance of gaining consistency with the City General Plan. The goals and objectives of the Metro Rail project are in agreement with the General Plan. Specifically, the Metro Rail system is essential to the achievement of the centers concept. The system will serve to link and connect identified centers throughout the city. Indeed, most of the proposed station stops serve identified centers. These stations include Union Station, First and Hill, Fifth and Hill, Seventh and Flower, Alvarado and Wilshire, Vermont and Wilshire, Normandie and Wilshire, Western and Wilshire, La Brea and Wilshire, Fairfax and Wilshire, Sunset and La Brea, Hollywood and Cahuenga, Tujunga and Chandler, and Studio City. In addition five of the six proposed stops of the auxiliary line would serve the Hollywood centers. Thus, the Metro Rail system would help the City realize its objectives for connecting the centers, while providing greater accessibility to citizens in the region. Figure IV-3 illustrates the relationship between the Metro Rail stations and the city centers.

This chapter has presented a discussion of land use and transportation relationships in the Los Angeles region, specifically focusing on the relationship of the Metro Rail Project to the city centers concept. These relationships raise several issues at the regional and local station area scales. These issues are discussed in the following chapter.

IV. LAND USE AND TRANSPORTATION ISSUES

Introduction

This chapter presents the issues which must be addressed by the District in order to achieve its land use and development objectives, as identified in Chapter II. The issues have differing geographic scales of impact, ranging from general, region wide effects to the very specific, station area effects. For this reason, the issues have been divided into two different levels: the regional scale and the station area scale.

In order to provide a context for understanding the issues, a brief description of the Metro Rail system corridor is provided before the issues section. This description includes a brief discussion of the region's designated centers.

Metro Rail System Corridor

The Metro Rail system will connect a broad range of populations, local economies, and land uses -- all located within the most densely developed portions of the Los Angeles Regional Core. The accessibility and development potential of these areas may be greatly increased by Metro Rail service. According to the city's center concept, most of the region's major growth is planned to occur in the following designated centers: Central Business District, Westlake, Mid-Wilshire, Miracle Mile, Hollywood, East Hollywood, Universal City and North Hollywood. The following description of the centers will briefly summarize existing conditions in terms of land use, transportation, and joint development potential.

CENTRAL BUSINESS DISTRICT

In spite of the comparatively dispersed form of the city, the Central Business District remains the clear center of the city in terms of geographic location, as well as its concentrations of employment, financial, governmental, and cultural uses. The CBD contains a number of sub-districts including Little Tokyo, the Garment District, Skid Row, the Produce and Flower Markets, the Music Center Complex, Government Center, Broadway, and Spring Street. Virtually the entire area is under redevelopment. This has had a significant impact on the current office boom, as well as an emerging residential community serving a wide range of income and age levels. The CBD is also in aggregate an important transit interchange. Union Station is the major intercity bus terminal and terminus for local bus service and minibus lines in the city.

WESTLAKE

This area, served by the Alvarado and Wilshire station, is primarily composed of medium density residential uses with community-serving commercial. It is an

older, densely populated and predominantly low income community with a strong senior citizen population. The area is becoming increasingly Latino. There are very active community-serving commercial frontages along Wilshire, Seventh, and Alvarado. Between Downtown and Westlake on both Wilshire and Westlake are commercially zoned areas which are acting as an expansion area for Downtown office uses.

WILSHIRE

The area of Wilshire Boulevard, from the Westlake community to Fairfax Boulevard, contains the most dense and largest concentration of office and commercial uses in the region outside of Downtown Los Angeles. Older stable, lower-density residential areas lie to the north and south of Wilshire Boulevard. The area served by Metro Rail contains two designated city centers, the Wilshire Center and the Miracle Mile. The lack of good accessibility by surface streets and freeways increased competition from Downtown and the Valley. This and other factors contributed to a considerable loss of office and retail use in the past decades. Wilshire Boulevard, particularly between La Brea and Fairfax Avenues, is beginning to regain tenants and attract some major new office and retail developments. Transit usage in the Wilshire area is among the highest in the region with most bus routes running at capacity. The current flow of traffic through the area will not allow an increased number or frequency of buses. Transit improvements could only occur through either restriction of auto and truck and/or grade-separated transit system.

FAIRFAX

The Fairfax district is primarily a residential area with a large stock of mid-density and high-density rental and ownership units, served by specialty commercial uses which also have a regional draw. Particularly around Beverly Boulevard, the area is an ethnic enclave of older Jewish people, who are within walking distance of synagogues, social services, and community commercial uses. Major commercial/retail facilities are CBS Televison City, Farmers Market and a more standard shopping center across the street at Fairfax and Third. Several major sites east of Fairfax, on Beverly, offer the potential (and possibly a threat) to the existing community for major highrise mixed- or multiple-use development. The District has identified the CBS site for a major Metro Rail regional parking facility. The possibility of a major increase in traffic may also constitute a danger to the existing ethnic/economic balance of the community. Park La Brea Towers, a series of high rise apartment structures, constitute the largest single concentration of apartment units in Los Angeles, if not in the West. Fairfax is one of the most sensitive areas in which to insert new development along the Metro Rail lines.

HOLLYWOOD

Hollywood was one of the early Los Angeles residential suburbs, as well as the site of early office and commercial development. The long-time focus of activity in the community has been movie-making and entertainment. In recent years Hollywood has suffered a serious decline in office and commercial uses. A number of revitalization proposals have been made for the area, including a current study by the Community Redevelopment Agency. One of the limits to Hollywood's resurgence is accessibility to the area from surface streets. Many citizens and businesses in Hollywood feel that the Metro Rail system will be instrumental in revitalizing the area.

STUDIO CITY/UNIVERSAL CITY

The Studio City station location is surrounded by single family dwellings and low rise apartments with some minor commercial uses. The Universal City location would directly serve one of the most important tourist attractions in the region, as well as a growing office and hotel concentration. Structured parking, as well as other uses could be located on the site to serve the Metro Rail users. The SCRTD's planned Metro Rail parking at either of the proposed stations, combined with current park and ride bus facilities and Universal City as a tourist destination, will make the area into a multi-modal transit center.

NORTH HOLLYWOOD

An older, moderate to lower income community with primarily residential, commercial, and industrial uses. The North Hollywood Redevelopment Project, within which the station will be located, includes plans for rejuvenating the blighted area. Local residents have great pride and concern over the importance of maintaining single-family residences. At the same time, the community has strongly supported the sub-regional shopping center planned directly adjacent to the Chandler/Lankershim Station which would involve some residential and commercial demolition. Buildings are almost uniformly low rise. North Hollywood Park is an important open-space resource and the basis for a potential linked open space system. Given proper vehicular access, the station could be the primary access for the portions of the valley north of the Ventura Boulevard and Ventura Freeway catchment area feeding into the Universal City or Studio City station.

Metro Rail Regional Issues

This section identifies the regional planning issues pertaining to land use and development which are to be addressed by District policy. Regional scale issues are not always as apparent or in some cases concrete as those at the station area level. Some aspects of system design and benefit such as system equity, parking policy and future extensions can be understood and dealt with only at the regional scale. Also, there are cumulative effects of development at each of the station areas, such as the creation of an economic and activity focus for the region, which can only be understood and planned for at the system-wide or regional scale.

CONFORMANCE OF THE METRO RAIL PROJECT WITH REGIONAL GOALS

The essential regional goals, as reflected in the city, county and SCAG goal statements have the related intentions of concentrating urban development within an interdependent system of activity centers, and of reducing total vehicle miles of travel within the region and between centers. In restricting most growth to a number of designated centers, the low density character of Los Angeles will be maintained. The provision of Metro Rail service will tend to reduce total vehicle miles within the region by attracting people now using private automobiles to the system. The challenge for the District is to contribute to increasing the range and intensity of land uses within the centers it serves through SCRTD land development activities. This will fulfill public agency goals, as well as the District's needs for patronage and revenue generation.

Current SCRTD land use and development objectives are consonant with the public agency stress on more intensive development within centers. This intensity and

balance of uses allow for cost effective transit, generate 24-hour patronage, create a potential revenue flow for capital and operating costs, and establish a demand for steady growth of the system. District policies will have to address the need for coordinated planning and implementation between public agencies to assure that the common goals are met.

NEED FOR A COORDINATED PLANNING PROCESS

The corridor defined by the initial 18-mile segment of the Metro Rail Project encompasses lands within the City of Los Angeles and the County of Los Angeles. Over time this system will expand to encompass additional city and county lands, as well as lands within other cities of the Los Angeles region. At this regional level, the land use planning objectives of local governments must be coordinated with each other and communicated to the Metro Rail operator, the SCRTD. The SCRTD, in turn, must establish its transportation planning objectives and coordinate them with other transportation providers, including the Los Angeles County Transportation Commission, CalTrans, and the transportation providers of local government. Only through a coordinated planning process, will the Los Angeles region gain maximum benefit from its transportation systems.

REGIONAL FORM

Any construction within centers will effect the local visual character. But it also has consequences at the regional scale in relation to the three major regional form elements: the natural regional visual elements (the mountains, hills, plains, and ocean); the man-made circulation elements, (the surface street grid, the freeways, and any future at grade or elevated transit alignments) and the land development such as the Central Business District which is visible at some distance.

By deliberately relating to the regional form elements, new development will enable the centers to achieve a regional visual identity consistant with their importance as regional destinations. This identity will effectively make the Metro Rail system easier and therefore more attractive to use, as destinations are more clearly visible and imagable. Further, the regional corridor as a whole may have its own visual identity, the outlines of which are already established in the Central Business District and the Wilshire Corridor. In order to achieve a regional core with its own visual identity, careful consideration must be given to the design of each District joint development project, as well as to the balance of projects among the centers.

PARKING WITHIN THE METRO RAIL CORRIDOR

For the Metro Rail system to function effectively, parking, urban growth, and transit service must balance each other -- one cannot change in capacity without the others also changing. Therefore, each factor acts as a limit on the other. In relation to Metro Rail, the vital issue of parking has two aspects: the relation of parking to accessing the Metro Rail system, and the use of parking to serve land uses within the centers Metro Rail serves.

While the District has primary jurisdiction over Metro Rail parking, and the city and county have jurisdiction over minimum parking requirements at the centers, it is important to note that these two aspects of parking are closely related and must be planned together. Further, the parking issue is not one which can be approached on a station by station, center by center basis alone. Parking must be seen as a regional question and both city, county and District policy applied on a regional basis.

There are a number of factors which need to be considered in developing a parking policy, including the following:

- Insufficient Metro Rail parking at certain station locations will be a strong disincentive to bus and rail transit usage.

- Phased development of parking sites and facilities must be planned for. During the initial years of operation, at-station parking will probably be an important incentive for using the system, since it requires one less transportation mode change than if outlying park and ride lots are used. These station parking facilities should be part of the initial project construction. Their locations are critical and deserve extended study.

- Implicit in the centers concept is the goal of reducing auto usage as much as possible, in and between station stops. However, the automobile may remain a necessary mode in the foreseeable future, particularly in the suburbs where adequate public mobility by the bus system alone may be too expensive to achieve.

- Adequate local transit service will be an important factor in reducing auto useage and, therefore, parking requirements within the centers.

It is imperative that the District, the city, the development community and other relevant actors work together to develop a unified policy or set of related parking policies.

REGIONAL EQUITY

For the Metro Rail Project, regional equity refers to the equitable distribution of economic, social, environmental, and access benefits to Metro Rail users, the individual communities and neighborhoods located around station areas and to the region as a whole. The benefits include:

- Improved accessibility, in terms of travel time and convenience, for the areas served. This is especially of benefit to the transit-dependent.

- Economic development and consequent revenue accruing to both the private and public sector (assuming value capture provisions, District land ownership and other mechanisms).

- Environmental and open space improvements which increase the attractiveness of individual centers.

Beyond the provision of basic transportation facilities (stations, tunnels, subsystems, support and control facilities), the question is open as to where the District will allocate its resources for associated development, environmental improvements and the like. Two polar approaches exemplify the range of policy options available. The District can choose to undertake value capture and joint development projects in areas of greatest development potential, or the District can adopt a policy of equitable distribution towards these projects throughout the region. This policy could be based on factors such as greatest developmental need, environmental deficiencies, least cost to the District, a committment to uniformly raise the environmental quality and economic productivity of the corridor as a whole, or other criteria.

In coordination with the specific plan and redevelopment processes, the Metro Rail Project could also be the stimulus for a coordinated series of development projects in the central and most densely developed portions of the region. Given severe reductions in federal, state, and local funding for social services and economic development, land development is becoming a major vehicle for addressing social and economic needs and inequities. The District could address these problems, which in effect are the problems of its patrons, through a variety of means. For example, joint development on sites which are sufficiently attractive to gain public leverage over the developers' plans, the District could negotiate with the developer to provide certain needed community services. Such an agreement could include provisions for a certain proportion of low and moderate income housing, day care facilities, certain commercial or office uses which would make use of the local skills pool, and public open space.

To get involved with this level of concern for public welfare, the District acknowledges and embraces the fact that Metro Rail is not simply the provision of an improved transit mode. Rather, with proper planning Metro Rail is a key element in a long-term major urban development and revitalization effort. This effort has socio/economic consequences, possibilities, such as those described above, and poses specific equity choices which must be addressed by the District.

LINKED OPEN SPACES

An important element of the environmental quality, recreational usefulness and quality, and attractiveness of the individual centers is the deliberate linkage of open spaces (i.e., parks, plazas, landscaped transit corridors). Linking of the open spaces does not necessarily have to be physical to yield regional benefits. For example, a family could take Metro Rail to Hollywood and Cahenga, and then go by bus to Griffith Park. From there they could take the train to the Pan Pacific regional park for an outdoor party and some shopping in the Beverly/Fairfax area, and then later to the CBD for the annual street fair. Metro Rail can make more of the Regional Core accessible, within the same travel times, than is possible without the rail system. Therefore, many destinations within the corridor may receive increased usage.

The District needs to incorporate open spaces in its development projects, as a basic element of a usable and satisfactory environment, and to effectively link these spaces through physical or transit connection. The extent of the recreational and other types of patronage Metro Rail will receive is to some degree a function of the extent of open space provided and effectiveness of the linkages.

LAND USE RELATED TO FUTURE EXTENSIONS

Future extensions of the Metro Rail system, as well as interfacing with possible future modes including intermediate capacity light rail, local rail or bus distribution systems, may place additional demands on the initial Metro Rail facilities and associated land use. These demands need to be anticipated now and include:

- The need for initial stations to be originally sized to accommodate the increased patronage from extensions or interfaces, or to allow for expansion.

- The need for station entrances, as well as present and future station surface access to relate to future potential joint and collateral development.

- The need to accommodate possible additional direct station entrances into future joint development stimulated in part by the additional patronage.

- The need for more, or less parking and vehicular interfaces.

In addition, the District should consider the importance of stations being located at clearly defined locations particularly when extensions or intersections are being contemplated. For example, a Wilshire/Fairfax Station which is not clearly related to that intersection but rather is located to the east may be reasonable on an initial line. However, if the initial line is extended west and south from the station, the specific type of connection and access direction at the main intersection may have an effect on joint development potential, patronage, and the users ability to comprehend the system.

The specific configuration of the intersections, related transit interfaces, and auto access all need to be evaluated at each station in order for the District to establish its land acquisition program.

Station Area Planning and Design Issues

At the other end of the scale from regional planning is land use and development issues at the Metro Rail station area and surrounding local community scale. At this level it is important to identify broad categories of individuals and organizations with specific interests in these issues. One category comprises the local community, including persons who live, work, and operate businesses in the community and who will be directly affected by the Metro Rail project. In a certain sense, this category also represents the interest of the general public which will be less directly affected by Metro Rail. Another category includes persons who desire to make investment and development decisions in the vicinity of transit stations. This category generally represents the larger sector of private enterprise. The final sector is composed of the transit operator, in this case the SCRTD, which represents public sector enterprise. Each of the categories described above has its own particular set of interests and aspirations which are not necessarily always in agreement.

PUBLIC AGENCY INSTITUTIONAL OPTIONS FOR JOINT DEVELOPMENT

One of the major constraints of joint development is that (throughout the United States) local jurisdictional authority remains divided, with no single mechanism in place for overseeing effective coordination of transportation system planning and land use. The comprehensive legal authority and specialized staff resources required to: 1) coordinate the station area development process; 2) package and implement joint development; and 3) provide financial incentives and secure value capture agreements -- are not conferred upon in any "single" public agency in the Los Angeles metropolitan area.

If the SCRTD is to proceed with an effective joint development process, it must decide what institutional arrangements will best achieve the District's objectives for joint development. Potential institutional arrangements which should be considered by the District include 1) the development of a new department within the SCRTD, 2) the development of a cooperative agreement between SCRTD and local public agencies, and 3) development of a transportation development

corporation. These arrangements are further described in Chapter VI, Joint Development.

OPTIONS FOR VALUE CAPTURE

The construction and operation of the Metro Rail Project presents the SCRTD with a wide range of value capture opportunities to recover some portion of the benefits provided at general public expense which will accrue to property owners, motorists, and employers within the Metro Rail station areas. The use of taxation and fees represents one potential value capture technique. Examples of this technique include special benefit assessment districts, tax increment financing, motor fuel taxes, motor vehicle excise taxes, and parking fees. Other options available to achieve value capture include joint development approaches. Examples of this technique are station cost sharing, connector fees, and land/air rights leases. In order to use these joint development approaches to value capture effectively, it is imperative that a consistent and thorough set of joint development policies be established during the preliminary engineering phase. Additional options available to achieve value capture which should be considered by the District are direct marketing approaches. Examples of this option include advertising and the use of concessions or retail outlets in stations. For direct marketing to work, in the stations and on the Metro Rail trains, such considerations as station design, and train design and fire and safety requirements must be studied. Chapter VII, Value Capture, discusses these options in further detail.

STATION AREA PLANNING AND DESIGN CRITERIA

The District will need to define and communicate its intentions regarding station area and joint development planning and design. The District's interests and responsibilities would be best served, at least in the near term, by the independent generation of station area planning and design criteria.

These criterial will be used as a planning and design framework to guide the specific decisions required to accomplish physical change within the station area. These criteria differ from the engineering and station design criteria already established by the District in that they concentrate on the relationship of Metro Rail and joint development facilities to the larger community. The process of generating the criteria will allow the District to approach its participation in the overall station area planning process (through the Specific Plan or some other means) with a more clearly defined statement of its own position. Further, the criteria will give the District the basis for defining specific joint development programs and establishing development standards for specific projects.

The District will need to determine the degree of planning and design control which it wants to exert as it initiates Metro Rail and joint development construction within the communities, and the format or manner in which that control is to be exercised. The District also will need to determine how its own position can be articulated and realized within the multi-agency planning and design control process of the City and County of Los Angeles.

COORDINATION OF SYSTEM DESIGN AND STATION AREA LAND USE PLANNING

It is critical that Metro Rail system design, as well as land use and joint development planning, be undertaken simultaneously and be closely coordinated. Vertical

and horizontal alignments, station design, rolling stock design and other system components must respond to land development and joint development needs and potentials. Conversely, land use planning and many aspects of community design and land development must be coordinated to take advantage of the potential which Metro Rail brings. Important factors to plan for include: a spatially concentrated source of and high volume of potential workers, customers, and public facility users; a market basis for high density retail, office, residential, recreational and cultural development; and, due to the shortened travel time which grade separated rail provides, the ability to attract users from a larger geographic area within the region. As discussed elsewhere in this report, the lack of this coordinated planning has been a major reason for the disappointing record of transit-related joint development in the United States to date. This coordination must be achieved both internal to the Metro Rail Project itself, and in the Project's relation to other public agencies, citizens, and developers.

CREATION OF THE CENTERS AS URBAN, PEDESTRIANIZED PLACES

Vital to District land use development in the centers is the creation or re-creation of the centers as urban places, desirable destinations and environments in which to live and work. The quality of the centers environment, its success as an activity center where people can work, shop, and spend leisure time in places where the automobile does not encroach, is critical in attracting development potential and patronage. This is particularly true for the non-work trips which are more discretionary and which are needed to even out the morning and afternoon peak trip pattern common to transit systems.

The creation of this type of environment is a complex and detailed process. It will require a policy and implementation commitment from the District to coordinate on a continuous basis with other public agencies and developers, regarding land use planning, regulations, developer agreements, design review, transit planning, and a number of other factors. However, these actions are necessary in order that the District can realize the land development and patronage potentials of Metro Rail.

MITIGATION OF CONSTRUCTION PERIOD LAND USE AND DEVELOPMENT IMPACTS

The District needs to determine an approach to the planning and land use process which involves the community in making choices as to the severity of construction impacts the community is willing to bear, and commits the District to a clearly-defined program of mitigation measures.

System and joint development construction will create a series of temporary and possibly permanent impacts on the station area community which will have ramifications for both the local community members and the District. These impacts include potential environmental degradation, traffic disruption, restriction of access to businesses, and possible economic loss to residents and businesses.

The ramifications for the District revolve around its responsibility to mitigate these impacts. The District needs to define an approach to these impacts. In some cases the District can control the extent of permanent and temporary development impacts. Control comes through such means as defining an appropriate level of development, construction technique, phasing, timing, materials, building design, and methods of traffic management. The District needs to define these methods of control. For those residences and businesses which are to be relocated, the District

will need to establish a policy regarding the potential relocation of displacees within or near the project area, and within the joint development project itself. Methods to facilitate this relocation, including the possibility of temporary facilities and inverted rents (adjustment of rent payments of joint development projects to local businesses and residents so they can afford to stay in the community) also need to be addressed.

THE NEED FOR STATION AREA MASTERPLANNING

At each development stage of the Metro Rail Project's implementation, including final engineering, construction and initial and long-term operation periods, the station area will experience both indirect and direct effects of the project. Some of these impacts may be negative. For example, local residential neighborhoods and businesses could be negatively affected by construction activities, as well as high levels of land use speculation. However, many of the effects of the Metro Rail system will be beneficial to local communities. For example, the Metro Rail system may provide increased accessibility and serve as a catalyst for upgrading the overall character of an area. A station area masterplanning process is needed to help provide mitigation of potential negative impacts of the Metro Rail systems development, as well as help assure that the potential benefits of the system are equitably distributed.

In addition, station area masterplanning may be instrumental in achieving density levels around stations which will help support the Metro Rail system. Thus, a station area masterplanning process is needed to achieve local community goals, to mitigate potential impacts of the Metro Rail systems and to assist the District in achieving maximum ridership. The masterplanning process will also be important in defining design controls to assure that future development is consistent in design and architectural integrity with existing buildings. This process may also help identify and thus, develop, certain community services needs such as provisions for needed day care services, low and moderate income housing, retail services, etc.

Station area planning is currently underway with Specific Plans being prepared by the City Planning Department and the County Planning Department. It will be important that a station area masterplanning process be clearly coordinated with this process, as well as any redevelopment plans currently underway or planned for the future.

SPECULATION CONTROLS

The potential construction of rapid transit stations in other cities has caused rapid increases in land value and turnover of ownership, an experience which could easily occur in Los Angeles when system funding is announced. Negative public consequences of this speculation include: 1) the loss of potential revenue to the District, 2) the distortion of existing land values within the local community causing the potential for community disruption, and 3) the possible unavailability, except through eminent domain, of land adjacent or near the station for joint development.

To maintain the economic possibility of joint development, as well as the potential of realizing a rational community development program, public sector control over land speculation related to Metro Rail needs to be instituted.

Factors which the District needs to consider in establishing land speculation control programs include:

- Definition of specific control devices, such as the anti-speculation capital gains tax.

- Authority of the District or other public agency to establish and maintain the program.

- Decisions regarding who will administer the land control devices/taxes and who will get the returns.

- Procedures for implementing the program.

INCREASING PATRONAGE THROUGH LAND USE

The short and long-term maintenance and expansion of Metro Rail patronage is dependent on three major factors: the intensity of land use, the variety and balance of land use, and the quality of the station area and community environment. In turn, the components of this environmental quality include adequate open space related to a pedestrianized network not dominated by vehicular traffic; effective linkages between Metro Rail, the pedestrian network, and other transit modes; a high level of architectural and landscape design quality; and a sense of security.

The intensity of land use refers to the amount of development available and can be measured in such terms as square footage of commercial uses and number of dwelling units per unit of land area. Within limits, the greater the intensity the greater the number of potential trip origins and destinations. The variety and balance of land use refers to the presence of a range of services and attractions covering a wide spectrum of activities, including work, residence, and recreation. The variety of uses fulfills the centers concept goals of urban centers. In the District's terms, the variety contributes to creation of an attractive destination needed to encourage both patronage and joint development. It also will provide a 24-hour source of patronage which, for example, a predominantly single-purpose office area cannot supply. Environmental quality assures that the experience of being within the station area and the immediate community will be satisfying and that people will continue to be attracted to the center.

This issue is one of the key factors in Metro Rail's success. Realizing the land use intensity, variety, and balance of uses, a quality environment will require the coordinated efforts of the District, city, CRA and other public agencies over an extended period.

COORDINATION OF TRANSIT ACCESS POINTS AT METRO RAIL STATIONS

The deliberate location of Metro Rail stations at key intersections within each center brings the stations in direct proximity to other existing and potential transit services and functions. These could include local bus, feeder bus, kiss and ride auto, park and ride auto, local distributor service such as the minibus van pools, commuter bus, commuter rail, and the pedestrian network. The linkage between these modes at the station will be a key factor in encouraging the use of Metro Rail. The linkage also will minimize adverse community level impacts such as surface street traffic congestion, and facilitate joint development projects whose success is dependent on effective access by public transit.

The options in relating the transportation modes range from separating access points for each mode but locating them within the general station area to integrating the access points for as many modes as possible within a transit center. A transit center would allow the grouping of access points to the various modes within close proximity, so that minimal effort is required to change modes. The center could also be located off-street, so that transfer activity would not impede street and pedestrian network traffic. The integration of transit modes would also intensify and channelize pedestrian movement, an essential for successful retail joint development.

A transit center approach may require more land acquisition than is currently contemplated, may change some aspects of current station designs, and will require careful planning as joint development projects are considered. But this approach offers significant advantages to the District and to the community in terms of patronage generation, facilitating joint development potential, and enhancing the quality of the community environment.

STATION DESIGN AND STATION AREA LAND ACQUISITION TO ACCOMMODATE FUTURE CHANGE

In the future, a number of factors may result in the need to change station area facilities including the station and associated facilities. The types of changes required may involve physical alteration of the station, additional land acquisition, development on District-held land, and alteration of parking facilities.

Change inducing factors may include patronage and parking demand levels, the level of development to which stations could be connected, and the need to connect with other transit and access modes. It is important that the District is able to keep open the maximum number of options regarding station expansions and connections, as well as associated land acquisiton, and to prevent these options from being foreclosed by future changes in land use and development. Therefore, station design, access, parking, the initial extent of land acquisition, and the type of development on that land need to be considered in terms of future needs.

Station expansion could take a number of forms. These include: lengthened platforms; increased mezzanine capacity, additional connections to adjacent buildings, insertion of retail uses in station or parking facilities, increased or decreased parking capacity, and the expansion or change of design of pedestrian access facilities.

Land acquisition in anticipation of future changes could be undertaken for a number of purposes including: future station expansion, development of parking facilities, establishment of pedestrian and open space facilities needed to assure a satisfactory level of environmental quality around the station entrance, acquisition of adjacent parcels in anticipation of future land assembly to form a major development site, future construction of a transit center; and acquisition to control future land speculation.

The District will need to carefully evaluate both Metro Rail facilities design at each station area, and land acquisition related to future facilities change and potential joint development. Land acquisition may prove to be a particularly sensitive issue as questions may arise regarding a number of factors including: justification of land acquisition at a future date, land banking, the District's role as a developer or development partner in relation to other public agencies and private sector developers, and taxation of District-owned land.

PROTECTION OF THE LOCAL COMMUNITY INTERESTS

The benefits of Metro Rail such as increased accessibility, joint development potential, concentration of development to create energy and air quality improvements, and the creation of activity centers may have their negative impacts on the local communities, if not carefully treated. Transit ridership in a limited area may also bring increased traffic congestion and noise levels. Demand may increase for new commercial and residential uses which could disrupt the existing community fabric and drive up local land values to the point where existing residents and owners could not afford the increased housing and commercial space costs. Land may be acquired for speculative purposes. This inturn may create pressures to replace existing uses and change existing ownership patterns. The supply of local parking spaces may be exhausted with the increased demand from Metro Rail patrons. New development at higher densities may disrupt the existing community scale.

In response to these types of issues, the District will have to determine its commitment to participating, through the Metro Rail Project and its associated joint development, in a station area masterplanning process, as mentioned previously. This program conserves valuable community assets, responsibly addresses community needs, and values, and encourages appropriate types and levels of new or revitalized development. Aspects of the District's recognition of community values include:

- A residential parking priority program.
- Anti-speculation controls.
- Mitigation measures to reduce or eliminate negative environmental impacts of the system and joint development during the construction and post-construction periods.
- Coordination with other public agencies, the citizens and developers to effectively integrate community values into the planning and construction process. The generation of a strong land use control document such as the specific plan would be an important component.
- Definition of requirements to be met by private participants in the joint development process which would realize community values.
- A commitment that joint development will not necessarily be bound to realizing the "highest and best use" of a given parcel, given maximum financial return, but also will respond to community needs.

V. METRO RAIL STATION AREA MASTERPLANNING PROCESS

Introduction

The station area masterplanning process will play a central role in joint development planning. Through this process, a joint development program will be formulated for each transit station area. Because not all station areas will experience the same level and intensity of joint development, the station area masterplanning process is designed to determine and plan for the appropriate level of development.

The first step in the masterplanning process is to categorize the proposed station areas according to their general suitability for joint development. Six categories of station areas are defined for this purpose by the following section. The next section of this chapter outlines a proposed station area masterplanning process.

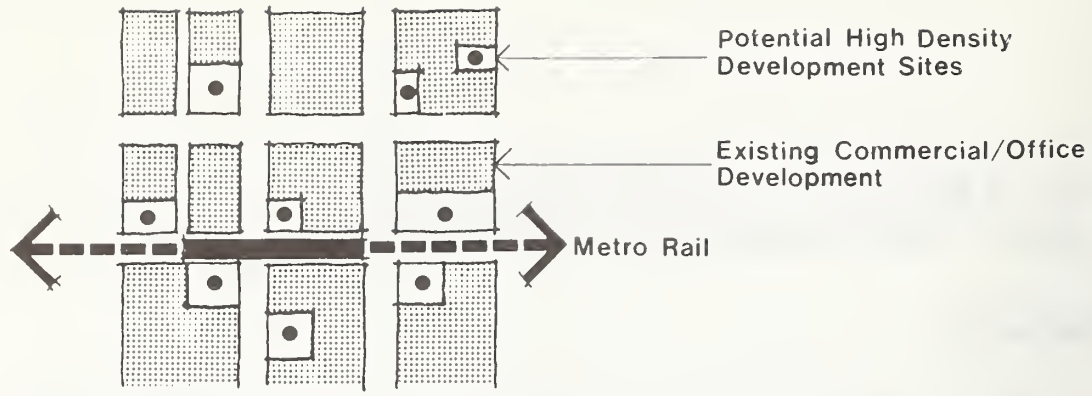
Transit Station Area Development Catagories

To assist in defining some of the major approaches to station area masterplanning and joint development, six transit station area development categories are presented in this section. Because each of the proposed stations has different land use characteristics, market potential, and zoning designations, common characteristics among the stations were used to develop these six categories. The development of these categories is a first step in any station area masterplanning process.

The six categories are designed to visually characterize the major planning and design considerations at the station area level which should be addressed to institute an effective joint development program. Each category is presented in the format of a brief written description, community area land use diagram and an illustrative section.

The six categories are:

Type One:	High Density Downtown Development
Type Two:	Wilshire Corridor Development
Type Three:	Major Independent Development
Type Four:	Strong Local Community Context
Type Five:	Under-Utilized Corridor
Type Six:	Residential Station



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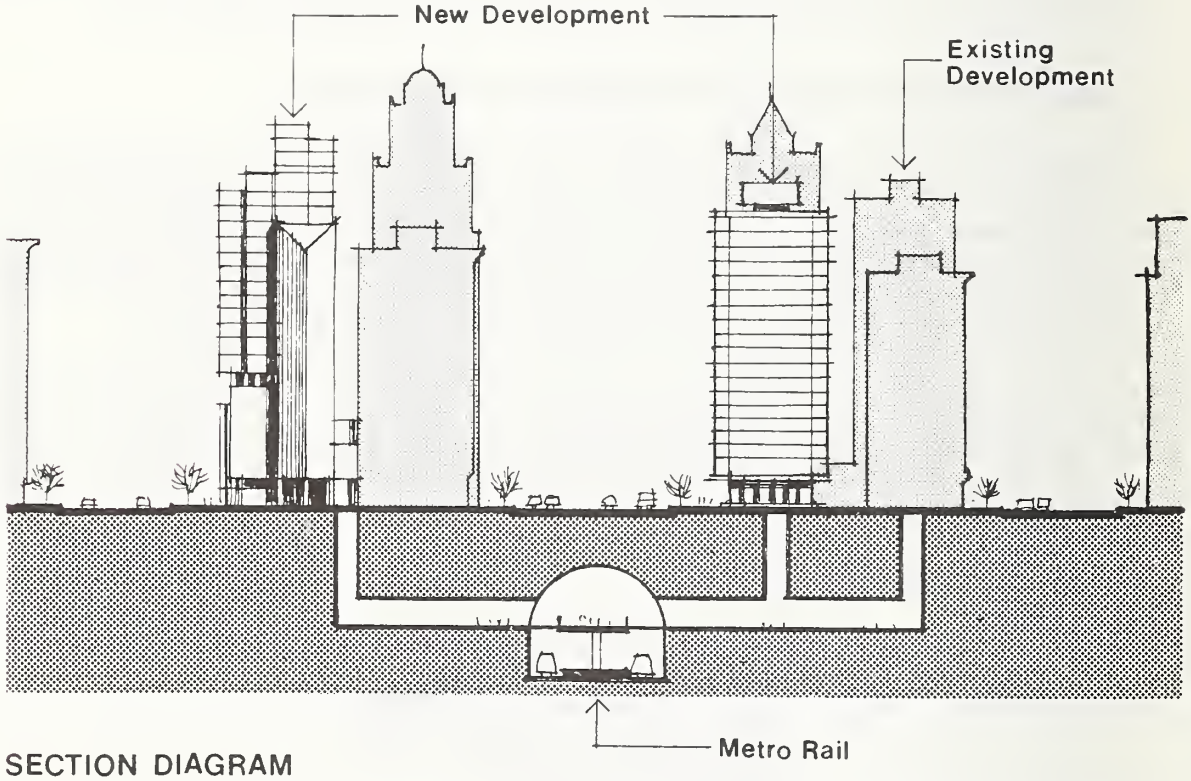


SECTION DIAGRAM

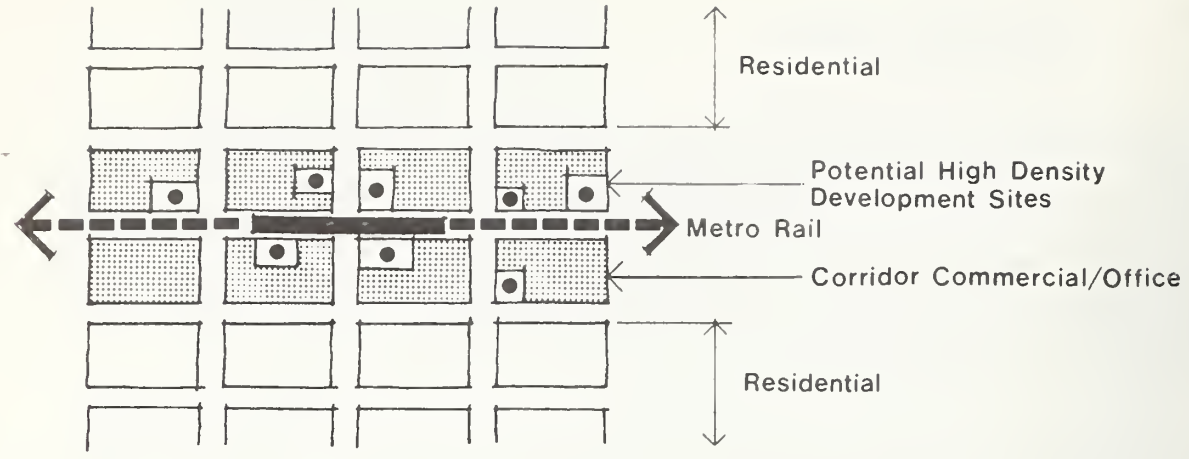
Figure V-1 TYPE 1: HIGH DENSITY DOWNTOWN DEVELOPMENT

TYPE ONE: HIGH DENSITY DOWNTOWN DEVELOPMENT

Stations: 1st and Hill
5th and Hill
7th and Flower

At these locations there is a considerable amount of high density development already. New development, while possible at relatively high densities, will complement the existing stock of office and retail rather than becoming an exclusive activity focus which dominates the station area. Downtown, residential communities are few and do not yet constitute a major interest group. Concerns of transition in scale, while always important, are of less importance here due to the lack of a significant low density and low-rise residential community. (See Figure V-1 for illustration of this design category.)

Land in completely built-up or urbanized areas such as much of the Los Angeles basin is always a precious resource, as there is little opportunity to achieve public goals through land development without causing the elimination and/or relocation of existing uses. In the downtown area this consideration is particularly strong, since existing high-density development has a very long life and is not easily recycled. Any opportunity for new higher density development also carries with it the opportunity, if not responsibility, to incorporate open space and public facilities such as needed social services, housing, day care centers, pedestrian network components, landscaping, transit interfaces, street level traffic flow improvements, and the like. The incentives to developers for providing these facilities can be in the form of density bonuses, parking requirement reductions, transfer of development rights, or other devices. This type of public-related programming for major downtown development sites should be an important consideration. Multiple uses within the structure (for example, retail, office, and residential) should be strongly considered. The amount of parking provided should bear strong relation not only to the private developer's need to attract tenants, but the possible reduction in parking allowed for by the city. Subterranean connections from transit stations to basements level retail, office and elevator facilities are very appropriate in the downtown area.



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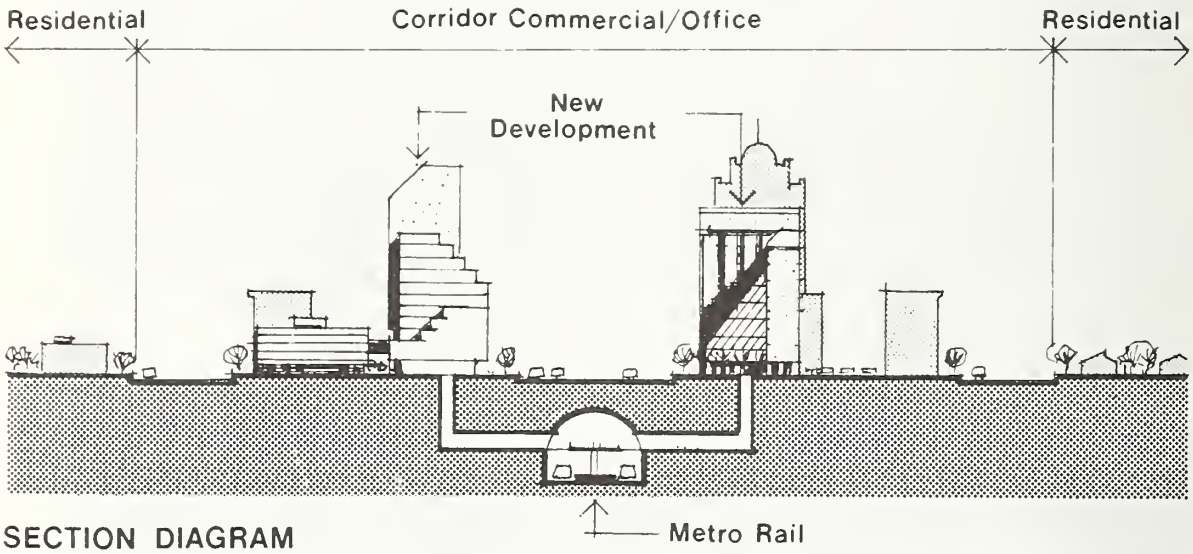


SECTION DIAGRAM

Figure V-2 TYPE 2: WILSHIRE CORRIDOR DEVELOPMENT

TYPE TWO: CORRIDOR DEVELOPMENT

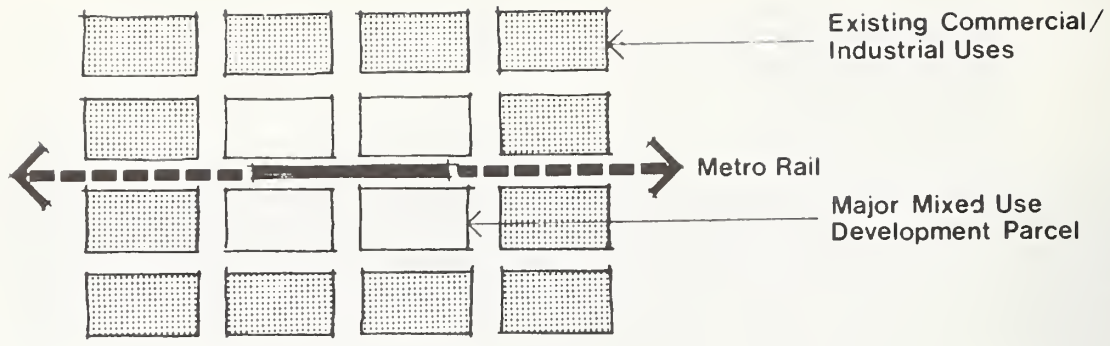
Stations: Wilshire/Vermont
Wilshire/Normandie
Wilshire/Western
Wilshire/La Brea
Wilshire/Fairfax

These stations have in common their location on what traditionally has been a major regional high-density commercial and office corridor extending west from downtown. This development is distinguished from that on Fairfax, for example, by the depth of its commercial/office parcels which allows for structures of significant size. As the plan diagram indicates, to the north and south of the corridor are multifamily and single-family residential uses. Parking often buffers the corridor and residential uses.

The visual form of this development at the regional scale tends to form a high-rise spine which future high intensity development will only strengthen. Opportunities for incorporating public purposes (e.g., community services) into joint development projects within the corridor, and for providing access from the station to development parcels should be considered for this station type. (See Figure V-2 for illustration of this design category.)

Scale relations of multistory development to the adjacent low residential use is of great concern, as is the separation of corridor traffic flows and parking supply from the residential neighborhoods.

Strong consideration should be given to the provision for interfaces with other transit systems without constricting traffic flow, particularly at station entrances. The possibility of these station areas, at least in the near term, sustaining a demand for kiss-and-ride, as well as park and ride facilities needs to be evaluated. There may be many opportunities for joint use of parking facilities, as well as the establishment of District-owned parking facilities which may later be converted for other uses and/or developed with air-rights construction.



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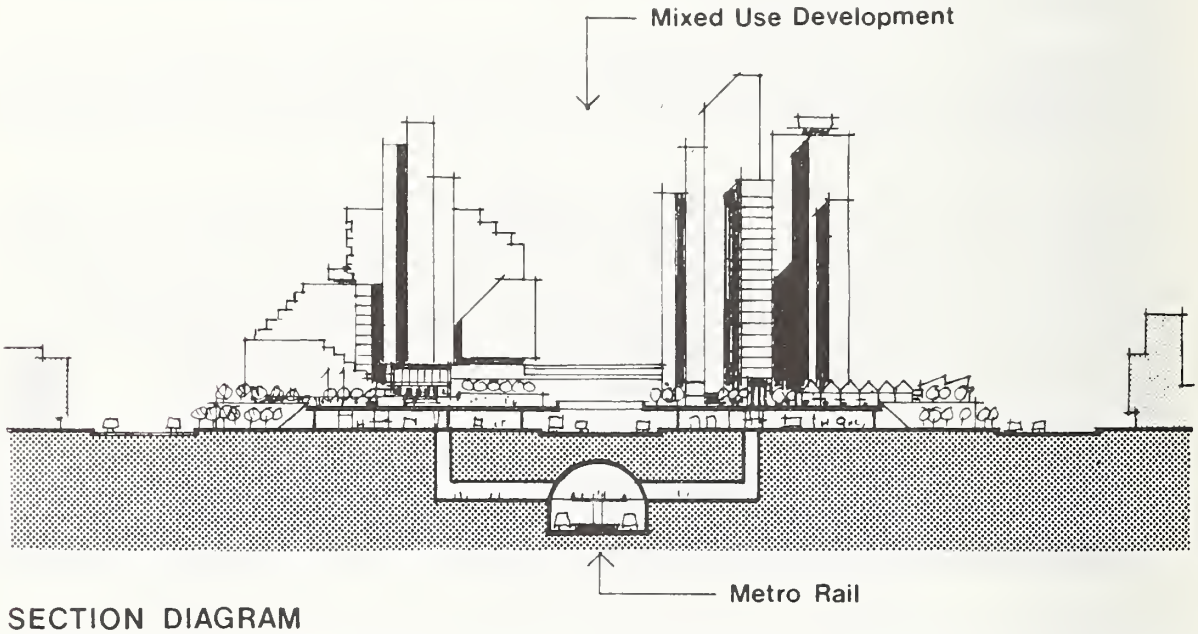


SECTION DIAGRAM

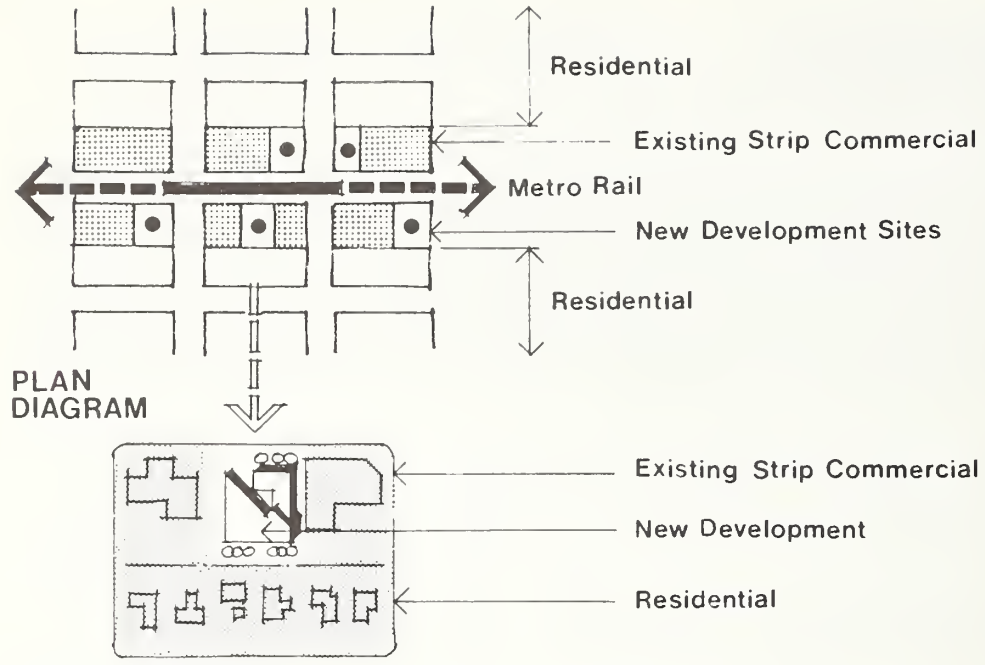
Figure V-3 TYPE 3: MAJOR INDEPENDENT DEVELOPMENT

TYPE THREE: MAJOR INDEPENDENT DEVELOPMENT

Stations: Hollywood/Cahuenga
Chandler/Lankershim
Universal City
Ventura/Vineland (Studio City)
Union Station

These stations are distinguished by the urban form of the communities they serve and the impact of potential development on the community. Unlike the downtown stations, major joint development projects would constitute an important if not major activity focus of the area. With the possible exception of the Chandler/Lankershim, Studio City, and Universal City stations, there is not an extensive low-scale residential community which would make scale relations and buffering of uses a very important consideration. (See Figure V-3 for illustration of this category.)

Joint development projects could become the dominant developments in these areas and could occupy significant portions of the available developable land. These station areas should provide for multiple uses including recreational, open space, and community services. They will be natural locations for an inter-modal transit center, as well as subterranean retail and elevator connection facilities. The visual form of these developments will be particularly critical as they will become dominant architectural elements at the local and regional scale.



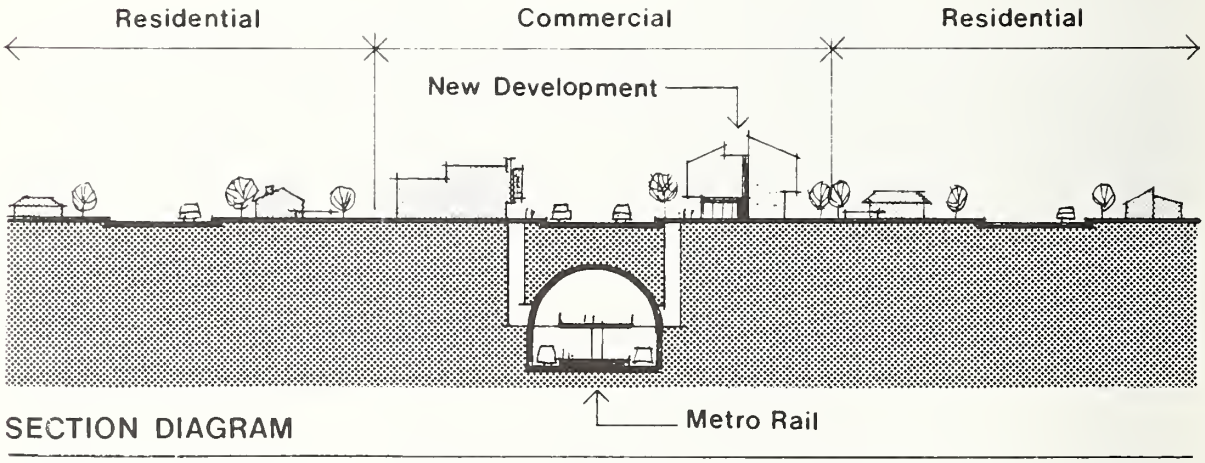


Figure V-4 TYPE 4: STRONG LOCAL COMMUNITY CONTEXT

TYPE FOUR: STRONG LOCAL COMMUNITY CONTEXT

Stations: Wilshire/Fairfax
Fairfax/Beverly
Fairfax/Santa Monica
Wilshire/Alvarado
Laurel Canyon/Chandler

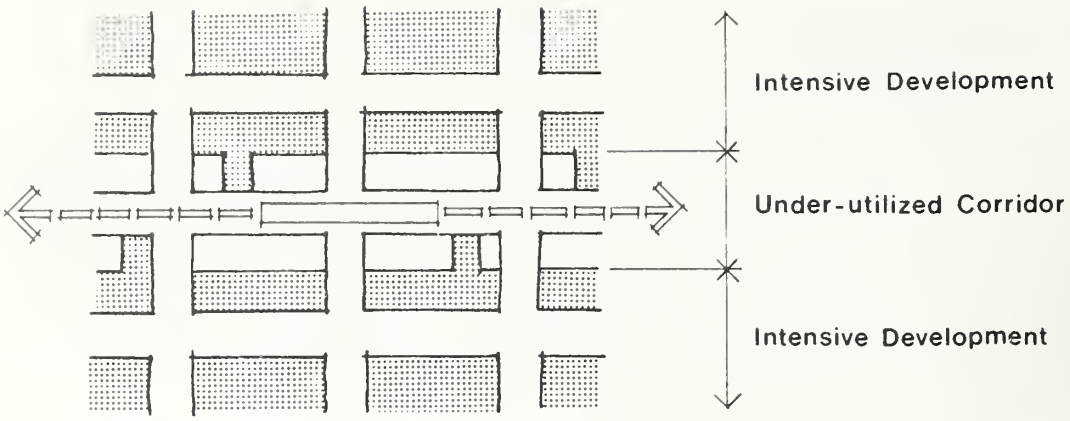
Common to these stations are strong residential communities adjacent to or nearby the station influence area which are served by local commercial uses. Community participation in station area development will be an important factor in several of the stations. Prime development considerations should include community-serving commercial uses, careful consideration of the scale of development and specific land uses, and connections of the new development to the present community fabric. (See Figure V-4 for illustration of this design category.)

A development constraint on some block fronts of all of these stations is the shallow commercial depth, restricted to half of the block depth, with residential uses on the other half.

It is critical that new development not disrupt the neighborhood/community cohesion which these areas exhibit. Construction period and long-term impacts in all categories must be carefully evaluated. New development should be carefully programmed to fulfill, where possible, currently unmet community needs such as for commercial parking, housing, social services, open space, and pedestrianized activity centers.

While the creation of pedestrian access to the station is an important consideration in all station areas, with these stations the need is particularly acute. Portions of these areas' populations are comparatively older, at lower economic levels, and/or more transit dependent compared with other station areas. Walking is an important transit mode, and local community facilities receive heavy usage.

Subterranean station connection possibilities for Type Four stations are fewer than with other types. More likely, entrances will have to be incorporated off-street within existing developments or on vacant lots.



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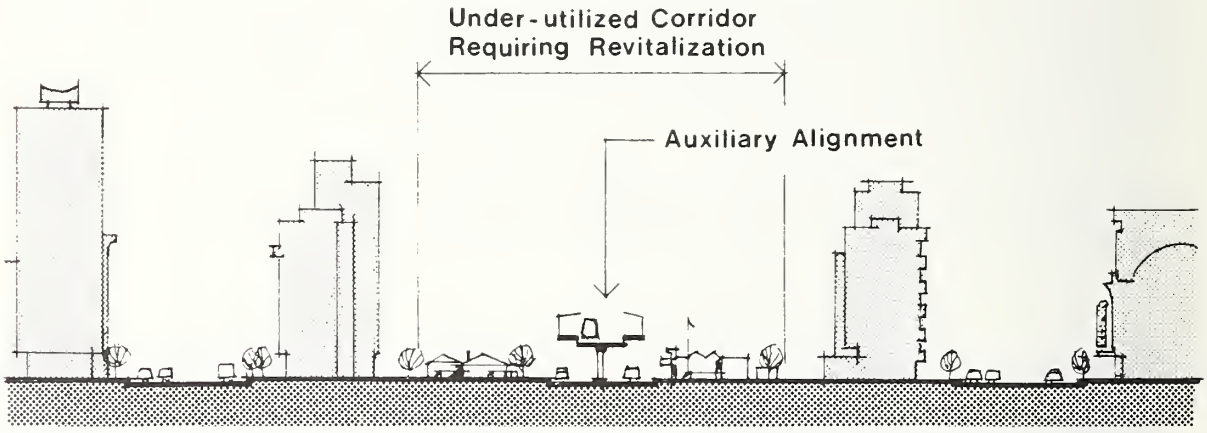


SECTION DIAGRAM

Figure V-5 TYPE 5: UNDER-UTILIZED CORRIDOR

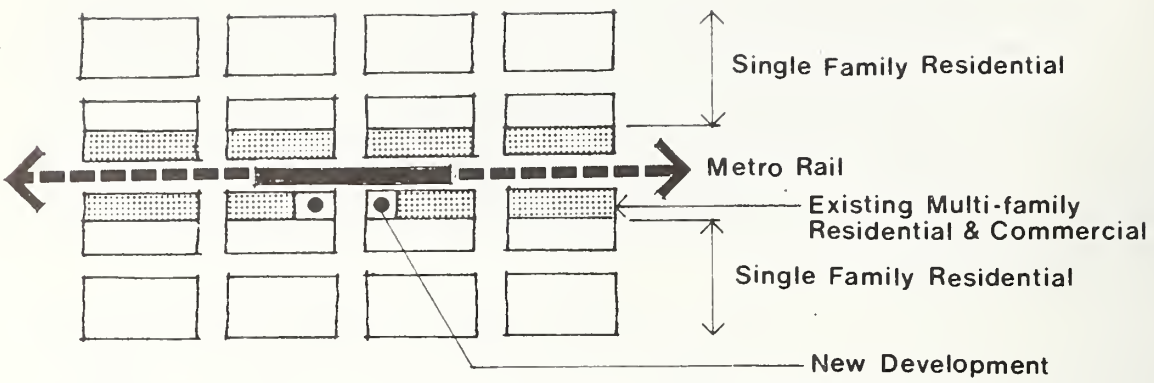
TYPE FIVE: UNDER-UTILIZED CORRIDOR

Station: Hollywood Auxiliary Alignment Stations

This category is defined for the proposed stations along the Selma Avenue corridor which is planned as the route of the Hollywood Auxiliary Alignment. The corridor is unique in several respects: it consists of a narrow street with one lane traffic in each direction; it is bounded by mixed low-rise residential, commercial, and institutional uses many of which appear to be of marginal economic value; and it is midway between two major arteries and linear activity centers, Hollywood and Sunset Boulevards. The intent of this alignment is to allow the Metro Rail system to proceed from Fairfax Avenue directly north to North Hollywood, at a cost savings, while serving the distribution needs of Hollywood in a manner appropriate to its linear commercial core.

The under-utilization of land and the comparatively poor condition of many of the adjacent structures leads to an unattractive overall visual impression. Further, there are few commercial, recreational, or office uses which would form destinations for most Metro Rail users. Riders would have to be attracted to make the one-block walk from the station to Hollywood or Sunset Boulevard. This would require a considerable amount of activity and landscaped pedestrian connections to the major arteries in place at the time the system was opened. (See Figure V-5 for illustration of this design category.)

The scale incompatibilities between the elevated alignment, its stations, and station access from the ground could be severe. Any joint development opportunities along the Selma corridor would have to deal with the difficult problem of relating to both the mid- to high-rise development on Hollywood and Sunset Boulevards, and the low-rise development along Selma. Traffic access to developments along the corridor will be complicated by both Selma Avenue's narrow width and the potential of further encroachment by guideway and station support columns.



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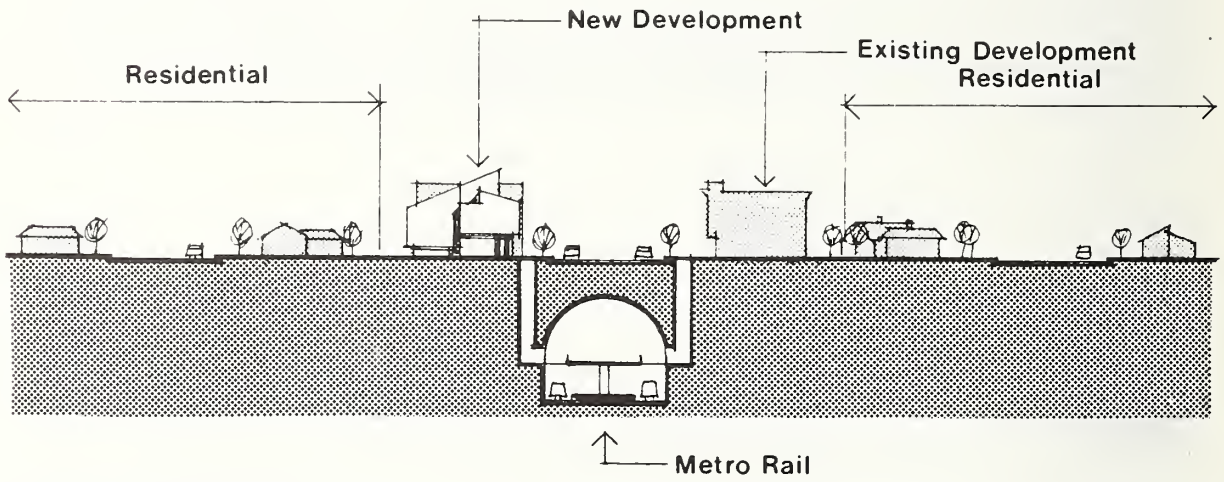

SECTION DIAGRAM

Figure V-6 TYPE 6: RESIDENTIAL STATIONS

TYPE SIX: RESIDENTIAL STATIONS

Station: Wilshire/Crenshaw

This station area is unique in the predominance of single and multifamily residential uses, with little community commercial support. While commercial and office uses are present on Wilshire Boulevard, community sentiment reflected in the Wilshire District Plan and Park Mile Specific Plan put strict limits on the height and character of both residential and nonresidential development on Wilshire Boulevard. Scale and architectural character for new development would be prime design considerations. The provison of kiss-and-ride, bus drop-off and park-and-ride facilities should be considered. Due to community sentiment, it is not likely that new development would serve as a focus for community activity, or a major pedestrianized area. Very few sites are available for joint development. Subterranean connection to new development is possible but not likely due to development controls on site density. The essential purpose of the station would be to serve as an intermodal transfer point from bus to Metro Rail, and to serve the adjacent residential areas. (See Figure V-6 for illustration of this design category.)

Station Area Masterplanning Process

A critical next step for the District after determining its land use and development policies is to establish, with other public agencies, a process leading to specific station area joint development programs. This process has two main and interrelated components: planning, and implementation/negotiation. Planning ultimately has to do with achieving agreement between public agencies, citizens and the development community on what land and community development should be accomplished within the Metro Rail regional corridor. Implementation/ negotiation making is the "how" of development. It deals with a set of financial and procedural tools, the "rules of the game", which establish the conditions under which the private and public sectors cooperate in development, and the actual realization of development projects.

Planning and implementation/negotiation strongly influence each other and are both essential to realize Metro Rail joint development potential. This section briefly describes important aspects of this program in terms of a series of sequential or simultaneous actions — a station area masterplanning process.

DEFINE APPROPRIATE VEHICLES FOR PUBLIC LAND USE AND DEVELOPMENT CONTROLS AND INCENTIVES

The primary forms of land use and development controls and incentives are specific plans and redevelopment plans, administered by the City of Los Angeles, Los Angeles County, and the City of the Los Angeles Community Redevelopment Agency , respectively. Other potential vehicles are zone changes, community plans and plan revisions, historic overlay districts, and conventional zoning. Given the specific plans and redevelopment plans currently in force along some areas of the corridor, it is likely that specific plans will be used for some station areas, redevelopment plans in others, and perhaps both in some station areas. The level of planning appropriate to each station area is addressed below.

DEFINE RESPONSIBLE REGIONAL AND LOCAL-SCALE PLANNING ENTITIES

The City and County of Los Angeles, the City of Los Angeles Community Redevelopment Agency and the District all have planning and implementation capabilities which are oriented to the particular function of each group. However, the task of corridor-wide community development demands an approach, viewpoint and set of skills which no single agency possesses. The challenge is to orchestrate these agencies to develop a coherent and consistent regional corridor and specific station area development approach. This could be accomplished by each agency assuming specific planning/implementation responsibilities within an overall framework. Alternately, a specifically-formed corridor-wide planning and implementation entity including representatives from the City, County, and the District could be formed. Given the staffing restrictions and high workload which public agencies are now experiencing, it may be most effective to establish a corridor-wide or station area-specific planning and development entity specifically focused on the Metro Rail corridor. The breadth of issues needed to be dealt with may also recommend the latter approach. These issues include: overall regional balances of land uses, zoning controls, implementation techniques and financing, architectural, landscape and urban design. At present, no single agency encompasses and has expertise in all these areas.

An important aspect of the effectiveness of the planning entities will be the generation of political and citizen support at the local, city, county, regional and state levels. Strong political leadership will be a must. A citizen participation program needs to be defined and initiated to be, as has been the case so far, an integral element of the planning and implementation process.

DEFINE LAND USE AND DEVELOPMENT NEEDS SPECIFIC TO THE DISTRICT

The District's perspective on land use and joint development may differ in several respects from the approaches and values of the other participants in the station area masterplanning process. Therefore, the District needs to bring its own distinct definition of land use and development needs to the table, as the actors in the planning and implementation process start their work. This definition could be accomplished internally by the district, or in conjunction with consultants.

DEFINE OVERALL COMMUNITY DEVELOPMENT GOALS FOR EACH STATION AREA

Overall development goals for each station area based on City and County-wide criteria must be determined, both through planning analysis and through citizen participation. This work is an essential initial element of the planning and implementation framework for District action. The work primarily consists of defining those community elements (e.g., types of businesses, housing, circulation, open space, recreational facilities, etc.) which are needed for each station area to become an integrated and self-contained center, per the centers concept.

This work has already been initiated by the City of Los Angeles through two ongoing activities: the specific plan planning process for each station area, and the revision of the centers concept. This revision, discussed in Chapter III, is now only in its initial stages of public discussion. Yet its completion is an important precondition of any other planning work. The City is taking a regional perspective, in terms of defining the needs and specific criteria for balancing development among centers. Yet the City is also making detailed definitions of specific local land use resources which exist and are needed to comprise a 24-hour, balanced pedestrianized and self-contained center, the very model of urban development which best supports Metro Rail.

ESTABLISH OVERALL STATION AREA COMMUNITY PLANS

Based on the previous step, overall station area plans will be developed. Several issues which need to be addressed, from the District's perspective, include whether plans are needed for each station area, and what form the plan would take (e.g., specific plan, redevelopment plan, historic overlay zone, community plan revision). The potential of tax increment financing available only through redevelopment projects may encourage decisions to establish redevelopment projects around staton areas if the finding of blight can be made. A subsidiary issue is whether a redevelopment project or specific plan should be made corridor-wide, subarea wide including a few related stations, or on a station-by-station basis.

For those areas which have a demonstrated potential for joint development, overall planning needs to be accomplished. This includes such factors as specification of all land uses within the area, development incentives, open space and pedestrian networks, urban design factors, localized traffic and transit planning, environmental protection, and historic preservation. Such study areas will assure that

intensification of development is directed to the station area, and that any surrounding lower scale uses, particularly residential, are adequately buffered and protected.

For those areas with lower joint development potential or areas which may not need the comprehensive protection of an overall station area masterplan, a lesser degree of control may be considered. Perhaps the existing community plan, or a revised version may be all that is needed in the near future. As station area potential is increased in the future, then more extensive planning controls/incentives may be instituted.

District parking policy closely coordinated with parking controls of other agencies is a precondition of station area planning. Decisions regarding the extent and location of initial and future parking facilities, at each station area, as well as in outlying park-and-ride lots, need to be made in order that land acquisition and development requirements are known.

As stressed throughout this report, the station area center development needs to be aimed at creating vital, pedestrianized activity centers with a balanced range of commercial, recreational, and residential uses which is both an attractive destination and an origin of 24-hour demand for transit use. This transit-based aspect of community design is achieved only through careful attention to a number of factors including: integration of transit facilities and community design, the creation of an integrated pedestrian-based local circulation system within an attractive pedestrian domain, and careful attention to scale transition between higher and lower buildings.

The plan must closely relate to the financing and implementation available to the District, city, CRA, and the county. In station areas where available funding will be low, a fine-grain scale of relatively low-cost public improvements planning might be undertaken, with incremental increases in investment for community revitalization over time. In other station areas, this level of consideration may not be necessary for the moment as much larger scale improvements may be possible. More immediate issues would be determination of land use, circulation design, allowable densities and other coarser-grain overall guidelines. Transfer of development rights planning will require, for example, a detailed consideration of allowable floor area ratios and building bulk which minor incremental improvements in other station areas would not now demand.

TARGET STATION AREAS AND ESTABLISH IMPLEMENTATION MECHANISMS

Station areas with the greatest potential for joint development will, at least in the short term, be the focus of District community development activity. These stations need to be determined. Appropriate value capture mechanisms are then defined, and any needed legislation initiated. Associated City and Redevelopment Agency responsibilities for achieving broader community development goals will be defined. A multi-year work program will be established which may integrate the efforts of each agency, may define the work of each public entity separately, or may lay out an action plan for a corridor-wide development and planning entity.

The District's efforts will be oriented in two directions: coordinating with the city, county, and CRA as appropriate to establish detailed planning and work objectives as well as financing mechanisms, as well as at the same time establishing the "rules of the game", specific development site studies and development requirements

needed to deal with private sector developers. These rules include a consistent set of development standards and review and processing procedures.

INITIATE DEVELOPER NEGOTIATIONS AND ONGOING DEVELOPMENT PROCESSES

Once the planning and implementation framework has been set up, negotiations with developers can be started on the basis of a known set of powers and incentives in the hands of the public sector. A consistent set of rules and procedures will enable the developers to proceed into negotiations with confidence. The requirements and incentives which the procedures incorporate will assure the developer of a reasonable return. At the same time, they will assure that the specific developments will provide a financial return to the public (including the District) and meet the needs of the station area for public improvements, and the addition of specific types of land uses, possibly including housing and social services.

As the District and other public agencies gain experience in dealing with the initial round of developments at station areas, additional station areas may be dealt with and further planning conducted. Experience with the original institutional arrangements, planning process, citizen involvement, financing and implementation mechanisms, and all other aspects of community development may indicate desirable modifications to the planning and implementation process which should be instituted. The pioneering nature of the District's early planning for land use and value capture and the possibility of a unified development approach to the regional Metro Rail corridor is by its very nature experimental. Certainly better and more effective approaches, as well as changing circumstances will warrant a continuous effort to evaluate and improve the station area masterplanning process.

VI. JOINT DEVELOPMENT

Introduction

Joint development represents one of the most powerful tools the SCRTD has to accomplish many of its land use and development objectives. Joint development may help achieve implementation of regional and city plans, urban design improvements, economic development of the region and station areas, increased transit ridership, cost efficiencies in station design and construction, increased returns on private sector development, and value capture.

Joint development is defined as the planning and implementation of both the transit improvements and changes in land use and circulation within approximately a 2,500 foot radius of a transit station. The planning function refers to the physical planning which must be undertaken to the pattern of land uses affected by the transit improvement, including the transit improvement and local services. The implementation function refers to the administrative and financial action which will be used to construct and operate the transit improvement, and to develop or redevelop associated land uses and services.

Since World War II new[1] regional rapid transit systems (i.e., fixed guideway) have been constructed and begun operations in San Francisco (BART); Washington, D.C. (WMATA); Atlanta (MARTA) and San Diego (Trolley) respectively. The degree, focus, and magnitude of the land use influence of each of these systems, and the resultant level of joint development activity have varied greatly. Extensive case study impact analyses of the BART system[2] indicate a relatively minor level of initial land use development and land value impact during the first five years of BART's operation. In contrast, the Washington, D.C. system has directly induced nearly $2.5 billion in land value appreciation and influenced the location decisions of over $5 billion in new real estate development in the area immediately surrounding the existing Metro stations. The land use impact and joint development impact experience in Atlanta parallels that of Washington, D.C. while the San Diego experience appears (to date) to conform more closely to the BART model. Baltimore and Miami are experiencing significant land use impacts and joint development activity prior to system opening.

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[1] Baltimore, Miami, Portland and Detroit are now constructing new fixed guideway transit systems, but these systems have not yet opened.

[2] See: "BART Impact Program: Land Use and Urban Development Project," Study of Property Acquisition and Occupancy/BART's Effect on Speculation, October, 1978.

This chapter of the Milestone Six report first discusses the potential benefits related to a well-coordinated, corridor-scale rapid transit joint development program and then presents a discussion of the institutional options which must be addressed in order to establish an effective joint development process.

Benefits of Joint Development

Effective packaging of joint development can result in important economic benefits, as well as important community and regional benefits. Both of these "types" of benefits directly affect the District, the city and county, and citizens of the region. The monetary benefits derived from effective packaging of joint development can be directly measured in terms of land value appreciation, utility and municipal cost savings, increased transit ridership, direct value capture/capital cost recovery, and increased return on private sector investment. The Washington Metropolitan Transit Authority (WMATA) last year conducted an "Illustrative Cost/Benefit Analysis of Two Joint Development Projects". The conclusions of this analysis were:

- The analysis of the approved Bethesda joint development project found that the incremental benefits to WMATA and Montgomery County will exceed costs by $130 million (in terms of present value) over a fifty-year period (i.e., 1985 to 2035). This return represents an overall ratio of benefits to costs of over 40 to 1.

- The proposed joint development project at the New Carrollton Metro Station is estimated to generate benefits exceeding $73 million (in terms of present value) over a fifty-year period (i.e., 1990 to 2040). This return represents an overall ratio of benefits to costs of over 9.5 to 1.

These and other potential benefits related to a well coordinated, corridor-scale rapid transit joint development program are discussed in the following paragaphs.

UTILITY COST SAVINGS

In the majority of metropolitan areas, the major trunk line utility distribution systems were designed with excess capacity.[3] To the degree that the coordinated development of a regional rapid transit system encourages joint development in built-up areas and activity centers (within high utility capacities), there is a potential to reduce the incremental costs required to provide these services for new residents and to support commercial development.

The public development policies that would best support transit development also would encourage more orderly suburban growth. This further reduces the potential need to construct additional utility distribution systems, such as gas, water and sewer mains, and electric and telephone lines to serve the region's future population and employment base.

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[3] American Gas Association Technical Regional Development Commission Study of Utility Cost Savings Related to Coordinated Regional Development, 1970.

All three of the new regional rapid transit systems (i.e., MARTA, WMATA, and BART) that have initiated operations in the United States prior to 1980, are being built in metropolitan areas that are expected to gain at least two million residents by the year 1995. Provision for the infrastructure of this regional growth represents an estimated incremental capital investment in utilities in excess of $3 billion for each of the three cited metropolitan areas.[4]

Based on the documented urban development impacts of the existing regional rapid transit systems in North America, it would be reasonable to expect that a well coordinated regional transit development program could generate four to five percent overall utility capital cost savings.[5] On this basis, a well defined corridor-scale joint development program could result in a minimum utility cost savings of $120 million to $150 million.

CITY SERVICE COST SAVINGS

The correlation between changes in urban density and the per capita costs of providing requisite governmental services has been documented in national and regional case studies.[6] The major categories of city service influenced by density changes are public works, public safety, and general services. In the 20 largest metropolitan areas, these three city service categories represented a public expenditure of about $135 per capita per year in 1980.[7]

Based on the documented case studies of other operating regional transit systems and evaluations of coordinated regional urban development programs, city service cost savings should range from one to two percent overall.[8] In the San Francisco Bay Area, Atlanta, and Washington, D.C., this would amount to between $5 or $6 million in annual costs savings for each of the three respective metropolitan areas.

In the later stages of regional rapid transit development, this potential impact increases on a cumulative basis. The city service and utility cost savings potential are among the most significant regional benefits attributable to the implementation of a regional rapid transit system. Yet, without the benefit of implementing a major, corridor-scale joint development program, few of these potentials will be realized.

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4 Issard and Coughin, "Municipal Costs and Revenues Resulting from Community Growth," AIP Journal 122, 239 (1966).

5 Meyer, Kain & Wohl, Urban Transportation Economics (1964) DRA, Case Study of the Urban Impact of the Operating Transit Systems of North America (1972).

6 Harvey E. Brazer, City Expenditure in the United States, National Bureau Economic Research, New York (1959); Robert J. Harmon and Richard Recht, Open Space and the Urban Growth Process Monograph," University of California, Berkeley (1969).

7 Bureau of the Census, Report of City Finances (1980).

8 American Gas Association Technical Regional Development Commission.

SHORT- AND LONG-TERM COMMUNITY BENEFITS

Within an individual community, successful implementation of joint development projects can:

- Help achieve implementation of community land use and development goals.
- Provide the catalyst for upgrading the overall character of urban development.
- Substantially broaden the local tax base and increase the market capture of commercial trade by existing retail establishments.
- Improve the efficiency and functionability of larger private and public facilities, such as hospital and convention centers.

INCREASED TRANSIT RIDERSHIP

Joint development represents a significant and potentially profitable source of incremental transit ridership. Taking into account only buildings directly connected to Metro stations, joint development represents 3.3 million annual patrons for the Washington, D.C. Metro system. These patrons represent the primary market for off-peak, especially noon-time, riders. Recent national case studies conducted for the Urban Mass Transportation Administration (UMTA), indicate that full realization of the joint development potential of new regional rapid transit systems represents between a 10 percent to 25 percent increase potential in incremental system ridership, with at least 50 percent of this increase occuring in off-peak hours.

The Metro Rail Project has an equivalent potential for increased ridership, resulting from successful packaging of joint development. This is especially true if the development potential of the mid-corridor Metro Rail stations is fully realized. This long-term potential for increased ridership can be greatly enhanced if the pedestrian domain of Metro Rail patrons is extended by second level walkways and other physical and landscape/design amenities that extend the "gateway" from the Metro Rail stations to surrounding residential neighborhoods and viable commercial centers.

COST EFFICIENCIES IN STATION CONSTRUCTION AND OPERATION

Particularly if the timing of the construction of the joint development projects coincides with Metro Rail station construction, or if the design of the station facilities correctly anticipates the appropriate type and scale of future joint development, major cost efficiencies can be realized in relation to both the capital and system operational costs.

For example, in the completed Farragut West Metro station in Washington, D.C., the heating and air conditioning (HVAC) of the station is provided from the physically integrated International Square joint development project. In order to eventually provide direct access to the project through a knock-out panel and sidewalk escalator, the developer provided a temporary HVAC system during the building's construction which was later replaced by a permanent system. In another Washington, D.C. metro station (in Bethesda, Maryland) the heat generated by the Metro system will be harnessed and recycled into the integrated joint development project's heating/air conditioning system to achieve a significant energy savings.

Because knock-out panels are not permanent structures, the Atlanta MARTA system realized station construction cost savings when this accommodation was made for future joint development. Other capital cost savings can be realized through common elevator banks, curb cuts, etc. Each of these types of station features not only save capital costs for the system but also generate higher return for the private sector investment from the buildings that are physically linked to the rapid transit station area.

INCREASED RETURN FROM PRIVATE SECTOR INVESTMENT

Joint development projects generate a higher rate of return to the private sector than comparable projects located in areas of the metropolitan region not directly served by a rapid transit system. For example, in the Washington, D.C. area, joint development office projects command at least a 10% premium in rent levels over buildings constructed at the same time that are located two blocks away from the Metro station. Joint development projects located in the CBD area are capable of supporting larger amounts of retail space, which commands lease rates that are usually at least twice that of the commercial office space. Another factor that increases the net leasable space in a joint development project is the reduced on-site tenant parking requirements.

Close proximity to or physical integration with a rapid transit station can also be an important factor in securing permanent project financing. Long-term real estate lenders now are assigning credit in their loan evaluations for a joint development project's proven ability to sustain premium rents for longer periods of time. Prudential, a national real estate financing company, has recently completed its own joint development projects in relation to both the New Jersey Lindenwold Line and the Washington, D.C. Metro system.

Joint Development Options for Public Agency Involvement

Two sets of options pertaining to public agency involvement must be addressed by the SCRTD in order to achieve an effective joint development program. The first set of options to be presented pertain to levels of public agency involvement. The second set of options relate to the institutional arrangements for joint development.

ALTERNATIVE LEVELS OF PUBLIC AGENCY INVOLVEMENT IN JOINT DEVELOPMENT

Primary decisions regarding the timing and level of public sector involvement in the station area development and joint development process predetermine, to a large extent, the level and type of Metro Rail station area that will ultimately occur. Past experiences of other major U..S metropolitan areas clearly demonstrate that the earliest and most active level of public sector involvement produces the optimum level of joint development.

Certainly other factors, such as the rate of regional growth, the type of station and its urban setting, property ownership patterns, also exert important influences on rapid transit station area development. However, the traditionally held view that the private sector can successfully package the optimum level and quality of joint development with a minimum level of public sector coordination has been proven false.

If the full economic potential and joint development of the Metro Rail system is to be realized, the public sector must position itself in an "active", not a "reactive," posture. This section of the Milestone Six report describes the options for the level of public agency involvement in the transit station development process.

Option I - Laissez-Faire Market Approach

Under this market scenario, the public sector designs and constructs the most cost-efficient system in the most expeditious manner. Comprehensive land use planning is usually not initiated until after system construction is well underway. The "laissez-faire" market approach calls for private sector market forces to solely determine the location, scale, and composition of rapid transit station area development (within the context of locally established zoning codes). Community involvement is limited to public hearings required for local zoning amendments.

The well-documented land use development impact of the San Francisco BART[9] and the Southern New Jersey Lindenwold line most closely represent the "laissez-faire" level of public agency involvement in rapid transit station area development and joint development project packaging. The scattered and functionally disaggregated development that occurred at the Walnut Creek station in the BART system and the Lindenwold line terminus station--demonstrates the type of development that is most likely to occur under a "laissez-faire" level of public sector involvement.

Taking into account the lessons learned from these earlier experiences, the New Jersey Department of Transportation is now sponsoring a joint development packaging program to assemble sites and market near-term joint development at the existing Lindenwold line stations. Recently, both the cities of Oakland and San Francisco have successfully utilized financial leveraging resources to package new joint development at selected BART stations. With the increased sophistication that has been added to established land use planning and zoning codes during the last twenty years, a true "laissez-faire" model of public sector involvement will, in all likelihood, never again occur in a major U.S. metropolitan area sponsoring the construction of a regional rapid transit system.

Through the established specific planning process, comprehensive land use planning is already occurring at each of the Metro Rail transit stations. This effort is being conducted by the Los Angeles City Planning Department and the Los Angeles County Planning Department under contract to the SCRTD. In those station areas located in established urban renewal districts, the transit station development process will be governed by the adopted renewal plan.

The Milestone Six Report represents SCRTD's initial effort to assure effective coordination between the transit station design process and the ongoing land use planning activities from the outset of the Metro Rail final design phase. The policy guidelines contained in this report represent the decision and implementation framework that will be utilized to coordinate the Metro Rail transit station devel-

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9 "BART Impact Program: Land Use and Urban Development Project;" Study of BART's Consumption of Land and Property, May 1978; Study of Property Acquisition and Occupancy/BART's Effect on Speculation October 1978; and Study of Retail Sales and Services, October 1978.

opment process. There are two valid choices in levels of public agency involvement in the transit station area development process--given the inappropriateness of the "laissez-faire" market approach. These choices are between a substantive level of public/ private development coordination and actual project packaging (i.e., a private/ public coventure) approach to joint development, with both sectors participating in the economic risks and rewards.

Option 2 -- Coordinated Development

Under this joint development scenario, the public sector establishes a comprehensive land use planning program from the outset of the final system engineering process. Prudent incremental station design investments or design accommodations are made to optimize future joint development opportunities. The "development envelope" for transit station area joint development is established in the local land use planning process, and compatible zoning changes are made in advance of system opening. Major community involvement occurs in both the comprehensive planning phase and the project review and approval stages.

The joint development experience of the Washington, D.C. and the Atlanta, Georgia metropolitan areas during the early and mid-1970's most closely resembles this model of public sector involvement. Major joint development project activity, along with a higher level of pedestrian amenities, were achieved in both these major U.S. metropolitan areas through a coordinated public agency approach to joint development. A coordinated level of public agency development involvement is most effective when the public sector owns substantial parcels of land surrounding selected transit stations, or when the system has an unusually high number of desirable air rights development opportunities.

The limitations of the coordinated public agency approach to joint development is that the private sector normally needs to negotiate with more than one entity. Actual project "development incubation" periods are longer, and land use speculation activity is more difficult to control. The final developer pays a premium and, therefore, incurs a higher risk to construct the proposed project. From the public sector viewpoint, there is a significant level of economic returns and transportation benefits that accrue from this coordinated development approach. However, the optimum level of economic returns to the system, and the potential for second and third-rounds of functionally integrated joint development, are not achieved.

There are considerably fewer developable station area parcels and air rights project opportunities under public sector control in the Metro Rail corridor than existed either in Washington, D.C. or Atlanta. Further, there were a larger number of prospective sites assembled before the market place understood the full value of station locations in both Washington, D.C. and Atlanta. For example, during the late 1960's in Washington, D.C., a single developer assembled five full city blocks or half-city block land holdings that were directly served by Metro stations.

Given the joint development experience of the major U.S. and Canadian development firms, private sector site assembly will prove more difficult in the Los Angeles metropolitan area, under the coordinated level of public agency development involvement. Another important factor is that rapid transit system adoption and construction preceded periods of major commercial office expansion in both Washington, D.C. and Atlanta. The Los Angeles CBD is more completely developed than both these cities. Therefore, one of the unique joint development issues facing the Los Angeles metropolitan area is a major level of physical design

coordination with existing development and/or new development that will occur, well in advance of the Metro Rail system's opening.

Option 3 — Project Packaging

Under this joint development scenario, both comprehensive land use planning and "project packaging" occurs from the outset of the final engineering stage of rapid transit development. The value capture objectives of the local transportation authority are established from national experience, as opposed to evolving over an extended period of time. All available financial leveraging resources are applied from the outset, to optimize station area joint development.

In addition, the comprehensive land use planning process fully takes into account both near-term and long-term joint development potential of each rapid transit station area. Efforts are made to reduce the adverse impacts associated with rampant land speculation. More innovative development incentives, such as the transfer of development rights, are utilized to preserve the integrity of residential neighborhoods surrounding Metro stations. Finally, the private sector is actively approached with respect to joint development opportunities.

The complete model of a true project packaging approach to joint development has not yet been fully developed in the United States. The City of Baltimore, which established renewal districts around each designated station area and then established a Transit Corridor Development Corporation (TCDC), has assumed the most progressive posture towards public agency involvement in joint development. In 1976, the City secured an agreement with the Maryland Transportation Authority to invest an additional $400,000 to send out alternate bid packages (that alternatively included and excluded a major pedestrian plaza at the Lexington Market Station). This incremental investment has led to the construction of a $100 million mixed use joint development project at this station location. However, because Baltimore is a slower growth area than Washington, D.C. or Atlanta, it has experienced a lower level of joint development activity, even with the support of an active project packaging level of public agency participation in the station area development process. The Portland, Oregon metropolitan area has also recently adopted the project packaging level of public agency participation to coordinate and package joint development within a 2,500 foot radius of the Banfield light rail line stations. This step was preceded by comprehensive land use planning and major zoning code changes, supportive of joint development.

For several reasons, the "project packaging" level of public agency involvement in the station area development process, should be adopted in the Los Angeles Metropolitan Area. These reasons include: 1) the ongoing pace and scale of urban development, 2) protecting existing residential neighborhoods, 3) ensuring orderly and compatible station area development, 4) capitalizing on the opportunity to optimize the economic return of the system, and 5) maximizing the transportation benefits of the system. The institutional options, for achieving the optimum level of Metro Rail joint development and compatible station area development, are discussed in the next section of this chapter of the Milestone Six Report.

PUBLIC AGENCY INSTITUTIONAL OPTIONS FOR JOINT DEVELOPMENT

The comprehensive legal authority and specialized staff resources required to: 1) coordinate the station area development process, 2) package and implement joint development, and 3) provide financial incentives and secure value capture agree-

ments — are not embodied in any single public agency in the Los Angeles Metropolitan Area. This statement would prove a valid observation in every major U.S. metropolitan area that has sponsored the construction of an initial phase, regional rapid transit system during the last twenty years.

One of the major constraints of joint development throughout the United States is that local jurisdictional authority remains divided, with no single mechanism in place for overseeing effective coordination of transportation system planning and land use. (The local institutional options for establishing this essential mechanism are described in the next section of this chapter.) The focus of this section of the Milestone Six Report is to delineate the composite public agency capabilities that are required to achieve successful joint development implementation.

Overall, there are five fundamental capabilities that a public agency must possess to attain the full joint development potential and requisite transportation and economic benefits, emanating from construction of the initial phase of a regional rapid transit system. These essential resources are as follows: 1) comprehensive planning and redevelopment coordination, 2) station facility and related transportation service design and location authority, 3) real estate project packaging resources and authority, 4) ombudsmen support and inter-agency representation powers, and 5) financial leverage resources and value capture negotiation authority. The basic nature, scope and significance of each of these capabilities are described in the ensuing paragraphs.

Comprehensive Planning and Redevelopment Coordination

Without comprehensive planning and redevelopment coordination capability a vacuum is created, that allows system engineering considerations to dominate station location, pedestrian amenities, and portal locations decisions. Too often in other major U.S. metropolitan areas once these decisions have been approved, consideration of optimal land use and development was precluded. The SCRTD is committed to ensure that this situation does not occur in relation to the Metro Rail Project. The bridgeable distance between transit construction and urban development — in relation to timing and implementation — must be resolved. Initial actions are already underway to functionally integrate the City and County of Los Angeles' comprehensive planning capability, with the system design of Metro Rail.

The City and County of Los Angeles has an established general and project-specific land use planning process. Metro Rail station area specific land use plans are now being prepared by the Los Angeles City Planning Department and the Los Angeles County Planning Department. These plans will set the effective zoning regulations and overall land use master plan for the designated Metro Rail station areas consistent with the General Plan adopted for the City of Los Angeles in 1974. Planned station locations in North Hollywood and the Los Angeles CBD are within established redevelopment districts, under the authority of the Community Redevelopment Agency (CRA) of the City of Los Angeles. The SCRTD has established formal lines of liaison (and Metro Rail Project coordination) with both of these respective agencies. During the course of completing the future final engineering and construction phases of the Metro Rail Project these activities must become more centralized. In addition, a direct means of coordinating efficient and effective interface -- between the station area comprehensive land use planning process, ongoing community redevelopment activities -- and final station design and engineering must be established.

The comprehensive planning and redevelopment coordination authority required to achieve the optimal level of compatible joint development (in the subject station areas of the Metro Rail system) must encompass both the existing general and specific area planning capabilities of the City and County of Los Angeles and the redevelopment authority of the CRA. In particular, if the flexibility of the existing redevelopment tools of the CRA can be employed in the Metro Rail station area development process, elements of three additional required capabilities (i.e., leverage funds, real estate project packaging, and ombudsmen representation authority) would be acquired by the public agency responsible for implementing joint development. For example, within defined redevelopment areas, the tax increment financing tool can be utilized for infrastructure and community facility improvements. In addition, the agency's proven staff capability and track record in real estate project packaging would be an invaluable asset in the joint development process. Finally, the CRA already has the ability to provide "one-stop shopping" ombudsmen assistance to secure permit and other related development approvals for project implementation.

From both a legal and a joint development project implementation viewpoint, it will be essential that the City and County of Los Angeles's existing comprehensive land use planning capabilities and redevelopment authority be enveloped and coordinated with the Metro Rail station area development process. Of equal importance is assuring that the existing planning procedures of the project-specific land use plan and any redevelopment area plan include provision for full citizen participation. Therefore, the desired community input and local consensus formulation process would automatically be incorporated into the composite Metro Rail station area development program.

Station Facility Design and Location Authority

The authority to oversee Metro Rail station facility design decisions must be conferred on the public agency responsible for carrying out the prescribed joint development program. Currently, this authority is vested in the Southern California Rapid Transit District. In addition to station shell design, a number of other key design/location factors must be fully coordinated with the joint development project packaging and overall Metro Rail station area development process. These include: modification to portal entranceways, supportive circulation and distribution transit service, vehicular accommodation, etc.,

The station design and location authority of the agency responsible for joint development must allow for the direct ability to intercede in the final station design process. This is necessary in order to adapt physical facility and transportation service changes to support Metro Rail joint development. This agency's capacity must also encompass private real estate project design review and approval capabilities to ensure that the land use composition, density, parking, and pedestrian amenities are consistent with attaining optimum joint development. This centralized capability, combined with the application of financial leveraging tools, will enable the subject agency to resolve the functional timing and implementation conflicts between achieving Metro Rail system construction and optimum station area development.

The current commitment of the SCRTD to effectively fuse their station design and location authority with local land use planning and redevelopment functions from the outset of the Metro Rail system's implementation, will set a national precedent for establishing an effective station area development process. The lack of sensi-

tivity and centralized authority to effectively resolve these issues at all stages of rapid transit system development has been the prime determinant of the minimum level of joint development that was attained for example, in relation to the San Francisco BART system and Southern New Jersey Lindenwold Line. More recent examples, including Washington D.C. and Atlanta demonstrate significantly higher levels of station area joint development because more comprehensive efforts were made earlier in the process to coordinate land use and transportation system development decisions.

Real Estate Project Packaging Resources and Authority

Development coordination authority is not sufficient alone to ensure optimum Metro Rail station area land use development. The public agency responsible for this activity must possess the complementing specializing professional staff resources and capabilities required to formulate and actually "package" real estate projects. Generally, this type of real estate expertise is not present in the property management or planning departments of public transit authorities.

Real estate project packaging is a complex process that involves: market and financial feasibility analyses, architectural and construction cost reviews, land use appraisals, and direct private sector negotiations. Essentially, it is an "active," not a "reactive" function, that stimulates financially sound, high quality real estate investment in locations that meet adopted public sector/local community development objectives. In the case of transit station joint development, the professional staff carrying out this function must also be intimately aware of the individual land use market and financial impacts of a rapid transit system. Finally, the staff must have the professional background and ability to effectively interface with the private sector.

Real estate "project packaging" is the central function and prerequisite professional skill and acumen required to achieve successful Metro Rail station area joint development. In general, the private sector is increasingly aware of the real estate market implications of rapid transit system implementation. This fact heightens the potential for a public agency with the requisite level of real estate packaging capability and financial leveraging tools at its disposal, to achieve the optimum quality and scale of Metro Rail station area joint development.

Ombudsmen Support and Interagency Representation Authority

Without ombudsmen support and interagency authority, the private sector will be reluctant to invest in Metro Rail station area joint development. Agreements reached in negotiation with one agency can be negated or delayed by another. This expediting and clearing function has become essential to the successful packaging of any large-scale urban development, due to the extremely high costs of inflation and project financing that are incurred when unnecessary delays occur in securing project approval.

The ombudsmen function literally involves hand-carrying all necessary paper work through all agencies and/or departments involved in the public real estate project approval process. In the City of Los Angeles, for example, this includes: building permits, utilities, zoning amendments, parking rights, development rights, possible street closings, environmental impact review, city traffic accommodation for construction, etc. The public agency responsible for joint development must have the authority to represent projects with all other agencies or departments involved in approval of new real estate development.

The ability to streamline the development approval process by providing ombudsmen support and able representation for a project with other public agencies and departments is essential to forging effective private sector negotiating capability for the public agency that directs and manages the joint development program. Otherwise, the most competent and qualified development firms will not agree to: 1) the level of design accommodation or 2) cost sharing -- required to achieve the Metro Rail System's optimum station area development. Thereby, an equitable level of economic return from the public sector's $2.1 billion invested in this vital rapid transit system project would be foregone.

Financial Leverage Resources and Value Capture Negotiation Authority

In order to ensure that: 1) full pedestrian amenity packages, such as, plazas, second level pedestrian bridges, that maximize the economic and user benefits of the Metro Rail system are included in all station area development, and 2) joint development projects are made more attractive to prospective private sector investors -- it will be necessary that the public agency responsible for joint development have direct program access to alternative financial leveraging resources.

These types of funds reduce the private sector's front-end capital investment costs and are generally referred to as "gap" financing. During the last few years the public sector has more effectively utilized leverage financial support for encouraging large-scale urban development. There has been gradual acceptance by the private sector that in return for this assistance the public sector should share in the long-term economic returns of the real estate project through use of extended payback agreements, land lease payments, etc. Recent joint development project examples[10] of this type private/public financial arrangement include: the Denver Transportation Terminal, the Connecticut Connection in Washington, D.C., and Gallery Place in Philadelphia.

Traditional financial leverage mechanisms should be available to the public agency responsible for Metro Rail system joint development. Such mechanisms include: 1) tax exempt bonds, 2) Urban Development Action Grants (ie., a deferred payment, low-interest second mortgage program of the U.S. Department of Housing and Urban Development), 3) tax increment financing of infrastructure and community improvements, 4) land "write downs", or 5) minimum early year "land lease" payments. In addition, the agency should own and be able to (by sale or transfer of development rights in the station development areas), encourage higher density development in close proximity to Metro Rail stations and protect residential neighborhoods from encroachment by non-compatible commercial development.

Through the creative utilization of these financial leverage mechanisms, the public agency responsible for joint development will be able to: 1) negotiate Metro Rail station capital and maintenance cost sharing agreements; and 2) establish the basis for future commercial benefit assessments and other types of long-term shared return measures, tied to the successful project packaging of optimum joint development.

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[10] The Denver Transportation Center will generate over $500,000 in annual lease payments to the Denver RTD. The Connecticut Connection air rights lease payments to WMATA are prorated to level of occupancy and rental rate, and escalate every five years.

Supportive financial leverage mechanisms serve both as an investment incentive and the negotiative basis for solidifying "value capture" agreements. By establishing equitable negotiation guidelines from the outset of the Metro Rail station area development process, the agency responsible for joint development should be in the position to successfully "package" quality joint development projects. The project should provide a sustaining source of revenue for the construction, operation, and expansion of the Metro Rail system.

EXISTING INSTITUTIONAL FRAMEWORK

Under the existing institutional framework, the SCRTD would be responsible for Metro Rail design and construction and could negotiate only air-rights and station cost sharing agreements for a limited number of stations. Comprehensive station area land use planning would be completed through the preparation of the project-specific plans by the Los Angeles City and County Planning Departments. In station areas located in designated urban renewal districts, the CRA would be able to package joint development projects, but would lack the authority to directly negotiate station cost sharing or design accommodation agreements for the subject station facility. In addition, the geographic coverage of the CRA would encompass only half of the sixteen Metro Rail stations currently planned. However, since joint development is not now a designated priority of the CRA this function would not, in all probability, receive the focused attention required to realize the full economic potential of the Metro Rail system.

Assuming even the highest levels of cooperation and coordination among existing public agencies, the magnitude and quality of implementable joint development projects would be severely restricted in the "mid-corridor" and "terminus" segments of the Metro Rail system. Under the prevailing institutional scenario, there would be: 1) less than adequate protection for existing residential neighborhoods against the effects of commercial encroachment and speculative investment, 2) a dissipation in attainable economic returns to be derived from construction of the Metro Rail system, and 3) a virtual elimination of the opportunities for most of the "urban village" and "town center" type joint development projects.

This section identifies the viable public agency institutional options existing in the Los Angeles Metropolitan area which: 1) establish an effective Metro Rail station area development process, 2) possess the necessary joint development project packaging capability, and 3) achieve the highest level of transportation and economic returns from this initial phase of the region's fixed guideway rapid transit system.

Specifically, there are three fundamental options available to the SCRTD. The first option would be to create a new department within the SCRTD that would be staffed with professionals possessing the requisite real estate experience and authority to carry out the Metro Rail joint development program. The second option would be for the SCRTD to enter into a "cooperative agreement" with the CRA of Los Angeles. The third option would involve establishing a transit corridor development corporation. The basic description, national precedents, implementation requirements, advantages and trade-offs associated with each of these options are described in the ensuing paragraphs.

Option 1 - New District Department

A new joint development department would be established in the SCRTD with the sole function of planning, coordinating, and packaging joint development. Additional staff with senior real estate experience in project packaging would be hired. The director of this department would be given full negotiation authority to modify station design and negotiate land sale/purchases, air-rights/land lease agreements, and station capital and maintenance cost agreements. This individual would also represent the SCRTD in the existing local agency real estate project review and approval process.

Washington, D.C. and Atlanta, Georgia represent two major U.S. metropolitan areas that serve as prime examples of this institutional approach to joint development. In these metropolitan areas, the local communities remain responsible for station area land use planning and coordination, and the regions' transit authority are responsible for all land use acquisition, preparation of station area development prospectus materials, and the negotiation of property sales and leasing. In both instances, the regional transit authorities established a separate, internal department for the express purpose of administering these prescribed responsibilities.

In both of these major metropolitan areas, the local transit authorities have negotiated a number of successful joint development projects. Notable examples include the Connecticut Connection, International Square, and Van Ness Center projects in Washington, D.C.; and the Southern Bell Corporate Headquarters, Atlanta Landmarks, and the Five-Corner development projects in Atlanta, Georgia. Throughout this joint development project experience, these departments prepared established standard joint development prospectus materials for station area development and air-rights/land lease agreements.

The autonomous departmental approach (i.e., self-contained within the local transportation authority) is most effective in packaging joint development when the subject transit authority owns a considerable number of station area development sites. If local communities establish a comprehensive station area masterplanning and zoning modification process that is initiated in parallel to the final station design process, a higher level of compatible development will occur. Then, at least in stations with near term development potential, the proper station design modification will follow. Land use decisions under this approach remain under local control and no new real estate project approval mechanisms need to be established.

While the separate department approach has been successful in packaging joint development in selected metropolitan areas, this institutional approach still requires a high level of private sector initiative and embodies a greater complexity in project negotiations and affords a less than desirable level of ombudsmen support. In most instances, the developer still needs to fully negotiate with both the transit authority and the local community.

In both the Washington, D.C. and Atlanta experiences, final joint development construction costs were more expensive in completed projects (e.g., the Connecticut Connection and the Southern Bell Headquarter buildings). Two primary reasons are given for this, either: 1) the original station design did not fully anticipate the joint development project that occurred, and/or 2) the department within the local transit authority did not have the capability to intercede in the development process to efficiently package the project. Even with the highly competent staffs of these respective departments, the net result of this approach is usually to

make joint developments a "premium" investment, which limits the additional revenue that can be negotiated for support of the rapid transit system.

The separate department approach also limits the level and type of financial leverage tools available to package joint development. MARTA effectively had no access to local financing leverage mechanism. Statutory limitations in the State of Georgia also prevented the local communities from utilizing tax increment financing. This situation prevented several innovative joint development proposals from proceeding in Decatur, Georgia and the Atlanta CBD. Since Georgia state statutes also require that all economic gains accrue only to local communities, MARTA has achieved a limited level of monetary value capture from implementation of joint development of its regional rapid transit system.

WMATA has made effective use of knock-out panels and has negotiated favorable air-rights and land leases to achieve joint development. The real estate department is now taking an active posture in joint development project packaging and negotiations of connector fees. However, if the long-term need to establish a sustaining revenue source had been better understood when system construction began in 1969 and the additional financial leveraging tools had been available, a greater portion of the documented $2.5 billion in real estate appreciation gains (that have occurred since then), would have been available to support ongoing system operation and construction costs. To accomplish these objectives, additional institutional arrangements beyond establishing a separate transit authority real estate department are necessary.

In order to establish a separate real estate department, the SCRTD would be required to hire a senior director and surround that person with a highly competent real estate project packaging staff. The department head would need broad authorization to fully represent the District in all project negotiations. In addition, the SCRTD would be required to assume a more formal involvement in the local real estate project review and approval process with respect to the Metro Rail station areas. Currently, the SCRTD provides input to the Metro Rail station areas, but has no formal decision-making role in the local community development process.

Option 2 -- Cooperative Agreement

Under existing State of California statutes, local public agencies can enter into cooperative agreements and use their combined legal authority to carry out specific development and/or infrastructure-related projects. Under this option, the SCRTD would enter into cooperative agreements with the Los Angeles Community Redevelopment Agency, the City of Los Angeles, and the County of Los Angeles, as necessary. In this manner, the SCRTD's station facility design and transportation service authority would fuse with CRA's redevelopment and project packaging capability and the city and county's land use expertise.

Under such a cooperative agreement, the District would be fully represented in the committees that govern the preparation and implementation of the redevelopment plans that would be formulated for the individual Metro Rail station areas. The CRA's access to the financial leveraging instruments of: tax increment financing, UDAGs and the transfer of development rights -- could be effectively incorporated into the Metro Rail joint development program. In addition, the CRA's staff capability and their private sector track record of successful project packaging would contribute significantly to the initial credibility and long-term success of the Metro Rail Project's joint development program.

One of the first successful joint development projects implemented in relation to the San Francisco BART system (i.e., the Embarcadero Center), was accomplished through a cooperative agreement. In this example, creative tax increment financing was utilized to construct an additional BART station, located in an urban renewal area. The South Boston Intermodal Center incorporating mixed use development involved cooperative agreements between the Massachusetts Bay Transportation Authority, the Boston Redevelopment Agency and the Federal Railroad Administration. The New York Metropolitan Transportation Authority is evaluating this approach to implement joint development in their pedestrian underground tunnel system.

To date, this institutional approach has been successfully employed in the implementation of a cross-section of individual joint development projects. In addition, Baltimore, Maryland created urban renewal districts surrounding each station area of the initial phase of their regional rapid transit system, in order to discourage rampant land speculation and to develop a comprehensive station area master plan. The city subsequently proceeded to establish a Transit Corridor Development Corporation to utilize the city's redevelopment powers, including eminent domain, to package joint development at each of the transit station areas.

The cooperative agreement approach to joint development significantly expands the financial leveraging resources available to the Metro Rail Project joint development program and paves the way for a broader long-term opportunity for shared revenues to accrue to the local transit authority. These agreements usually involve the full participation of the local redevelopment authority. This agency's business competency and real estate accumen is normally viewed favorably by private sector interests. This is generally attributed to their understanding of private sector investment requirements, assuring that an efficient and equitable negotiation will occur. It is also attributed to the support given to expedite the development approval process once an agreement is reached.

In the Los Angeles metropolitan area, a cooperative agreement approach to joint development involving the SCRTD and the CRA, with designation of all Metro Rail transit station areas as urban renewal districts, would furnish two additional major advantages over the separate, internal development approach.

First, designation of each station area as an urban renewal district would cut back on the speculative land use activity that dissipates the potential economic return to the system and restricts land assembly for quality new projects while endangering existing residential neigborhoods. Secondly, the development of the prescribed renewal plan would require major community involvement, resulting in consensus for the plan's proposals, to assure private developers that the rules of the development game are "in place" when they start to invest in the Metro Rail station area. The CRA possesses condemnation powers and could assemble more desirable and a larger number of prime joint development sites than would be possible under "laissez-faire" programs. The CRA's outstanding track record and established reputation with the private sector would be invaluable assets to the Metro Rail joint development program.

The principal trade-offs associated with the cooperative agreement approach involve potential statutory changes as well as undertaking the detailed mechanics of the renewal process. Enhanced legislative authority would probably be required to designate all Metro Rail station areas as renewal districts. Ironically, the

tremendous flexibility of the renewal plan process to address the complexities of orderly and compatible station area development represents a trade-off in the time available to achieve local community consensus. However, since this process could be initiated at the outset of the final engineering phase of Metro Rail implementation, the trade-off becomes an asset, serving as a deterrent to rampant real estate speculation.

The scope and level of authority of SCRTD representation on the project staff under a cooperative agreement with the CRA and the individual renewal area boards would have to be formalized. Individual project approval procedures, interrelations with the SCRTD, guidelines for incurring additional revenue returns to the Metro Rail system, and application of the CRA financial leveraging resources would require assignment, approval, and adoption. Provision would also be exacted for creation of a development rights bank in each Metro Rail station area redevelopment district that could be transferred by private or public agency sale. In addition, overall terms of the cooperative agreements between the SCRTD and the CRA, City of Los Angeles, and County of Los Angeles would have to be mutually drafted and would require formal approval and validation by all respective agencies. Finally, legislation would be required to declare all Metro Rail station areas eligible for renewal designation.

Option 3 - Transportation Corridor Development Corporation (TCDC)

A transportation corridor development corporation (TCDC) is a special purpose public or quasi-public development entity. A major purpose of a TCDC is to coordinate and package new development within the station areas of a "fixed" guideway transit system. In order to achieve its basic development coordination function, a transportation corridor development corporation can be organized as either a management corporation or as a "true" development corporation.

Structured as a management corporation, the TCDC would normally be chartered as a development entity operating under the authority and budget control of a municipality. Under this organizational framework, the TCDC would: 1) manage the corridor's assets (i.e., land), and 2) represent the municipalities' projects, located within the predefined Metro Rail system transit area.

Structured as a "true" development corporation, the TCDC would be chartered as a self-sustaining entity with an independent budget. Under this organizational framework, the TCDC would carry out all the fundamental project coordination and land development responsibilities for which it is empowered. The TCDC's initiation and degree of financial participation in joint development projects would be active. For example, under this organizational structure, a TCDC could under its own authority issue debentures or secure other types of long-term capital financing to sustain the joint development process.

During the past few years, two major U.S. central cities (i.e., Baltimore, Maryland; and Portland, Oregon) have implemented transportation corridor development corporations to coordinate and implement private sector development activity, in conjunction with new regional transportation projects. The Baltimore TCDC recently packaged its first successful joint development project at the downtown Lexington Market Station. Recently, Columbus, Ohio (i.e., I-670 corridor) and Buffalo, New York (i.e., Main Street LRRT System) are giving serious planning consideration to implementing transportation corridor development corporations in their respective locales. If a TCDC was to be established in relation to the Metro

Rail Project, it would have to be closely coordinated with ongoing land use planning, economic development, and redevelopment activity in the City of Los Angeles.

There are potentially higher fiscal and operational returns to be derived from the establishment of a TCDC to carry out corridor-scale joint development efforts. A well-staffed entity of this nature is potentially in a strong position to provide the requisite level of ongoing technical implementation support, marketing, and overall development coordination on a corridor-wide scale that is demanded for a successful joint development program. It is possible that without such an entity or provision for a cooperative agreement, a serious void would exist in the regional institutional framework to provide the Metro Rail Project corridor-wide focus required. It is also possible that such a coordinating entity may enhance the ongoing development capabilities and related market opportunities for each of the involved municipalities in the regional Metro Rail Project.

The largest impetus for station area development occurs after the rapid transit system begins operation. Without provision for an independent entity solely responsible for joint development there is often a tendency by the local transit authority to become more involved with operational issues and, consequently, joint development often receives a lower priority. The creation of a properly staffed TCDC would help ensure that the optimum level of joint development project packaging would be sustained during this critical (i.e., early operational period). In addition, the TCDC affords a "one-stop development shopping" feature for the private sector; whereby they can be assured of the need to negotiate with only one public entity. Finally, the TCDC director generally enjoys wider acceptance among the heads of other public agencies than a transit authority department director and is extended broader access to the private sector financial institutions through the TCDC's board of directors.

The fundamental trade-off associated with a TCDC involves the institutional conflicts and administration efforts to create a viable new entity. First of all, unless the magnitude of documental joint development opportunities related to the proposed transportation facility are viewed to be quite significant, consideration of a TCDC is usually not warranted. For example, if concentrated urban development is likely to occur or is delimited at only one or two transit station areas, and/or the relative complexity of the proposed development projects is comparable to those now carried out by the local community development authority, it would be more appropriate to place responsibility for joint development within an existing entity.

Secondly, an extremely high level of coordination must take place between the TCDC and the District. Therefore, if a course of action were taken to pursue implementation of a TCDC in relation to the Metro Rail Project, the SCRTD should fully participate in the TCDC feasibility studies and formally concur in any recommendation for its adoption and ultimate implementation. Unless a cooperative agreement were made between the CRA and the TCDC, the entity would have greater project packaging capability than a separate SCRTD department, but would not have the ability to coordinate the station area development process.

The implementation of a TCDC initially involves the preparation and filing of nonprofit incorporation papers and the establishment of a board of directors comprised of metropolitan area public or private interests. While a TCDC can eventually become self sustaining, an initial administration budget of $300,000 to $350,000 would be required on an annual basis. The SCRTD would also need to formally

designate the TCDC as their agent, authorized to deal with joint development on its behalf. In turn, additional agreements with existing public agencies would be required in order to assure the TCDC ombudsmen role during project implementation.

Summary

Joint development may be used to accomplish a variety of objectives, including economic development, implementation of regional and city plans, urban design improvements, increased transit ridership, cost efficiencies in station design and construction, increased returns on private sector investments, and value capture. The SCRTD, through Milestone Six, is exploring all of these possibilities.

In principle, it is recognized by the District that there needs to be a single point of contact and a specialized development staff function devoted solely to managing the station area develoment process. This fact is supported by both national experience and inputs received during a private sector seminar conducted as part of the Milestone Six information gathering process.

In order to expeditiously formulate and effectively implement the joint development program prescribed for the Metro Rail Project, this report recommends that the SCRTD adopt an active "project packaging" approach to joint development and enter into cooperative agreements with the Community Redevelopment Agency of Los Angeles, the City of Los Angeles, and the County of Los Angeles, as necessary. This institutional approach to the packaging of joint development will not require the establishment of a new entity nor major staff hirings.

VII. VALUE CAPTURE

Introduction

Value capture represents an important tool the District may use to generate funding for a portion of the capital and operating costs of the Metro Rail system. The inherent nature of induced development frequently will generate the potential for windfall profits, which historically in the United States have accrued primarily to real estate speculators. Thus, the greatest portion of the monetary benefits derived from public investment in a regional rapid transit system are lost from the perspective of the public interest. A high percentage of these profits could be captured to help: 1) offset the original system cost, 2) guarantee provision of desired public amenities, 3) finance incremental public support systems, and /or 4) pay for the ongoing operation and maintenance costs of providing public transit.

"Value capture" is the process by which the community shares to some degree in the economic benefits from publicly funded transportation improvements and facilities. Value capture also may be referred to as cost recovery or benefit sharing. Until the Federal cutback in "new start" capital funds occurred in 1981, the value capture potential of fixed guideway transit systems was viewed as a minor supplemental source of transit funding. In the late 1970's,[1] several U.S. cities, including Los Angeles, St. Paul, and Miami, secured private sector commitments for operating costs support, through the creation of benefit assessment districts. These districts accrue an annual rate equivalent to between 4¢ and 10¢ per net leaseable square foot of commercial space to be served by their proposed systems. These commitments were viewed as evidence of local private sector support, rather than a major funding source.

In 1981, in order to secure full funding[2] for their downtown people mover system, Miami Downtown Component of Metrorail, the Miami Downtown Business Community committed voluntarily to support a $20 million capital bonding program to be paid from a benefit assessment on CBD properties. This is equivalent to 15¢ per net square foot of leasable space and this is less than the average maintenance and operating costs for elevators in a modern office building. An additional $5 million to $10 million is expected to accrue to the system from capital cost sharing

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1 See: Los Angeles DPM Financial Plan, prepared by Robert J. Harmon & Associates, Inc., July 1978; St. Paul DPM Financial Plan, prepared by Robert J. Harmon & Associates, 1978; (submitted to Minnesota State Legislature, January 1979).

2 See: Miami DCM Full Funding Program, prepared by Robert J. Harmon & Associates, Inc., September 1981.

by joint development projects and station connector fees. In total, the value capture/cost recovery of the Miami DCM system is equivalent to 25 percent of the total system costs estimated at $116 million. However, measured in terms of monetary return accruing to the private sector, the value capture/cost recovery is estimated at only 10 percent of the attainable cumulative economic benefits to be gained from full implementation of the DCM system.

The construction and operation of the Metro Rail project presents the SCRTD with a wide range of value capture opportunities, provided the District is committed to planning for these opportunities during the preliminary engineering phase of project design. The SCRTD has elected to make this commitment. This chapter will consider three approaches to value capture which are available to the District. These include taxation and fee approaches, joint development approaches, and direct marketing approaches.

Tax and Fee Approaches to Value Capture

This section discusses methods of recovering, through the use of taxes and/or fees imposed by SCRTD or other government agencies, some of the financial benefits associated with Metro Rail from those to whom the benefits may accrue. This section identifies three general types of benefits on which value capture taxes and fees may be based:

- Increases in real property values in proximity to station sites.
- Improved access to transportation systems by those who utilize motor vehicles along or near some portion of the project route.
- Benefits to employers located in proximity to station sites.

Two major factors constrain the ability of SCRTD to impose taxes and other revenue raising measures on those receiving financial benefits from the project. One of these is the District's lack of statutory authority to levy taxes or impose fees except in a few well defined areas. The other major limiting factor is Proposition 13.

In general, the District's taxing authority is limited to levying ad valorem taxes on property for the purposes of repaying bonded indebtedness and related costs associated with capital projects under certain conditions. The District is not empowered to collect any kind of tax for operations and maintenance purposes. Thus, no mechanism exists for the District to collect any sort of ongoing taxes and/or fees from benefiting segments of the public to be used for operations and maintenance purposes.

Proposition 13 further restricts the District's revenue raising ability by requiring two-thirds voter approval of any property tax measure or any special tax. Generally, some form of ad valorem property tax is used when instituting a value capture mechanism based on increases in real estate values. In addition, almost any type of tax to be imposed on those benefiting from Metro Rail and to be returned to SCRTD for use on purposes associated with the project, might well be construed as a special tax. Proposition 13, or course, applies not only to the District, but to all local government agencies. Thus, Proposition 13 imposes the requirement of achieving two-thirds voter approval on most types of taxes which might be

considered for value capture purposes. Historically, it has been highly unusual for tax measures to receive such a large percentage of voter approval.

It is worth noting that both of the previously described limitations could, under certain conditions, be overcome. With regard to lack of taxing authority on the part of SCRTD, two kinds of alternatives are available. Legislation could be passed at the State level to authorize the District to levy certain taxes and fees for operation and maintenance purposes. The District also could enter into a cooperative agreement with other agencies of government -- the City, for example -- whereby the other government agency could levy a tax or fee within its authority and turn all or part of the revenues over to the District for transit purposes.

With regard to Proposition 13, the recently enacted one half cent sales tax increase, which is to be used solely for transportation purposes, and which therefore might be construed as a special tax, has been ruled constitutional by the State Supreme Court. That decision offers some hope that other similar revenue raising measures might also require only the approval of simple majority.

TAXES BASED ON INCREASES IN REAL PROPERTY VALUES

Ideally, a value capture mechanism based on increases in real property values would identify that portion of increase in a parcel's value that is attributable to the project and then apply a publicly agreed upon tax rate to that increment. Both the precision of property valuation techniques and current public law make such an approach impractical. There are property taxing methods available in current law that would allow the District, at a minimum, to ensure that property owners paid some of the costs associated with the project. With certain legislative changes, such mechanisms could be transformed into true value capture techniques. These mechanisms are the special benefit assessment district and tax increment financing.

Special Benefit Assessment Districts

Section 9900 et seq. of the California Public Utilities Code provides for creation of special benefit assessment districts for the purpose of funding transit related capital projects with the proceeds of bonds. Such bonds are repaid from assessment taxes levied on property within the benefits district. Formation of such a benefit assessment district requires, among other things, that the SCRTD Board find that the property within the assessment district receives special benefit as a result of its proximity to a transit station. Each special benefit district is subject to approval of the voters within the special district. Special benefit assessment taxes, like other property taxes, constitute a lien on the property and are collected by the County Tax Collector and distributed to the District.

The Code further provides for zones within each special benefit district and requires that "each zone within a special benefit district shall be an area adjacent to a transit station . . ., but all zones within a special benefit district need not be adjacent to the same transit station."[3] Zones within a special benefit district may be either contiguous or noncontiguous.

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[3] California Public Utilities Code, Section 99001.

Within any special benefit district the ad valorem assessment must be uniform for all zones. However, several separate benefit districts may be created along the Metro Rail route. Thus, for any single station or group of stations around which a special benefit district is formed the benefit assessment tax rate must be the same. But the tax assessment rate can vary from one special benefit district to another.

The provision for multiple zones and special benefit districts would allow SCRTD a range of geographical options in creating districts, zones, and tax assessment rates. These options include: each station area could comprise a single special benefit district, two or more station areas could be combined to form two or more special benefit districts, each with zones corresponding to individual stations, or all station areas could be combined into a single special benefit district with each station area comprising a separate zone.

Use of special benefits offers SCRTD several advantages. The District could recover all or a portion of station construction costs, as well as portions of other system costs, from property owners in areas adjacent to stations. The District could also create a number of special benefit districts and zones, as described above, in order to take into account variables among stations such as projected differences in benefits accruing to property owners, size and cost of station facilities, political support of voters within the districts. The enabling statute is already present in the law, and the district forming process could be initiated with only minor statutory changes required.

Major disadvantages and shortcomings of special benefit districts in terms of value capture for Metro Rail include the following. Assessment taxes collected from such special benefit districts are limited in amount to that required to repay construction bonds and would not provide any ongoing operational revenues. Because special benefit assessment tax rates are determined by the amount of money required to repay construction bonds and not by the amount of increased value accruing to the property, this mechanism effects only limited value capture and does not recover for the public any of the Federal, State or County funds invested in the project.

Formation of special benefit districts requires approval of at least 60 percent -- and probably two-thirds, depending on interpretation of State law -- of the voters within each of the special benefits districts. Existing law does not provide for variable assessment rates within an individual station area to account for differences in benefits accruing to various parcels in relationship to their distance from the station. Assessments would be levied upon formation of the special benefit district before the financial impact of the station on property values would be assessed. This would allow for considerable divergence between the amount paid by a property owner and any change in value that actually occurs. Currently, the Public Utilities Code limits interest on special benefit district bonds to six percent, a figure that is approximately one-half of current market rates for tax exempt bonds.

Tax Increment Financing

Used principally by redevelopment agencies, tax increment financing provides for earmarking of property tax revenue derived from a constant tax rate applied to an increasing tax base. Assessed values of properties within the redevelopment area are "frozen" at the time the project area is officially created. Thereafter, taxing

agencies other than the redevelopment agency continue to receive the revenues generated by the tax rate as applied to the frozen base while the redevelopment agency receives the revenues generated by the combined tax rate as applied to the increase in assessed valuation in the project area. The revenues so received by the redevelopment agency are used to pay construction bond repayment costs and certain other costs associated with redevelopment until the bonds are fully repaid. At that time, the other taxing agencies are once again entitled to the full amount of property tax revenues generated by their proportionate share of the combined tax rate as applied to the full assessed value of the tax base.

There is historical precedent for the use of tax increment financing for transit purposes. The BART Embarcadero Station in San Francisco, for example, was partially financed with the use of such funds. Such financing, however, can only be accomplished by a redevelopment agency working in conjuction with the primary unit of general government — city or county — appropriate to the redevelopment project area.

Use of tax increment financing for transit related purposes in Los Angeles County is specifically provided for in Section 33448 of the State Health and Safety Code. The Code also requires the Los Angeles Community Redevelopment Agency to enter into an agreement with the rapid transit district to participate in the precise location of the project area and the design of the transit facilities and to operate and maintain the transit system and facilities. It should be noted that the Code refers to "transportation, collection and distribution systems," a designation which, according to Suzanne Griffin, Deputy Legal Counsel for SCRTD, may be intended specifically to apply to systems such as the Downtown People Mover, but which may not necessarily embrace the Metro Rail project. Ms. Griffin notes that Section 33448 of the Code was adopted specifically as enabling legislation for use of tax increment financing in conjunction with the Downtown People Mover project.

There are several advantages of tax increment financing as a means of value capture for Metro Rail. An important advantage of this mechanism over all other tax, assessment, and fee approaches is that no voter approval is required. The decision to earmark taxes on the incremental value of property can be made by the Redevelopment Agency and the city. Enabling legislation authorizing the use of tax increment financing for transit purposes in Los Angeles already exists and requires State Legislative action only for clarification as to the statute's applicability to Metro Rail.

There are also disadvantages and difficulties associated with the use of tax increment financing as a value capture approach. Tax increment revenues derived from a redevelopment area are generally limited in purpose to payment of capital construction bond costs and certain other land acquisition and other capital related costs. Such revenues are limited in time to the completion of bond repayment. Thus the District could not derive any ongoing value capture for operations and maintenance purposes through this mechanism.

Tax increment financing would require a joint powers agreement between SCRTD and the Redevelopment Agency. Precedent for such an agreement was established for the Downtown People Mover Project. The Health and Safety Code's guidance as to the respective authorities and responsibilities of the two agencies is only broadly defined. Thus, considerable negotiation would be required to work out the respective roles of the agencies.

California redevelopment law requires a finding of "blight" as a prerequisite to the formation of a redevelopment project area. While considerable latitude has been exercised by redevelopment agencies in making such findings in other areas, some of the Metro Rail station areas may not qualify under current definitions of "blighted".

Tax increment financing raises some questions of equity in relation to value capture. Under Proposition 13, property taxes can only be increased by two percent per year unless property is transferred between owners or substantially improved. As a result, certain parcels could benefit considerably by proximity to a station without experiencing increased property tax payment requirements. For example, if an existing commercial use located within a redevelopment area adjacent to a station were not substantially improved or transferred in ownership, its assessed valuation would increase only two percent a year while at the same time deriving substantial benefits due to its proximity to a station.

TAXES BASED ON MOTOR VEHICLE USE

Value capture through taxes on users of motor vehicles is aimed at recovering some portion of the benefits that such uses would gain as a result of the Metro Rail project. Such benefits fall into two categories: increased access to highways, streets, and parking facilities and standby transit service.

The first type of benefit is based on the fact that a significant proportion of Metro Rail riders would be using automobiles and other personal transportation modes for their travel if the project were not built. Their use of the project will make room for others to use the highways, streets, and parking facilities abandoned by the Metro Rail passengers. It can be argued that the streets will still be congested even with the project operating, since streets, especially at certain areas at certain times, tend to fill up to whatever their practical capacity is. The displacement of Metro Rail passengers from the streets allows others to gain access to street capacity that would not be available without the project. Those who place a premium on the qualities associated with automobile usage are offered increased opportunity to use the streets and parking lots. Value capture on this benefit would recover for the general public some portion of the financial benefits associated with convenience gained by auto users and forgone by Metro Rail riders.

The second benefit, standby transit service, refers to Metro Rail's ability to provide a backup transportation mode to automobile drivers when they are unable to use their autos due to maintenance requirements, fuel shortages, demands by other family members for a vehicle or other reasons. Value capture of this benefit would be similar to the availability and standby charges used by water and wastewater utilities, among others. Nonusers and occasional users would bear some of the cost associated with the benefit of availability which they gain by the project.

The most frequently used kinds of vehicle taxes and fees are discussed in the following sections as possible value capture techniques.

Motor Fuel Taxes

Taxes on gasoline have traditionally been used for road and highway construction and maintenance, although in recent years portions of such funds have been made available for mass transit purposes. A per gallon tax would provide the advantage of generating ongoing revenues that could be used for Metro Rail operation and

maintenance purposes. Such a tax would not need to be restricted as to purpose or time within the overall context of Metro Rail, and it would offer an additional advantage in varying with fuel usage and to some extent with the amount of benefit derived. Application of an additional tax on gasoline for the purpose of capturing value that accrues to motorists as a result of Metro Rail would impose two major difficulties. First, such an increase would require an affirmative vote of qualified electors affected by the tax. Whether such an election would require two-thirds voter approval is open to question. As previously noted, a countywide increase in the general sales tax for transit purposes was recently approved by a majority of Los Angeles County voters (54%) and was found constitutional by the State Supreme Court without a two-thirds majority despite the fact that the tax's proceeds are earmarked for a special use. How the Court might rule on a gasoline tax increase cannot be accurately predicted.

The second major difficulty would be in levying the tax in an equitable manner. Imposition of the tax only on those motorists who benefit from Metro Rail, as described earlier in this subsection, would for all practical purposes be impossible. Such motorists do not necessarily purchase gasoline from stations located along or near the Metro Rail route. Furthermore, if an additional tax on gasoline were imposed within an area adjacent to the project route, the tax would place owners of gasoline stations within the designated area in a disadvantageous position relative to other owners with stations located outside the boundaries of such an area. The difficulty could be overcome by applying the per gallon tax to the entire County. It can be argued, however, that such broad imposition of the tax would also be highly inequitable since motorists in many areas of the County are unlikely to receive substantial benefit from the project. Certainly their benefit would not be equal to that accruing to motorists in the vicinity of the project route.

Fees on Motor Vehicle Ownership

A surcharge on vehicle license fees has a partial precedent in Washington State's two percent tax on the value of motor vehicles. The proceed of that state tax are shared with local transit districts. Like other motor vehicle based value capture approaches, an increase in license fees to support Metro Rail would need to be limited in purpose to capital construction and in time to the end of repayment of bonded indebtedness. While such an increase would not achieve equity by varying with vehicle usage as a gasoline tax would, such an increase would achieve equity by being more readily directed to motorists in the project area. Imposition of the incremental fee within zip code areas served by the project would provide one means of localizing the application of the fee. Implementation would have to be worked out with the Department of Motor Vehicles. As in the case of the fuel usage tax, an incremental registration fee would require voter approval. This would consitute a major impediment to institution of the fee, epecially if a two-thirds majority were required.

Toll Charges

While direct charges for the use of streets would probably constitute the most equitable means of capturing a portion of the value accruing to motorists along the project route, such charges also represent the least practical means of effecting value capture. Not only would the physical requirements for collecting tolls on surface streets be highly expensive to construct and exceedingly disruptive of traffic flow, but such charges would almost certainly be overwhelmingly unacceptable to motorists and other citizens.

Parking Charges

Parking charges on surface streets are already collected through meters by the city. A surcharge within the project area would, with the cooperation of the city, be relatively easy to collect. From an equity standpoint such a surcharge would be paid by motorists who would have increased access to on-street parking as a result of a significant number of potential motorists using Metro Rail. The increase might well be construed as a special tax rather than a fee, since it would be used for transit purposes, and therefore would be likely to require voter approval. Such a surcharge, like other motor vehicle based approaches, could be used for operations and maintenance purposes.

TAXES BASED ON BENEFITS TO EMPLOYERS WITHIN STATION AREAS

Employers with businesses located adjacent to transit stations will enjoy three major benefits as a result of their close access to Metro Rail: 1) they will have access to a larger and more varied pool of people from whom to draw their employees as a result of increased mobility, 2) there will be greater transportation reliability for ensuring a means for employees to get to work, both by reducing congestion and by providing a backup mode to the automobile or bus, and 3) less parking space for employees will be required.

Two transit agencies in Oregon impose an employee payroll tax of approximately one-half percent on wages and salaries throughout their districts. Such taxes could certainly be levied on employers within a designated Metro Rail service area. The proceeds of the tax could be used for any Metro Rail purpose and could possibly be collected by the State and returned to the district.

The degree of equity that such a tax would achieve would vary somewhat from employer to employer. Those businesses that draw -- or would like to draw -- employees from a wide geographic area and those businesses that provide employer paid parking will derive the greatest benefit from Metro Rail. Businesses in which the employees are local, do not drive, or do not receive employer paid parking will benefit the least. Any employer payroll tax should be designed to exempt businesses in the latter categories.

An employer payroll tax for transit purposes would almost certainly be classified as a special use tax and would therefore be subject to the two-thirds voter approval requirement in the area in which it would be levied. Since the tax would be paid by employers, while the qualified electors would be made up of all registered voters within the area, the tax might stand a better chance of passing than a tax that would be paid by a broader base of residents.

Joint Development Approaches to Value Capture

Traditionally, joint development approaches to value capture have involved holding/selling or leasing real property that was purchased for bona fide transportation purposes. Immediate sale of excess land parcels (i.e., not required after rapid transit station construction) has produced only minimal, one-time revenue, not reflective of attainable future development. For this reason, most public transit authorities and municipal redevelopment agencies during the last several years have invested in the time and additional financial resources of

packaging a complete development prospectus[4] for the subject properties. Further, these sites have been placed on the private market-place for award on a "competitive bid" basis, under a long-term leasehold arrangement. In certain instances such as the Denver Transportation Center, the lease agreements have included actual public sector participation in the income stream generated by the real property. An alternate approach has been to structure the terms of the joint development lease in a manner that is indexed to a predetermined occupancy level and/or overall income level realized by the subject project (e.g., the Connecticut Connection in Washington, D.C.). To date, there are no joint development project examples in the United States whereby the leasehold agreement allows for five, ten, or fifteen-year renegotiation clauses. However, this type of leasing practice has been established in relation to Toronto and Montreal joint development projects and has proven successful in capturing a higher portion of the true value of the rapid transit station property.

Within the policy and historical context outlined above, the SCRTD could utilize three fundamental types of joint development/value capture mechanisms. These include the following: 1) station cost sharing and maintenance agreements, 2) connector fees, and 3) land/air rights leases.

The most efficient and suitable joint development/value capture program must be: formulated with the full cooperation of the private sector business community, take fully into account the realities of volatile and complex real estate marketplace, and be approached from the viewpoint of the private/public coventure.

STATION COST SHARING

In recent years major developers and building owners who have elected to have a fixed guideway transit station interconnected or integrated with their commercial facilities, normally absorb a major portion of the capital construction costs. In return, their investment: 1) ensures them of the development opportunity to proceed with their projects in advance of system operation, and 2) furnishes a long-term competitive market advantage for their projects. The ability to participate fully in the design of the transit station generally enhances the overall quality of the joint development project.

The SCRTD currently has the legal authority to negotiate this type of agreement with the private sector. The actual terms of these station cost sharing agreements should remain flexible prior to negotiation, in relation to both content and payment schedule. Station cost elements that should be included in the negotiated agreements are: escalators, elevators, entranceways, station structure, HVAC systems, security and maintenance of the subject facility. Terms of payment for station-related capital cost elements should be extended over ten-to-fifteen years, and vary in annual amount. Station maintenance and security agreements should be annualized with inflation escalator provisions, allowing for the payment amount to be fixed in relation to the individual building owner/developer's share (i.e., of his/her project's share) of the total development area functionally linked to the Metro Rail station.

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[4] This packaging process normally involves formulation of a defined development concept and envelope that are supported by financial and market analyses.

The station capital cost sharing potential of the Metro Rail Project cannot be precisely estimated. However, prior national experience in applying this joint development/value capture mechanism reveals that it is generally easier to secure private sector investment in relation to escalators, elevators, entranceways, and knock-out panels, etc.; rather than the actual station facility. Assuming that the District is successful in securing private sector capital cost sharing committments for a representative number of the Metro Rail stations (for the above referenced non-structural elements), the revenue potential to be derived from this joint development/value capture mechanism, would be between $25 million and $100 million.

Annual maintenance and security costs incurred for all sixteen Metro Rail stations are currently estimated at approximately $6.5 million. Assuming that, ultimately, there is a threshold level of joint development functionally/ physically linked to twelve-or-thirteen of the sixteen Metro Rail stations, the SCRTD should be able to secure between $4 million to $5 million annually in station maintenance and security service agreements. At least 50 percent of these agreements should be fully executed prior to the Metro Rail system's opening.

Since the SCRTD already possesses the legal authority to negotiate station cost sharing agreements, there are no additional institutional requirements to utilize this joint development/value capture mechanism. The Metro Rail station capital cost sharing agreements will require normal contract administration to ensure prompt and accurate payment. Station maintenance and security service agreements will require additional cost accounting efforts, to separate out actual individual Metro Rail station costs and the pro rata application of eligible amounts to the agreements struck with individual building owners/developers.

Prior to 1975, minimal consideration was given to the employment of station cost sharing in implementing fixed guideway station financial plans. The City of Los Angeles was the first U.S. city to have negotiated an individual station maintenance and capital cost sharing agreement for a then proposed downtown people mover system. The Connecticut Connection and International Square Buildings in Washington, D.C. are two recent project examples of private sector cost sharing in the construction and maintenance of rapid transit stations. In the case of the International Square development, the building owner provides all the heating and air conditioning for the Farragut West Metro Station. Other recent examples of transit station cost sharing include the Lexington Market Plaza in downtown Baltimore, the Five Corners station development in Atlanta, and the Biscayne Boulevard Gould development in Miami.

These cost sharing agreements are directly applicable to station area or future pedestrian causeway elements of the Metro Rail Project. In addition, the sharing of internal escalator/elevator costs represent other valid applications of this joint development/value capture mechanism. Station cost sharing is restricted only at Metro Rail stations which serve public facilities, exclusively.

As indicated, employment of station cost sharing generally assures an improved overall design of the subject station area, and affords the participating development interests an improved short- and long-term competitive market advantage. Further, it represents one of the most direct and equitable forms of capital funding, while reducing the requisite level of local and state financial requirements. An added advantage inherent to station cost sharing is the inflation coverage it offers. Intrinsically, it furnishes the short and long-term ability to

increase Metro Rail system ridership in relation to the employment-based development it interconnects.

In many cases, station cost sharing agreements require advance determination of overall business community financial participation and the accepted formulation of joint development program guidelines. Full utilization of this joint development/value capture mechanism results in a "permanent" configuration of the subject Metro Rail station. Generally, its application requires interim and long-term cost sharing considerations on behalf of the owners/developers of adjacent building connections, via pedestrian bridges.

It is important that a consistent set of joint development guidelines be established during the first set of negotiations to assure the equitability of this approach. Currently, there are at least four Metro Rail station areas experiencing new development implementation. These projects underscore the imminent need for the SCRTD to formulate a viable Metro Rail station area cost sharing policy. As discussed above, consideration should be given to the application of this joint development/value capture mechanism to Metro Rail station maintenance and security fees, along with the identified capital construction cost sharing.

Connector Fees

Connector fees can be charged to the owners/developers of both existing and future buildings for being physically connected to a station facility. Traditionally, these fees have been either: 1) lump sum payments to cover the capital costs of knock-out panels, plaza areas, etc., or 2) "in lieu" dedication of property for station areas or easements. In the case of entranceways to retail facilities station connectors can be constructed and later assessed on an annual basis.

The SCRTD currently has the legal authority to receive connector fees or accept "in lieu" dedication of private property or easements. The terms and conditions for these agreements should be established in advance of Metro Rail construction. In contrast to the station cost sharing agreements, it is likely that most of the connector fees will be lump sum payments. If these payments are extended, the time period should not extend beyond five years, except in the case of retail facilities.

Based on prior national experience, connector fee revenue potential of the Metro Rail system should be at least $500,000 to $1,000,000 per physical station connection to existing or future commercial development. The ultimate connector fee potential will depend on the precedents that are established in the initial round of private sector negotiations. The "in lieu" dedication of private property or easements should be accepted as an offsetting payment against connector fees, when the building owner is also making additional Metro Rail station cost sharing payments.

Since the SCRTD now possesses the legal authority to negotiate Metro Rail station connector fees, there are no additional institutional requirements to utilize this joint development/value capture mechanism. There are two types of administrative requirements. First, a common set of published negotiation principles must be forged. Secondly, the individual Metro Rail station connector fee contract agreements require monthly monitoring to insure timely payment.

One notable example of rapid transit station connection fees involves the Woodward & Lothrup Department Store in Washington, D.C., which paid $500,000 for a knock-out panel to provide direct connection into the basement level of their building. The store experienced an initial 53 percent increase in retail sales volume and to date, has realized a subsequent increase each time the Washington, D.C. Metro system has expanded. There are even private sector precedents for this type of fee. In Houston, for example, in order to ensure connection to the second level pedestrian bridge system, a new building owner recently paid $1 million in connector fees to an adjacent building. This was in addition to constructing the incremental second level bridge facility at their own expense. Dade County is currently expected to receive $5 million in connector fees from their Downtown Component of Metrorail system. In relation to this project, downtown Miami building owners that agree to pay a station connector fee in advance of system opening will pay a lower fee than those who make agreements after the system opens.

In summary, there is a significant level of successful public sector experience in receiving station connector fees from private building owners and developers for fixed guideway transit systems. In return, participating private sector interests have generally attained a very favorable net return on their investment in this form of joint development/value capture mechanism.

Land/Air Rights Leases

This transportation value capture mechanism involves a straightforward negotiation of a long-term land/air rights lease for real property now owned or purchased in the future by the SCRTD for bona fide transportation purposes (i.e., station facilities, parking, etc.). In the United States, the terms of this type of lease have traditionally been set for 99 years and are usually established at a 3 to 7 percent rate of payment of the total property income. More recently, in cases where the lease payments are reduced during the first five- or ten-year project operating period or indexed to occupancy rent levels, the public sector has received a percentage of the profit above an established level of return on investment to the private sector (e.g., usually above 18 or 20 percent).

The SCRTD has the current legal authority to negotiate land/air rights leases. The principles under which these leases are to be negotiated should be established in advance of the completion of Metro Rail system construction. Consideration should be given to renegotiation of lease terms every 10 or 15 years, provided the most favorable long-term conditions cannot be reached in the execution of the original agreement.

The lease/air rights revenue potential of the Metro Rail system cannot be precisely estimated at this time. In addition to future SCRTD land/air rights, consideration should also be given to the sharing of lease revenues from other publicly owned properties that may eventually be packaged into a legitimate joint development Metro Rail project. The combination of land/air rights leases, station cost sharing agreements, and connector fees ultimately should be able to recover the original public sector investment in the Metro Rail station facilities.

Since the SCRTD now possesses the legal authority to negotiate Metro Rail station land use/air rights leases, there are no additional institutional requirements to utilize this joint development/value capture mechanism. There are two types of administrative requirements. First, a common set of published negotiation princi-

ples must be established and then formally applied. Secondly, the individual Metro Rail land use/air rights leases will require monitoring to ensure timely and accurate payment. Following the initial Metro Rail Project operating period, payment should be scheduled, in advance, of at least one quarter of the eligible land/air rights lease payment to recover the administration cost.

Currently, the Washington, D.C., METRO system is packaging joint development at all future rapid transit stations. Under this joint development program, the primary value capture mechanism will be land/air rights leasing. To date, these agreements have been forged at the Van Ness Center, Bethesda, Connecticut Connection, Gallery Place, and Metro Center stations, respectively. The San Francisco Bay Area BART system is also now actively seeking land use/air rights leases in their ensuing round of joint development packaging activity and private/public negotiations. This mechanism is also being utilized in inter-modal transportation center projects, now being developed throughout the United States. Recent examples include the cities of Denver, Colorado, and Columbus, Ohio. There is also local precedence for acceptance of long-term land/air rights agreements by the private sector, as recently demonstrated by the City of Los Angeles Community Redevelopment Agency, in relation to the downtown Bunker Hill Project.

The land/air rights lease is one of the most equitable forms of joint development/value capture. The reason for this is that the payment terms of the prescribed schedule are negotiated based on the private sector's determination of how they can maximize their return on investment, which fully takes into account near- and long-term market conditions. The nature of the lease payment provides a long-term dedicated stream of income that should tangibly support the operation, maintenance, and future expansion of the Metro Rail system. The revenue capacity of this value capture mechanism is sustainable in that inflation can be fully taken into account in negotiation of the terms of payment.

The long-term lease revenue from air rights/land use leases are difficult to determine, and their negotiation involves the need for specialized joint development packaging skills. It is important that the terms and principles of the air rights negotiations are set in advance, and are equally applied to each joint development project. If this approach is not taken, there will be an unsettling effect on the private sector's willingness to negotiate and implement these types of projects.

As indicated above, it is imperative that a consistent and thorough set of joint development guidelines be established, to ensure an equitable and efficient application of the land/air rights lease value capture mechanism. Conscientious negotiations must be consummated with interested private sector development interests in an effort to secure a favorable Metro Rail system operation return, while solidifying the future development success of the subject joint development projects at all of the prospective Metro Rail stations.

Direct Marketing Approaches

There are certain areas of value capture in which the transit agency may directly market services and business opportunities within its exclusive control. These areas are advertising and concessions and each is discussed below. Table VII-1 provides a summary of direct marketing revenues obtained by major cities in the U.S.

ADVERTISING

The transit advertising industry is essentially an industry whereby two major firms have been primarily responsible for organizing print media clients and providing virtually all poster advertising for kiosk, panel boards (i.e., outside, inside train and station areas), etc. National survey results disclose a median of approximately 1.5¢ per passenger in annual passenger revenue attributed to this mode of advertising. Based on current ridership estimates of 313,000 daily passengers, SCRTD would earn an estimated $2 million in 1982 dollars annually in poster advertising revenues.

Generally, placement of larger (i.e., 4 ft. x 5 ft.) laminated posters generate the highest revenue per maintenance dollar. Even if an advertising management firm assumes the responsibility, an exclusive use of this size and type of advertising poster would produce a higher annual revenue agreement. Train poster board locations are standardized and should be taken into account in the vehicle specifications. Exterior advertising is optional and its incremental revenue should be weighed against achieving a higher level of station coverage.

The primary and most secure location for station area poster boards is determined to be across the track from the boarding platform. This location must be serviced between 12 p.m. or 1 a.m. and system opening. If 24-hour service is contemplated, this location cannot be utilized. Discreet locations along station entrance-ways and above seating areas represent the next most desirable poster board locations.

From a security standpoint, kiosk advertising in stations should be avoided. National experience indicates that these units represent a hindrance to security by shielding areas that cannot be monitored by TV units. Several cities, most recently San Francisco, have experienced acute vandalism problems in association with kiosks and, therefore, are eliminating them.

New York will be the first U.S. city to formally introduce the audio-visual medium. The initial equipment will be installed in approximately seven months. For proprietary reasons, detailed information is not currently available to the public. This program should be monitored closely and a complete audio-visual package should be prepared for competitive bid, based on a thorough review of the New York City experience. Our investigations indicate that no unusual mechanical or electrical accommodations to station designs are required; higher ceilings at point of "patron entry" to the Metro Rail station are useful.

Long-term contracts are negotiable and transit authorities in major U.S. cities with coordinated programs are arranging a 15-25 percent increase in annual guaranteed revenues. In our opinion, SCRTD should prepare a comprehensive bid package modelled after the Boston and New York City transit authorities who are achieving the highest revenue per passenger and are successfully negotiating annual guaranteed rate increases. Future movie and film rights should remain discrete from this form of exclusive agreement.

Essentially, there are two primary types of advertising media that find application in Metro Rail facilities across the United States. They are print media and audio-visual media.

Printed forms of advertising in Metro Rail facilities take on varying forms with respect to : size, texture, and presentation format. Locational factors (e.g., entranceways, platform areas, exterior and interior areas of rail cars, etc.) often

TABLE VII-1

SUMMARY OF DIRECT MARKETING REVENUES

Location/System	1982 Estimated Rail Patronage	Operatinal Stations	Miles	Annual Advertising Revenue	Advertising Revenue Per Passenger	Annual Real Estate Revenue
Atlanta, GA MARTA	84,656,000	16	12.5	$539,000	0.6¢	minimal, only parking
Boston, MA MBTA	89,262,000	80	124.5	$2,190,000	2.5¢	not available
Chicago, IL CTA	145,276,000	146	175	$2,500,000	1.7¢	$1,000,000
Cleveland, OH RTA	9,274,000	17	33	$100,000	1.1¢	not available
Philadelphia, PA PATCO	11,074,000	14	30.5	$175,000	1.6¢	$25,000
Philadelphia, PA SEPTA	81,794,000	125	250	$800,000 (bus)		$2,200,000
New York City, NY MTA	950,000,000	500	707	$17,000,000	1.8¢	$4,000,000
San Franciso, CA BART	58,486,000	34	142	$375,000	0.6¢	$2,000,000
Washington, D.C. METRO	93,710,000	44	33	$1,600,000	1.7¢	no concessions

SOURCES: American Public Transit Association; Represented Transit Authorities; Robert J. Harmon & Associates

determine program criteria, along with the physical surroundings of the subject station area. San Francisco's BART system, for example, is governed by program policy that insists that all platform-oriented advertising be exhibited on walls behind the tracks, facing BART patrons. This policy has proved a major deterrent to graffiti. Poster panels vary dramatically in size by system from approximately 11 inches by 21 inches to as large as 8 feet by 8 feet for expansive "urban panels."

Advertising print media in Metro Rail station areas are housed in a myriad of ways, including: surrounding subway clocks, on kiosk panels, on the above-referenced entranceway urban panels, in free-standing exhibits, on station walls, within the interiors and on the exterior surface of the rail cars, and on self-supporting panels suspended from the station ceilings. As described in more detail below, the revenue potential associated with these various advertising formats varies dramatically. Further, media impacts are directly correlated to the manner, postion, and nature of the subject advertising. Advertising directors of selected major U.S. transit authorities have openly shared lessons learned from their experiences, and, in all likelihood, the SCRTD will benefit considerably from insights gleaned from their collective experience.

With the exception of the New York City MTA, all systems are awaiting the perfection of the emerging audio-visual technology prior to implementing it. Apparently, some fundamental technical problems must be ironed out prior to broader acceptance. New York City interests are scheduled to go-ahead (in approximately six to eight months) with the employment of this progressive advertising medium.

Current District advertising policy establishes accepted advertising guidelines and reserves the authority to review and determine the acceptability of any new forms of advertising media in relation to its bus fleet. However, the District has entered into an exclusive agreement with a private advertising firm, Winston Network, Inc., which is, in turn, responsible for marketing all SCRTD-related print media. This form of commercial advertising is confined currently to the exterior and interiors of the SCRTD bus fleet. The Los Angeles City Board of Public Works oversees bus shelter-related media relations, currently under an exclusive agreement with Shelter Media, Inc., and oversees advertising in relation to bus benches throughout the city.

In the fall of 1976, the SCRTD sent out a formal Request for Proposal (RFP) to prospective regional and national advertising firms and invited formal proposals under a "sealed bid" agreement. On January 1, 1977, a three-year exclusive contract was awarded to a La Mirada firm (Transit Ads, Incorporated), with provision for a guaranteed annual level of revenue to the District. Upon expiration of this contract on December 31, 1979, the contract was renewed for an additional three calendar years, and in September of 1980, Transit Ads, Incorporated, was acquired by Winston Network, Inc., a New York based firm with a regional office located in Los Angeles. The existing three-year contract with said firm expires at the end of calendar year 1982.

During calendar year 1981, the District received its guaranteed annual revenue of $1,391,000, calculated under the prescribed terms of the agreement at an estimated 51 percent share of total advertising receipts accruing to the SCRTD. Original terms of the most recent three-year contracts stipulate a guaranteed increase of approximately 7 percent annually. Terms of the agreement call for the District to participate at a 51 percent share of annual gross advertising revenues that exceed the guaranteed amount.

Representative prices for varying sizes and types of SCRTD poster board advertising areas follows:

- King Size (30 inches by 104 inches) @ $83 per month
- Jumbo Queen Size (30 inches by 88 inches) @ $49 per month
- "Trail" Board (21 inches by 72 inches) @ $67 per month

These above-quoted prices are for exterior, framed poster boards. Prices are determined by quantity and length of the advertising contract. For example, one "King Size" ad running for twelve calendar months is priced at $66 per month (reflecting an approximate 20 percent discount). Interior advertising posters, 11 inches by 28 inches, are of a singular type and are priced at $5 per month.

The District previously experimented with "Adhesive Ads" that ran virtually the entire length of the bus and were applied directly to the surface (i.e., not enclosed in a poster frame). These adhesive ads met with mixed reviews and are generally viewed as unattractive and inappropriate for application to the new line of buses in the SCRTD fleet.

Recently, the SCRTD's advertising department was approached by a private firm with respect to installing small, closed-circut cameras in selected buses on selected routes on an experimental basis. These cameras would be used to promote specialized advertising in which the District would share revenue receipts. However, express concern was raised over a number of issues relating to ths type of medium, including: the acceptability of presenting such advertising in the prescribed format to a "captive" audience; the overall volume of the accompanying audio portion of the advertising; and language employment, given the high percentage (i.e., 25-35 percent) of SCRTD patrons that are of Hispanic origin and many of whom do not speak English. Acknowledgement was made that major modifications and refinement in this technical medium may ultimately make its utilization suitable, acceptable, and profitable.

Concessions

The American Transit Industry distinguishes between mechanical or "vending" concessions and retail outlets with sales clerks and cashiers in reporting revenue, and in the application of location, management and licensing policies. The physical form of the concessions varies from the modern "magic teller" bank outlets now being placed in selected New York City subway stations to standard food dispenser or newpaper vending machines. It should be noted that pay telephones are also considered a concession and represent a significant portion of the total rapid transit system concession revenue.

In most older rapid transit systems in the United States, the retail outlets take the physical form of stalls, or the classic newspaper stand. In the more modern systems, the kiosk form of retail outlet has been introduced in compliance with more uniform and higher aesthetic standards. In certain rapid transit systems, such as Boston, the "hawkers" or "street vendor" type retailers are allowed to peddle wares (e.g., flowers, cigarettes, souvenirs) from floating locations.

Major retail stall-form concessions require incremental climate control (i.e, heating/air conditioning); piping (i.e., water) and lighting accommodations in the station areas. If food/beverage outlets are excluded from the station areas, then there are no additional water/piping needs. Individual retail stalls require between 150 and 250 square feet of floor space. Depending on the specific Metro Rail station design, it may have false ceilings and supplemental wall structures. The kiosk design form of retail outlet reduces the structural requirements.

Vending machines have only potential electrical and related wiring utility requirements. In modern U. S. rapid transit systems (i.e., San Francisco, the Washington, D. C., and the Atlanta systems) all vending machines are either "built in" to the station walls or are structured as parts of kiosks. The new "magic teller" bank outlets require major station wall structure accomodations for security, wiring, and potential surface-street entry needs for repair and servicing.

The maintenance of retail areas is usually assigned to the concessionaire. In New York City, for example, station entranceways through buildings to the retail concessions are also maintained by the building owner in exchange for increased FAR density bonuses. Non-food and beverage vending machines are maintained by the licensed vendor. Food and beverage retail outlets and vending machines require considerable incremental station area and rail car refuse and litter maintenance costs. To date, the kiosk-related retail outlets have experienced considerable vandalism, especially in the San Francisco BART system. The built-in vending machines located near the turnstile/ticket areas of rapid transit stations require no additional security cost and have experienced minimal or no vandalism. Magic teller bank outlets are planned for these locations in New York City, but there is no operational record yet to determine security costs or incremental level of crime problems

Fire and safety requirements for retail concessions primarily involve inspection and surveillance to ensure proper wiring and building code enforcement. Wall-encased fire extinguishers are provided in areas of litter collection. In additions, fire-resistant metal cannisters should be utilized for waste collection. As noted in the previous discussion of advertising, kiosk design retail outlets can pose a safety/security problem by creating areas that cannot be adequately covered by TV monitors.

Mechanical built-in vending machine (i.e., non-food and beverage) and public telephone concessions represent incremental revenue potential for the Metro Rail system that will not require incurring additional station area maintenance cost. Based on the past revenue experience of other U.S. rapid transit systems, this type of retail concession should generate approximately $1 million in annual revenue for the Metro Rail system measured in 1982 dollars. This revenue stream should keep pace with, or increase faster than, the annual rate of inflation.

The "magic teller" bank outlet type of vending machine could be supported by the expected level of patronage at the Los Angeles CBD and possibly the Miracle Mile stations. New York City is currently installing these machines on a "competitive bid" basis in selected downtown Manhattan stations. Final awards have not been made; however, revenue potential is expected to double or triple the annual vending concession revenue for the New York MTA. Based on the initial private sector responses, it is estimated that the Metro Rail system could realize at least an additional $2 million in annual revenue from the inclusion of this type of retail outlet in their station facilities. Terms of the magic teller concession agreement

should ensure that the stream of revenue increases at a rate equal to or greater than inflation.

The revenue percentage or "sales override" type of retail stall lease has proven unmanageable in relation to most U.S. rapid transit systems. It is now common practice in the industry to use a simplified annual concession fee under a "master lease" agreement, to reduce management costs of this type of retail concession. A full complement of kiosk or retail stall facilities located in Metro Rail stations would generate between $750,000 and $1.5 million in annual revenue to the SCRTD.

If the SCRTD utilizes connector fees to retail concourse areas that are functionally linked to Metro Rail stations, there is a direct conflict or trade-off in achieving retail stall lease revenue. In addition, a policy that would prohibit food or beverage retail outlets would further reduce this type of revenue potential for this type of retail concession to the Metro Rail system. Depending on the District's final policy relating to these aspects of retail outlet concessions, retail stall or kiosk revenue for the Metro Rail system is estimated to range from zero to an amount in excess of $1 million annually.

Summary

Value capture techniques represent important revenue sources to support construction costs and ongoing operation and construction costs of the Metro Rail system. Special benefit assessment districts and tax increment financing probably represent the two most viable tax and fee approaches to value capture for use by the District. Formation of special benefit districts will require approval of at least 60 percent and probably two-thirds of the voters within each assessment district. Tax increment financing requires no voter approval with the decision to use this form of financing to be made by the CRA and City of Los Angeles.

Station sharing costs and connector fees to be paid by developers and/or building owners, who would like to have a direct connection or integration with the station, represent other important value capture techniques which should be considered by the District. Dedication of Metro Rail station entranceways, functionally integrated heating and air conditioning systems, and common escalators and elevators are among other candidate cost sharing approaches being evaluated for inclusion in the District's overall joint development/value capture program.

Land and air rights leasing or sale of transferred development rights should also receive full consideration by the SCRTD as a potential revenue source. In the case of development rights transfer, this candidate development mechanism would be designed to reinforce compatible development patterns and protect existing residential neighborhoods.

Maximum annual advertising and concession revenues can be achieved while maintaining the highest priority levels of system and pedestrian orientation, information displays, and station security. Utilization of standard interior and exterior vehicular locations, wall space, access from loading platforms, and discretely selected station entranceway and platform waiting areas for commercial poster board advertising is generally sufficient to maximize advertising revenue. To enhance station security and minimize vandalism losses, national experience indicates that kiosk advertising should not be done in the Metro Rail station areas.

The management experience of transit authorities in other metro rail cities indicates that, with the exception of newspaper vending machines and automatic bank tellers, the inclusion of other retail facilities especially food and beverage outlets is generally not conducive to clean and efficient system operation. Retail concourse areas directly connected to the station areas should be encouraged in the major commercial centers served by the Metro Rail system. Major automatic bank teller outlets are now being considered for inclusion in station areas in New York City and Washington, D.C., respectively. If these vending outlets are located in areas of high station security and surveillance, they represent a major potential revenue source to help offset Metro Rail station maintenance costs.

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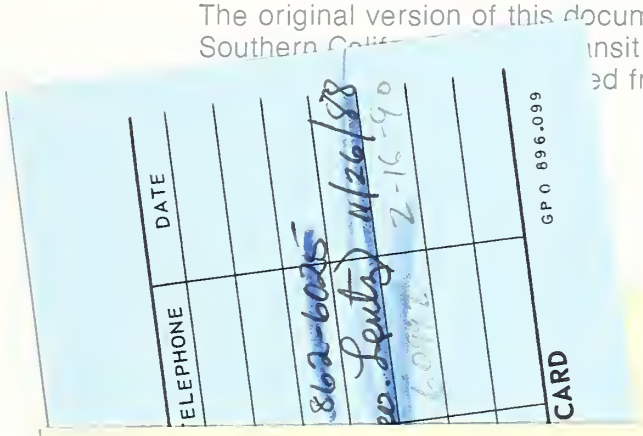

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