

Mr. Gary S. Spivack, Director
Department of Planning
Southern California Rapid Transit District
425 South Main Street
Los Angeles, CA 90013

Re: General Planning Consultant
Project 1000 - Technical Memorandum 4.7.1
Benefit Assessment at Universal City Station
July, 1984.

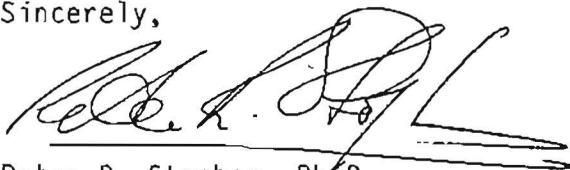
July 25, 1984

Dear Gary:

Please find attached Technical Memorandum 4.7.1-- Benefit Assessment at Universal City Station. This document contains recommendations on a strategy to adopt for a Benefit-Assessment District at Universal City Station, and also recommends a special study (that would fall under Task 12) concerning the extent of the problem and the potential for a radical solution. Our recommendations on this are contained in the document, which was prepared by myself with review by Bob Singleton and Dick Swanson. We need now to look for your concurrence with the decision recommended, or your suggestions on an alternative procedure to follow.

I look forward to your reply on this.

Sincerely,



Peter R. Stopher, Ph.D.
Vice President

cc: Project File 1000(2)
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GENERAL PLANNING CONSULTANT:
TECHNICAL MEMORANDUM 4.7.1
BENEFIT ASSESSMENT AT UNIVERSAL CITY STATION

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Prepared for:
Southern California Rapid Transit District

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1. SUMMARY

It has been recognized that there may be considerable difficulty in setting up a Benefit-Assessment District at Universal City station. This difficulty stems from the known opposition of Universal Studios/MCA to a Benefit-Assessment District and the fact that the legislation for Benefit-Assessment Districts makes it clear that Universal Studios/MCA will determine whether or not a Benefit-Assessment District is established at Universal City station. Further, if a defeat in an election of a Benefit-Assessment District at Universal City station precedes establishment of Benefit-Assessment Districts at many of the other non-CBD stations, there is good reason to fear a domino effect on petitions for elections and defeating elections for Benefit-Assessment Districts.

This Technical Memorandum reviews briefly the legislative background for establishing a Benefit-Assessment District at the Universal City station, and describes the implications of failing to establish such a Benefit-Assessment District. Six alternative strategies are outlined, ranging from a do-nothing approach to relocating the station from Universal City to Studio City. In assessing the alternative strategies and evaluating them, the following conclusions are drawn:

- The preferred strategy is a combination of delaying the attempt to form the Benefit-Assessment District at Universal City station until as late as possible, and using the CBD Task Force to bring peer pressure to bear on Universal Studios/MCA to accept a Benefit-Assessment District as being in the best interests of the region.
- The next preferred strategy is to attempt to change the legislation setting the boundary limits on Benefit-Assessment Districts.
- At the same time that one of the two preceding strategies is being followed, it is recommended that a detailed study be undertaken of the implications of relocating the Universal City station to Studio City and completing a detailed

cost-benefit analysis of this option.

A final cautionary note is in order on the recommended approach. Passage of the Robbins Bill may preclude the District from delaying establishing a Benefit-Assessment District at Universal City station; for long enough to gain what is needed to ameliorate the negative effects of a failure to establish the Benefit-Assessment District. In this case, the alternative approaches should be re-evaluated.

2. BACKGROUND AND ISSUES

Currently, the legislation setting up Benefit-Assessment Districts specifies several important aspects of the Districts, their boundaries, and the procedures for implementation, namely:

- a) There is to be one Benefit-Assessment District for each station;
- b) The maximum distance from a station for inclusion of real property (outside the Los Angeles CBD) is one half mile;
- c) If any part of the real property of an owner is included within the bounds of the Benefit-Assessment District, then the entire property is included;
- d) Voting in elections concerning a Benefit-Assessment District is to be based on representation proportionate to the value of real property owned within the District;
- e) Major barriers, such as rivers, freeways, etc., override the boundaries set by distance;
- f) If at least 25 percent of the voters in a proposed District petition for one, an election shall be held to confirm the District;
- g) The District is confirmed or denied on a simple majority vote of the representation of the District; and
- h) Provision of direct walk access from a station to real property that would otherwise lie outside a Benefit-Assessment District, by virtue of a barrier or excess sidewalk distance, allows addition of such property to the District.

With respect to the proposed Universal City Station, these elements have the following specific implications:

- (i) With the possible exception of property that could be added to the District from the Southwest side of the Hollywood Freeway by a pedestrian bridge, almost all the nonresidential property around the station is owned by Universal Studios/MCA;
- (ii) Universal Studios/MCA is on record as opposing a Benefit-Assessment District. As the majority property owner for any Benefit-Assessment District for the Universal City Station, Universal Studios/MCA can petition for election and are assured that their vote will be the majority vote in such an election; and
- (iii) Even with the addition of property on the southwest side of the freeway, the majority position of Universal Studios/MCA cannot be challenged.

Based on the above specific implications, it appears most likely that a Benefit-Assessment District at the Universal City Station is unlikely to be implemented.

3.- IMPLICATIONS OF THE UNIVERSAL STUDIOS/MCA POSITION

A failure by the SCRTD to implement a Benefit-Assessment District around the Universal City Station will have various implications, depending on the timing of such a failure. Passage of the Robbins bill will almost certainly precipitate the need to establish Benefit-Assessment Districts at the two valley stations within a year or less of their establishment in the CBD. In the event that the establishment of a Benefit-Assessment District at Universal City Station could be delayed until after all other Benefit-Assessment Districts were established, a minimal impact would be generated from the Universal City Station Benefit-Assessment District. This is the ideal situation, but seems unlikely to be achieved. The consequence of a failure to establish a Benefit-Assessment District at Universal City Station seems likely to generate an impetus to other potential Benefit-Assessment Districts to petition for an election and to generate sufficient opposition to a Benefit-Assessment District to cause other station areas to defeat the establishment of a Benefit-Assessment District. The logic for this is basically the same as the logic that supports the establishment of Benefit-Assessment Districts for the four downtown stations first. Apart from the fact that construction can be expected to commence in the CBD, and that the CBD Benefit-Assessment Districts will generate the majority of the revenues achievable from Benefit-Assessment Districts, it is anticipated that the establishment of these Benefit-Assessment Districts will generate an example to be followed further along the corridor.

It is well-known in psychology that a negative influence is stronger than a positive one. Thus, the combined positive effect of establishing four Benefit-Assessment Districts downtown is not likely to exceed the negative influence of the failure to establish one Benefit-Assessment District -- at Universal City Station. Furthermore, there is a reasonable possibility that a failure to implement a benefit-assessment district at Universal City Station would demonstrate a domino effect, as is discussed later in this Technical Memorandum.

4. ALTERNATIVE STRATEGIES

4.1 SUMMARY

There are at least six alternative strategies that could be pursued with respect to the Universal City Station. These alternative strategies are outlined briefly in this section and are discussed in more detail in succeeding sections of this chapter. Briefly, the strategies that could be pursued include:

1. Proceed with the Universal City Station Benefit-Assessment District, without any special treatment or timing.
2. Delay the attempt to implement the Universal City Station Benefit-Assessment District until at least 30 days after the last of the other sixteen districts have been put before the Board for approval and implementation.
3. Decide to abandon any attempt to establish a Benefit-Assessment District at Universal City Station.
4. Use the CBD Task Force to try to bring sufficient pressure on Universal Studios/MCA to change their stated position on benefit assessment for Metro Rail.
5. Introduce further clean-up legislation in Sacramento that would either correct the original error in SB1238 to set boundaries at one-half mile in the CBD and one mile everywhere else, or permit two neighboring stations to be included in a single benefit-assessment district.
6. Reroute the rail line to a Studio City Station site on the other side of the Hollywood Freeway.

4.2 APPROACH 1 - NO SPECIAL TREATMENT

As outlined in the earlier sections of this Technical Memorandum, this strategy must be expected to result in a high probability that the Benefit-Assessment District at Universal City Station would be defeated. Given the representation rules for petitions and elections, it must be expected that Universal Studios/MCA will petition for an election and that the election will result in a majority vote against establishing a Benefit-Assessment District. It is then likely that this successful petition and election on the part of an objecting property owner will encourage other property owners along the rail corridor to mount a petition and to lobby hard among fellow property owners to defeat establishment of Benefit-Assessment Districts. Specifically, property owners who may have felt that there was little chance to defeat a Benefit-Assessment District may be encouraged to fight, instead of acquiescing to formation of a Benefit-Assessment District. Furthermore, a successful election by Universal Studios to defeat a Benefit-Assessment District at Universal City Station would be likely to encourage property owners, who were in a minority in opposing a Benefit-Assessment District, to file lawsuits against the Benefit-Assessment Districts on some point of principal, or on the basis of arbitrariness.

The risks inherent in this approach should not be minimized. In recent articles in the Los Angeles Times, it is apparent that there are property owners along the Mid-Wilshire segment of the line who consider that Benefit-Assessment Districts are fine for the CBD, but would be disastrous in mid-Wilshire. Similar sentiments can be expected at various points along the line, particularly around CBS Studios and the Farmers' Market (Beverly/Fairfax), and in the downtown area of Hollywood. Even if the attempt to form the Benefit-Assessment District at Universal City Station were to follow some time after the establishment of Benefit-Assessment Districts in the Los Angeles CBD, there is the possibility that a successful quashing of a Benefit-Assessment District by Universal Studios/MCA would lead to a rash of lawsuits from property owners in the CBD who are not strongly behind the Metro Rail project.

It should also be noted that enactment of the Robbins Bill, requiring a start to be made on construction in the Valley within a year of starting construction downtown, and allocating 15 percent of State and Local funding for construction to this segment of the line, may also precipitate formation of Benefit-Assessment Districts at the two valley stations well in advance of the rest of the line. Thus, a possible scenario, if no special treatment is decided on for Universal City Station, is that the Benefit-Assessment Districts for Universal City Station and North Hollywood would be prepared for establishment within a year of the establishment of Benefit-Assessment Districts downtown, and before attempts are made to establish Benefit-Assessment Districts in the mid-corridor.

4.3 APPROACH 2 - DELAY OF A BENEFIT-ASSESSMENT DISTRICT AT UNIVERSAL CITY STATION

Legally, there appears to be no requirement that Benefit-Assessment Districts be initiated on any specific schedule, relative to each other or to the construction process. Politically, there may be strong reasons why formation of Benefit-Assessment Districts should follow initiation of construction rather closely. However, if a delay in bringing a Benefit-Assessment District for Universal City Station to the SCRTD Board for approval can be countenanced, it may be possible to minimize the negative effects of an eventual failure to establish the Benefit-Assessment District at this station. If the motion to establish the Universal City Station Benefit-Assessment District is not put before the SCRTD Board until the period allowed for petitions has expired at all other stations, then the petition and possible adverse vote in an election at Universal City Station would come too late to instigate similar actions elsewhere along the line. In addition, if all other Benefit-Assessment Districts had been established successfully, without elections or with strong support for Benefit Assessment shown in any elections held, there could be a reverse pressure on Universal Studios/MCA to accept a Benefit-Assessment District, in spite of their clearly-stated wishes not to participate.

It appears that delay might be the best strategy, because it may head off the establishment of a core of resistance to Benefit-Assessment Districts, and may even result in pressure being brought to bear on Universal Studios/MCA to join all other property owners within the influence of the Metro Rail stations. Nevertheless, the political implications of this strategy must be assessed carefully, to ensure that such a delay will not generate a political backfire that may damage other aspects of the funding or the implementation of this or other rail projects in the region. For example, a hostile press or political campaign could charge that delays were equivalent to gerrymandering, and thereby put considerable pressure on the District to move on the Universal City Station Benefit-Assessment District ahead of other Benefit-Assessment Districts.

4.4 APPROACH 3 - CAPITULATE WITHOUT ELECTION

Basically, this approach represents prior capitulation by the District to the announced opposition of Universal Studios/MCA. As such, while being a very pragmatic response that will avoid the publicity accorded to the petition and election process, this strategy also could result in encouragement of other property owners to petition for an election, to defeat the District in an election, or to bring lawsuits against the District on the basis of arbitrariness. Indeed, probably the greatest risk of this approach lies in that the abandonment of an attempt to form a Benefit-Assessment District at Universal City Station could be interpreted as grounds for challenging the entire Benefit-Assessment District process for Metro Rail as being arbitrary and capricious.

In addition, abandonment of the attempt to form a Benefit-Assessment District at any one station, ostensibly because of pressure brought to bear by the majority property owner could set a serious precedent that might be followed effectively for any future rail lines in the region. One successful lawsuit specifying arbitrariness would also threaten the entire structure of benefit assessment for transit projects in both the Los Angeles region and the State.

Unfortunately, while no announcement is required that the District will not try to form a Benefit-Assessment District at Universal City Station, the lack of such an announcement will not cause a time period for lawsuits by individual property owners to expire, because there is no time limitation on such suits in the current version of the law. Therefore, abandonment of an attempt could forestall the negatives of widespread petitions for elections and the elections themselves, but could do nothing to forestall a deluge of lawsuits and would almost certainly encourage one. It must also be expected that there will be a leak of some sort from within the District that would provide a rumor, at least, that no attempt would be made to form a Benefit-Assessment District at Universal City Station. Such a rumor could be very damaging if it emerged before the expiration of time for petitions and elections for part of the rail corridor.

4.5 APPROACH 4 - PRESSURE UNIVERSAL STUDIOS/MCA THROUGH THE CBD TASK FORCE

Given that support for benefit assessment appears to be mixed along the rail line, the CBD Task Force seems likely to emerge as the primary private-sector champion of benefit assessment. Given also that the CBD Task Force is likely to include some large corporations and private sector people that can be influential in the Los Angeles region, this group has considerable potential for being sufficiently influential on Universal Studios/MCA to be able to change their mind on the benefit-assessment issue. The effect of changing the position of Universal Studios/MCA is likely to be more effective on the positive side for benefit assessment than is their present position on the negative side. The tactic that might be used by the private sector to pressure Universal Studios/MCA is that of the greater good to the region offered by the rail line. The stated position of Universal Studios/MCA is that the rail line does not benefit the Universal Studios property by providing increased accessibility. This position should be considered, at least initially, to have been arrived at by Universal Studios/MCA officials from a careful review and analysis of their market and the rail project. The Task Force should, therefore, accept that this is a valid initial position. Two directions can then be pursued to demonstrate why Universal Studios/MCA should support the rail project through benefit assessment:

- First, that the rail project is good for the economic health

of Los Angeles and for the continued ability of the area to attract people to such sites as Universal Studios; and

- Second, that the rail project will benefit Universal Studios/MCA with respect to accessibility to employees to work at Universal Studios.

4.6 APPROACH 5 - CHANGE BOUNDARIES THROUGH FURTHER CLEAN-UP LEGISLATION

The original legislation -- SB1238 -- contains a typographical error that set the boundaries of CBD districts at one mile from the station centroid and at one-half mile from all other stations. The legislation was supposed to have been written as the reverse of this. The current clean-up legislation has left this issue untouched, presumably because of the potential value to the SCRTD of being able to use one mile around CBD stations. Given the realities of the situation, in which it may well be that even in the CBD boundaries can be set no further than 2000 to 3000 feet from a station, little may be lost, and much gained with respect to Universal Studios/MCA by reversing the boundary limits in a subsequent clean-up bill.

A second position that may be equally effective, without requiring a change to the CBD, would be to introduce legislation that sets the limit at one mile through the entire corridor. This could be justified on the basis that no problems have been raised about the one mile in the CBD, even though not originally intended, while the half mile outside the CBD is too restrictive and may open a potential loophole for challenging the legislation.

Third, new clean-up legislation could leave alone the limits on the boundaries, but reinstate the capability to include more than one station in one benefit-assessment district. In order to counter the earlier charges of gerrymandering, such a legislative change could permit:

- a) A maximum of two stations in one district, and
- b) The stations must be consecutive stations on the line, such that station-specific benefit-assessment districts would be not more than half a mile apart and might potentially touch or overlap.

The effect of such legislation would permit the North Hollywood and Universal City stations to be defined as comprising a single benefit-assessment district. A review of the land uses that would be covered by such a joint Benefit-Assessment District should be determined before proceeding with this option, to ensure that Universal Studios/MCA would no longer be in a majority position, either by itself or with the assistance of any known sympathetic property owners.

4.7 APPROACH 6 - RELOCATE THE STATION TO STUDIO CITY

This approach represents a means to avoid the problem completely, by relocating the station to the other side of the freeway, and probably excluding Universal Studios/MCA totally from inclusion in a Benefit-Assessment District. The costs of so doing are, however, very high. First, such a relocation will require the development and filing of a Supplemental EIS. Second, the 1982 Special Alternatives Analysis for Hollywood and North Hollywood simulated a much lower

patronage for Studio City than for Universal City. There are several elements to that simulation that could throw some doubt on the correctness of this comparison. First, these simulations were run before the design of new feeder bus services for the valley had been undertaken. Conscious efforts to improve bus service to a Studio City Station location could increase ridership at this station. Second, since the simulations for that study, considerable improvements have been made in the procedures for connecting stations and zone centroids to the rest of the transit network. These improvements could result in a greater improvement of modeled accessibility for the Studio City Station site than for the Universal City Station site. Third, a significant number of other changes have been made in bus services that were not envisaged at the time the networks were developed for the Special Analysis. These changes may affect the comparative figures for these two station locations. A variety of other model improvements have also been made in the intervening period, and their effects on comparative patronage cannot be guessed at. However, they are sufficient to raise questions on the validity of this comparison.

Results of those earlier simulations showed, under one configuration, boardings of 10,400 passengers per day at a Universal City Station and 6,900 at Studio City; and in a second configuration, showed boardings of 9,100 at Universal City Station compared to 5,600 at Studio City. These comparisons suggest that there would be a loss of about one-third of the ridership at the Studio City station compared to that at the Universal City station. Interestingly, while the station relocation seems to have lost about 3,400 trips in each configuration, under one configuration total rail ridership decreased by 4,000 trips, while it increased by 47,700 in the second case. Thus, total rail ridership was not necessarily affected proportionately by the relocation of the station from Universal City to Studio City.

If, after implementing all necessary updating changes to the networks, the Studio City Station still shows a much lower volume of boardings, a cost-benefit analysis may be indicated to determine the extent of likely loss of Benefit-Assessment revenues against the cost of relocating the station. Simulations of boardings, using the most current models and networks, and a detailed analysis of property that would be included within alternative Benefit-Assessment Districts is necessary to assess the implications. As a rough order-of-magnitude, an outline analysis can be developed, based on a number of simplifying assumptions.

4.7.1 First-cut Analysis of Implications of Relocating the Station

It has been suggested that about 70 percent of benefit-assessment revenues would be generated in the CBD. Assuming that the revenue goal is a mid-life production of \$250 million, then \$75 million would be generated from the 13 stations outside the CBD, providing an average of \$5.8 million per station. In the worst case, one could assume that retaining the Universal City station location and failing to establish a Benefit-Assessment District would lose all of the non-CBD Benefit-Assessment District revenue, or \$75 million. A more optimistic scenario would be that only the Universal City station revenues would be lost, i.e., \$5.8 million. The estimated capital cost of the Universal City station is \$55.8 million, so that the Benefit-Assessment District revenue represents just over 10 percent of capital costs for the station.

If the station is relocated to Studio City, a possible scenario is that the increase of residential property within the potential Benefit-Assessment District would reduce the revenues by half, so that relocation begins by

costing, say, \$2.9 million in potential Benefit-Assessment District revenue. If the patronage loss from relocating the station to Studio City were one-third of the current projected boardings at Universal City, then there will be a daily loss of approximately 6,000 riders, or 1.77 million annual riders. If the average rail fare paid by those boarding at the Universal City station is \$1, then this represents a revenue loss of \$1.77 million per year. Assuming that the station would cost approximately the same to construct at Studio City as at Universal City, then the only remaining cost for relocating is the environmental, design, and engineering work that would be required. Assuming that this is in the range of 10 to 15 percent of the cost of the station, then a further \$5.6 to \$8.4 million will be required to relocate the station.

Thus, a rough analysis suggests that the total costs of relocating the station might be as high as \$47.3 million, assuming passenger revenue losses of \$1.8 million per year for 20 years, and a half-life revenue loss for Benefit-Assessment District of \$2.9 million in total. Against this, the loss from retaining the station at Universal City without a Benefit-Assessment District might range from \$5.8 million to \$75 million. Clearly the key to the decision becomes a more detailed analysis of the revenue loss from each of Universal City station and Studio City station, a detailed analysis of patronage loss (which is by far the largest contributor to the costs of the relocation), and a more informed assessment of the amount of potential loss of Benefit-Assessment District revenues from a domino effect from Universal Studios/MCA.

5. CONCLUSIONS

It is important to determine a strategy at this time with respect to Universal City station, so that either a conscious decision is taken to accept the risks involved in proceeding with the station without special treatment, or a specific direction is adopted to reduce the potential impacts of failing to establish a Benefit-Assessment District at the station. Among the alternatives suggested, none represent an ideal, but each one is some form of compromise. Alternative 1 is acceptance of the risks posed by Universal Studios/MCA rejecting a Benefit-Assessment District. Alternative 2 is a minimum-risk alternative, with the possible added advantage that a Benefit-Assessment District may be established through peer pressure. If adopted together with alternative 4, this may provide the highest potential to achieve a Benefit-Assessment District at Universal City station. Alternative 3 is not recommended because it may precipitate litigation that would not otherwise occur. Alternative 5 must be assessed for practicality by SCRTD legal counsel, but represents a good second option to a combination of Alternatives 2 and 4. Alternative 6 carries the highest price tag in terms of the actions involved, if current analyses are correct in order of magnitude. If analysis shows the magnitude of ridership changes to be different from that discussed, this alternative may increase or decrease in potential attractiveness.

In summary, a combination of approaches 2 and 4 seems the best strategy, unless the Robbins Bill passes and is deemed to preclude the SCRTD from delaying implementation of a Benefit-Assessment District at Universal City station. The next best strategy, if feasible is the legislative change to boundary definition (Approach 5). Approach 1 is the do-nothing approach and Approach 3 is likely to generate legal problems that may dwarf the original problem with Universal Studios/MCA. While one of the alternative approaches may be selected for initial pursuit, it is also recommended that a study of the detailed implications of relocating the station be undertaken. This study would require rebuilding the transit network to reflect appropriate bus route changes around a relocated station, reconnecting zone centroids to the new station site by walk and auto, and then re-simulating patronage for this alternative. Detailed documentation of the land uses by type around each of the station sites would be required, together with an estimate of the revenue potential of each site. Finally, the study should attempt to ascertain the proportion of land uses through the rest of the corridor that are considered to be marginal or opposed to establishment of Benefit-Assessment Districts, in order to make an order-of-magnitude estimate of the likely loss of Benefit-Assessment District revenues.