

# BENEFIT ASSESSMENT SUMMARY REPORT

AUGUST 1985



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

Mayor Tom Bradley  
City of Los Angeles

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## OVERVIEW AND EXECUTIVE SUMMARY

This report describes various elements of and findings regarding the Southern California Rapid Transit District's (SCRTD) Benefit Assessment Program for the Los Angeles Central Business District and the Wilshire/Alvarado areas.

After a public hearing held by the SCRTD Board of Directors on January 24, 1985, the SCRTD Board approved, on February 14, 1985, a resolution to proceed with the establishment of benefit assessment districts for the Central Business District and the Wilshire/Alvarado areas. This resolution was transmitted to the Los Angeles City Council, which held a public hearing on May 28, 1985. The City Council amended and approved the resolution on May 31, 1985 and returned it to the SCRTD Board. On July 11, 1985, the SCRTD Board adopted the resolution creating the two special benefit assessment districts for the Central Business District and Wilshire/Alvarado areas (Appendix 1).

Funding arrangements for the construction of the 18.6-mile Downtown Los Angeles-to-San Fernando Valley Metro Rail subway line (see Figure 1) are still being developed. It is anticipated that the federal funding process will be completed by the fall. A major share of the Metro Rail's \$3.3 billion construction cost is expected to be met by federal grants. The balance is to be met by state, county, and city funds earmarked for public transportation and by revenues generated from the private sector via assessments.

Briefly defined, benefit assessment is a fee on properties in a specified area that is used to pay part or all of the cost of specific capital improvements made within and specifically benefiting that area. The assessment may be levied by a governmental entity with appropriate authority. The capital improvements are usually financed with bonds secured by the assessments. Assessment formulas may be based on site size, floor area, front footage, or other measures.

Benefit assessments have been used in California and throughout the United States to finance various types of public improvement projects such as street lighting, sewer systems, parking structures, and flood control facilities. Owners of property located in the vicinity of a major public improvement receive special benefits as a result of the expenditure of taxpayers' money. Those receiving the most direct benefit are asked to share in the project's cost through benefit assessments.

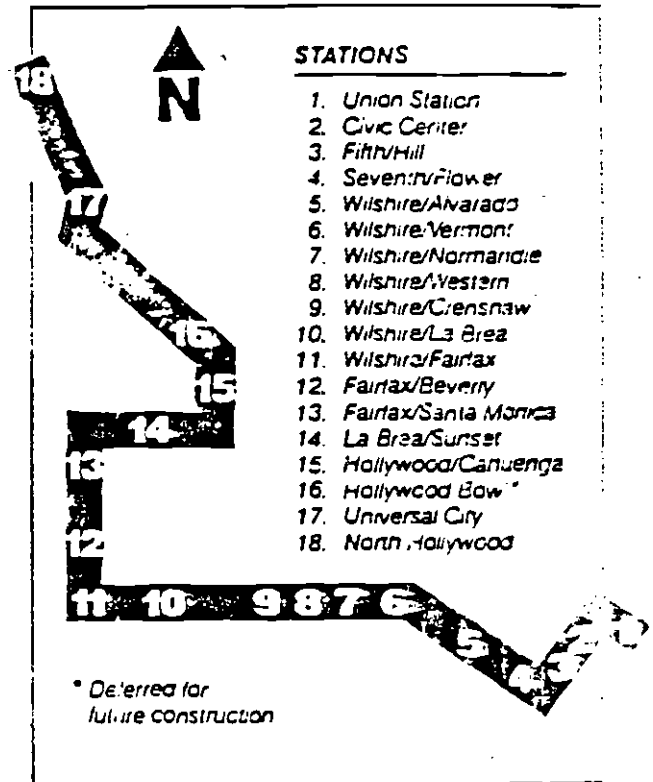


Figure 1

With respect to Metro Rail, property owners near the subway stations will realize various monetary benefits due to proximity to the stations. Consequently, they are being asked to share in the cost of Metro Rail. State law (Sections 33000 et seq. of the Public Utilities Code) authorizes the SCRTD Board of Directors to establish benefit assessment districts around Metro Rail stations and assess property located within specified distances from the stations. Residential property is excluded from these assessments, as indicated by formal actions of both SCRTD and the Los Angeles City Council.

A Benefit Assessment Task Force, composed of private- and public-sector members, worked closely with SCRTD to establish assessment district boundaries and methods of assessment for the Downtown and the Wilshire/Alvarado area by this summer. The Task Force worked hard to ensure that the assessment program was fair and equitable.

### S.1 STATUS OF METRO RAIL

Planning and design for the 13.6-mile Downtown Los Angeles-to-San Fernando Valley Metro Rail line is rapidly approaching final stages. Some of the Central Business District sections are ready for construction. Moreover, the federal Urban Mass Transportation Administration approved the environmental assessment of construction and operational impacts of the subway line, making a final federal funding decision possible.

While local government funding commitments have been secured, federal funding for the entire line is not expected to be available all at once. Therefore, it is anticipated that the line will be built in phases. The first phase (referred to as the Minimum Operable Segment-1 or MOS-1) will consist of 4.4 miles of rail line and 5 stations (see Figure 2). It will provide service from Union Station through the Central Business District to the Wilshire/Alvarado station -- the area where the first two assessment districts have been established.

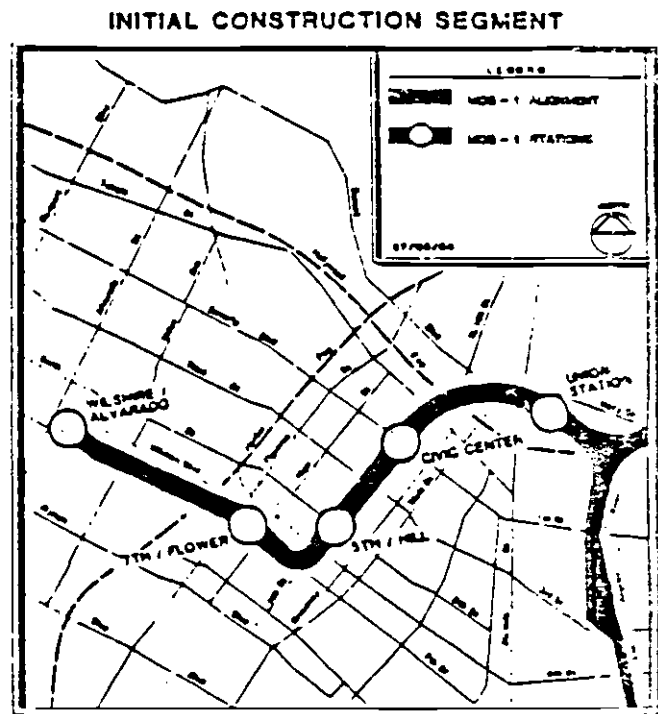


Figure 2





Public participation has been encouraged by the SCRTD during development of the program. Owners of property in the proposed districts were notified by mail 30 day prior to the public hearings before the SCRTD Board and the Los Angeles City Council. Additionally, three workshops were held to review the program with the public. A task force comprised of property owners in the Metro Rail corridor areas and governmental representatives met with SCRTD regularly. The Benefit Assessment Task Force made a series of recommendations to the SCRTD regarding the benefit assessment program, most of which were incorporated into the Board's resolution. By way of a formal committee structure, the SCRTD also extensively reviewed the benefit assessment program on a continuous basis with all interested public agencies.

#### S.4 BENEFITS

Metro Rail will provide both general and specific benefits.

Based on a careful review of the documented experiences of other North American cities that built rail transit systems after 1970, it is anticipated that the Metro Rail system will generate a series of benefits for Los Angeles.

The full community should benefit from enhanced accessibility and mobility, employment opportunities, a stimulated economy, cleaner air, and a reduction in the growth of traffic congestion.

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

- Owners of property near the stations -- who should benefit from increased land values, lease rates and occupancy levels and the ability to develop property more intensely, where appropriate.
- Tenants of office buildings near the stations -- who should benefit from improved access and mobility that Metro Rail would provide and the reduction or elimination of parking costs for office employees and visitors who use Metro Rail.
- Hotel operators with facilities near the stations -- who should benefit from increased occupancy levels and visitor access.
- Retailers with stores near the stations -- who should benefit from increased sales resulting from more pedestrian activity in the station areas.

Major monetary benefits are expected.

It is forecasted that potential private-sector monetary benefits realized from Metro Rail in the Los Angeles Central Business District alone could range from a low of \$750 million to a high of more than \$1.5 billion. In addition, the construction of the full 18.6 mile Metro Rail project should generate more than \$5 billion in wages, salaries and sales in the metropolitan area, representing an equivalent of 12,000 new jobs.

Benefits that property owners near the stations can expect fall into the following categories:

- Appreciation in land values
- Ability to command premium lease rates
- Higher occupancy levels
- Increased retail sales activity
- Increased allowable development density near transit stations
- Reduced developer and tenant parking costs

Benefits will occur at every stage of Metro Rail's development.

Benefits are anticipated to occur at various stages of the Metro Rail's development. For example, land value increases may occur once final construction funding for the system is publicly announced or once funding commitments are in place and construction begins. Once the system opens, increased sales, lease rates and occupancy levels should occur, and employees and visitors who use Metro Rail should experience reduced transportation costs. Increased development density allowances may become possible when the local governing body formally adopts plans for the station areas.

Benefits have been experienced in other cities with recently built rail transit systems.

Benefits associated with rail transit systems have been documented in many North American cities with recently built systems. For example, the value of prime development sites increased over 400 percent near the Washington, D.C. Metro system. At least half of this increase was attributable to the Metro system (1). Premium lease rates between \$1 and \$3 per square foot per year have been sustained in Washington, D.C., Toronto and Montreal within three blocks of the rail transit stations. Increased patronage and sales levels for retail establishments after rail transit operations began have been documented in Washington, D.C. and Atlanta, with reported ranges of 5 percent to 73 percent increases in sales. Three to ten per cent hotel occupancy increases have been realized. In Toronto, 90 percent of all new office development occurred near the rapid transit system. In Washington, D.C., 50 percent of all new commercial office development has been in close proximity to the transit system. In addition, the experience in these and other cities indicates that tenants and employees near Metro stations can anticipate \$600 to \$1,000 in annual parking cost savings.

(1) Walter Ryheck. Metroraill Impacts on Washington Area Land Values. Prepared for the Subcommittee on the City. Committee on Banking, Finance and Urban Affairs. U.S. House of Representatives. January, 1981.

## S.5 BENEFIT ASSESSMENT DISTRICT BOUNDARIES

A benefit assessment district is a defined geographic area that has been determined to receive special benefits because of Metro Rail. Figure 4 shows the benefit assessment district boundaries for the Central Business District and the Wilshire/Alvarado areas. As construction proceeds on additional rail segments, additional benefit assessment districts will be established.

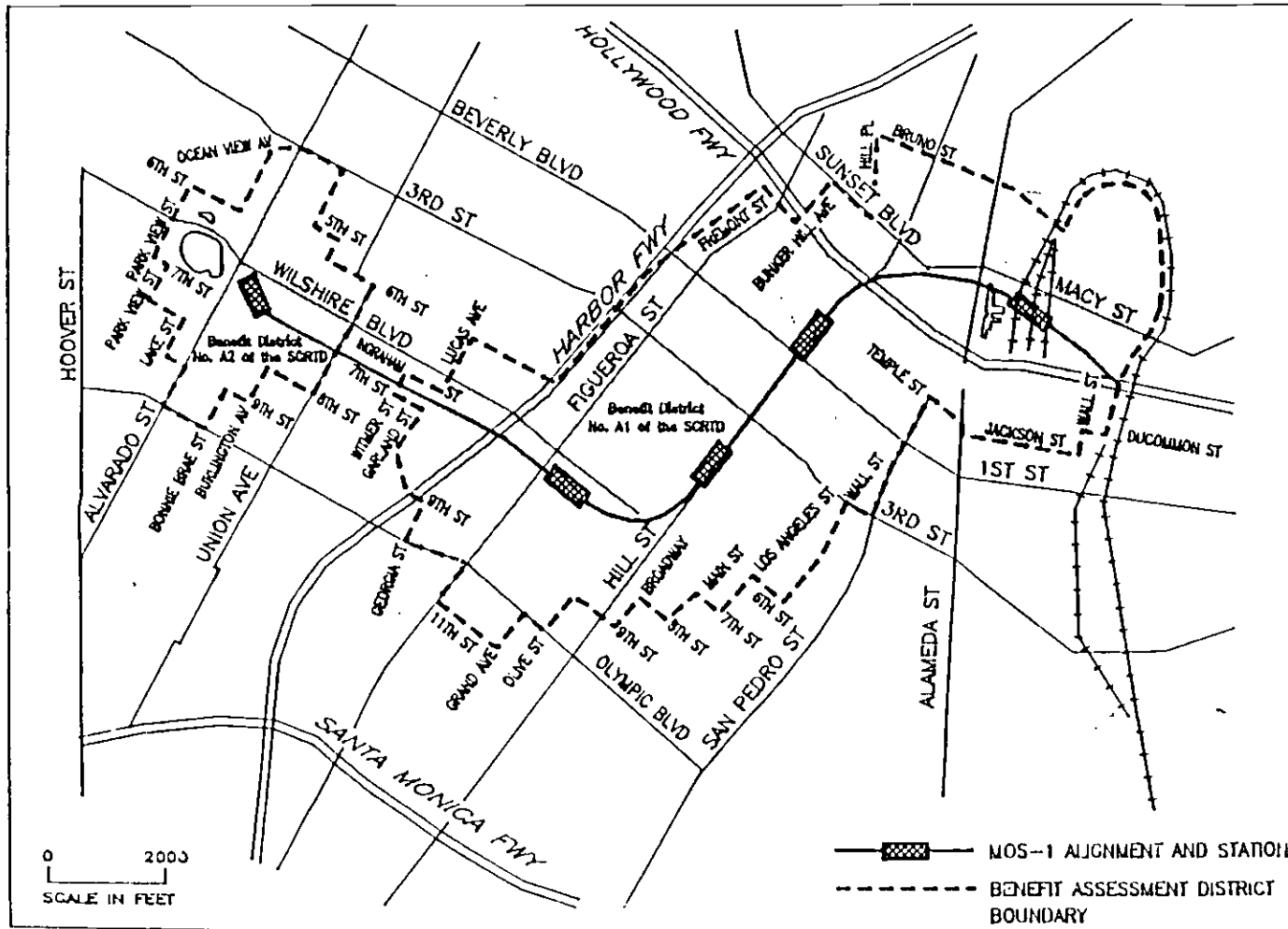
For the most part, benefits from a rapid transit system occur because people walk some distance to and from transit stations. This creates additional pedestrian activity and improved access for properties near the stations. This in turn, results in increased levels of commercial activity and enhanced opportunity for commercial growth and real estate development in transit station areas. Because of this, walking distances from the Metro Rail station centers were the primary determinants of the proposed benefit assessment district boundaries. A set of rules regarding inclusion of city blocks, consideration of barriers to walking and adjustment of boundaries for irregular shapes was applied in concert with the walking distances to define the proposed boundaries. A half-mile walking distance for the Central Business District and one-third mile walking distance for the Alvarado station were used.

## S.6 ASSESSMENTS

Working with the Benefit Assessment Task Force, the SCRTD reviewed a variety of possible assessment methods with the intent of establishing fair and equitable assessments.

Section 33002 of the Public Utilities Code allows assessments to be levied on both land and improvements. The assessment structure assesses either the improvement or the parcel of land on which the improvement is sited. Improvements in use as offices, other commercial, retail stores, hotels and motels are to be assessed for the square footage of the improvement or the square footage of the parcel, whichever is greater. These are called assessable improvements and have been identified as prime beneficiaries of transit systems in other North American cities. If the parcel is vacant or improved with an exempt use, the square footage of the parcel is to be assessed. For example, improvements used for warehousing and industrial activities would not be assessed, although the land on which these improvements are sited would be. Property in use for residential purposes, property owned by the public and in public use and property owned by a qualified non-profit organization and used by a non-profit organization would not be assessed. Qualified non-profit organizations would include those generally classified as charitable, while non-profit trade, business or similar associations would be assessed.

**MAP 1**  
**SCRTD BENEFIT ASSESSMENT DISTRICTS &**  
**METRO RAIL MINIMUM OPERABLE SEGMENT -1**



The annual per foot assessment rate initially will be set at \$0.30, with a maximum allowable rate of \$0.42. Figures 5, 6 and 7 show the effects of this rate structure on three proto-typical properties. Figure 5 shows a one-story office building. Because the square footage of the parcel is greater than the square footage of the assessable improvement, the assessment is based on the parcel square footage. Figure 6 shows a multi-story office building. The assessable square footage of the improvement is used to determine the assessment, because it is greater than the parcel square footage. For Figure 7, since there is no improvement on the property, the assessment of the parking lot is based on the parcel square footage. A single rate for the parcel or the assessable improvement was selected, because it is easily explained and administered.

Figure 8 shows the rates that could exist if current assumptions regarding funding requirements for the system and assumptions regarding potential growth and development hold true. For this chart, assumptions on projected growth were obtained from the Los Angeles Community Redevelopment Agency for the Central Business District and from the Final Environmental Impact Statement for the Metro Rail System for the Wilshire/Alvarado area. The maximum rate levels are not reached on this chart, because the projected rates are based on the anticipated square footage of new development.

Given that only part of the total construction funds are needed in the first year or two of the program, the initial \$0.30 rate will be applied during this period. The rate may be adjusted by the SCRTD over the next few years as required by the cash flow needs to pay for or finance the Metro Rail system; but the rate would not be raised beyond the \$0.42 maximum level. The SCRTD will review the rates at least every two years to determine whether they should be adjusted for changes in the amount of assessable square feet that exist in the district. If additional square feet are present, the rates could be lowered accordingly, depending on cash flow needs.

#### S.6 EXEMPT PARCELS

In addition to exempt uses, certain types of parcels are exempt from assessments. These include:

- Land with improvements in use for residential purposes (except hotels and motels)
- Land and improvements owned by a public entity in use for a public purpose. (If the property is either not owned by a public entity or is not in public use, the property is not exempt.)
- Land and improvements owned by a qualified non-profit organization and in use by a qualified non-profit organization. (If the property is either not owned by a non-profit organization or is not in use by a non-profit organization, the property is not exempt.) Qualified non-profit organizations would include those whose properties are exempt under Sections 202, 203, 206, 207 or 214 of the California Revenue and Taxation Code.

# Office

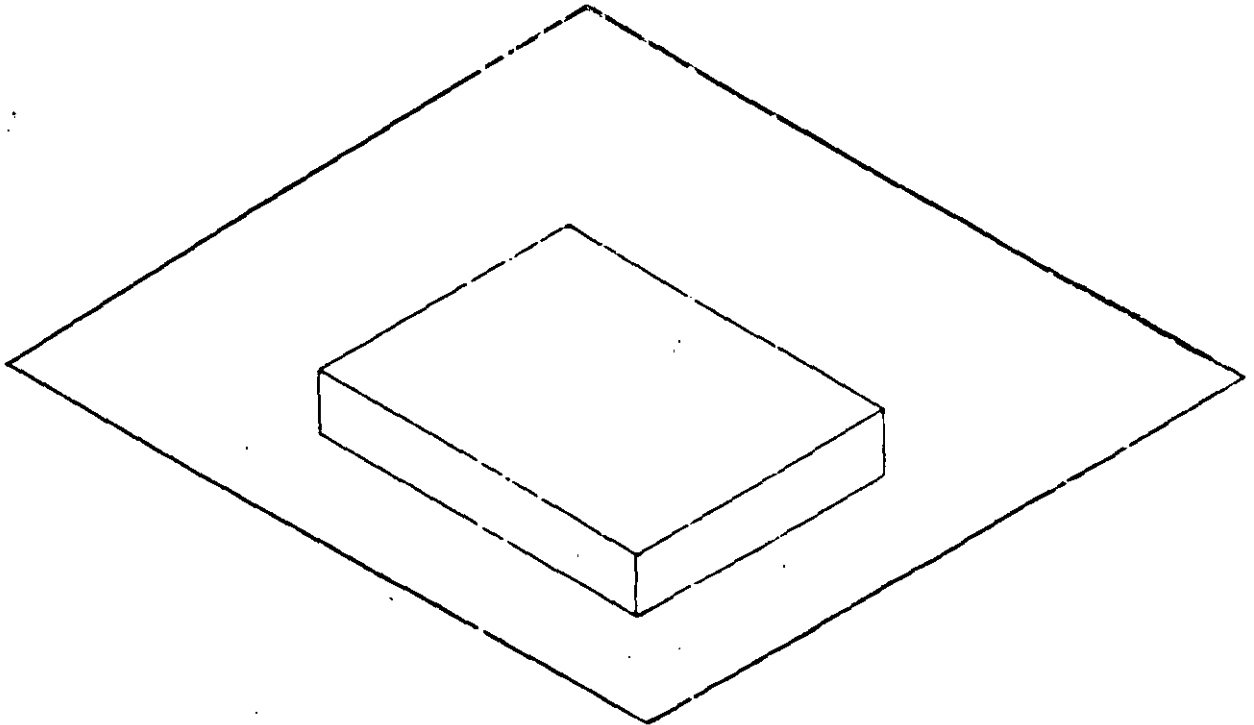
Annual Assessment:

Initial: \$3,600

Maximum: \$5,040

Parcel Area:

12,000 Sq. Ft.



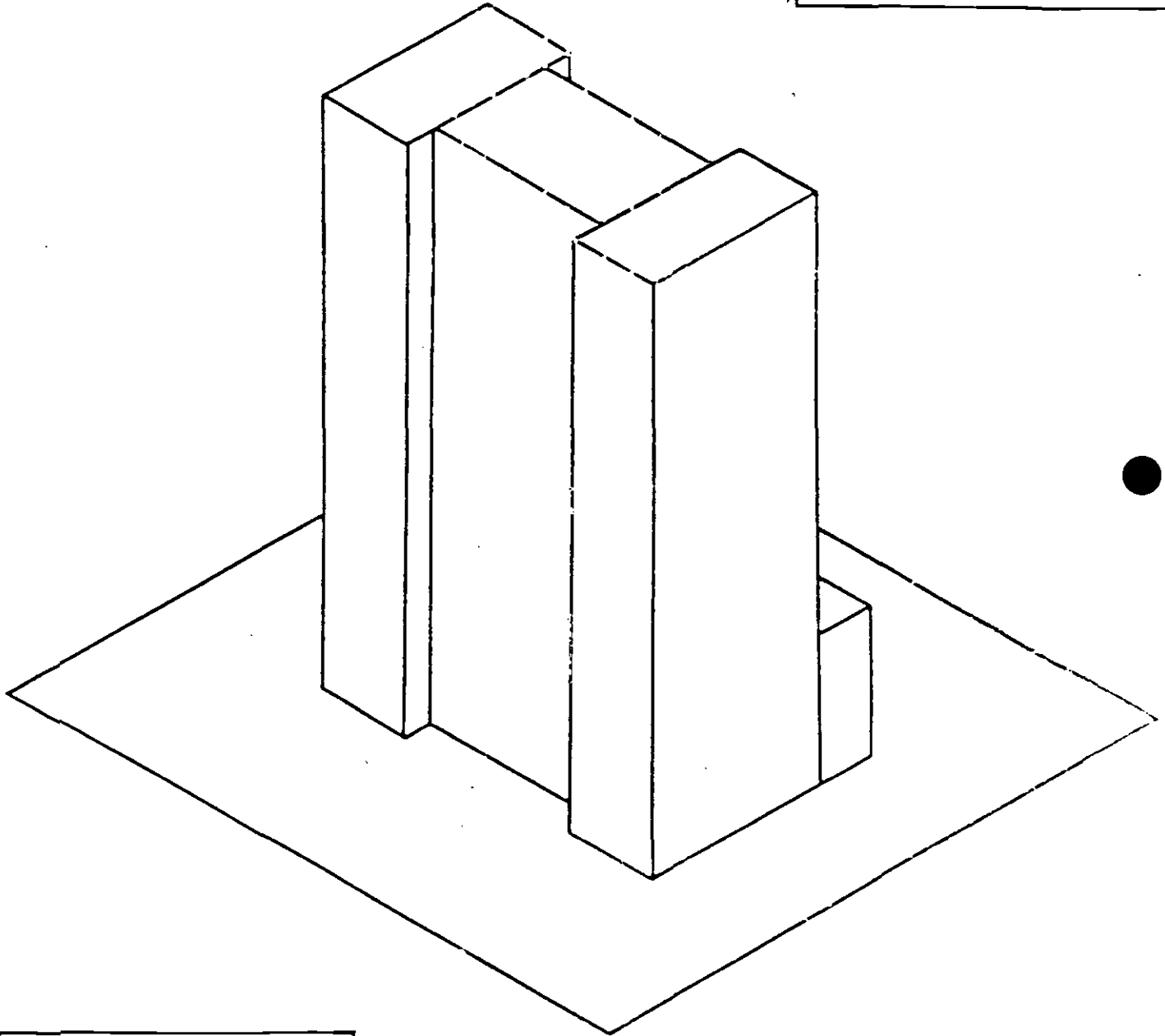
Parcel Area:  
12,000 Sq. Ft.

Greater Than

Building Area:  
8,000 Sq. Ft.

# Office and Retail

Total Annual Assessment:  
Initial: \$350,000  
Maximum: \$574,000  
Building Area:  
1,200,000 Sq. Ft.

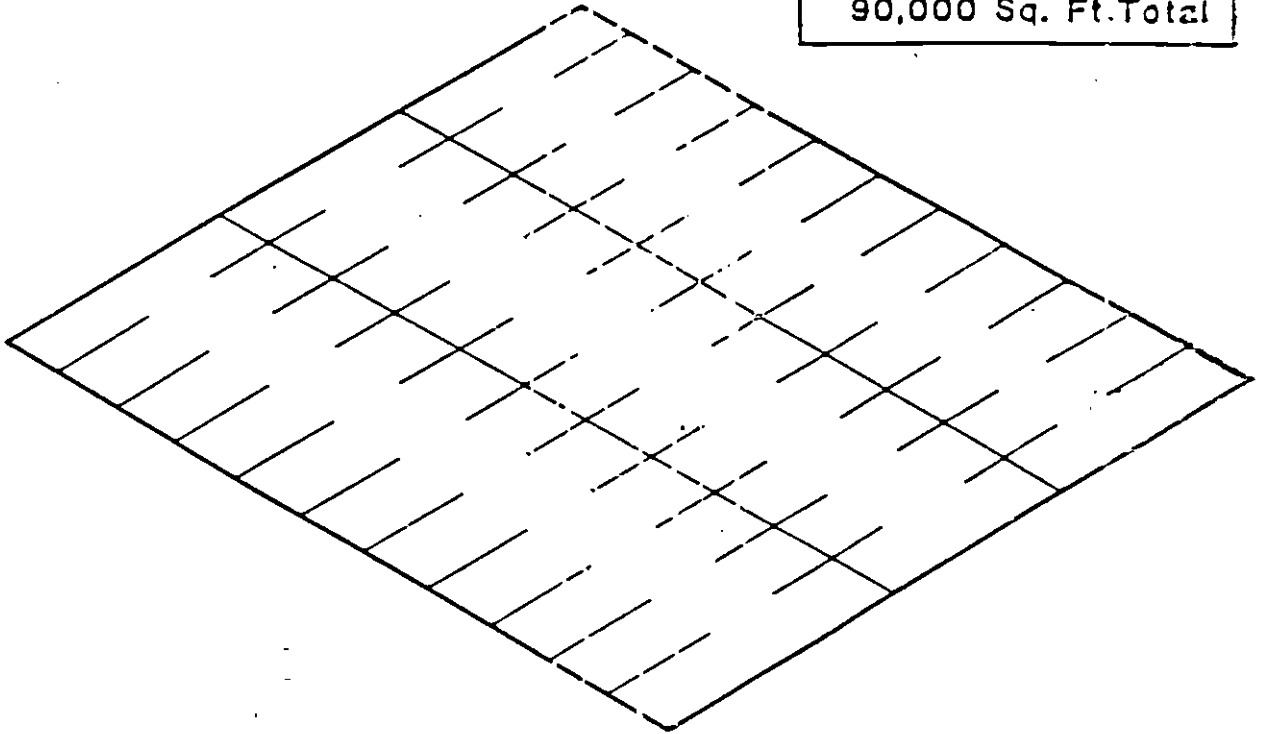


Building Area:  
1,200,000 Sq. Ft.  
Greater than  
Parcel Area:  
110,000 Sq. Ft.

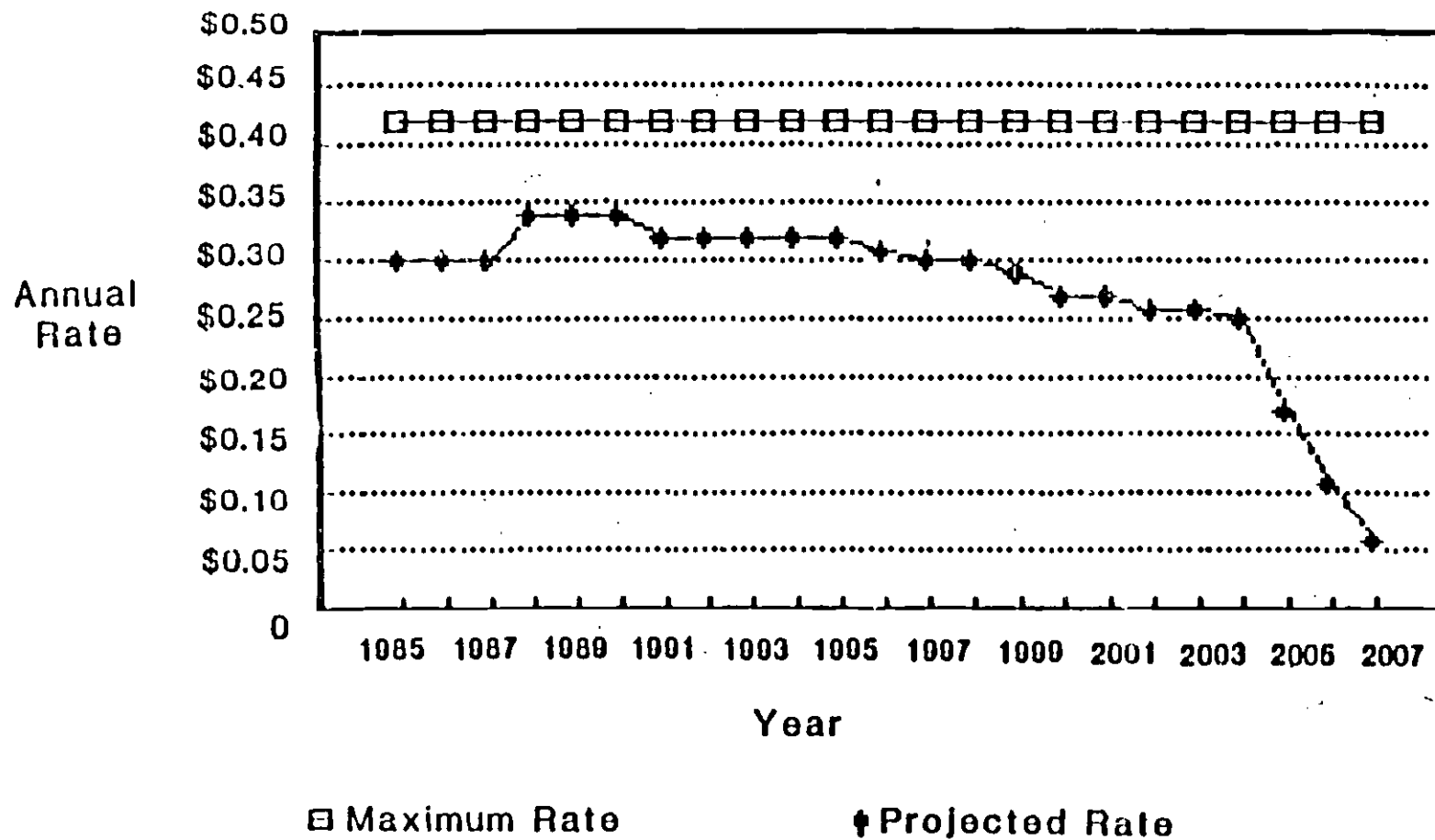


# Parking Lot

Total Annual Assessment: Initial: \$27,000 Maximum: \$37,800 Parcel Area: 90,000 Sq. Ft. Total
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### Possible Rate



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## S.8 COLLECTION AND USE OF ASSESSMENTS

Benefit assessments will be collected by the Los Angeles County Tax Collector. Property owners in a benefit assessment district who are to be assessed will be informed of the assessment amount for each year in the appropriate section of the Joint Consolidated Tax Bill.

The funds collected in the downtown and Wilshire/Alvarado benefit assessment areas will be used to pay for or finance a portion (approximately 11 percent) of the capital costs to build the Metro Rail stations within those districts. The assessment revenues will be used as security to back bonds. Assessments will terminate once the bonds are retired, which could be the year 2008 or earlier. If assessment revenues for a given year are greater than the revenue needs for that year, they will be used in one of two ways: (1) to lower the rates for subsequent years, or (2) to pay off the bonds and end the assessments at an earlier date. Total assessments for the MOS-1 segment (CBD and Wilshire/Alvarado districts) will not exceed the amount needed to pay for or to finance \$130.3 million in capital construction costs plus any associated interest, bond issuance and direct program administrative costs.

## S.9 APPEALS AND PETITIONS

Any person who has been assessed will be afforded an opportunity to appeal the assessment. Consistent with the Section 33000 et seq. of the Public Utilities Code, an appeal process has been established by the SCRTD. Rules and procedures have been established to make the process both efficient and fair. Any owner of property or his/her legal representative may petition the SCRTD Board requesting that the property be excluded from the benefit district on the grounds that the real property sought to be excluded is not benefited or requesting that the assessment be reduced on the grounds that the assessment exceeds the benefit to the property. Types of appeals may include but are not limited to assessment of exempt uses or parcels, incorrect square footage of property or improvements, floor areas that are vacant because of the requirements of regulatory codes, building inefficiency and property not located in the benefit assessment district.

## 1.0 INTRODUCTION

The purpose of this report is to describe various elements of and present the status and findings regarding the Southern California Rapid Transit District's (SCRTD) benefit assessment program for the first segment (MOS-1) of the proposed Downtown Los Angeles to San Fernando Valley Metro Rail subway system. The SCRTD has worked extensively with the sectors of the community that will be affected by this program in order to develop an equitable and effective program.

The report reviews and analyzes community participation, the legal requirements of the program, monetary benefits that have been realized in other North American cities that have implemented rail transit systems, forecasts of benefits for the Los Angeles Central Business District, the boundaries for the benefit assessment districts, the method of assessment and specific program implementation elements. The contents of this report have evolved via numerous meetings involving a Benefit Assessment Task Force, other committees that were established to assist in the formulation of the benefit assessment program and the Los Angeles City Council.

### 1.1 REPORT ORGANIZATION

Chapter 1 summarizes the legal requirements for the assessment program.

Chapter 2 describes the Benefit Assessment Task Force, public agency involvement, community meetings, public hearings and the role of the Los Angeles City Council in the process.

Chapter 3 examines transit-related impacts and benefits and the experiences of other North American cities that have implemented major rail transit systems.

Chapter 4 examines the fundamental aims of boundary setting, the legal requirements regarding boundary definition, other key factors that logically affect the determination of district boundaries, alternative boundaries and the approved boundary structure.

Chapter 5 reviews issues that were examined during the process of defining a method of assessment for the first phase (MOS-1) of the Metro Rail benefit assessment program.

### 1.2 LEGAL REQUIREMENTS

Sections 33000 et seq. of the Public Utilities Code, which became law in January 1984, provide the SCRTD Board of Directors with the authority to form benefit assessment districts. The SCRTD Board is authorized to form the districts and to levy special benefit assessments on property within the districts after specific legal procedures are followed. Consistent with the Code, the following steps have been taken to implement assessment districts.

The SCRTD Board held a public hearing on January 24, 1985 concerning the establishment of benefit assessment districts. At the hearing, interested

persons appeared and presented matters pertinent to the proposed districts. Notice of the public hearing was mailed 30 days prior to the hearing to property owners within the boundaries of the proposed district. On February 14, 1985, the Board passed a resolution to proceed with the establishment of the benefit assessment districts which described the method and amount of benefit assessments. As required by law, the resolution included the maximum and minimum rates of assessment, the purposes for which assessments are to be levied, the estimated cost of accomplishing the purposes, and dates or approximate intervals at which the assessment would be levied. The resolution contained a map depicting the exterior boundaries of the benefit assessment districts.

The resolution was submitted to the Los Angeles City Council for its review and action and was reviewed by the Council's Traffic and Transportation Committee, which recommended a series of amendments to the full Council. The Council held a public hearing on May 28, 1985. Notices were again mailed to the property owners 30 days prior to the hearing. On May 31, 1985, the The City Council adopted the Committee amendments and the amended resolution, and the resolution was returned to the SCRTD Board of Directors for final action. On July 11, 1985, the SCRTD Board of Directors adopted the final resolution creating special benefit assessment districts for the Central Business District and the Wilshire/Alvarado areas.

Figure 9 illustrates the legal implementation process established by the enabling legislation and used by the SCRTD to create special benefit assessment districts.

# Legal Implementation Procedure

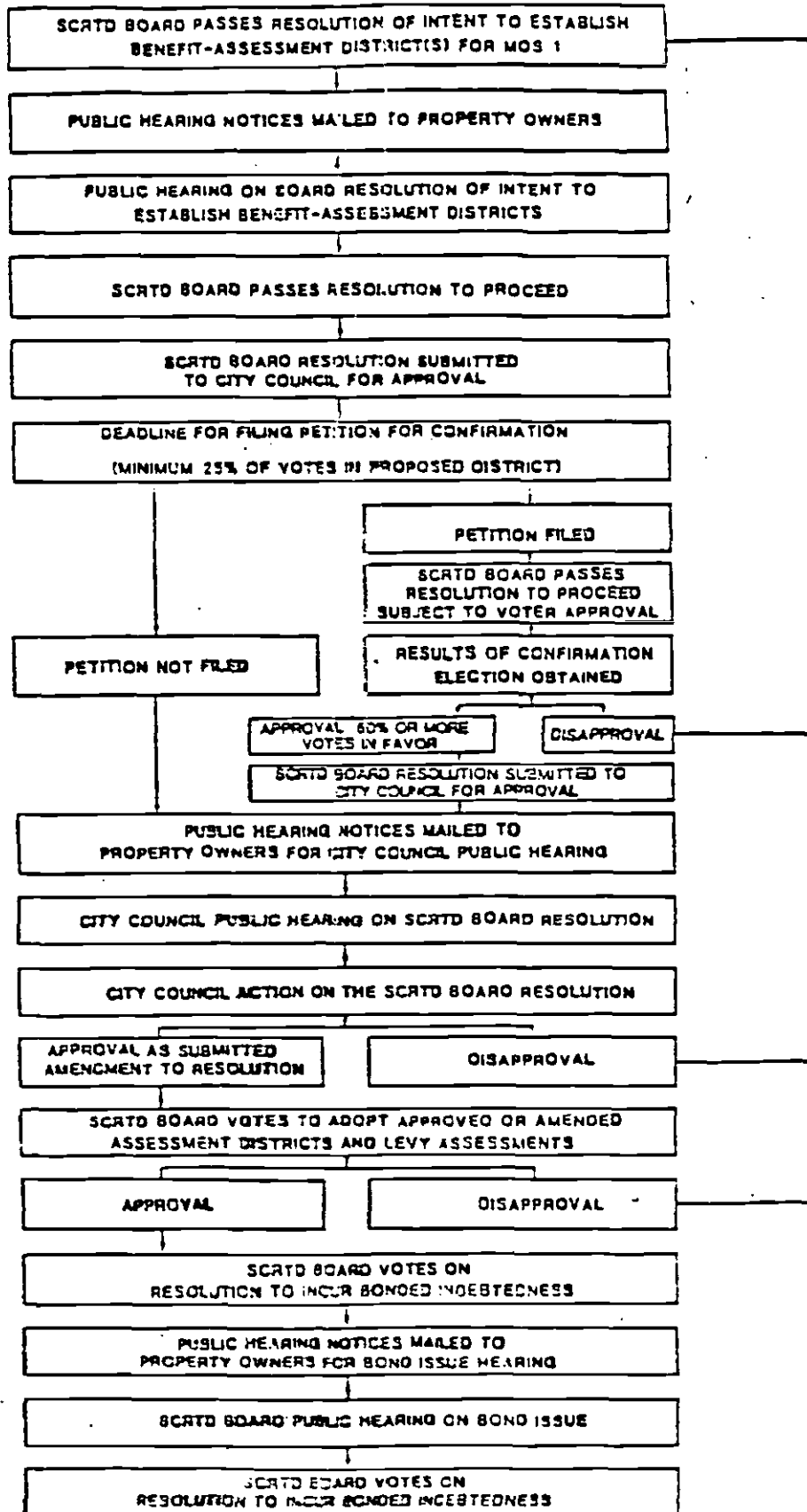


Figure 3

## 2.0 PUBLIC INVOLVEMENT PROCESS

The involvement of both public and private interests in the development of a benefit assessment program is essential for the successful completion of the Metro Rail Project. This chapter describes the public involvement process including the Benefit Assessment Task Force, public hearings, community meetings, the role of the Los Angeles City Council and public agency involvement in the process.

### 2.1 BENEFIT ASSESSMENT TASK FORCE

In July, 1984, the Southern California Rapid Transit District (SCRTD) Board of Directors authorized the General Manager to form a Benefit Assessment Task Force and to seek recommendations from it on the best courses of action to implement benefit assessment. A thirty-three member Task Force was formed to represent a cross section of private and public sector interests along the entire 18.6 mile Metro Rail alignment.

During Task Force meetings, the SCRTD staff presented information, background and conclusions to Task Force members on the benefit assessment program. Presentations and discussion concerned such general topics as: criteria for district boundary definition, alternative assessment structures, revenue needs and uses, the assessment data base, experiences of other North American cities implementing rapid rail transit systems and anticipated monetary benefits for the Los Angeles area. The Task Force was asked to review a variety of assessment program options and to offer advice and recommendations for consideration by the SCRTD Board concerning the equity and appropriateness of the options. On January 30, 1985, the Benefit Assessment Task Force adopted a set of recommendations for consideration by the SCRTD Board of Directors and others involved in establishing benefit assessment districts.

The members of the Benefit Assessment Task Force included:

Mr. David V. Adams  
President, Morgan Adams, Inc.

Mr. George Allen  
Executive Vice President  
Wilshire Chamber of Commerce

Mr. William Bentley  
Manager of Real Estate  
AT & SF Railway

Mr. Morton Rowman  
President  
Los Angeles Diamond Company

Mr. Waldo Burnside  
President & Chief Operating Officer  
Carter, Hawley, Hale Stores, Inc.

Mr. Wendell Cox  
Commissioner  
Los Angeles County  
Transportation Commission

Mr. Al Dorskind  
Vice President  
MCA, Inc.

Mr. Stephen D. Gavin  
Chairman  
Gavin, Abel & Flanigan, Inc.

Ms. Jan Hall  
BATF Chairman  
City Councilwoman, Long Beach  
SCRTD Board of Directors

Mr. Herman Hendricks  
Coleman Security Service, Inc.

Mr. Tom Houston  
Deputy Mayor  
City of Los Angeles

Mr. George Lefcoe  
Professor  
USC Law Center

Mr. William McCarley  
Chief Legislative Analyst  
City of Los Angeles

Mr. William E. Miller  
President  
VICA

Mr. Michael A. Noguera, Sr.  
Commissioner  
Department of Consumer Affairs  
County of Los Angeles

Mr. Jeffery Olin  
Executive Vice President  
North Hollywood Chamber of Commerce

Mr. Wayne Ratkovich  
President  
Ratkovich, Rowers, Inc.

Mr. Bruce Schwaegler  
President  
Bullocks

Mr. Dan Garcia  
President, City Planning  
Commission  
Munger, Tolles & Rickhauser

Mr. John Gostovich  
Chairman  
A.F. Gilmore

Mr. Arch Hardyment  
Senior Vice President  
Security Pacific National Bank

Mr. Melvin Hooks  
President  
Minority Developers Association

Mr. Stuart Ketchum  
President  
The Ketchum Company

Mr. Robert Maguire  
President  
Maguire/Thomas Partnership

Ms. Marcia Mednick  
Vice Chairperson  
City Transportation Commission

Mr. Wayne Miyahara  
Merit Savings & Loan

Vice President  
Production Facilities, Hollywood  
CBS Television Network

Mr. Manning J. Post  
Chairman  
CBD Citizens Advisory Committee

Mr. Rodney W. Rood  
Executive Vice President  
Assistant to the Chairman  
Atlantic Richfield Company

Mr. Christopher L. Stewart  
Executive Vice President  
Central City Association



Mr. Richard S. Volpert  
Head, Real Estate Department  
O'Melveny & Myers

Mr. Bill Welsh  
President  
Hollywood Chamber of Commerce

Mr. James Woods  
President of CRA Board  
Community Redevelopment Agency

## 2.2 PUBLIC HEARINGS

Two public hearings were held concerning the establishment of benefit assessment districts. The first was held by the SCRTD Board of Directors on January 24, 1985. The resolution of intent to establish benefit assessment districts, passed by the SCRTD Board on December 20, 1984, was the basis for the hearing.

Public hearing notices were mailed to the affected property owners on December 21, 1984. An advertisement announcing the hearing was placed in the Los Angeles Times, the La Opinion, Downtown News, Korea Times, the Daily News, the Sentinel, the LA Daily Journal, the Westlake Post and the Rafu Shimpo.

The SCRTD Board approved a Resolution to Proceed with the Establishment of Benefit Assessment Districts on February 14, 1985, which was submitted to the Los Angeles City Council. The Council notified the affected property owners thirty days prior to an additional public hearing that was held on May 28, 1985.

## 2.3 COMMUNITY MEETINGS

The SCRTD held three community meetings to provide information on the Metro Rail Project and the benefit assessment districts and to solicit comments on the proposals concerning benefit assessment districts. Two meetings were held on November 29, 1984 and one on November 30, 1984 at the following locations:

- November 29, 2:30 p.m., Park Plaza Hotel
- November 29, 7:30 p.m., Parker Center
- November 30, 12:00 Noon, County Hall of Administration

Meeting notices were published in local newspapers and distributed to many building tenants and property owners in the proposed assessment districts.

At each of the meetings, a slide presentation was made that summarized the Metro Rail project, its status, the benefit assessment districts and the proposed method of assessment. Comments were elicited from the meetings and concerns addressed.

The Benefit Assessment Task Force reviewed the comments and concerns as part of its procedures prior to making policy recommendations.

#### 2.4 LOS ANGELES CITY COUNCIL

After the SCRTD Board approved a resolution to proceed with the establishment of benefit assessment districts for the MOS-1 segment of the Metro Rail system, the resolution was submitted to the Los Angeles City Council. The resolution was reviewed by the Council's Traffic and Transportation Committee, which recommended a set of amendments. The City Council held a public hearing on the resolution on May 28, 1985, and interested parties had another opportunity to voice their opinions before this elected body. The Council adopted the Committee recommended amendments and the amended resolution on May 31, 1985.

#### 2.5 PUBLIC AGENCY INVOLVEMENT

Two on-going committees were formed to provide interagency expertise and evaluation of technical issues regarding the SCRTD benefit assessment program. The Professional Development Council (PDC) consists of professional staff from local public agencies involved in the Metro Rail project. The Interagency Management Committee (IMC) members represent management level individuals from these agencies. The agencies and departments represented include:

- Southern California Rapid Transit District
- City of Los Angeles - Department of Planning
- City of Los Angeles - Department of Transportation
- City of Los Angeles - Chief Administration Officer
- City of Los Angeles - Community Redevelopment Agency
- City of Los Angeles - Bureau of Engineering
- City of Los Angeles - Mayor's Office
- L.A. County Regional Planning Department
- L.A. County Transportation Commission

The Committees meet regularly to discuss benefit assessment subjects. The IMC reviews PDC efforts, resolves technical issues which remain unsettled and makes recommendations to the SCRTD Board of Directors on requested actions.

### 3.D DEFINITION OF BENEFITS

The underlying basis for a benefit assessment program is the incidence of monetary benefits resulting from construction of a public improvement. This Chapter examines transit-related impacts and benefits based on the experiences of other North American cities that have implemented major rail transit systems since 1970. The types of benefits, potential beneficiaries and the time-frames in which benefits may be expected to occur as a result of implementing a rapid rail transit system are reviewed. Monetary benefits forecasted for the Los Angeles Central Business District as a result of implementation of the Metro Rail system are also presented. Finally, the implications of these benefit experiences on the structure of the Los Angeles Metro Rail benefit assessment program are discussed.

Implementation of a major public improvement such as a rapid rail system offers the opportunity for the private development market to focus land use and development decisions in specific areas. These decisions may result in a variety of economic impacts. The documented experiences of North American cities that have implemented major rail transit systems since 1970 suggest that the economic impacts of transit systems on property and property owners can be divided into two broad categories, based on the size of the area impacted. The first category includes effects that occur community-wide and in relatively large geographic areas. The second category includes benefits that accrue to specific parcels of land. In addition, these experiences suggest that benefits are related to the distances transit patrons are willing to walk to and from a transit station.

The benefits related to implementation of a transit system occur in conjunction with the phases of development of the system and may extend over several decades. It is important to note as well that property owners must typically undertake some action such as selling a property, advertising distance from a station or modifying development plans in order to capitalize on the benefits associated with the transit system.

Examination of the benefit experiences of other cities with major rail transit systems in light of the existing economic conditions in Los Angeles indicates that similar benefits can be expected to occur as a result of implementation of the Metro Rail system. Forecasted benefits for the Central Business District station areas range from a low of \$729 million to a high of \$1.46 billion.

Based upon the incidence of these benefits, there are essentially two ways in which to implement benefit assessments. The first involves directly calculating the benefits which accrue to individual properties because of Metro Rail. However, the analytical tools and required experience for direct benefit calculation may not be available to implement this type of program. There is no legal requirement that this be done as well. A second method of benefit assessment examines the revenue needs against the levels of benefit calculated above to determine whether they are equitable and then establishes an assessment rate structure which spreads the assessment equitably among the benefitting properties. This would appear to be the most appropriate means for administering the Metro Rail benefit assessment program.

### 3.1 COMMUNITY-WIDE/REGIONAL EFFECTS OF RAIL TRANSIT SYSTEMS

Community-wide/regional effects of rail transit systems include impacts that occur in relatively large geographic areas. Although they cannot be allotted to specific parcels of land, a review of these effects provides some insight into the general geographic location of benefits and establishes a basis for the analysis of specific impacts provided later in this Chapter.

Two of these effects are of particular importance: 1) changes in regional growth patterns, and 2) Central Business District development.

#### 3.1.1 CHANGES IN REGIONAL GROWTH PATTERNS

One measure of the impact of constructing a regional rapid-transit system is the extent to which the system influences regional growth. Examination of the experiences of other North American cities with major rail transit systems, which include Toronto, Chicago, Washington, D.C., San Francisco and Atlanta suggests that rail transit systems have an influence on the location and scale of urban growth.

For example, Toronto, the city with the most extensive rail transit operating history since World War II, illustrates the effect that a regional rail transit system may have on urban development patterns. The Toronto Transit Commission reports that its system has accounted for, directly or indirectly, the location of approximately \$30 billion in new commercial construction since the system's inception. Expected future growth as a result of Toronto's system is forecast to be approximately \$20 billion by the year 2001. Examination of building permit activity indicates that, between 1954 and 1984, approximately one-half of all new apartment construction occurred within walking distance of a rapid transit station.(1) During the same period approximately 90% of all new office construction occurred adjacent to the city's downtown subway system or in close proximity to other regional rapid rail stations. Over one-half of this new space was constructed in the last ten-year period near the original Yonge Street system alignment. This can be largely attributed to coordinated planning and the recognition by both public and private interests that benefits would be realized by locating new development within walking distance of existing regional rail facilities.

An empirical analysis entitled "Public Transportation in the Chicago Metropolitan Region" completed for the Governor's Transportation Task Force in 1973 documents significant benefits accruing to the Chicago metropolitan area over the life of its transit system.(2) For the time-frame between 1945 and 1970, the study found that the system had generated nearly \$6 billion in quantifiable socio-economic benefits. Annual regional travel time and out-of-pocket expenditure savings for Chicago-area residents was estimated to total approximately \$240 million. During this time-frame, the existing Chicago Regional Transit System had required \$750 million in private and public monies, and the system was credited with producing cumulative benefits of nearly eight times the level of cumulative investment. The vast majority of these benefits were attributed to the design and location of the transit network and its effect on land use patterns and locational preferences of residents and businesses. In lieu of sprawling urban growth, clear growth patterns, coinciding with Chicago's rapid transit system, emerged along distinct corridors emanating from downtown Chicago.

The regional rapid transit system constructed in Washington, D.C. has also demonstrated an influence on overall development patterns. Between 1979 and 1982, approximately two-thirds of all commercial development in the region took place within sixty geographically defined development centers, forty-six of which were located near existing or future rail transit stations. During the same time-frame, nearly one-half of all commercial floor space constructed in the Washington, D.C. metropolitan region was located near existing or future Metro stations, accounting for an investment value of over \$2 billion.(3)

In Atlanta and San Francisco, the ability of regional rail systems to attract commercial activity has been less pronounced. While joint-development and other commercial activities have taken place in some of the station areas, the level of activity relative to regional growth has not resulted in significant changes in regional growth patterns in those cities. Even so, both Atlanta and San Francisco are seeking major extensions to their systems.

### 3.1.2 DEVELOPMENT IN THE CENTRAL BUSINESS DISTRICT

A second predictable community-wide/regional effect of a rail transit system is enhanced development of a community's Central Business District (CBD). The tendency for development to concentrate near transit stations in Central Business Districts has been consistently observed in North American cities with rail transit systems.

In the greater San Francisco metropolitan area, downtown revitalization has been enhanced by the Bay Area Rapid Transit (BART) system, not only in San Francisco, but also in the older downtown areas of Oakland and Richmond. BART has enhanced the ability of the city of San Francisco to revitalize the Market Street area, and it has facilitated the expansion of the financial district to the area south of Market Street. In Oakland, BART has played an important role in financing several public redevelopment projects, which were subsequently instrumental in attracting a college campus (Laney College) and two major office buildings in downtown Oakland. In Richmond, new CBD development has been limited, although the location of the \$30 million Social Security office building was directly related to the existence of BART. This building generates property tax revenues for the city of Richmond that are greater than the tax revenues for the entire project area prior to BART.(4)

Significant development in the transit station areas of Atlanta has not yet occurred, but development that has occurred has been primarily concentrated adjacent to stations located in the Atlanta CBD and along the Metropolitan Atlanta Rapid Transit Authority (MARTA) North Line, with the majority located within one or two blocks of a station.(5)

In Washington, D.C., one-half of the commercial development activity occurring in the region has been in Metrorail station areas. When the CBD portion of that development is examined, the result is even more striking. In the core jurisdictions of Arlington and Alexandria, Virginia and the District of Columbia, 97 percent of the commercial development that was undertaken between 1979 and 1982 was located in rail transit station areas.(6) For those same jurisdictions between 1976 and 1980, 91 percent of the net increase in employment occurred in Metro station areas.(7)

### 3.1.3 CONTEXT FOR TRANSIT-INDUCED, COMMUNITY-WIDE/REGIONAL EFFECTS

This review of transit-related, community-wide/regional effects is not intended to imply that these effects are solely the result of the presence of rail transit systems. An examination of the experiences of other cities with major rapid transit systems suggests that two additional factors are particularly important in determining the ultimate level of benefits that may be derived from a system.

First is the strength of the underlying commercial market. Without a strong existing market, the effects of a transit system may be limited. For example, the limited development that has occurred in the Atlanta station areas may be partially attributable to the general economic conditions existing between 1979 and 1982, when many of the MARTA impact studies were performed. In general, transit supports development and commercial activity. In San Francisco, for instance, case study examination of station areas concluded, "while BART cannot create markets where they do not exist, it can serve and enhance markets and act as a catalyst for public and private decision making."(8)

A second major factor in determining the potential economic effects of a rail transit system is the role of the public sector. The level of public-sector support and the associated public policy decisions clearly impact, both directly and indirectly, the benefits that are likely to occur following construction of a rapid transit system. Land use planning and decisions near transit stations are one type of public policy decision that directly influence the monetary impacts of a rail transit system.

### 3.2 SPECIFIC EFFECTS OF RAIL TRANSIT SYSTEMS

Stemming from the community-wide and regional effects of a rail rapid transit system are a series of benefits that occur at the individual property level. The existence of these specific effects provides the primary basis for the establishment of a benefit assessment program.

These specific, transit-induced benefits are the result of the response of various commercial markets to the enhanced market identity, increased development capacity, and the concentration of higher density development that occurs in the areas surrounding the rapid transit stations. The market response reflects the improved accessibility (both actual and perceived) provided to properties close to rail transit stations, the channelization of pedestrian traffic close to retail facilities resulting from transit patronage, the opportunity to use the rapid transit line as a business selling point, and, in some cases, the decrease in the demand and need for parking for customers and employees.

The level of benefits accruing to individual property owners will clearly be related to the underlying strength of the Los Angeles commercial market, the willingness of public officials to accommodate transit-induced growth, the individual actions taken by property owners and businesses near the stations and the joint-development projects that have been proposed or are in the coordinated design phase at almost every first-phase Metro Rail station. The joint-development opportunity in Los Angeles represents a level of private and public sector coordination that is unprecedented in the United States, and the

successful completion of these projects should further enhance the market identity of the Metro Rail stations and serve as a catalyst to follow-on station area development.

### 3.2.1 RECIPIENTS OF SPECIFIC BENEFITS

The owners of real property and the proprietors of hotel, retail, commercial office and other commercial establishments located in the vicinity of Metro Rail stations are anticipated to be prime beneficiaries of the system's implementation. In addition, tenants, visitors and employees located in the vicinity of Metro Rail stations should enjoy a wider variety of retail shopping and entertainment opportunities as well as the improved accessibility and convenience offered by the transit system. Employers may experience greater visibility and subsequent improvement in employee recruitment and retention.

### 3.2.2 CATEGORIES OF SPECIFIC BENEFITS

Significant specific, monetary benefits anticipated to accrue to these beneficiaries include:

- appreciation in land value;
- ability to command premium lease rates;
- increased allowable development density in the vicinity of transit stations;
- increased retail sales activity;
- higher occupancy levels; and
- reduced developer and tenant parking costs.

Rapid transit-related land value appreciation is the additional increase in market value that occurs on a property located near a rapid transit station. It is measured as the increase that occurs over and above any increase that may occur in the same time frame for a comparable property that is not in the vicinity of a transit station.

Similarly, transit-related premium rent is defined as the differential between higher rents that can be negotiated in transit station areas versus those that are prevalent in comparable areas not served by rapid transit.

Density of development in the vicinity of transit stations will be reflective of both public and private sector decisions. The development of a transit system provides the opportunity for public officials to focus land use planning and policy efforts in well-defined, highly visible areas. This increased public-sector attention, coupled with the attractiveness of transit station areas for commercial development, may generate public policy decisions regarding development density where they otherwise would not have even been considered.

Increased retail sales activity occurs as a result of increased concentration of pedestrian activity in the vicinity of stations.

Increased building or hotel occupancy levels occur as a result of enhanced market identity of properties located in the vicinity of a transit station. For hotels, increased demand may result from direct connection to transportation facilities or other major activity centers, such as convention centers or meeting places, or from the enhanced ability to package two or more hotels to

compete more effectively for convention business. Increased occupancy in office buildings occurs more often in older buildings that undergo renovation in response to the higher lease rates made possible by the presence of the transit system.

Finally developer costs may be reduced if parking requirements for buildings near a transit station are reduced. The productivity of the developed space may be increased and the break-even rent reduced.

### 3.2.3 SPECIFIC BENEFITS EXPERIENCED IN OTHER NORTH AMERICAN CITIES

These categories of specific effects have been documented for other North American cities with major rail transit systems. This section summarizes the experiences of these cities under two broad categories: land/real estate impacts and sales impacts.

The level of influence that the implementation of a regional rapid transit system has on the land values of properties surrounding station areas is related to the strength of the underlying commercial markets and the effects of public policy decisions. As a result, overall land impacts of transit have varied among North American cities with rail transit systems, ranging from the minimal land-value increases associated with the San Francisco Bay Area Rapid Transit (BART) System to a level of nearly \$1 of net land value increase for each \$1 of capital cost investment, as was experienced in the Washington, D.C. region.

The City of Toronto has experienced a significant, concentrated increase in urban land values. Since 1954, over 90% of all new office space and 50% of all residential development has occurred within walking distance of rail transit station areas. Appraisals of individual parcels located within walking distance of the rapid transit stations indicate that those parcels have experienced yearly increases in value 10% to 15% above city-wide averages.(9) Toronto has also experienced documented increases in housing values following implementation of the subway system. Based on a 1978 sample of residents along the Spadina line in Toronto, the average time savings resulting from the rail transit system was 4.11 minutes. Assuming 250 work-related round trips per person per year, the total commuting time saved by a resident was 34 hours, which was translated into an annual dollar savings of \$120 per person. By adjusting the appropriate price indices to reflect the decrease in commuting time, the study determined that the effect of the subway on the market value of an average house in the Spadina area was \$2,237 per year.(10)

Among U.S. cities with recently built rapid transit systems, Washington, D.C. has experienced the highest level of documented land value increases. A U.S. House of Representatives subcommittee report published in 1981 found that commercial land values in downtown Washington, D.C. increased by \$1.6 billion over inflation between the opening of the Metrorail system in 1976 and 1981. During this period, significant land value increases also occurred in the suburban areas of Washington D.C. served by the system. For example, over \$30 million in increased commercial land values occurred in the rail transit station areas of Montgomery and Prince George's counties, and at least \$100 million was added to residential land values in the Arlington County areas served by the initial stages of the Metro system.(11) These documented increases were over and above the rates of increase experienced by properties not served by the rapid transit system. Local assessors' offices have reported that the value of



prime commercial office properties increased from \$100 to \$150 per square foot in the early 1970's to an excess of \$300 per square foot in the 1980's. Premium rent increases are conservatively estimated at \$1 to \$2 per square foot. The net property value increases associated with the Washington, D.C. Metrorail system are expected ultimately to roughly equal the total capital cost of the system.(12)

The Atlanta Regional Commission has sponsored a series of studies examining the impacts of the MARTA system. The Commission's studies on land value changes indicate that high intensity public and private developments have occurred, particularly in the Atlanta Central Business District and along the MARTA North Line, with the majority of developments within one or two blocks of a station. Several developments have been constructed or are planned with direct access to the transit facilities.(13) A thorough analysis of property value changes occurring in Atlanta has not yet been produced, but preliminary examinations of parcel-level benefits in transit station areas indicate that, between 1975 and 1979 (when MARTA service commenced), average lease rates in the Atlanta Central Business District increased by approximately 27 percent compared to an average 18 percent increase in two other Atlanta market areas not served by transit.(14) Initial comparisons between two station areas where the transit system had been in operation for two and a half years and other areas not served by transit indicated that, since 1970, the transit station areas experienced residential property value increases higher than the control areas -- 263 percent vs. 219 percent in one case, and 364 percent vs. 191 percent in the other case.(15)

In Miami, a study by the Department of Property Appraisal found that changes in property values varied widely among station areas from 1980 to 1983, with overall increases ranging from 1 percent to 150 percent. The median increase in property values was approximately 35 percent over this time span.(16) The influence of the underlying market appeared particularly significant in this case. The lowest level of land appreciation was experienced in areas characterized by single family and apartment structures in poor condition and poorly served by retail businesses. Station areas experiencing higher land value appreciation were located near quality retail businesses and higher quality housing -- areas with a stronger economic base. In general, residential areas tended to have a lower rate of appreciation, while the highest overall level of land value increases were in the Miami downtown area and other existing commercial centers served by the first-phase of Miami's rapid rail system.

Examination of the impacts of the San Francisco BART system on station-area land values indicates that the system has had a positive, but limited, effect. The BART system has contributed to increased lease rates in the Central Business District areas of San Francisco, Oakland and Richmond since BART service commenced. In addition, land value increases in the Mission district have been partially attributed to the transit system. Sufficient information is currently not available regarding the effects of BART on land values in any of the CBD areas.(17) The BART experience supports the importance of public sector actions on the ultimate effect of a transit system. Public policies adopted at the time of BART planning and implementation did not promote the development-generating potential of the system and may have even served to counteract the system's potential economic benefits. Specifically, the down-zoning of land in some station areas likely had the effect of dampening land value increases. To some extent, these policies may have been the result of lack of recent experience with major rapid rail systems, given that BART constituted the first major

system to be constructed in the United States in some time. In addition to the effects of public policies, perceptions by area residents of limited accessibility and poor service provided by BART may have detracted from the system's land value impacts.(18)

The implementation of a regional rapid transit system may also influence the level of retail sales activity that occurs near the rail transit stations, principally for two reasons. First, there will likely be a higher concentration of office employment and retail establishments near transit stations. Second, the system's ability to channel pedestrian traffic and extend the noon-time shopping domain of employees may increase the amount of retail purchases. Because levels of retail sales can be directly influenced by transit system patrons, before and after surveys of retail sales activity yield another measure of transit system benefits.

Studies conducted by the Atlanta Regional Commission provide the best available documentation of the impacts of rapid rail systems on retail sales for stores located near transit stations. A survey was conducted among a number of Atlanta business owners, asking their opinions on the effects of the system on retail sales. The survey found that 49% of the respondents expected their sales to increase as a direct result of the rail station.(19) The distance the respondent's business was from a MARTA station played an important role in how the respondents perceived benefits from the system, with owners located closest to the station anticipating a higher level of benefit.

Research in other cities indicates a high degree of general reliance for major downtown retail centers on public transit. For example, a large retail complex in Philadelphia, Gallery I, was developed in conjunction with a transit station providing access to several rail systems - subway, Port Authority Transit Commission of Pennsylvania (PATCO) and the high-speed Lindenwold rail line to suburban New Jersey. A major retailer in the complex, Gimbel's, conducted surveys which showed that a majority of its patrons arrived by transit. In addition, after the complex opened in 1977, PATCO reported that weekend trips to the station serving Gallery I had set new highs and weekday trips were well above 1977 levels.(20)

An additional benefit resulting from rapid rail transit is increased off-peak ridership. When Washington, D.C. opened its first 4.6 mile rapid transit segment, it experienced a third peak ridership period (in addition to the morning and evening peaks) from retail-oriented trips during the noon hour. The downtown Woodward & Lothrop department store experienced a 70% increase in customer traffic when the Washington Metro Blue Line opened beneath its store. This increased customer volume has been sustained.(21)

### 3.3 BENEFITS RELATED TO WALKING DISTANCES

As can be observed from the previous discussion, transit-induced, specific benefits occur in relative proximity to the transit stations. Based on interviews of property owners near transit stations in Atlanta, Miami and Washington, D.C. and on the recognized relationships between pedestrian activity levels and transit-related, monetary benefits, it is clear that the determination of the geographic extent of monetary benefits is related to the distances that people will walk to and from transit facilities.

Several studies of other North American transit systems have examined walking distances to and from transit stops to provide some insight into distances patrons are willing to walk when using a transit system. Those data are summarized in Table 1. In the cases where only the walking distance to the station/bus stop was measured, the stated figure is also assumed to be roughly reflective of the distance a patron is willing to walk from the station to reach his/her destination.

The data in the table suggest two conclusions. First, riders will apparently walk a greater distance to gain access to a rail system as opposed to a bus system, presumably because of the higher level of service and perceived reliability of rail systems. This finding is suggested by the Toronto/Edmonton study and appears to be supported by the data in Table 1. Second, a conservative estimate of reasonable average walking distances appear to fall within the general range of 1/3 to 1/2 mile.

### 3.4 TIMING OF BENEFITS

Benefits associated with the implementation of a rail transit system do not necessarily occur at once but are related to the various phases of transit system planning and construction. This section examines this time cycle of benefits.

The cycle of land use impact begins when the market becomes convinced that the transit project will take place. In other U.S. cities, such as Atlanta, San Francisco, Washington, D.C., and Miami, this occurred when a regional referendum was passed. In the case of the Los Angeles Metro Rail project, the announcement of a federal grant approval for the first-phase segment of the system would likely serve as a comparable critical event.

Other events that may influence the market response include the first visible signs of construction and related public announcements, the beginning of testing operations, and the opening day for a system segment or station. In addition to events related to system construction or operation, formal changes in rules governing development, such as the adoption of station master plans or density-bonus zoning programs may provide an impetus for development of long-range real estate plans or initial land assemblage efforts. In those projects where developers reach coordinated design agreements with the transit operator, construction will proceed in conjunction with station construction. Tenant response to transit station location normally does not occur until just prior to system opening.

The overall land use impacts of the transit system evolve over the planning, construction and operational phases associated with the system.

#### 3.4.1 PLANNING

During the early phases of transit system development, land use impacts may result from land speculation. For example, in Atlanta, over 90 percent of all vacant or underdeveloped parcels of five acres or more located close to station areas were purchased within less than thirty days of the passage of the area's regional transit-related bond issue, generating the first round of land appreciation. Developers of land parcels close to transit stations evaluate

TABLE 1  
TRANSIT-ASSOCIATED WALKING DISTANCES

RAIL SYSTEMS

CITY	WALKING DISTANCE	MEASUREMENT AND SOURCE
Atlanta	.6 miles	Average walking distance to stations (1980 On Board survey of 9,000 MARTA users)
San Diego	3.1 blocks	Median walking distance from transit station to downtown destination (1983 Ridership survey of 5,000 users)
Toronto/Edmonton	.6 miles	Median walking distance to station (1980 Survey of 2,000 Employers/Residents)
Washington, D.C.	1.1 miles	Median walking distance to station (Prediction curve based on 1979 onboard survey of 3,000 workbound METRO users)

BUS SYSTEMS

CITY	WALKING DISTANCE	MEASUREMENT AND SOURCE
San Francisco/Oakland	2.7 blocks	Average walking distance from starting point to bus (1979 On Board survey of 1,500 bus users)
Miami	.3 miles	Average walking distance to and from the bus (1980 On Board survey of 26,000 bus users)
Honolulu	1.4 blocks (approx. .14 miles)	Average walking distance to the bus (1982 Survey of 2,800 bus system users)

market expectations for these properties. The level and timing of speculative land use investment will depend upon the overall strength of the real estate market in particular station areas and on the timing of station master plans and similar zoning changes and activities. For instance, given a strong real estate market in a station area and the early adoption of associated land use plans and zoning, speculation prior to commencement of system construction is likely.

In other cases where the market is weaker or the status of public policy decisions injects ambiguities into the real estate and development decision-making process, land speculation may be delayed or may not occur at all. This was the case in Oakland, where land speculation and actual development did not occur until several years after the BART stations opened. The timing of private sector response to station area development opportunities may also be influenced by the local transit authority's willingness to design and construct station facilities cooperatively with adjacent new development. Notable examples of this type of joint development include the Southern Bell office headquarters building in Atlanta, the International Square building in Washington, D.C., and the Bakery Development and Dadeland North Complex in Miami.

#### 3.4.2 CONSTRUCTION

During system construction, where local vehicular or pedestrian traffic may be disrupted, negative impacts can occur. These negative impacts are most pronounced for retail facilities that are isolated from customer parking or that are made less accessible by the rerouting of pedestrian traffic or by street closings. Retail sales declines during this time period are not uncommon. In addition, due to uncertainty of the market caused by such general inconvenience, older or marginal office buildings with short-term lease agreements can experience increased vacancy rates. However, the introduction of new feeder bus lines and the subsequent concentration of boardings and alightings close to future station locations may initiate some of the positive land use impacts anticipated to eventually occur to a greater degree from the introduction of the rail system.

#### 3.4.3 COMMENCEMENT OF RAIL OPERATIONS

When the system's opening day occurs, the location of a business relative to the new stations may become a part of the business' advertising. As observed in Atlanta, Washington, D.C., and Miami, advertisements for commercial space will typically identify the distance from a station. Through this process, the market identity of the station areas will begin to be formed.

#### 3.4.4 FULL SCALE TRANSIT OPERATIONS

With full scale transit operations, follow-on development and commercial operations should occur in station areas, depending upon the underlying strength of commercial markets and the influence of public policy actions. Coupled with announcements of the implementation schedule of the next phase of construction, the system's market identity should be positively reinforced. At this stage, there may be announcements of larger-scale or air-rights developments that could not be initiated until the system's operations began. These announcements will likely generate further appreciation of property values and enhance the lease rates that can be charged for new and recently vacated commercial space.

Additional development may occur in station areas after the degree of success of initial projects has been demonstrated. The ability of the rail transit system to enhance the strength of existing markets can be observed and documented in the rehabilitation of older buildings in station areas. Where land assemblage is difficult, large-scale developers may rehabilitate older buildings to reduce holding costs while they proceed to negotiate the purchase of adjacent properties for half-block or full-block development projects. This type of activity does not usually occur until five to ten years after formal opening of the system. Mid-corridor and suburban area development activity often lags behind downtown development, since the downtown portion of most rail systems is usually constructed first. The positive impacts of a major rapid rail project will extend over several decades.

### 3.5 DIRECTLY REALIZED VS. POTENTIAL BENEFITS

This examination of transit-induced benefits strongly implies that monetary benefits can be fully anticipated for new transit systems, such as the proposed Los Angeles Metro Rail system. However, the actual realization of direct monetary benefits will likely follow the time cycle described in the preceding section and will be directly influenced by individual market conditions, business goals, locational factors including distance to the station, and specific actions taken by the property owners and businesses in the transit station area.

Implementation of a rail transit system provides the potential for monetary benefits, but the actual realization of these benefits may require a variety of actions on the part of the potential beneficiary, e.g. the sale of land, the advertising of the distance to the transit station, building demolition or renovation, or ingress/egress changes.

### 3.6 FORECAST OF MONETARY BENEFITS FOR THE LOS ANGELES CENTRAL BUSINESS DISTRICT

As discussed earlier, two factors are clearly influential in determining the ultimate impacts of a rail transit system: 1) a strong underlying market, and 2) accommodating public policies.

Preliminary market projections in Los Angeles indicate that the Metro Rail system is expected to generate similar effects as experienced in Chicago, Toronto and Washington, D.C. An analysis conducted for the Los Angeles Community Redevelopment Agency by Economic Research Associates projects that the Metro Rail station areas will absorb approximately 44 percent of the Los Angeles regional market for office space between 1989 and 1995 when the Metro Rail system is at least partially in place. This can be compared to the estimated 37 percent of the market that the same areas would be expected to capture in the absence of Metro Rail. The study projects an approximate 12 percent increase in hotel room demand in the Metro Rail station areas during the same time frame, given construction of Metro Rail.(22)

Overall, up to 53 million square feet of additional commercial space in the market areas to be served by Metro Rail is expected to be developed between now and the year 2000.(23) A market study conducted in 1983 concluded that "the

(Los Angeles) region is emerging as the primary West Coast (center for) corporate headquarters, finance, Pacific basin trade and aerospace/high technology. This growth will continue at least through the next two decades."(24) In addition, joint development planning and project packaging efforts have been undertaken by the Southern California Rapid Transit District for the Metro Rail system at an earlier stage of system development than was the case in other U.S. cities. In light of these conditions, it is not unreasonable to expect that the Metro Rail system will enhance this growth and serve to make a strong market even stronger, resulting in a variety of benefits that should accrue to properties in the vicinity of Metro Rail stations.

The second precondition for optimizing the benefit-generating potential of Metro Rail is the public sector's actions in terms of allowing and accommodating transit-induced growth. The planning agencies in the Los Angeles region recognize the need for public policies that support a rail transit system. These agencies are in the process of producing land use plans to enable the realization of development benefits in Metro Rail station areas. In most station areas, Specific Plans, which will have the force of law if adopted, have been proposed that provide for the concentration of development density and commercial activity in the areas immediately adjacent to Metro Rail stations. As a result, the development opportunities that may occur in conjunction with the Metro Rail system should not be seriously impacted, as they were in San Francisco, for example.

In other cities with rapid transit systems where these two conditions were met, positive benefits have been observed to occur with some consistency. This is true even though these cities reflect a wide variety of geographic, economic, social and political conditions. These positive benefits will be experienced in Los Angeles as a result of the construction of the Metro Rail system.

A preliminary forecast has been made for the monetary benefits that should occur in the Los Angeles Central Business District (CBD) near Metro Rail stations, indicating a range of benefits from \$729 million to \$1.46 billion by the year 2000. This forecast effort included an examination of the level of benefits projected for three separate land use categories: office, hotel/motel and retail. Table 3-2 provides a summary of these forecast monetary benefits for the subject land uses. The following sections examine the details of these forecasts. While there are secondary or indirect influences of rapid transit systems on other land uses, such as wholesale or institutional, these influences are marginal compared to the primary land use categories indicated.

### 3.6.1 RECENT TRENDS IN OFFICE SPACE DEVELOPMENT

Commercial office space has dominated new development in the Los Angeles CBD over the past twenty years, representing nearly 85 percent of all new Los Angeles CBD construction since 1965. Office space constitutes the largest category of building use in the Los Angeles CBD. During the past 35 years, 67 high-rise (8 or more stories) commercial office buildings totaling approximately 25 million square feet have been constructed in the Los Angeles CBD. The existing commercial office space inventory in the Los Angeles CBD is estimated at 28 million net rentable square feet. Of this total, almost two-thirds (18 million square feet) is situated in prime high-rise structures, with the remainder scattered throughout the CBD, principally in relatively smaller, older, and often deteriorating buildings.

The largest market demand for future office space in the Los Angeles CBD should come from existing tenants of major buildings. Between 1984 and 2000, the average annual increased demand from this tenant base is over one million square feet of new space, assuming a four to five percent annual growth rate.(25) Due to recent relocations of labor-intensive clerical and data processing centers, such as Southern California Gas Company and Bank of America, to suburban locations and to the normal competition from other established office centers, the Los Angeles CBD's net capture of this market has only been about fifty percent of this one million square foot total. The Metro Rail system should allow the CBD to increase its long-term capture rate for this market to 65 percent (26), resulting in an additional 3 million square feet of office space in the CBD by the year 2000.

The second market segment that should be influenced by implementation of Metro Rail is headquarters office buildings. Los Angeles is becoming a major financial center for the Pacific Basin and a prime location for international, national, and regional headquarters office facilities. The Metro Rail system could influence firms engaged in location decisions for headquarters facilities. Over the next seventeen years, two to three additional headquarters office facilities could potentially be attracted to downtown Los Angeles in response to the Metro Rail system, representing an additional 1.5 to 2 million square feet of office space.

Combining these two market segments produces a forecast of 4.5 to 5 million square feet of additional office space in the CBD by the year 2000. The 5 million square foot figure will be used to estimate monetary benefits.

### 3.6.2 FORECAST ECONOMIC BENEFITS FOR OFFICE SPACE

The Metro Rail System should generate four types of economic benefits for owners and developers of office buildings in downtown Los Angeles:

- Premium lease rates;
- Increased site utilization or density of development;
- Increased occupancy levels; and
- Increased land values.

Monetary benefits for each category have been estimated by determining the low and high range of the appropriate measurement, such as lease rate per square foot, that is expected after construction of Metro Rail. Two zones in the vicinity of the Metro Rail station were examined: a one block radius (0 to 600 feet) and a two to three block radius (600 to 1800 feet).

In estimating the potential premium lease revenues attributable to Metro Rail, the range of increase within the immediate station area (0 to 600 foot radius) was estimated to be \$1.00 to \$2.00 per square foot per year. For properties located in a 600 to 1,800 foot radius from the station, annual premium rent was set at \$0.50 to \$1.00 per square foot.(27) Overall, this represents a 2.5 to 10 percent premium over prevailing lease rates. For the low estimate, the potential annual premium lease revenue is estimated at \$35 million. At the high end, the potential annual premium lease revenue is estimated at \$71 million. Between 1984 and 2000, the value of these increased lease rates is estimated to be between \$235 million and \$476 million.



Increased allowable development density is not expected to constitute a major benefit in the CBD Metro Rail station areas, because the prevailing downtown Floor Area Ratio (FAR) is already relatively high. Nonetheless, an example of increased FAR that has been achieved in the Los Angeles CBD is in the Pershing Square area, where the Jewelry Mart developer paid \$10 per square foot for approximately 20,000 square feet of increased FAR development. Examination of selected air rights sales indicates that the value of increased development density ranges from \$10 to \$20 per additional square foot of development within the immediate Metro Rail station areas and \$5 to \$10 in the areas located 600 to 1,800 feet from the station.(28) It is estimated that only five percent of the office development expected in the immediate station areas would involve increased site utilization, with the greatest potential at Union Station. At the 600 to 1,800 foot radius from the station, it is estimated that ten percent of the development would involve higher site utilization. Based on these assumptions, the market value of increased development density is estimated between \$7 million and \$17 million.

For certain property owners, the Metro Rail system should provide the opportunity to achieve higher levels of occupancy. Principal beneficiaries should be the owners of older refurbished office buildings. To be conservative, increased occupancy levels were assumed not to occur in commercial buildings located in immediate station areas. Within the 600 to 1,800 foot radius, it is estimated that two to three million square feet of older, refurbished office space would experience increased occupancy levels of five to ten percent. This increase represents an annual revenue increase of between \$1.5 and \$6 million, assuming an annual lease rate of \$15 to \$20 per square foot. Overall, this translates to a cumulative value of between \$10 and \$40 million.

Land values of commercial properties located near transit stations in other U.S. cities have increased by as much as 100 percent over prevailing appreciation rates within ten years of the opening of a rapid transit system (e.g., Washington, D.C.).(29) A more conservative range of \$50 to \$100 per square foot for properties in the immediate station area and \$25 to \$50 per square foot for properties in a 600 to 1,800 foot radius was used to estimate land value increases in downtown Los Angeles. Applying these rates of property appreciation (which translate to a 15 to 35 percent increase over current values) to estimates(30) of the existing square footage of privately-owned land within these station areas indicates that, by the year 2000, the cumulative increases in land values would range between \$430 and \$860 million.

In total, the estimated monetary value of Metro Rail-related office impacts in the Los Angeles CBD ranges from \$682 million to \$1.39 billion.

### 3.6.3 RECENT HOTEL TRENDS

Since 1970, 2,910 hotel rooms evaluated as suitable for business, convention, and tourist travelers (Class A) have been constructed in the Los Angeles CBD. This new hotel construction took place in four major facilities:

- The Hyatt Regency (1973--487 rooms);
- The New Otani and Gardens (1977--448 rooms);
- The Westin Bonaventure (1977--1,500 rooms); and
- The Sheraton Grande (1984--475 rooms).

In addition, the Biltmore Hotel's remodeling, completed in 1979, returned an additional 1,000 rooms to Class A status in the CBD.

Currently, the inventory of Class A hotel rooms in the Los Angeles CBD is 5,409, which incorporates eight major facilities.(31) Between 1980 and 1984, average Los Angeles CBD room rates per person per night have increased almost fifty percent (\$45.93 in 1980 to \$69.89 in 1984), while Los Angeles County rates increased about 38 percent from \$47.78 to \$65.89.(32)

The most significant influence of the Metro Rail System on the Los Angeles CBD hotel market stems from new office development. Using the industry standard of one room for every 7,500 to 8,000 square feet of office development, applied to the 5 million additional square feet of office development expected to occur as a result of Metro Rail, the year 2000 CBD hotel demand can be expected to increase by 625 to 666 rooms, resulting in an approximate increase of 164,000 to 177,000 room nights per year.

#### 3.6.4 FORECAST ECONOMIC BENEFITS FOR HOTELS

The principal monetary effects of Metro Rail on hotels are expected to be:

- Land value increases; and
- Increases in retail sales volumes and subsequent increases in profits to retailers.

The complex nature of establishing baseline hotel room rates makes it difficult to isolate changes in room rates attributable to rapid transit. This was confirmed via interviews in Atlanta, Washington, D.C., and Toronto, Canada. Thus, monetary benefits have been estimated by determining the potential low and high range of changes in the appropriate measure, such as land value changes per square foot, and by applying the number of rooms or amount of square footage included within the one block and the two to three block areas.

Land values of commercial properties located near transit stations in other U.S. cities have increased by as much as 100 percent over prevailing appreciation rates within ten years of the opening of a rapid transit system (e.g., Washington, D.C.).(33) A more conservative range of \$50 to \$100 per square foot for properties in the immediate station area and \$25 to \$50 per square foot for properties in a 600 to 1,800 foot radius was used to estimate land value increases in downtown Los Angeles. Applying these rates of property appreciation (which translate to a 15 to 35 percent increase over current values) to estimates (34) of the existing square footage of land devoted to hotel uses within these station areas indicates that, by the year 2000, the cumulative increases in land values will range between \$11.5 and \$23 million.

Sales impacts for retail facilities located in hotels were estimated for the year 2000 using average 1984 room rates and per diem expenditures for Los Angeles hotel guests of \$70 and \$40, respectively, and an average occupancy rate of 70 percent. Cumulative estimates were based on a proportional increase in room demand between the years 1990 and 2000. The annual retail sales gains are estimated to be between \$17.6 and \$21.8 million. The overall cumulative gain is estimated to be between \$79 million and \$98 million. Applying an approximate 4 percent profit margin to these levels of sales, this equals a benefit of between \$3.2 million and \$3.9 million.

In total, the cumulative monetary value of the Metro Rail hotel impacts in the year 2000 is estimated to be between \$14.7 million and \$26.9 million.

### 3.6.5 RECENT TRENDS IN RETAIL TRADE

Currently, the Los Angeles CBD contains approximately five million square feet of retail space, including: approximately 4.45 million square feet offering shopper goods, an estimated 380,000 square feet of eating and drinking space, nearly 125,000 square feet of convenience goods, and approximately 60,000 square feet of personal services retail space.

Substantial shifts have occurred in the retail segment of the Los Angeles CBD. For example, the traditional shopping domain along Broadway has been transformed into a successful Hispanic-oriented retail area, while more traditional retail facilities are now locating along the expanding 7th Street corridor, which connects Broadway to the rapidly growing western end of the CBD. Long-standing downtown anchor department stores (e.g., Bullock's and May Company) have down-scaled their facilities and will soon open outlets within the new Citicorp regional retail center (currently under construction at 7th & Figueroa Streets).

A number of the new major commercial office buildings and hotel facilities constructed since 1970 (e.g., ARCO Plaza and the Westin Bonaventure Hotel) have incorporated quality retail space within their developments. In addition, the Los Angeles Community Redevelopment Agency has successfully encouraged retail developments to serve Bunker Hill, Little Tokyo and Chinatown residents. In short, the base and mix of the Los Angeles CBD retail core is changing significantly.

Average yearly expenditures for CBD office employees are expected to increase from their current level of \$1,300 to \$1,400 per capita to \$1,400 to \$1,500, if the Metro Rail system is implemented.<sup>(35)</sup> A recent Urban Land Institute (ULI) study correlated the number of downtown office workers and 1977 CBD retail sales for fifteen major U.S. cities. The results of that survey indicate that, on average, an increase of 1,000 office workers is accompanied by a \$3.32 million increase in annual retail sales. In 1984 dollars, this increase translates to a \$4.9 million increase in sales for each additional 1,000 office workers. Using the approximately five million square feet of additional Metro Rail-induced office space demand which was calculated previously to estimate the increase in office workers in the CBD after Metro Rail, this translates to approximately \$122 million in increased retail sales. Assuming an average of \$250 in retail sales required to support a square foot of new retail space, this would mean that the Metro Rail system office employment impact would generate demand for 490,000 square feet of retail development.

### 3.6.6 FORECAST ECONOMIC BENEFITS FOR RETAIL TRADE ESTABLISHMENTS

Metro Rail will generate monetary benefits to the retail sector served by the system which will take the form of increased profits to retailers. Retail facilities that are located in buildings whose use is predominantly office could not be broken out separately and are therefore not included in this analysis.

For the analysis of the retail sales impacts of the Metro Rail system, the annual year 2000 retail sales volumes were calculated separately for CBD employees, residents, and hotel guests. The results indicate that by the year

2000, the annual retail sales increases will be between \$166 and \$206 million. On a cumulative basis, the total increase in retail sales from all sources will range from \$857 million to \$1.2 billion. The calculation of profits from sales increases was based on a conservative estimate of three to four percent profit margin on retail sales from employees and residents, and three to five percent profit margin on expenditures from hotel guests. These profit margins, when applied to the estimated retail sales increases, indicate that, by the year 2000, annual retail sales profits will be \$5.9 to \$7.6 million. On a cumulative basis, this translates to a range of \$32.8 to \$42.5 million.

### 3.7 LIMITATIONS IN MEASUREMENT

The state-of-the-art research in the land use impacts of transportation systems, including regional rapid rail systems, does not provide sufficient empirical results to measure or predict parcel-level real estate gains precisely. A major reason is the heightened awareness that should be gained over time by both the private and public sectors of how to optimize the land development opportunities of rapid rail systems. This must be considered when examining the results achieved in other cities, complicating the analytical problem even further. For example, the marginal land development influence of BART may be in part a result of the lack of both public-policy commitment and private sector understanding in this regard. As such, the BART impact studies must be viewed with some caution when projecting impacts of Metro Rail in Los Angeles.

A second factor is that the data bases associated with major new rail systems throughout the United States and Canada are somewhat limited. As experience is gained in quantifying the land use effects of rail transit as a result of longer experience with systems such as BART, Washington's Metro and Atlanta's MARTA, considerably more complete impact analysis results are expected to become available.

A third limiting factor is that transportation or location is not the only factor that determines land value, occupancy levels, or commandable lease rates. As noted earlier, the strength of the underlying commercial markets is an essential determinant of benefit. In addition, the effects of a rail transit system will be significantly impacted by public policies and decisions. It is difficult to isolate what portion of a change in land value or to what degree a change in growth pattern is directly attributable to the transportation improvement. At present, the empirical tools for isolating transit's land use impacts have not been fully developed, although the cumulative experience gained in other cities over time should also alleviate this situation.

Nonetheless, there is significant evidence that rapid rail systems positively influence land values and development potential of properties surrounding rapid transit stations. With a strong underlying market and supportive public policies, regional rapid rail transit systems have been seen to enhance and support substantial levels of commercial activity. The benefits noted earlier -- enhanced land values and development densities, enhanced lease rates and occupancy levels, increased retail sales and reduced parking costs -- result from this influence.

### 3.8 UNDERLYING PRINCIPLES OF BENEFIT ASSESSMENT PROGRAMS

Thus far, this Chapter has focused on the benefits that occur as the result of the implementation of a rapid transit system -- what they are; where, when and why they occur; and who the principal beneficiaries are. In addition, factors that may enhance or prevent the occurrence of benefits in transit station areas have been explored. The experiences of the North American cities with major rapid rail transit systems that were studied indicate that, when the underlying market is strong and public policies are supportive, a wide variety of benefits occur in transit station areas. Because these conditions have been essentially met in Los Angeles, the Metro Rail system is expected to generate similar benefits.

It is important that the concepts of transit-associated benefit be understood and accepted as a part of the consensus-building process for a benefit assessment program. Once this occurs, the foundation for a benefit assessment program has been essentially established. The purpose of a benefit assessment program is to provide a means to use a portion of the benefit generated by a transit system to finance part of that system. This section briefly summarizes the various ways this can be accomplished.

#### 3.8.1 SPECIAL AND GENERAL BENEFITS

Statutes and case law distinguish between "special" and "general" benefits resulting from public improvements. Special benefits are those that are focused on parcels in or near the project, and are thus said to be "location specific." General benefits are those that are so widely spread throughout the community that they cannot be ascribed to particular parcels, e.g., reduced air pollution levels. Legal practice, often backed by statute, dictates that only special benefits can be subject to benefit assessment. Similarly, only projects that produce special benefits may be financed through benefit assessment.

#### 3.8.2 DIRECT VS. INDIRECT BENEFIT ASSESSMENT

There are essentially two methods upon which to base benefit assessments. The first method directly calculates the special benefits which accrue to specific parcels of land and applies an assessment rate to the level of benefits which accrue to each parcel owner, referred to here as "direct benefit assessment." Alternatively, the benefits can be assumed to be distributed in a given area surrounding the transit facility, based on the influence of other factors, such as distance from the station, for example. In this case, the revenue requirements for the project are determined and an assessment program is designed that levies assessments equitably among the benefiting property owners, referred to here as "indirect benefit assessment."

##### .1 DIRECT BENEFIT ASSESSMENT

Direct benefit calculations have been utilized in some benefit assessment districts in California. Several methodologies have been used for computing benefits in these cases, but each method introduces various problems when efforts are made to apply them specifically to the Metro Rail benefit assessment program. In particular, where a direct determination of benefits has been undertaken, a necessary prerequisite is that there be other parcels within local boundaries, with the same zoning and where

similar improvements have already occurred, or that there be sufficient experience in the appraiser's office to establish market values on a given parcel with and without the effects of the public works project. Because a major rapid transit system has not existed in the Los Angeles region for some time, the expertise and data base required to make such comparisons are not available. In addition, none of these direct benefit determination methods have been used for transit systems, and none would be able to specifically isolate that portion of the benefit received directly attributable to the development of the Metro Rail system.

There does not appear to be any requirement mandated by law or forced by litigation that such calculations be made in order to substantiate benefit assessments. Because of the inadequacies of direct benefit determination, most of the cases studied relied upon indirect methods of allocating benefit assessments among benefiting properties.

## .2 INDIRECT BENEFIT ASSESSMENT

The alternative to direct benefit assessment is a process of indirect benefit assessment, which essentially involves: 1) estimating the amount of benefits expected to accrue from the improvement project in general terms and in the aggregate, 2) establishing the amount needed to be raised by assessment, 3) determining that the benefit assessment constitutes a reasonable proportion of the expected benefits, and 4) spreading the assessment equitably among the owners of benefiting properties. This is the procedure relied upon in many cases in California under existing laws and also in national case studies of transit projects. Using this procedure, assessment programs have been established that are both equitable and legally acceptable, without directly computing parcel-level benefits.

For example, benefit assessment districts have been established in Denver, Miami, Minneapolis and Fort Lauderdale to assist in funding transit projects. In each of these cases, indirect benefit assessment techniques were used. Some aggregate estimation of benefits was undertaken, based on analysis of "expected" gains in value of property around the transit project. However, in no case was the estimation of benefit mandated. Rather it was used as part of the consensus building process during the formation of the benefit assessment districts. Consensus-building mechanisms were used to compare assessments and expected benefits to ensure equity and acceptability of the proposed benefit assessment program. The existence of these programs throughout the country indicates that there is a general recognition by the owners of property located near major rapid rail transit systems that benefits follow transit projects. Furthermore, this approach appears to satisfy all legal requirements of a variety of jurisdictions.

## .3 IMPLICATIONS FOR THE METRO RAIL BENEFIT ASSESSMENT PROGRAM

There are, of course, no case studies pertaining specifically to the Metro Rail benefit assessment district enabling legislation. That legislation provides that the Board of Directors of the SCRTD shall be the proportion of benefits produced by the transit facilities and the distribution of special benefits among parcels within the benefit assessment district. As

was the case with the other California examples, the enabling legislation does not mandate the measurement of benefit at the parcel level, nor does it specify the methodology that must be used to calculate or document benefit levels.

Thus, the procedures of indirect benefit assessment were determined to be the most appropriate means for establishing the Metro Rail benefit assessment program.

### 3.9 CONCLUSIONS REGARDING BENEFITS

This discussion of transit-related monetary benefits was intended to provide the background and context in which benefit assessment may take place. Implementation of a major public improvement such as a rail transit system can be expected to have wide-ranging positive economic consequences. These benefits can be expected to occur both in a community-wide/regional context and at the specific parcel level. The incidence of benefits at the parcel level provides the basis for a benefit assessment program. These benefits can be seen to occur in the vicinity of transit stations and can extend over a significant period of time. Benefit assessment provides a means for using a portion of these benefits to pay a part of the cost of the transit system.

NOTES FOR CHAPTER 3

(1) Toronto Transit Commission. Metropolitan Toronto: The Transit/Development Connection. December, 1983.

(2) Applied Decision Systems, Inc. and Development Research Associates undertook a detailed regression analysis of twenty-five (25) communities within the Chicago Metropolitan Region, analyzing the 1960-1970 municipal service cost co-efficients with this urban development pattern, as opposed to a simulated regional development pattern of Chicago under the assumption that all rail rapid transit was discontinued in 1945 and the resultant figures disclosed a cumulative net savings as a direct result of the positive influences which the regional rail transit system exerted of approximately \$325 million (for the 1945-1970 time-frame).

(3) David Cardwell. Commercial Development Trends 1972-1982. Metropolitan Washington Council of Governments. December, 1983.

(4) \_\_\_\_\_ . The Local Implications of BART Development. Final Report. April, 1979.

(5) \_\_\_\_\_ . Public and Private Development Activities in Transit Station Areas (Update). Atlanta Regional Commission. March, 1984.

(6) Cardwell, op.cit.

(7) Joe Cater. Employment Change in Metrorail Station Areas 1976-1980. Metropolitan Washington Council of Governments. August, 1984.

(8) \_\_\_\_\_ . Program Wide Case Studies. BART Impact Program. Land Use and Urban Development Project. July, 1978.

(9) Toronto Transit Commission, op.cit.

(10) Vladimir Bajic. "The Effects of a New Subway Line on Housing Prices in Metropolitan Toronto." Urban Studies Magazine. 1983.

(11) Walter Rybeck. Metrorail Impacts on Washington Area Land Values. Prepared for the Subcommittee on the City. Committee on Banking, Finance and Urban Affairs. U.S. House of Representatives. January, 1981.

(12) Ibid.

(13) Public and Private Development Activities in Transit Station Areas (update). op.cit.

(14) \_\_\_\_\_ . Transit Impact Monitoring Program - 1979 Annual Report. Atlanta Regional Commission. December, 1979.

(15) \_\_\_\_\_ . Transit Impact Monitoring Program - 1981 Annual Report. Atlanta Regional Commission. January, 1982.

(16) Department of Property Appraisal. Transit Property Value Study. Metropolitan Dade County, Florida. 1983.



(17) Michael Dyatt. Land Use and Urban Development Impacts of BART. Final Report. 1978.

(18) Ibid.

(19) Jay M. Stein and Catherine Ross. Residential and Business Attitude Surveys: MARTA North Line (Brookhaven Station Area). Atlanta Regional Commission. October, 1982.

(20) Public Technology, Inc. Joint Development. A Handbook for Local Government Officials. Office of Planning Assistance, Urban Mass Transportation Administration. September, 1983.

(21) Department of Metropolitan Development and Information Resources. Metrorail Area Planning. Metropolitan Washington Council of Governments. August, 1983.

(22) Economics Research Associates. Real Estate Development Potential in the Metro Rail Corridor. Prepared for the Los Angeles Community Redevelopment Agency. December, 1983.

(23) \_\_\_\_\_ . Final Environmental Impact Statement. Los Angeles Rail Rapid Transit Project. Southern California Rapid Transit District. December, 1983.

(24) Economics Research Associates, op.cit.

(25) Based on professional judgment derived from a cross section of office space market analyses conducted by Robert J. Harmon and Associates, Inc. over the course of the past ten years.

(26) Ibid.

(27) Rybeck, op.cit., calculated land value increases in downtown Washington, D.C. using these figures.

(28) Los Angeles Community Redevelopment Agency.

(29) Rybeck, op.cit.

(30) \_\_\_\_\_ . Analysis of Factors Affecting Benefit Assessment District Formation. Technical Memorandum 4.4.2. Prepared for Southern California Rapid Transit District. September, 1984.

(31) Economics Research Associates figures, updated to reflect Sheraton Grande, which opened in 1984.

(32) Pannell Kerr Forster. Trends in the Hotel Industry: Los Angeles. 1984.

(33) Rybeck, op.cit.

(34) Technical Memorandum 4.4.2, op.cit.

(35) Update from a survey compiled in the late 1970's by Dark and Higgenbotham.

## 4.0 DEFINITION OF BENEFIT ASSESSMENT DISTRICT BOUNDARIES

The determination of boundaries for Metro Rail benefit assessment districts is one of the most important tasks associated with the establishment of the Metro Rail benefit assessment program. For many public works projects funded by benefit assessment techniques, the definition of boundaries is relatively simple. For a new sewer system, for example, properties that can connect to the sewer line clearly benefit, while properties that cannot connect can be considered non-benefiting. In these cases, the boundary is self-defining. Similarly, street-lighting projects, flood-control projects, etc., may have easily defined boundaries.

Benefit assessment boundary definition for a rapid transit project is more complicated. Not only should benefits accrue to properties with direct connection to the transit stations; but, as discussed in Chapter 3, transit benefits should occur because of increased pedestrian activity in and around the station areas. This is a critical factor in the review of alternative benefit assessment district boundaries.

Determination of benefit assessment boundaries for the Metro Rail system takes place within the framework of legal constraints, determinations of where transit benefits will occur, revenue generation requirements, and considerations of equity. This Chapter examines the fundamental aims of boundary setting, the legal requirements regarding boundary definition, other key factors that logically affect the determination of district boundaries, alternative boundaries and the approved boundary structure. The implications of the boundaries are reviewed in terms of equity and the ability to raise sufficient private-sector revenues needed to support the construction of the MOS-1 segment of Metro Rail.

### 4.1 APPROACH TO BOUNDARY SETTING

As discussed in Chapter 3, legislation and case law distinguish between general and special benefits. Benefit assessments can be applied to special benefits only, in contrast to taxes, which may be applied to general benefits. The primary purpose of a benefit assessment program is to recover a portion of the special monetary benefits that occur as the result of a public improvement, so that these revenues can be used to support the public improvement that generates the special benefits. A guiding principle for the definition of benefit assessment boundaries is to assure that no one is included in a benefit assessment district who does not receive a special benefit. At the same time, boundaries should be established with the goal of including as many properties receiving special benefits as possible so as to spread the assessment as widely and equitably as possible.

## 4.2 KEY LEGAL CONSIDERATIONS REGARDING BOUNDARIES

The following factors concerning legal requirements regarding boundary definitions were reviewed in the process of determining criteria for the setting of boundaries for benefit assessment districts.

### 4.2.1 MAXIMUM BOUNDARY LIMITS

Section 33001 of the Public Utilities Code, the enabling legislation for benefit assessment districts, specifies boundary limits for Metro Rail benefit assessment districts. Benefit assessment district boundaries may extend no further than one mile from the center of a Central Business District (CBD) station and no further than one-half mile from the center of a station outside the CBD. The Southern California Rapid Transit District (SCRTD) Board of Directors may combine into one benefit assessment district the geographic areas around more than one station, but revenues raised in one district may not be used to finance facilities located in another district.

In addition, the law states that initial boundaries may not be expanded after the program is adopted, without the concurrence of local governing bodies. If however, the SCRTD Board of Directors desires to reduce the size of a benefit assessment district, it may do so without concurrence from the local governing body.

### 4.2.2 DEFINITIONS REQUIRED

To comply with these legal requirements, two definitions needed to be established: 1) center of the transit station, and 2) distance from the center of the transit station.

Section 33001 of the Public Utilities Code establishes maximum limits for the boundary of a benefit assessment district as measured from the center of the station. For purposes of boundary definition, the center of a station was defined as the projection to ground level of the geometric center of the transit station box.

Distances from the center of the station can be measured in several ways. To define benefit assessment district boundaries, the appropriate distance measure appears to be walking distance, since benefits clearly relate to walking distances as discussed in Chapter 3. Walking distances are defined as the shortest distance along block faces measured along street centerlines.

### 4.2.3 LITIGATION IMPLICATIONS OF BOUNDARY SETTING

An issue that may arise during the consideration of benefit assessment district boundaries is whether it is equitable for neighboring properties on opposite sides of a district boundary to receive different treatment from the assessment program. Benefit assessment case law clearly recognizes that a boundary must be established, and acknowledges that, in so doing, properties along the margins of the boundary may appear to be treated inequitably. Provided that a benefit assessment district has been defined reasonably, prudently, and within statutory constraints, however, the courts have consistently upheld established boundaries.

### 4.3 PHYSICAL AND ADMINISTRATIVE BOUNDARIES

In the process of establishing benefit assessment district boundaries, physical features that constitute a barrier to development or movement, such as freeways, rivers or mountains, were considered since these features may impact upon the ability of a property owner to receive special benefits. In addition, administrative factors, such as planning or jurisdictional boundaries may, in some cases, be relevant to the definition or modification of benefit assessment district boundaries.

#### 4.3.1 PHYSICAL FEATURES AND BARRIERS

Rivers, mountains, lakes, railroad lines, and freeways may introduce barriers to pedestrian movement. These physical features were considered during the definition or modification of benefit assessment district boundaries. Whether a specific feature constitutes a barrier to pedestrian movement may be determined by considering the ease with which the feature can be crossed, and the continuity of development patterns across the feature.

To identify when a feature constitutes a barrier to pedestrian movement, criteria were developed as a part of the process of considering alternative district boundaries. Specifically, it was determined that if at least three of the following conditions were found to exist, the feature could be considered as a barrier:

- If 75% or more of the streets leading to a feature terminate at it (vs. continuing across the feature).
- If there is a marked change in development patterns from one side of the feature to the other (for example, commercial on one side and residential on the other).
- If there is no direct street connection, leading from the station, that crosses the feature.
- If the feature can be clearly perceived as a barrier by a casual observer (for example, an above grade freeway under which pedestrians would need to walk in a less than attractive environment).

For example, for the Civic Center and Fifth and Hill rail transit stations, establishment of a western district boundary introduced the issues as to whether the Harbor Freeway constitutes a barrier. In this area, there are virtually no terminations of streets at the freeway, the freeway is at or below grade and it does not generally represent a perceived barrier. There is continuity of development patterns across the freeway, and both First Street and Fifth Street cross the freeway, providing direct connections to the far side of the freeway. As a result, the Harbor Freeway does not meet any of the four criteria and would not be considered a barrier.

#### 4.3.2 ADMINISTRATIVE BOUNDARIES

There is no requirement for benefit assessment district boundaries to conform to other local jurisdictional or planning boundaries. The planning boundaries that have been established in the vicinity of Metro Rail stations were reviewed to determine if they were applicable to benefit assessment district boundaries. As noted in Chapter 3, potential benefits in transit station areas may be influenced by zoning and public policy decisions. To the extent that planning boundaries define the areas in which those decisions may be applied, they could have been of use in defining benefit assessment district boundaries. For these reasons, certain administrative boundaries were reviewed for their applicability.

Depending upon station location for the MOS-1 segment of Metro Rail, various agencies have responsibility for planning, zoning, and control of development around Metro Rail stations, including the Los Angeles City Planning Department and the Community Redevelopment Agency (CRA). These agencies have defined their planning area boundaries differently. The CRA has used an approximate 2,400 foot radius for downtown stations. In the other redevelopment areas under CRA jurisdiction along the Metro Rail line, planning boundaries of approximately 1,200 feet from the station have been used.

The Los Angeles City Planning Department has prepared a series of Specific Plans for Metro Rail station areas under its jurisdiction, which include all station areas within the limits of the City of Los Angeles that are not located within CRA redevelopment areas. Boundaries used in these Specific Plans vary among station areas, but they are basically drawn to include commercial areas surrounding stations and to exclude predominantly residential areas. Thus, these boundaries were drawn primarily in response to current land use patterns, and they do not necessarily relate to potential Metro Rail benefits. They are, therefore, of limited utility in determining benefit assessment district boundaries. Station Development Plans are also being developed by the Los Angeles City Planning Department to guide development in areas immediately surrounding the stations. These immediate station impact areas usually extend about 300 feet from the station.

Based on this analysis, there appeared to be no major advantage for using existing planning boundaries to define or modify benefit assessment district boundaries; since these administrative boundaries vary in terms of their extent and do not directly relate to anticipated benefits from the Metro Rail system.

#### 4.4 BOUNDARY ALTERNATIVES

This Section examines five benefit assessment district boundary alternatives that were considered during the design of the Metro Rail benefit assessment program for the MOS-1 segment of Metro Rail. A number of related issues, such as block inclusion rules, the removal of irregular shapes from district boundaries, revenue requirements, accommodation of future change in the district, and combinations of areas around more than one station into one district are discussed. These issues affected the boundaries that were ultimately selected.

As the alternative boundaries were evaluated, four factors were considered to be of particular importance. First, boundaries for a rapid transit benefit assessment district must be established with careful concern for the distance to which special benefits extend from a station.

Second, boundaries should not be set at more than a reasonable walking distance from a station. An average person walks at about 3 mph, and can cover about a quarter mile in 5 minutes, and a half mile in 10 minutes. As discussed in Chapter 3, there is reasonable evidence to suggest that average walking distances to and from transit facilities do not generally exceed one-half mile, and average close to one-quarter to one-third mile. Thus, the one-quarter to one-half mile range was considered to be the maximum to which boundaries should be set.

Third, boundaries should be established with the goal of including as many properties receiving special benefits as possible so as to spread the assessment as widely and equitably as possible. At the same time, the boundaries should be drawn so as to minimize the possibility that non-benefiting properties are included.

Finally, it must be recognized that the selection of criteria for defining benefit assessment district boundaries represents a trade between the number of property owners that would be included and the level of assessments each will be required to pay. Specifically, as the geographic size of the district increases, the number of property owners will increase and amount that each will pay individually will decrease. The boundary selected should represent a equitable balance between these factors.

Five benefit assessment district boundary alternatives were considered to be potentially applicable to the Metro Rail benefit assessment program, including the legislative limits, modified legislative limits, a one-half mile limit, a one-third mile limit and the immediate station area.

#### 4.4.1 LEGISLATIVELY ALLOWED LIMITS

The first boundary alternative represents the maximum allowable limit permitted by Section 33001 of the Public Utilities Code. In the case of Central Business District (CBD) stations, this limit is a one-mile radius from the station center. For the non-CBD stations, the maximum legal boundary is one-half mile from the station center.

This alternative has the primary advantage of including all property that is permissible in terms of maximum legal distance limits, which would allow for establishment of lower assessments for individual property owners. In addition, since the SCRTD Board of Directors may only contract the size of the district without legislative concurrence once a district is implemented, this alternative provides some flexibility for administering the program after it is operational.

There are also disadvantages to using the maximum legal distance limits. In particular, it is difficult to demonstrate that special benefits occur on properties at the maximum distances. This is especially true in the case of Central Business District stations with the applicable one mile legal limit. This factor could seriously undermine any proposal that simply uses the legal limits to define the district boundaries.

#### 4.4.2 LEGISLATIVELY ALLOWED LIMITS MODIFIED BY PHYSICAL BARRIERS

The second alternative is similar to the first, except that physical barriers, as discussed earlier, would delineate the boundary where applicable. The advantage of this alternative is that it excludes property that is located within the legal distance from a station, but which may not derive special benefit from the Metro Rail station because of the presence of a physical barrier. This would make the use of legislative limits somewhat less arbitrary.

Disadvantages of this alternative are the same as those for the previous alternative. Specifically, where physical barriers do not exist, there is a problem in documenting benefits for properties on the edge of the legal limits, particularly in the CBD station areas.

#### 4.4.3 ONE-HALF MILE LIMIT

A third alternative is to utilize a one-half mile walking distance from a station to define boundaries. This alternative represents a modification of the one-mile legal limit for CBD stations. Advantages of a half-mile limit include significant evidence that indicates special benefits accrue to properties located within this distance, as discussed in Chapter 3, particularly since a half-mile represents a reasonable walking distance.

The primary disadvantage is that the one-half mile may include properties that do not benefit from the Metro Rail project, particularly outside the Central Business District area. In these non-CBD areas, the distance for benefit incidence may be less, given that the overall development in non-CBD station areas is generally less intense, the destinations of patrons of non-CBD transit stations may be more concentrated in the station area, and the intensity of pedestrian activity may be less pronounced. Additionally, the drafters of the enabling legislation for the benefit assessment program may have envisioned a lesser distance for the non-CBD benefit area, given that the maximum legal limits in the non-CBD are less than the limits in the Central Business District.

#### 4.4.4 ONE-THIRD MILE LIMIT

A one-third mile walking distance alternative clearly falls within a reasonable walking distance envelope for transit users and appears to more closely reflect the radius of benefits that may be expected to result from the Metro Rail system in the non-CBD station areas. However, as the distance used to define the boundaries decreases, there is greater potential for excluding beneficiaries from the district, and the assessment burden borne by the remaining participants increases. As noted earlier, the ultimate selection of a boundary alternative requires a trade between these factors, which becomes increasingly apparent for this and the following boundary alternative.

#### 4.4.5 IMMEDIATE STATION VICINITY

The fifth alternative limits the boundaries of the benefit assessment district to the city blocks immediately adjacent to the station. Advantages for this alternative result from the relatively narrow, unambiguous definition of benefiting parcels. The disadvantages, however, are significant. In particular, such a narrowly defined benefit assessment district may not be able to raise sufficient revenues to finance station construction without establishing an assessment rate that is inequitably high. In addition, the potential for excluding benefiting properties is considerably high for this alternative.

#### 4.5 OTHER BOUNDARY ISSUES

There are several other critical factors related to the definition of benefit assessment district boundaries. These include: rules for inclusion or exclusion of blocks; procedures for removing irregular shapes from boundaries; revenue requirements; accommodation for future boundary changes, land use changes, and technological or attitudinal changes; and the combining of station areas into one benefit assessment district.

##### 4.5.1 RULES FOR INCLUSION OR EXCLUSION OF BLOCKS

When walking distance from a station is used to delineate benefit assessment district boundaries, a means must be derived for deciding how that distance is to be applied to determine whether specific properties are included or excluded from the district. For administrative purposes, it is clearly preferable to not split specific parcels of land. Additionally, alternatives for the inclusion or exclusion of block faces (one side of a city block) and entire city blocks need to be considered.

Block faces are a subset of blocks, and, therefore, may be a reasonable measure of the actual extent to which special benefits occur. Use of block faces, however, introduces several possible disadvantages. First, existing parcel boundaries could present a wide variety of unusual parcel configurations for any given block face (e.g., differing parcel depths, L-shaped parcels, etc.). Such a configuration could introduce both equity and program administration issues. Second, building structures are not necessarily confined to single parcels contained in a block face. The potential, therefore, exists for including parcels that contain only part of a building. This would require continual monitoring of all developments on the periphery of the districts and potentially require the revision of boundaries every time a redevelopment took place that transcended both a parcel boundary and the benefit assessment district boundary. Such an approach would not only be difficult to administer, but may also not be legal. In summary, use of block faces may yield highly unusual boundary configurations and could introduce significant program administration and legal problems.

Alternatively, city blocks could be used as the unit for a benefit assessment district. Businesses located near stations often advertise their locations relative to the station in terms of the number of city blocks, a distance measure the general public clearly understands. Moreover, in other cities with rail rapid transit systems, developers have, at times, responded to the



construction of transit stations by acquiring, developing, or redeveloping entire city blocks. Full city blocks are generally well-defined geographic areas that require little interpretation, which would make administration of the benefit assessment program easier. For these reasons, benefit assessment district boundaries can most reasonably be established in terms of full city blocks.

Several methods may be used to determine if a block should be included in a benefit assessment district. Two alternatives include:

- If any part of a block face is included within a designated walking distance from the geometric center of a station, the entire block would be included in the benefit assessment district (see Figure 10).
- If more than one-half of any block face of a city block is included within a designated walking distance from the geometric center of a station, the entire city block would be included in the benefit-assessment district (see Figure 11).

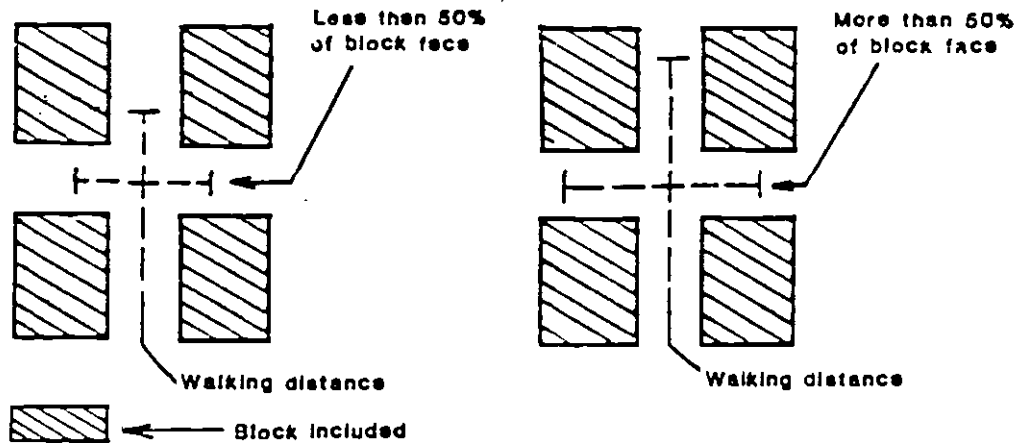


Figure 10

Figure 11

Each of these methods presents advantages and disadvantages. The first alternative would create a larger benefit assessment district for a specified walking distance from the station than would the second alternative. As a result, use of the first alternative may dictate use of a shorter designated walking distance from the station center to assure that the blocks included would receive special benefits. Additionally, the first alternative would introduce a more jagged boundary than the second, possibly leading to questions about its fairness at the periphery of the district.

The second alternative rule offers the following advantages:

- It should make it easier to demonstrate special benefits in that the district boundaries would be more closely tied to average walking distances.
- The district boundaries should be less jagged and thus perceived as potentially more equitable and acceptable to property owners in the district.

- There was sufficient developed space and space under construction in 1984 within one-half mile of the CBD stations to raise the revenue required to bond \$130.3 million in capital expenditures, assuming that a uniform base rate of at least 35 cents per square foot per year can be levied on private office, retail, hotel, and motel developments.
- If assessment rates are to be maintained at not more than 50 cents per square foot per year, boundaries should be set at between 1800 feet and one-half mile. Extension beyond these distances would be justified only if assessment rates must be set lower. Thus, extending the boundary beyond one-half mile appeared to be potentially unnecessary and would have required an assessment rate that would be too high for outlying properties and too low for properties closer to the station relative to the actual special benefits that can be expected. In particular, this initial analysis of revenue implications indicated that there was no need to extend the CBD boundaries to the legal limit of one mile.

#### 4.5.4 ACCOMMODATION OF CHANGE

An additional factor considered when determining alternative boundaries is the need to provide a means for adapting to changes that may occur within a district over the life (generally 20 years) of the benefit assessment program. Changes in land uses within a district or in technological or attitudinal behavior patterns may affect the levels and extent of benefits and the revenue generating potential for a benefit assessment district.

##### .1 ACCOMMODATIONS FOR FUTURE LAND USE CHANGES

If assessments are to be applied to some land uses and not to others, the benefit assessment program should incorporate the capability to modify assessments for parcels that experience land use changes, and the ability to exempt land use categories from assessment as desired. This can be done by use of an exempt land use category. All parcels, regardless of land use, would be included within a benefit assessment district, but parcels containing exempt land uses would not be assessed and would not receive an assessment bill. However, if the land use on that parcel were subsequently to change to a non-exempt land use, it would be necessary to identify the land use change and apply the assessment criteria accordingly.

##### .2 ACCOMMODATION FOR FUTURE TECHNOLOGICAL OR BEHAVIORAL CHANGES

Alternative benefit assessment district boundaries have been defined by reasonable walking distance, considered to be between one-quarter and one-half mile. This distance could increase in the future as a result of economic impacts, such as significant changes in the price or availability of gasoline, or as a result of technological changes that encourage longer pedestrian trips, such as skywalks or moving sidewalks. These changes are not easily predicted, but should they occur, the capability to expand the benefit assessment district is desirable and was considered, therefore. This could be accomplished by establishing a larger boundary than would be indicated based only on evaluation of current behavior patterns and technology and applying an exempt category to parcels located on the fringe of the district. Under this approach, assessments in the fringe areas would be implemented only when there was evidence of long-term behavioral

or technological changes clearly indicating that the incidence of special benefits has spread beyond the original boundary.

There were two major disadvantages to this procedure, however. First, it could have required that the legal procedures set forth in Section 33001.5 of the Public Utilities Code to create the boundaries of the benefit assessment district be repeated if the outer ring of properties were to be changed from an exempt to a non-exempt status. Second, implicit in the concept of an exempt properties ring is the idea that the properties in the area do not currently receive transit-related benefits; yet the owners of these parcels would be notified of public hearings and other public involvement efforts associated with the formation of the benefit assessment district. These factors raised questions both of the efficiency and equity of including non-benefiting property owners in the initial formation of the benefit assessment district based on potential that they may ultimately become beneficiaries of Metro Rail. In short, if boundary changes appear necessary due to technological changes or changes in behavior patterns, it appeared preferable to address these boundary changes directly, using the legal provisions of Section 33001.5 of the Public Utilities Code.

### .3 COMBINATION OF STATION AREAS INTO ONE BENEFIT ASSESSMENT DISTRICT

A final major issue related to the boundary selection procedure for benefit assessment districts is whether two or more station areas should be combined into one district. For example, if the boundaries of the districts for the four CBD stations were set at more than 1800 feet from the center of the stations, the four areas would overlap. Under Section 33001 of the Public Utilities Code, these areas may be combined into a single benefit assessment district containing multiple stations. Since the Central Business District is clearly an identifiable and cohesive geographic area with functionally interrelated land uses, the four CBD station areas could be logically defined as a single benefit assessment district.

### 4.6 BOUNDARIES

The advantages and disadvantages of the various boundary alternatives as discussed in previous sections were reviewed by the SCRTD and by the Benefit Assessment Task Force, and the following boundary criteria and definitions were applied for the MOS-1 phase of the Metro Rail project.

- The boundaries of the benefit assessment districts for stations located in the Central Business District are based on a one-half mile walking distance from the center of the stations, irrespective of the legally-permitted maximum. The boundaries of the benefit assessment district at the Wilshire/Alvarado station are based on a one-third mile walking distance from the center of the station.
- Walking distances are measured from the geometric center of the station box along street centerlines.

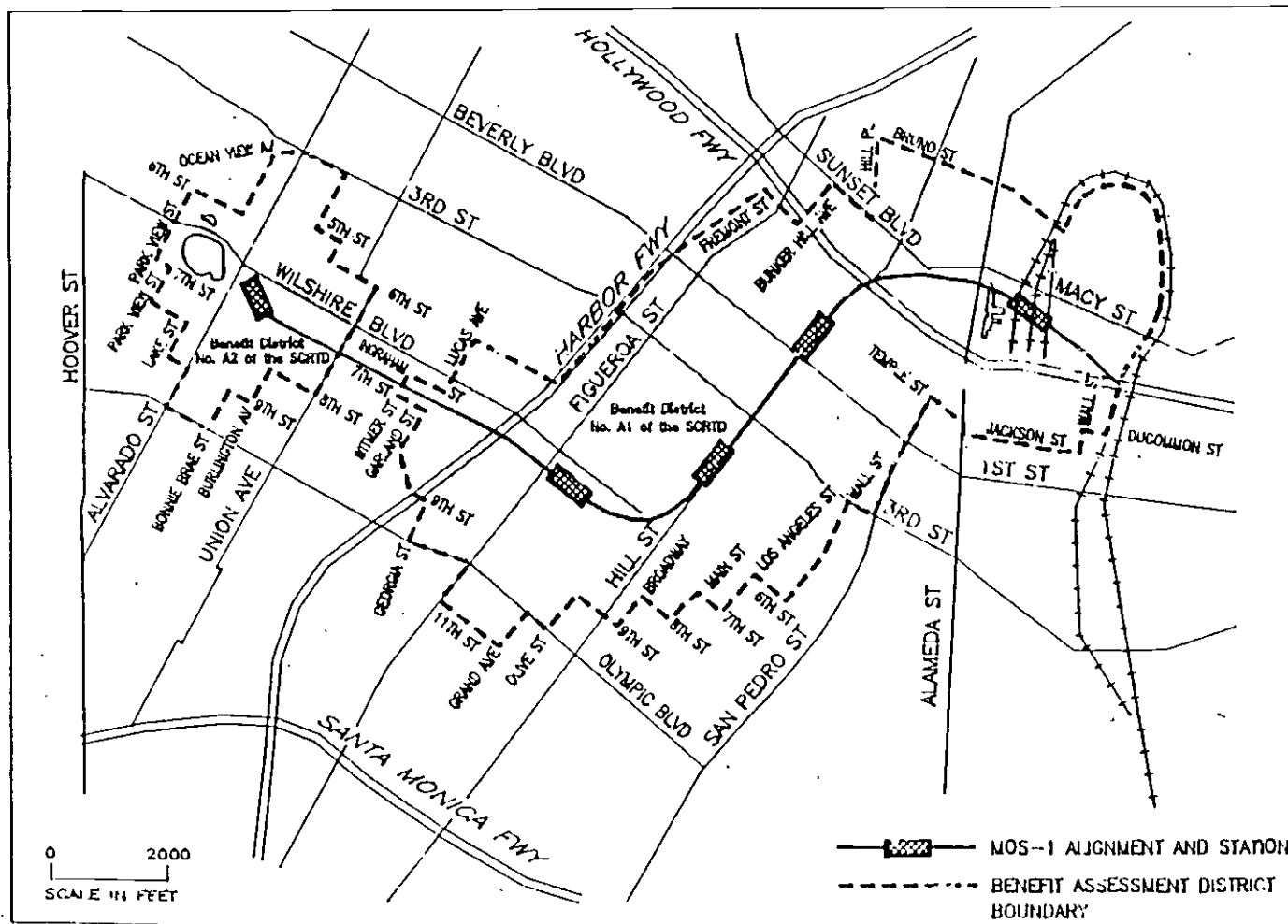
- If the maximum walking distance encompasses a portion of the block face and if this point is more than 50 percent of the block face as measured from the street centerlines, the entire block is included. If the distance is less than 50 percent of the block face, the block is not included.
- Barriers to movement as defined using the criteria outlined in Section 4.3.1. supercede boundaries that are determined by walking distance from a station center.
- When the walking distance boundary runs along three sides of one or two adjacent blocks, those blocks are included in the benefit assessment district.
- When the boundary runs along a major feature such as a freeway, river or railroad right of way, the centerline of the feature constitutes the boundary.
- Properties within a benefit assessment district that contain a land use category that has been defined as exempt from assessment will not receive an assessment statement, but the program will retain the capability to assess the properties during the next assessment cycle if the land use subsequently changes from an exempt to an assessable status.
- The four station areas in the CBD -- Union Station, Civic Center Station, 5th & Hill Station, and 7th & Flower Station -- are combined into one benefit assessment district.

Figure 13 shows the benefit assessment district boundaries for the Central Business District and the Wilshire/Alvarado areas as defined by the criteria above and as created by the SCRTD Board of Directors in the Resolution Creating Special Benefit Assessment Districts A1 and A2 for the MOS-1 Segment of the Metro Rail System adopted on July 11, 1985.

#### 4.7 UNDERLYING IMPLICATIONS OF BOUNDARIES

The boundaries fulfill the major requirements of the benefit assessment program. First, they allow adequate revenues to be raised to support construction of the MOS-1 segment of the Metro Rail system using reasonable assessment rates. In addition, the boundaries define the potential beneficiaries of the Metro Rail system in an equitable manner and spread the assessments equitably among benefiting properties. The boundaries are based upon reasonable walking distances in both CBD and non-CBD areas. Overall, the boundaries have been drawn in such a manner as to include the optimum number of benefiting properties while at the same time minimizing the possibility that non-benefiting properties are included in the benefit assessment district.

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



## 5.0 ASSESSMENT RATES AND CRITERIA

Establishment of benefit assessment rates and criteria was done in concert with the definition of district boundaries, as discussed in Chapter 4. To establish an equitable rate structure, several additional factors needed to be considered. Major considerations included: 1) the ability to generate adequate revenues to support the public works project, and 2) the need to spread the benefit assessments equitably among the properties contained in the district.

This Chapter discusses issues that were examined during the process of defining the method of assessment for the first phase (MOS-1) of the Metro Rail benefit assessment program. The data base that was used to evaluate the assessment rate structure is also reviewed. A rate structure and a set of general rules and procedures for applying the rate structure that evolved from this evaluation are presented.

Under the structure, it is recognized that situations will occur where logical adjustments should be made to ensure that the program remains equitable. Property characteristics that may provide the basis for these adjustments and a procedure for addressing these situations by means of a formal appeals procedure are discussed. Finally, the intended uses for the revenues raised by the assessment program are presented.

### 5.1 BENEFIT ASSESSMENT FORMULA ISSUES AND DECISIONS

This Section outlines and reviews the major issues that were considered by the Benefit Assessment Task Force, the SCRTD Board of Directors and the Los Angeles City Council during development of the MOS-1 benefit assessment rate formula. These include definition of the improvements to be assessed, the use of a single assessment rate versus separate assessment rates for land or improvements, the use of internal assessment zones (defined geographic areas) within a benefit assessment district, the changing of assessment rates over time, and the ability of the assessment program to adapt to changes that may occur in the benefit assessment district. Each of these issues are examined in light of their impact on the ability of the rate structure to relate benefit assessments to the expected benefits, to generate adequate revenues and to distribute assessments among the properties in an equitable manner. Decisions made on each issue are also discussed. The method of assessment, as described in Section 5.2, reflects the cumulative result of the decisions made on each issue addressed.

#### 5.1.1 ISSUE/DECISION -- TYPES OF PROPERTIES TO BE ASSESSED

An assessment rate structure may assess all improvements equally or may draw distinctions between different types of improvements. For example, the documented experiences in other North American cities with major rapid transit systems suggest that owners of improvements used for office and other commercial activities, retail sales, hotels and motels are prime beneficiaries from a transit project, as discussed in Chapter 3. Alternative methods of assessment were considered that reflected these improvements as prime beneficiaries of Metro Rail. In particular, a rate structure that assesses these types of improvements on the basis of the square footage contained in the improvement was

Consistent with the Benefit Assessment Task Force recommendations, if a property contains a mix of assessable improvements in combination with exempt improvements (e.g., publicly owned and privately used, privately owned and publicly used or non-profit owned and privately used), the assessment is determined on the basis of the percent of the improvement that is assessable multiplied by the square footage of the improvement or the square footage of the parcel, whichever is greater for a given property, times the assessment rate. For properties that contain assessable improvements in combination with exempt uses (e.g., industrial uses with commercial uses), the assessment is to be determined on the basis of the assessable square footage of the improvement or the square footage of the parcel, whichever is greater for a given property.

#### 5.1.2 ISSUE/DECISION -- USE OF ZONES WITHIN A BENEFIT ASSESSMENT DISTRICT

Under Section 33001 of the Public Utilities Code, the benefit assessment formula could incorporate different zones (defined geographic areas) within a benefit assessment district to reflect potentially differing levels of benefits received throughout the district. There is some evidence to suggest that the level of benefit decreases as distance from the station increases. During the evaluation of alternative methods of assessment, consideration was given to assessment structures that included two internal zones within each district -- a premium zone close to the station and a secondary zone in an outer ring surrounding the premium zone. Under this alternative, the rates within each zone would have been set to reflect the potentially differing levels of benefits occurring between the two zones.

Consistent with the Benefit Assessment Task Force recommendations, internal zones were not used for several reasons. First, while the properties in close proximity to the stations may potentially anticipate a higher level of monetary benefits than those properties more distant, the closer properties will also be the most negatively impacted during the Metro Rail construction phase. A single zone system would generally compensate for this situation. In addition, a two zone approach system is more difficult to explain to the affected public and would be more complicated to administer.

#### 5.1.3 ISSUE/DECISION -- CONSTANT RATE VS. PHASE-IN OF RATES

An additional issue that was addressed during the definition of the recommended benefit assessment formula was the possibility of changing the assessment rates over time. In particular, the question of whether the rates should remain constant over time or should be phased in to coincide with revenue requirements for various years was considered. Since the funds that are needed to support the construction of the MOS-1 phase of the Metro Rail system will not all be needed in the initial year of construction, yearly revenue requirements for the first years of the program will vary. A periodic adjustment of the assessment rates to reflect these annual revenue requirements was, therefore, considered as a response to this situation.

After review of various rate phase-in alternatives, the Benefit Assessment Task Force recommended that the rates be phased in over time, inasmuch as the total construction funds are not needed in the first year or two of the program. This recommendation was concurred in by the SCRTD Board of Directors and the Los Angeles City Council. An initial rate of \$0.30 is to be applied at the outset of the program. The rates would then be adjusted by the SCRTD Board of Directors as required by the cash flow needs to pay for or finance the Metro Rail system, while remaining under the maximum level of \$0.42.

#### 5.1.4 ISSUE/DECISION -- RATE ADJUSTMENTS FOR CHANGES WITHIN A DISTRICT

An additional issue related to the method of assessment is the procedure for handling new developments within the benefit assessment districts. Similar to the adjustment of rates to reflect revenue needs, an alternative was considered wherein rates would be adjusted periodically to reflect additional, assessable square feet of new development in a benefit assessment district. Particular issues that were addressed included procedures for adjusting the assessment rates to reflect new development and a determination of the proper point in time for new development to be included in the assessment process.

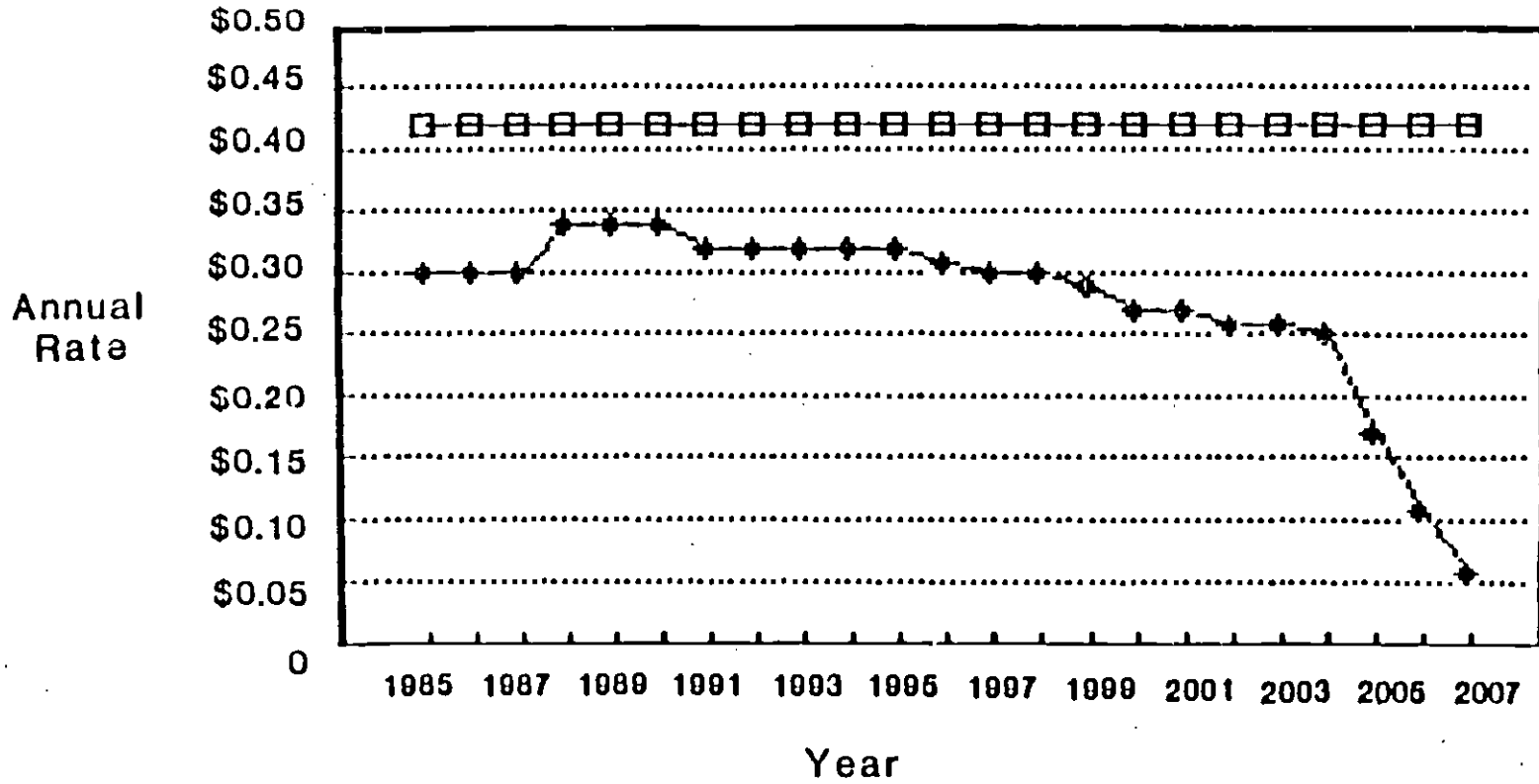
Consistent with the Benefit Assessment Task Force recommendation, the SCRTD Board of Directors determined and the Los Angeles City Council concurred that assessment rates are to be reviewed at least every two years to determine whether the rates should be adjusted for changes in the amount of assessable square feet that exist in a given district. If additional square feet are present in the district, the rates are to be lowered accordingly, depending on cash flow needs.

New developments are to be included in the benefit assessment program as temporary occupancy permits are issued, with the assessment based on the gross square footage of the improvement acceptable for occupancy. The total square footage for assessment purposes would be updated as additional permits are issued. Thus, for buildings under construction, the benefit assessment rolls would be updated as stages of construction are completed and would reflect the current amount of space available for occupancy, regardless of the completion date for the project. That portion of an assessable improvement that is available for occupancy and added to the assessment rolls would be assessed during the next assessment cycle.

Figure 14 shows the rates that could exist if current assumptions regarding funding requirements for the system and assumptions regarding potential growth and development hold true. For this chart, assumptions on projected growth were obtained from the Los Angeles Community Redevelopment Agency for the Central Business District and from the Final Environmental Impact Statement for the Metro Rail system for the Wilshire/Alvarado area. If the assumptions hold true, the rate should never reach the maximum level of \$0.42, given the anticipated square footage of new development.



### Possible Rate



□ Maximum Rate

† Projected Rate

### 5.1.5 ISSUE/DECISION -- SINGLE VS. SEPARATE RATES FOR LAND AND IMPROVEMENTS

The enabling legislation for the SCRTD assessment program, Section 33000 et seq. of the Public Utilities Code, allows for the assessment of both land and improvements to the land. Recognizing that benefits may accrue to both land and improvements, separate assessment rates for land and improvements were evaluated, wherein the assessment would be the total of one rate applied to the amount of assessable improvement plus a second rate applied to the area of the parcel. Two rates were considered for parcels -- one rate for parcels containing assessable improvements and another rate for vacant parcels and parcels not containing assessable improvements. A single rate structure was also reviewed wherein one rate would apply to the square footage of improvements for properties containing assessable improvements or to the square footage of the parcel, whichever is greater for a given property. Both methods recognize that benefits may accrue to both land and improvements.

In response to the Benefit Assessment Task Force recommendations, separate rates for land and improvements were not used because of the complexity of the rate structure and the corresponding, anticipated difficulty in explaining the rates to the affected public and the complexity of administering such a rate structure. Additionally, it was recognized that it is difficult, in reality, to clearly separate the monetary benefits that may accrue to land and improvements for properties with assessable uses.

### 5.2 ASSESSMENT STRUCTURE

On the basis of the examination of the numerous assessment rate alternatives and the general implications of each in terms of the issues discussed above, and in light of the recommendations of the Benefit Assessment Task Force, the following method of assessment and associated policies for the MOS-1 phase of the Metro Rail benefit assessment program were adopted by the SCRTD Board of Directors and concurred in by the Los Angeles City Council.

A single assessment rate structure is to be used for the MOS-1 benefit assessment districts. The annual assessment rate per square foot is \$0.30 initially, with a maximum of \$0.42. For properties containing assessable improvements, the rate is to be applied to the square footage of the improvements or the square footage of the parcel, whichever is greater for a given property. Figures 15, 16, and 17 show examples of the effect of this rate structure on three properties. Figure 15 shows a one-story office building with a Floor Area Ratio (FAR) of less than 1. Since the square footage of the property is greater than the square footage of the building, the assessment is based on the square footage of the parcel. Figure 16 shows a multi-story office building. In this case, the square footage of the office building is used to determine the amount of the assessment. Figure 17 shows a parking lot, the assessment of which is based on the square footage of the parcel. A single rate for parcel or assessable improvement was adopted because it is easily explained to the affected public and less complicated to administer.

# Office

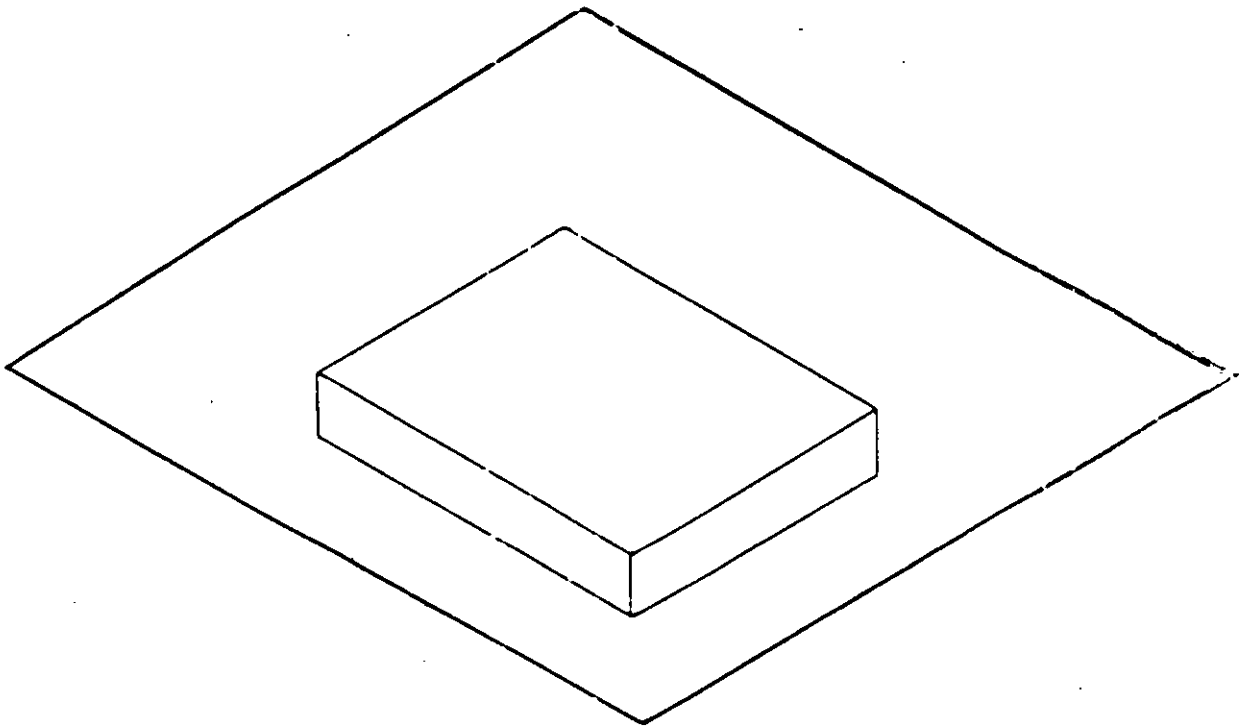
Annual Assessment:

Initial: \$3,600

Maximum: \$5,040

Parcel Area:

12,000 Sq. Ft.



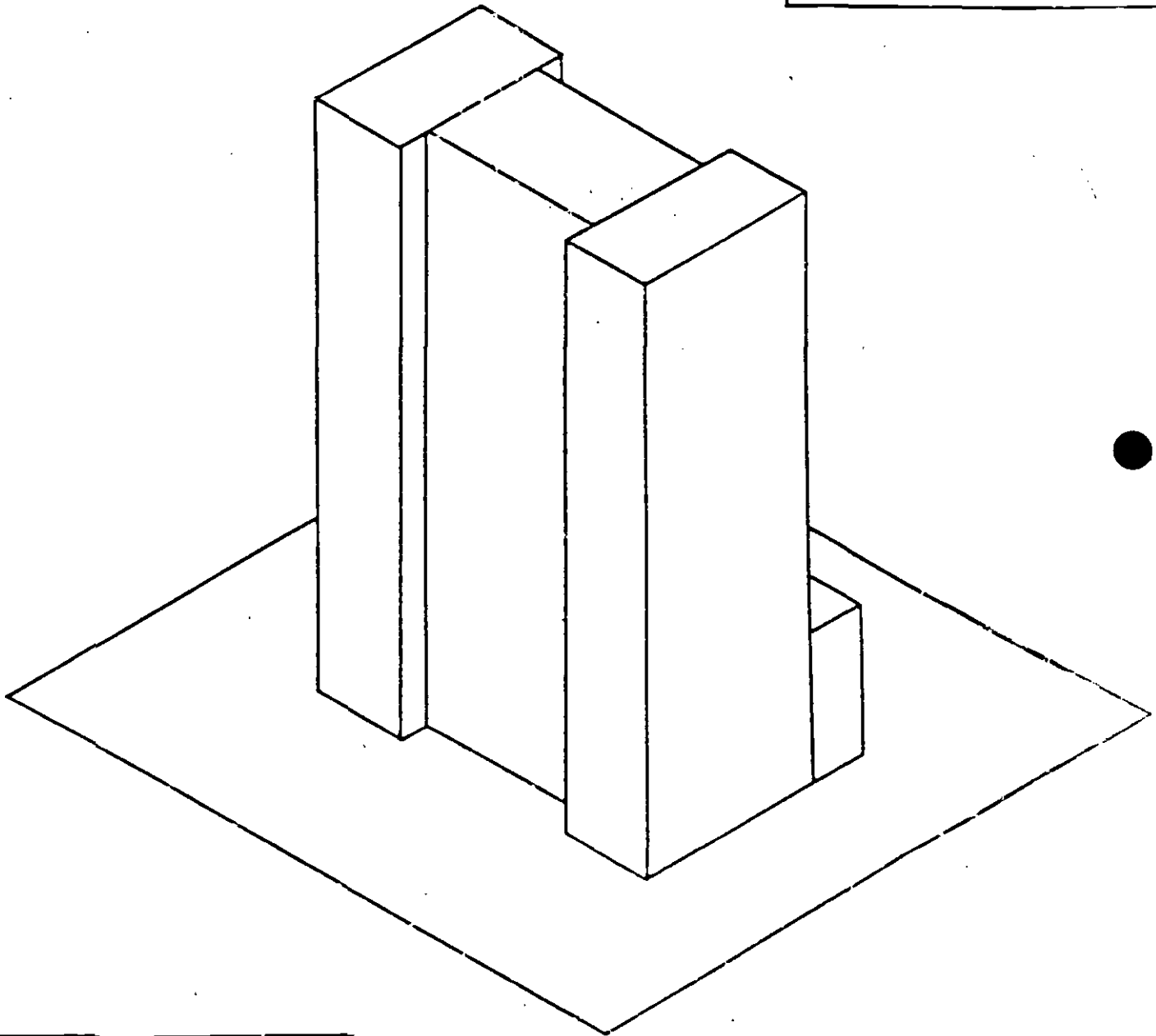
Parcel Area:  
12,000 Sq. Ft.

Greater Than

Building Area:  
8,000 Sq. Ft.

# Office and Retail

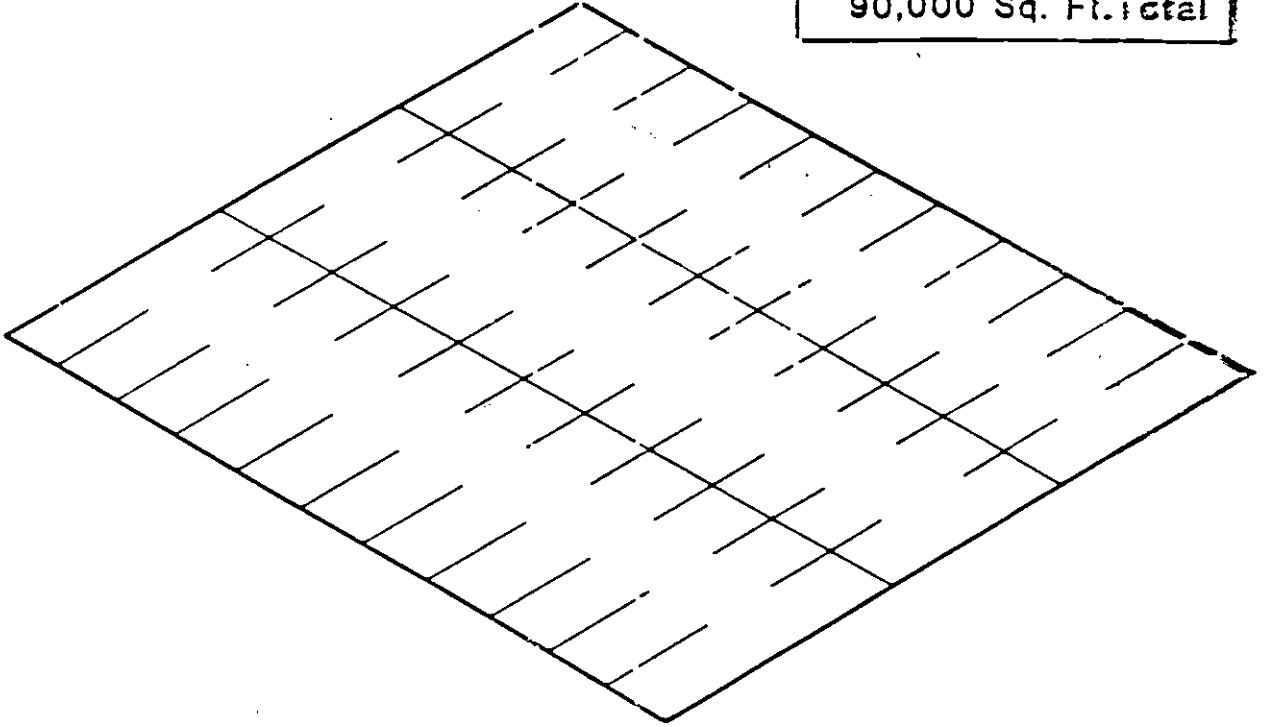
Total Annual Assessment:  
Initial: \$380,000  
Maximum: \$500,000  
Building Area:  
1,200,000 Sq. Ft.



Building Area:  
1,200,000 Sq. Ft.  
Greater than  
Parcel Area:  
110,000 Sq. Ft.

# Parking Lot

Total Annual Assessment:
Initial: \$27,000
Maximum: \$37,800
Parcel Area:
90,000 Sq. Ft. Total



The impact of the proposed assessments can be categorized as marginal when compared to the income generated by existing improvements and land. For example, Figure 15 is an example of a one-story office building. If the assumption is made that 6,800 of its 8,000 square feet of office space can be leased at a rate of \$14 per square foot per year, the total initial assessment of \$3,600 per year translates to 53 cents per square foot or 3.8 percent of the annual lease rate. At the maximum assessment rate, the annual assessment is 74 cents per square foot or 5.3 percent of the lease rate. The \$14 per square foot assumption appears to be conservative; and as the lease rate rises from that level, the impact of the benefit assessment becomes less significant.

Figure 16 is an example of a large office and retail complex. Assuming 1,010,000 square feet of office space available for lease and a conservative annual lease rate of \$25 per square foot, the same calculations indicate the initial benefit assessment would constitute only 36 cents per square foot or 1.4 percent of the annual lease rate with the maximum assessment representing 50 cents per square foot or 2 percent of the annual lease rate. For the parking lot example, Figure 17, the initial assessment spread over 100 parking spaces for 250 business days per year represents 34 cents per day or 13.6 percent of a daily parking rate of \$2.50. This could rise to a maximum of 48 cents per day or 19.2% of the daily rate. Overall, these calculations indicate that benefit assessments represent only a small addition to prevailing rental rates.

### 5.3 DATA BASE FOR ASSESSMENT

Alternative rate structures were evaluated with the knowledge that sufficient private-sector revenues needed to be raised for the MOS-1 phase of Metro Rail. Analyses of alternative rates, assessable improvements, exemptions, internal zones, and phasing options, of necessity, took into account actual properties located within the boundaries as described in Chapter 4, to assure that the various alternatives would generate necessary annual revenues.

The primary data source used for the analyses and computations of alternative rate structures was the LUPAMS (Land Use Planning and Management System) data base, created from the County Assessor's property files and used by several agencies in the Los Angeles area for land use analyses. This data file contains a variety of data elements, including land use, parcel area and improvement area. However, there were some limitations to this data such that updates of the data base were necessary to more accurately evaluate alternative methods of assessment. For example, land use and improvement square footage figures had not been continuously maintained on the file. Since this data is vitally important to administration of the benefit assessment program, a field survey of all land and buildings located within the benefit assessment districts was initiated. Information was also obtained from building permits, certificates of occupancy, Sanborn Insurance Company Maps and aerial photographs. Data gathered during this process has been used to modify the LUPAMS data base, and the data has been updated.

Tables 2 and 3 contain summarized data from the LUPAMS file, including the modifications resulting from the field survey and the review of public records.

For Tables 2 and 3, the parcel areas have been prorated for those properties that contain a mix of land use categories (e.g., if a given property has an improvement that is 50 percent office and 50 percent hotel/motel, one half of the parcel area was allocated to each category).

TABLE 2  
 UPDATED PARCEL AND FLOOR AREA DATA FOR THE MOS-1 STATIONS --  
 CENTRAL BUSINESS DISTRICT STATION AREAS

Land Use Category	Floor Area (square feet)	Parcel Area (square feet)
Office	34,191,438	3,523,916
Other Professional	3,877,972	488,761
Hotel/Motel	8,183,458	1,006,409
Retail/Restaurant	8,464,553	3,279,680
Industrial/Warehouse	2,795,612	1,961,450
Parking/Garages	11,899,780	8,455,765
institutional/Government	15,858,069	10,571,376
Residential	3,220,761	1,442,895
Service	1,568,751	1,630,535
Vacant Land	N/A	2,950,989
 SUB-TOTAL FOR MOS-1	 90,060,394	 35,311,774

TABLE 3  
 UPDATED PARCEL AND FLOOR AREA DATA FOR THE MOS-1 STATIONS --  
 WILSHIRE/ALVARADO STATION AREA

Land Use Category	Floor Area (square feet)	Parcel Area (square feet)
Office	777,967	472,135
Other Professional	89,569	112,865
Hotel/Motel	705,771	359,024
Retail/Restaurant	760,054	825,965
Industrial/Warehouse	139,606	54,709
Parking/Garages	117,528	1,359,998
Institutional/Government	183,782	1,657,368
Residential	2,509,176	1,607,047
Service	351,479	403,730
Vacant Land	N/A	267,094
 SUB-TOTAL FOR MOS-1	 5,634,959	 7,119,935
 TOTAL MOS-1	 95,695,353	 42,431,709



Tables 4 and 5 show square footage figures for only those properties that are assessable, as described in this Chapter.

TABLE 4

UPDATED ASSESSABLE PARCEL AND FLOOR AREA DATA FOR THE MOS-1 STATIONS --  
CENTRAL BUSINESS DISTRICT STATION AREAS

Land Use Category	Floor Area (square feet)	Parcel Area (square feet)
Office	34,191,438	N/A
Other Professional	3,877,972	N/A
Hotel/Motel	8,183,458	N/A
Retail/Restaurant	8,464,553	N/A
Industrial/Warehouse	N/A	1,961,450
Parking/Garages	N/A	9,455,765
Institutional/Government	N/A	N/A
Residential	N/A	N/A
Service	1,568,751	N/A
Vacant Land	N/A	2,950,989
<b>SUB-TOTAL FOR MOS-1</b>	<b>56,286,172</b>	<b>13,363,204</b>

TABLE 5  
 UPDATED ASSESSABLE PARCEL AND FLOOR AREA DATA FOR THE MOS-1 STATIONS --  
 WILSHIRE/ALVARADO STATION AREA

Land Use Category	Floor Area (square feet)	Parcel Area (square feet)
Office	777,967	N/A
Other Professional	89,569	N/A
Hotel/Motel	705,771	N/A
Retail/Restaurant	760,054	N/A
Industrial/Warehouse	N/A	54,709
Parking/Garages	N/A	1,359,998
Institutional/Government	N/A	N/A
Residential	N/A	N/A
Service	351,479	N/A
Vacant Land	N/A	267,094
 SUB-TOTAL FOR MOS-1	 2,684,840	 1,681,801
 TOTAL MOS-1	 58,971,012	 15,050,005

5.4 COLLECTION

Benefit assessments would be collected by the Los Angeles County Tax Collector. Property owners in a benefit assessment district who are to be assessed will be advised of the assessment amount for that year in the appropriate section of the Joint Consolidated Tax Bill.

## 5.5 APPEALS PROCEDURE

Consistent with Sections 33002.9 through 33002.14 of the Public Utilities Code, the SCRDT Board of Directors has established a procedure for appealing assessments. The procedure is set forth in the document entitled "Procedures For Appealing Southern California Rapid Transit District Benefit Assessments," adopted by the SCRDT Board on May 23, 1985. Assessment may be appealed for reasons as set forth in the Code.

Under the adopted procedure, the first step of the appeals process involves a review by SCRDT staff. If the SCRDT staff and petitioner (appeals applicant) agree to stipulations concerning the outcome of the appeal, the stipulations would be reviewed by the SCRDT General Manager and Legal Counsel and referred to the SCRDT Board for disposition of the appeal. If an initial agreement is not reached between the petitioner and the SCRDT staff, the petitioner may request a hearing before a hearing officer appointed by the SCRDT Board. The hearing officer would hear the appeal and make written findings of fact and determinations of issues, which would be submitted to the SCRDT Board for a decision. The SCRDT Board will consider the proposed determination and make a decision in accordance with the law.

## 5.6 ADDITIONAL CRITERIA FOR APPLICATION OF THE ASSESSMENT STRUCTURE

Prior sections provided the basic elements of the Metro Rail MOS-1 benefit assessment formula. When applying these elements to actual parcels of land and improvements, a number of additional issues become apparent. In particular, it is clear that the assessments will be applied to properties that reflect a wide variety of characteristics. Moreover, the existing data base may not be sufficient to accurately apply the assessment criteria in all cases. Particular criteria and procedures, therefore, are needed to address these issues and make adjustments where necessary to ensure that benefit assessments are applied in a uniform and equitable fashion.

### 5.6.1 DETERMINATION OF PARCEL SIZE; GROSS BUILDING AREA AND ASSESSABLE SQUARE FOOTAGE

Initial square footage of a given parcel of land was determined from the LUPAMS (Land Use Planning and Management System) data base, created from the County Assessor's property files. Initial gross square footage of an improvement (building, structure or fixture) was determined from the outside dimensions of the improvement obtained from building permits. The outside dimensions were adjusted for irregularities in configuration. The initial assessable square footage was determined from the building permit and certificate of occupancy information. The data was updated by field survey, building permits, certificates of occupancy, Sanborn maps, aerial photographs and additional data from the Building and Safety Department. To the extent that they could be identified, the square footage for internal open air courtyards and multi-floor atriums were excluded from the gross building square footage calculations; although additional adjustments may be necessary for those cases where available records did not indicate courtyards or multi-floor atriums.

### 5.6.2 DETERMINATION OF BUILDING EFFICIENCY

To determine the efficiency of an improvement, the area of the improvement that is not rentable is divided by the gross square footage of the improvement. The resulting figure is subtracted from 100% to yield the efficiency of the improvement. Under the appeals criteria, if the efficiency is less than 80%, the assessable square footage of the improvement is adjusted downward by a factor determined by using the formula  $(80-X)/80$ , where X is the efficiency of the improvement. For example, if an improvement is 60% efficient, the assessable square footage would be adjusted downward by a factor of  $20/80$  or  $1/4$ . If the remaining assessable square footage is less than the square footage of the parcel, the parcel is assessed, consistent with the method of assessment adopted by the SCRTD Board.

### 5.6.3 UNUSABLE SQUARE FOOTAGE OF AN IMPROVEMENT DUE TO PUBLIC REGULATORY CODE REQUIREMENTS

Under the appeals procedure, if a portion or all of an improvement must be legally kept vacant because of the requirements of building, fire, safety or other public regulatory codes, the square footage that must remain vacant is not assessable. If the entire improvement cannot be occupied or if the assessable square footage that can be occupied is less than the square footage of the parcel, the parcel is to be assessed, consistent with the adopted method of assessment.

### 5.6.4 DETERMINATION OF A NON-PROFIT USE

Consistent with the adopted method of assessment, if a property is owned by a qualified non-profit organization and in use by a qualified non-profit organization, the improvement and parcel is exempt from assessment. If the property is either not owned by the non-profit organization or not used by the non-profit organization, the property is not exempt. A qualified non-profit organization is one that is generally classified as charitable, specifically, property that is exempt from ad valorem taxation under Sections 202, 203, 206, 207 and 214 of the California Revenue and Taxation Code.

### 5.6.5 TREATMENT OF PARKING AREAS

Under the adopted method of assessment, parking structures are not assessable; however, the parcel on which the parking structure is sited is assessable. If parking is provided within an improvement that contains assessable uses or is sited on a parcel with improvements that are assessable, the square footage of the assessable improvement or the parcel, whichever is greater, is assessable.

### 5.6.6 TREATMENT OF RESIDENTIAL HOTELS

Residential hotels/apartment hotels are treated as residential use and therefore exempt if the occupants are long-term residents (i.e., have monthly or yearly leases or rental agreements). For hotels that contain both long-term and short-term residents, the assessment shall be determined on the basis of the percent of the hotel that is assessable multiplied by the square footage of the parcel or the square footage of improvement, whichever is greater.

## 5.7 DURATION OF EXEMPTIONS

Under the adopted appeals procedure, the following criteria apply with regard to the duration of exemptions:

- If the property is used for residential purposes, the property shall be exempt and shall remain exempt until the use of the property changes to an assessable category.
- If the property is publicly owned and publicly used, the property shall be exempt and shall remain exempt until the property changes use or ownership.
- If the property is owned by a qualified non-profit entity and used by a qualified non-profit entity, the property shall be exempt for one year. The property owner will be required to demonstrate an exempt status on an annual basis to remain exempt from assessment.
- If the property is used as a residential/hotel apartment hotel, the exemption shall be in effect for one year. The property owner will be required to renew the exemption on an annual basis. The determination of whether the property is exempt will be based on the use of the improvement for the previous twelve months. Failure to renew the exemption will result in assessment.
- Exemption of floor area from assessment because of the requirement of building, fire, safety or other regulatory codes shall be in effect for one year and must be renewed on an annual basis. Failure to renew the exemption will result in assessment.
- If the property is used for a mix of exempt and assessable improvements, the portion of the property declared exempt shall remain exempt until the use of the property changes.
- If the square footage of a property is found to be incorrect, the corrected square footage shall remain in effect until changes are made to the property's square footage.
- If a building is found to be less than 80 percent efficient, the revised square footage will remain in effect until changes are made to the improvement that would change the building efficiency or assessable square footage.
- If it is found that a property has been assessed that is not located with the finally designated benefit assessment district, a refund will be made for any assessments that have been paid and the property will not be assessed unless the property subsequently is included within a district.

## 5.8 USE OF ASSESSMENT REVENUES

Consistent with the recommendations of the Benefit Assessment Task Force and with the adopted resolution (Appendix I), assessment revenues from each benefit assessment district shall be used solely to finance, in part, the construction costs of the rail rapid transit station within the benefit assessment district. Total assessments for the MOS-1 segment of the Metro Rail system shall not exceed the net total sum of \$130.3 million, plus money needed for interest, bond issuance cost and program administrative costs. The total private-sector commitment for the full 18.6 mile Metro Rail system should not exceed \$170 million plus interest, bond issuance cost and program administrative costs, assuming current funding agreements with other funding sources are in place. As required by law, assessment revenues collected in a given district shall not be used for facilities in other districts.

APPENDIX 1:

RESOLUTION CREATING SPECIAL BENEFIT ASSESSMENT DISTRICTS A1 AND A2  
FOR THE MOS-1 SEGMENT OF THE METRO RAIL SYSTEM

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WHEREAS, pursuant to Sections 33000 et seq. of the Public Utilities Code (Code), the Southern California Rapid Transit District (SCRTD) Board of Directors (Board) may establish, subject to the approval of the appropriate local governing body, special benefit assessment districts (districts) to provide for the financing of a portion of the proposed Metro Rail system; and

WHEREAS, pursuant to Section 33001(a) of the Code, the SCRTD Board stated, by resolution passed on December 20, 1984, its intent to establish special benefit assessment districts for the first five (5) stations of the Metro Rail system (Minimum Operable Segment 1 -- MOS-1), encompassing the Los Angeles Central Business District and the Wilshire/Alvarado areas; and

WHEREAS, pursuant to Section 33001.5(a) of the Code, a public hearing concerning the Board's intent to establish benefit assessment districts for the MOS-1 was held by the Board on January 24, 1985 and was continued by the Board to February 14, 1985; and

WHEREAS, pursuant to Section 33001(e) of the Code, notice of the Board's public hearing was mailed thirty (30) days prior to the hearing to all owners of real property within the boundaries of the proposed benefit assessment districts whose names appeared on the last equalized assessment roll as updated by the SCRTD utilizing the latest available information; and

WHEREAS, pursuant to Section 33001(d) of the Code, a notice stating the time and the place of the hearing was published in local newspapers prior to the hearing; and

WHEREAS, pursuant to Section 33001.5(a) of the Code, the SCRTD Board, on February 14, 1985, stated by resolution its intent to proceed with the establishment of the districts; and

WHEREAS, pursuant to Section 33001.5(b) of the Code, the SCRTD Board submitted the resolution to proceed to the the Los Angeles City Council, the appropriate local governing body, for its review and action; and

WHEREAS, pursuant to Section 33001.5(b); the Los Angeles City Council held, on May 28, 1985, a public hearing on the resolution to proceed; and

WHEREAS, notice of the Los Angeles City Council's public hearing was mailed thirty (30) days prior to the hearing to all owners of real property within the boundaries of the proposed benefit assessment districts whose names appeared on the last equalized assessment roll as updated by the SCRTD utilizing the latest available information; and

WHEREAS, pursuant to Section 33001.5(b), the Los Angeles City Council, on May 31, 1985, amended and approved, as amended, the resolution to proceed; and

WHEREAS, amendments to the resolution adopted by the Los Angeles City Council are incorporated herein, and the resolution is thus fully consistent with the resolution as amended and approved by the Los Angeles City Council; and

WHEREAS, consistent with the funding commitment made by the SCRTD to the U.S. Department of Transportation as described in Section 1.3.7 Financing of the "Environmental Assessment for the Los Angeles Rail Rapid Transit Project, Union Station to Wilshire/Alvarado" dated August, 1984, the SCRTD Board must establish the benefit assessment districts in MOS-1 in order to receive federal mass transit funds for the MOS-1; and

WHEREAS, a careful analysis has been performed by the SCRTD of the probable level and extent of special benefits that properties in geographic proximity to the proposed Metro Rail stations in MOS-1 are expected to receive; and

WHEREAS, the rail rapid transit facilities and services will provide special benefits to parcels of land, and improvements thereon, or portions thereof, in the vicinity of rail rapid transit stations; and

WHEREAS, for the purpose of financing a portion of the construction costs of MOS-1, the SCRTD intends to recover a portion of the special benefits to parcels of land, and improvements thereon, in the vicinity of rail rapid transit stations, arising out of the facilities and services provided by the investment of public funds in MOS-1; and

WHEREAS, the SCRTD established a Benefit Assessment Task Force (BATF) consisting of representatives of affected property owners and local government for the purpose of soliciting advice and recommendations regarding the establishment of districts for the MOS-1; and

WHEREAS, the BATF has provided its recommendations regarding the establishment of districts for the MOS-1 to the SCRTD Board as set forth in the report entitled "Recommendations of the Benefit Assessment Task Force Regarding the Establishment of Benefit Assessment Districts for the Southern California Rapid Transit District Metro Rail System (MOS-1)" dated January, 1985; and

WHEREAS, pursuant to Section 33001.5(c), the Board shall, by a two-thirds vote of its members, determine whether to create the benefit districts as approved by the governing body, such determination to be final and conclusive;



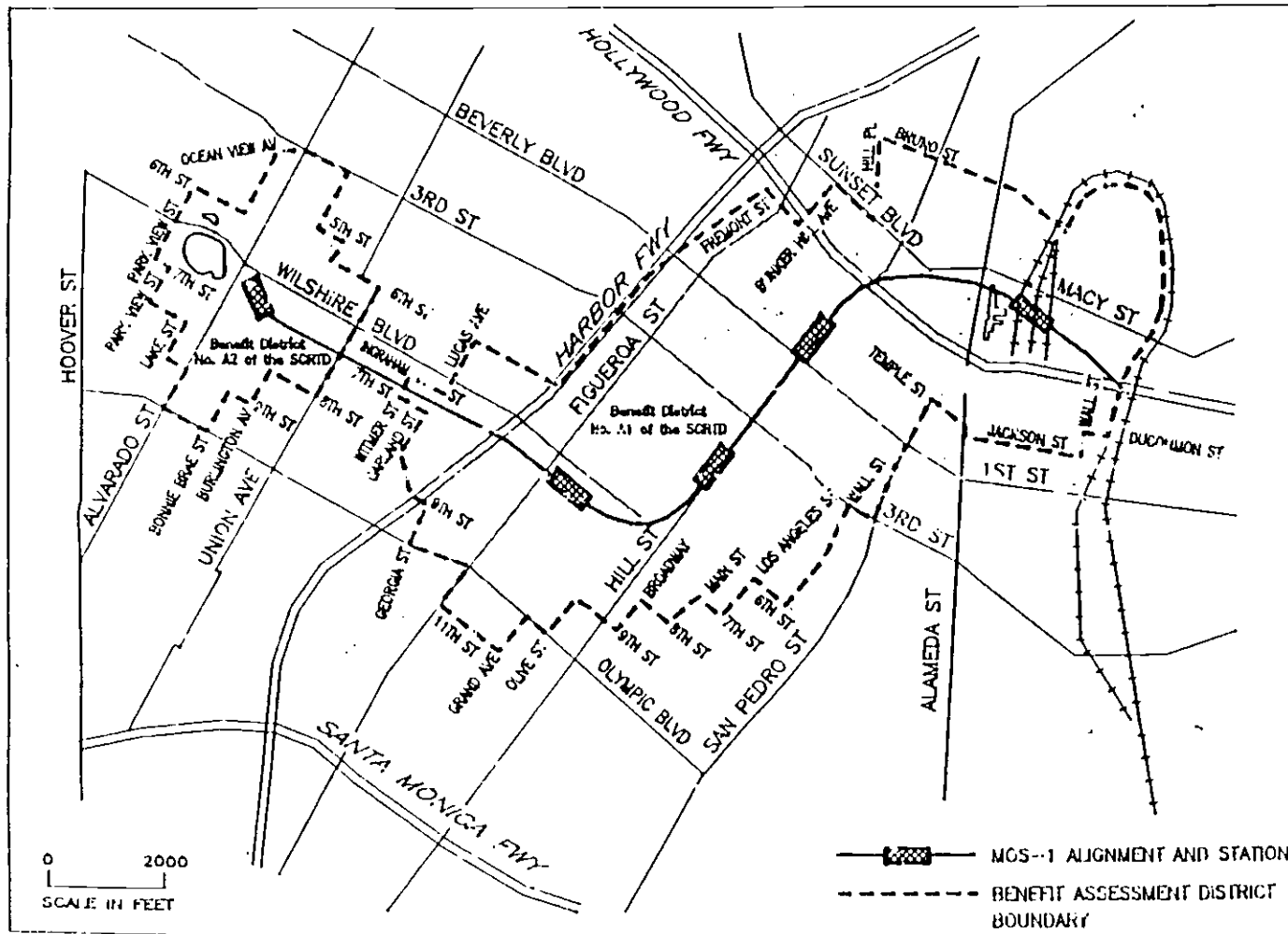
NOW THEREFORE BE IT RESOLVED THAT, the SCRTD Board hereby creates special benefit assessment districts for the MOS-1 as follows:

1. Two districts shall be established:

- (a) the geographic area, as shown on Map 1 attached hereto, encompassing the four (4) proposed Metro Rail stations in the Los Angeles Central Business District (CBD), designated as "Benefit District No. A1 of the Southern California Rapid Transit District" (District A1), the boundaries of which are described as follows:

Beginning at a point in the intersection of Figueroa Street and 11th Street; proceeding generally in a southeasterly direction along the centerline of 11th Street to the intersection of 11th Street with Grand Avenue; thence proceeding along the centerline of Grand Avenue generally in a northeasterly direction to the intersection of Grand Avenue with Olympic Boulevard; then proceeding generally in a southeasterly direction along the centerline of Olympic Boulevard to the intersection of Olympic Boulevard with Olive Street; then proceeding north along the centerline of Olive Street to the intersection of Olive Street with 9th Street; then proceeding east along the centerline of 9th Street to the intersection of 9th Street with Broadway; then proceeding north along the centerline of Broadway to the intersection of Broadway with 8th Street; then proceeding east along centerline of 8th Street to the intersection of 8th Street with Main Street; then proceeding north along the centerline of Main Street to the intersection of Main Street with 7th Street; then proceeding east along the centerline of 7th Street to the intersection of 7th Street with Los Angeles Street; then proceeding north along the centerline of Los Angeles Street to the intersection of Los Angeles Street with 6th Street; then proceeding east along the centerline of 6th Street to the intersection of 6th Street with Wall Street; then proceeding north along the centerline of Wall Street to the intersection of Wall Street with 3rd Street; then proceeding east along the centerline of 3rd Street to the intersection of 3rd Street with San Pedro Street; then proceeding north along the centerline of San Pedro Street to the intersection of San Pedro Street with Temple Street; then proceeding in a southeasterly direction along the centerline of Temple Street to the intersection of Temple Street with Alameda Street; then proceeding south along the centerline of Alameda Street to the intersection of Alameda Street with Temple Street; then proceeding east along the centerline of Temple Street to the intersection of Temple Street with Center Street; then proceeding north along the centerline of Center Street to the intersection of Center Street with Jackson Street; then proceeding east along the centerline of Jackson Street to the terminus of Jackson Street and projecting beyond its terminus to a point intersecting with the railroad tracks; then generally proceeding in a northeasterly direction along the centerline of the railroad track, paralleling the Los Angeles River Flood Control Channel; then proceeding along the railroad track which turns in a southwesterly direction, north of the Los Angeles County Jail, to the intersection of the railroad track with Vignes Street; then proceeding in a northwesterly direction along the centerline of Vignes Street which, at Main Street, becomes Alpine

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



Street; then proceeding west along the centerline of Alpine Street to the intersection of Alpine Street with Hill Place; then proceeding south along the centerline of Hill Place to the intersection of Hill Place with Sunset Boulevard; then proceeding west along the centerline of Sunset Boulevard to the intersection of Sunset Boulevard with Bunker Hill Avenue; then proceeding in a southwesterly direction along the centerline of Bunker Hill Avenue to a point of intersection with Boston Street and projecting a centerline from Bunker Hill Avenue, in a generally southwesterly direction to a point of intersection on the centerline of the Hollywood Freeway; then proceeding in a generally northwesterly direction along the centerline of the Hollywood Freeway to a point defined by the intersection of the Hollywood Freeway with a northeasterly projection of the centerline of Fremont Avenue (projected from the intersection of Fremont Avenue with Temple Street); then proceeding in a southwesterly direction along the centerline of Fremont Avenue to a point of intersection at First Street with the Harbor Freeway; then proceeding in a southwesterly direction along the centerline of the Harbor Freeway to a point of intersection at 6th Street with the Harbor Freeway; then proceeding west along the centerline of 6th Street to the intersection of 6th Street with Lucas Avenue; then proceeding south along the centerline of Lucas Avenue to the intersection of Lucas Avenue with Ingraham Street; then proceeding west along the centerline of Ingraham Street to the intersection of Ingraham Street with Witmer Street; then proceeding south along the centerline of Witmer Street to the intersection of Witmer Street with 7th Street; then proceeding east along the centerline of 7th Street to the intersection of 7th Street with Garland Avenue; then proceeding south along the centerline of Garland Avenue to the intersection of Garland Avenue with 8th Street; then proceeding east along the centerline of 8th Street to the intersection of 8th Street with 8th Place; then proceeding southeast along the centerline of 8th Place to the intersection of 8th Place with 9th Street; then proceeding east along the centerline of 9th Street to the intersection of 9th Street with Georgia Street; then proceeding south on the centerline of Georgia Street to the intersection of Georgia Street with Olympic Boulevard; then proceeding east along the centerline of Olympic Boulevard to the intersection of Olympic Boulevard with Figueroa Street; then proceeding south along the centerline of Figueroa Street to the intersection of Figueroa Street with 11th Street; and

- (b) the geographic area, as shown on Map 1 attached hereto, encompassing the one (1) proposed Metro Rail station at Alvarado Street and Wilshire Boulevard, designated as "Benefit District No. A2 of the Southern California Rapid Transit District" (District A2), the boundaries of which are described as follows:

Beginning at a point defined by the intersection of Alvarado Street with Olympic Boulevard; thence proceeding in an easterly direction along the centerline of Olympic Boulevard to the intersection of Olympic Boulevard with Bonnie Brae Street; then proceeding north along the centerline of Bonnie Brae Street to the intersection of Bonnie Brae Street with 9th Street; then proceeding east along the centerline of 9th Street to the intersection of 9th Street with Burlington

Avenue; then proceeding north along the centerline of Burlington Avenue to the intersection of Burlington Avenue with 8th Street; then proceeding east along the centerline of 8th Street to the intersection of 8th Street with Union Avenue; then proceeding north along the centerline of Union Avenue to the intersection of Union Avenue with 6th Street; then proceeding west along the centerline of 6th Street to the intersection of 6th Street with Burlington Avenue; then proceeding north along the centerline of Burlington Avenue to the intersection of Burlington Avenue with 5th Street; then proceeding west along the centerline of 5th Street to the intersection of 5th Street with Bonnie Brae Street; then proceeding north along the centerline of Bonnie Brae Street to the intersection of Bonnie Brae Street with 3rd Street; then proceeding west along the centerline of 3rd Street to the intersection of 3rd Street with Ocean View Avenue; then proceeding in a southwesterly direction along the centerline of Ocean View Avenue to the intersection of Ocean View Avenue with Lake Street; then proceeding south along the centerline of Lake Street to the intersection of Lake Street with 6th Street; then proceeding west along the centerline of 6th Street to the intersection of 6th Street with Park View Street; then proceeding south along the centerline of Park View Street to the intersection of Park View Street with 7th Street; then proceeding east along the centerline of 7th Street to the intersection of 7th Street with Park View Street; then proceeding south along the centerline of Park View Street to the intersection of Park View Street with 8th Street; then proceeding east along the centerline of 8th Street to the intersection of 8th Street with Lake Street; then proceeding south along the centerline of Lake Street to the intersection of Lake Street with 9th Street; then proceeding east along the centerline of 9th Street to the intersection of 9th Street with Alvarado Street; then proceeding south along the centerline of Alvarado Street to the intersection of Alvarado Street with Olympic Boulevard.

2. A map of Districts A1 and A2 shall be placed on file with the Secretary of the SCRTD Board.
3. For the purposes of this Resolution, the following definitions are adopted:
  - (a) "Parcel" -- any portion, piece or division of land, or possessory interest therein.
  - (b) "Improvement" -- a building, structure, fixture or possessory interest therein.
  - (c) "Use" -- the purpose for which land or improvement is designed, arranged, or intended or for which it is occupied or maintained.
  - (d) "Exempt Property" -- any parcel of land, or improvement thereon, or portion thereof, which is exempt from assessments as provided in this Resolution.
  - (e) "Assessable Property" -- any parcel of land, or improvement thereon, or portion which is not exempt property.

- (f) "Rate" -- the amount payable per square foot per annum on assessable property.
  - (g) "Assessment" -- the amount determined by multiplying the applicable rate times the number of square feet.
4. Subject to the exceptions set forth in paragraphs 5 and 6, the following property shall be assessed:
- (a) Improvements used as offices; commercial; retail; and hotels and motels.
  - (b) All parcels.
5. The following parcels and improvements shall not be assessed:
- (a) In use for residential purposes, except hotel and motel.
  - (b) Owned by the public and in public use (if the property is either not owned by the public or not in public use, the property is not exempt unless otherwise provided herein).
  - (c) Owned by a qualified non-profit organization, and in use by a non-profit organization (if the property is either not owned by a non-profit organization or not used by a non-profit organization, the property is not exempt unless otherwise provided herein). A qualified nonprofit organization shall be one whose property is exempt from ad-valorem taxation under Sections 202, 203, 206, 207 or 214 of the California Revenue and Taxation Code.
6. Initial assessment rates on each assessable square foot of property are hereby established to produce sufficient revenues to cover the initial costs of financing the construction as described in paragraph 8. The annual assessment rate per square foot shall initially be thirty cents (\$0.30). The rate shall be applied to the square footage of the assessable improvement or the square footage of the parcel, whichever is greater for a given property. Assessment rates may be increased or decreased to continue to generate the necessary annual revenues to finance the construction as described in paragraph 8. Assessment rates shall not exceed the maximum rate of forty-two cents (\$0.42).
7. If a given property contains a mix of exempt and assessable improvements (e.g., a mix of residential and commercial), the assessment shall be determined on the basis of the percent of the improvement that is assessable multiplied by the square footage of the improvement or the square footage of the parcel, whichever is greater for a given property, times the assessment rate as set forth in paragraph 6.

8. Assessment revenues from each benefit assessment district shall be used solely to pay for or finance, in part, the construction costs of the rail rapid transit station within the benefit assessment district. The combined total of all benefit assessment revenue for the MOS-1 segment of the Metro Rail system shall not exceed the amount of money needed to pay for \$130.3 million in construction costs plus any associated interest, bond issuance and direct program administrative costs (excluding general SCRTD administrative overhead and appeals litigation costs).
9. The levy of assessments shall be conditioned upon SCRTD securing funding commitments from all other funding sources identified in the Proposed Funding Source Schedule in the Final Environmental Assessment for MOS-1, and substantially in the amounts as scheduled, such commitments to be secured by a Letter of Intent or equivalent written commitment statement. SCRTD shall not cause its assessment roll or other diagram to be included on ad valorem tax bills, or make any other billing of the assessments, until such funding commitments have been received.
10. SCRTD shall not undertake to issue bonds or other securities secured by assessment revenues until all commitments referenced in paragraph 9 have been secured and until assessments have been levied.
11. In each benefit assessment district, assessment rates will be reviewed by the SCRTD at least every two (2) years and may be adjusted to take into account any changes in assessable square feet within the benefit assessment district. An audit of program administrative costs shall be performed concurrently with this rate review and made available for public review. Changes in the assessment roll shall be made annually, and property added to the assessment roll shall be assessed at the then current assessment rate.
12. Pursuant to Section 33002.9 et seq. of the Code, affected property owners may appeal assessment to the SCRTD Board. At the first step, the appeal will be referred to the General Manager of the SCRTD, or his designee, who shall act as reviewing officer to determine whether SCRTD will dispute all, or any portion, of the appeal. The reviewing officer may request the appellant to submit additional information, to appear at an informal hearing with the reviewing officer, or take such other actions as are reasonable to attempt to resolve the appeal. If the reviewing officer and appellant reach agreement, they shall enter into a written stipulated agreement which shall be subject to the approval of the General Manager of SCRTD and the ratification of the Board of Directors of SCRTD. If the stipulated agreement is approved and ratified as herein provided, it shall be final to the extent provided by law. If the appeal for any reason is not resolved at the first step, a hearing officer designated by the Board will hear the appeal and make written findings of fact and conclusions of law (findings) in accordance with the law, with particular reference to Sections 33000 et seq. of the Code, to this Resolution, and to such procedural guidelines and criteria as are adopted by the Board and are in effect at the time of the appeal. In the event of a conflict between the statute, this Resolution and the procedural guidelines and criteria, the order of precedence shall be in the above stated order. At the conclusion of the hearing, the hearing officer shall prepare, and within a reasonable time thereafter, present the written findings and a proposed determination

to the Board and shall provide copies to the appellant (or the appellant's representative) and to the SCRTD (its reviewing officer and its General Counsel). The Board shall consider the proposed determination to the Board and shall make its decision in accordance with Section 33002.13 of the Code.

13. Assessments shall terminate in the year 2008 or earlier. Assessment revenues collected over the amount needed for any given year shall be used for one of two purposes: (A) to lower the assessment rates for subsequent years, or (B) to pay off any bonds issued and end the assessments at an earlier date.

Adopted 7/11/85



January 31, 1985

Jan Hall  
District Director

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

Dear President Patsouras:

In July, 1984, the SCRTD Board of Directors authorized the SCRTD General Manager to form a Benefit Assessment Task Force and to seek recommendations from the Task Force on the best courses of action to implement a benefit assessment program for the Minimum Operable Segment-1 (MOS-1) of Metro Rail. The thirty-three member Task Force represents a cross section of private and public sector interests along the entire 18.6 mile proposed Metro Rail alignment. A list of Task Force members is provided in the attached report.

During Task Force meetings, the SCRTD staff presented information, background and conclusions to Task Force members on the benefit assessment program. Presentations and discussion concerned such general topics as: criteria for district boundary definition, alternative assessment structures, revenue needs and uses, the assessment data base, experiences of other North American cities implementing rapid rail transit systems and anticipated monetary benefits for the Los Angeles area. The Task Force was asked to review a variety of assessment program options and to offer advice and recommendations for consideration by the SCRTD Board concerning the equity and appropriateness of the options.

The attached report provides a summary of the recommendations that were formally adopted by the Benefit Assessment Task Force on January 30, 1985. A companion report entitled "Benefit Assessment Districts for the Southern California Rapid Transit District Metro Rail System (MOS-1): Status, Findings and Recommendations" contains information provided by the SCRTD to the Task Force members.

Sincerely,

A handwritten signature in dark ink, appearing to read "Jan Hall", written in a cursive style.

Jan Hall, Chairman  
Benefit Assessment Task Force

cc: SCRTD Board of Directors



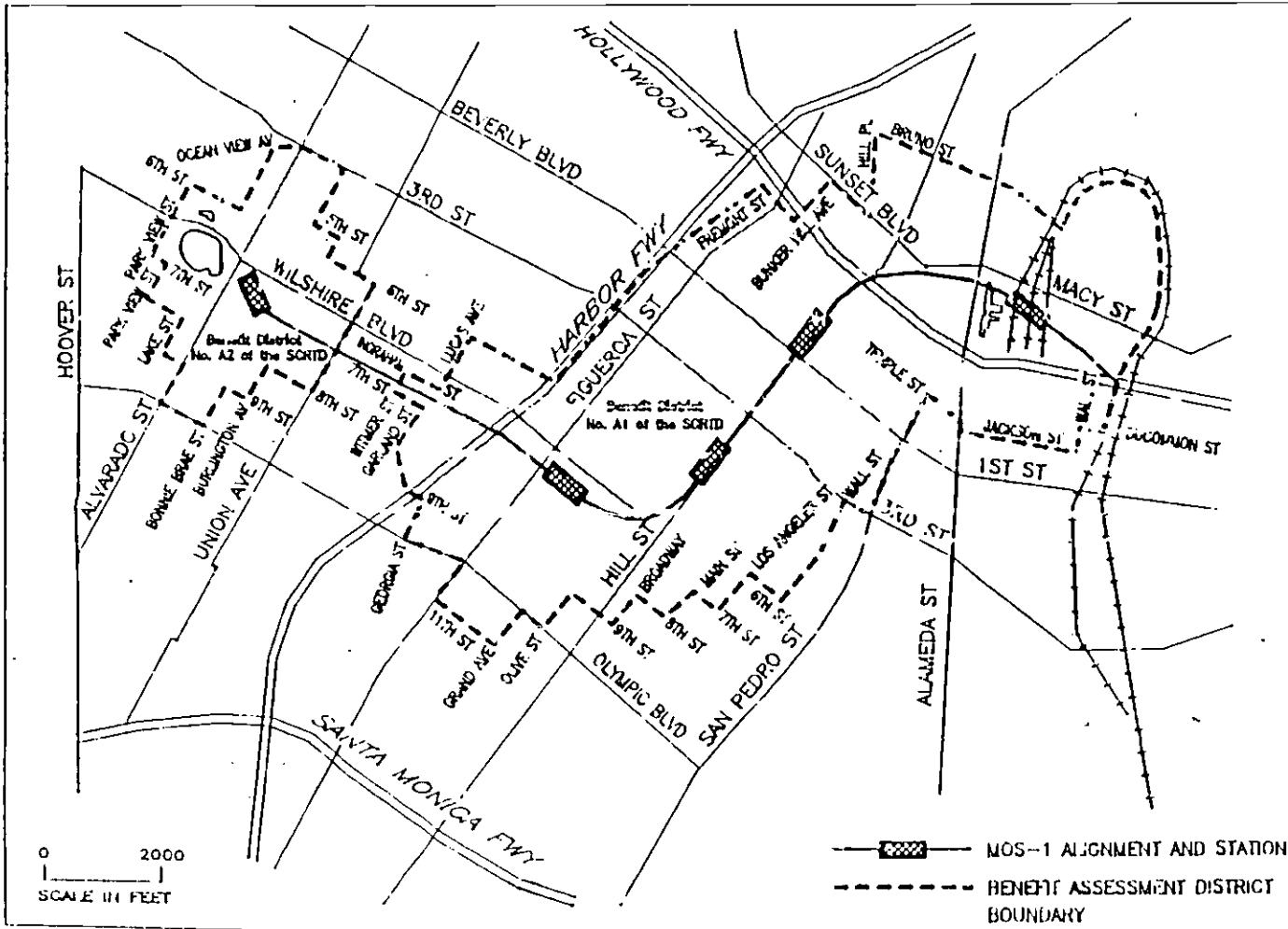
## TASK FORCE RECOMMENDATIONS

The Benefit Assessment Task Force formally adopted the following recommendations for consideration by the SCRTD Board of Directors regarding the establishment of benefit assessment districts for the MOS-1 only; these recommendations shall have no effect on other segments of the Metro Rail system:

1. Two benefit assessment districts should be established for the initial segment (MOS-1) of the Metro Rail system: one for the Central Business District (CBD) station areas, and one for the Wilshire/Alvarado station area.
2. District boundaries should be established based on walking distances of approximately 1/2 mile for the CBD district and approximately 1/3 mile for the Wilshire/Alvarado district. Recommended district boundaries are shown on Map 1.
3. Districts should not be divided into internal zones, but rather the assessment rates should be applied uniformly throughout the entire district.
4. The following types of improvements should be assessed: offices; other commercial; retail uses; hotels; apartment hotels; motels; labor-intensive, light industrial uses; and income-producing residential.\*
5. (A) Non-income producing residential property, (B) publicly owned and publicly used property, and (C) non-profit owned and non-profit used property should be exempt from assessment. If all or a portion of the property is income-producing (e.g., (A) income-producing residential, (B) publicly owned and privately used, or (C) privately owned and publicly used), that income-producing portion of the property shall be assessed.\*
6. The annual assessment rate per square foot should initially be 30c with a maximum of 42c. The rate shall be applied to the square footage of the assessable improvement or the square footage of the parcel, whichever is greater for a given property.
7. If a given property contains a mix of exempt and assessable improvements (e.g., a mix of non-income-producing residential and commercial), the assessment shall be determined on the basis of the percent of the improvement that is assessable multiplied by the square footage of the improvement or the square footage of the parcel, whichever is greater for a given property, times the assessment rate.

\* Inclusion of residential properties not concurred in by City of Los Angeles representatives Tom Houston, William McCarley, and Marcia Meunick

**MAP 1**  
**SCR'D BENEFIT ASSESSMENT DISTRICTS &**  
**METRO RAIL MINIMUM OPERABLE SEGMENT - I**



8. Rates should be phased in over time with initial rates as defined above. Rates should be reviewed by the SCRTD at least every two years and should be adjusted based on the then current amount of assessable square feet in the district. An audit of program administrative costs should be performed concurrently with this rate review and made available for public review. As new assessable developments are built and occupied, they should be assessed at the existing rate during the next assessment cycle. Rates shall not exceed the specified maximum levels.
9. Assessment revenues should be used only to pay for and finance construction costs. Total assessments for the MOS-1 segment of the Metro Rail system should not exceed the amount of money needed to pay for \$130.3 million in construction costs plus any associated interest, bond issuance and direct program administrative costs (excluding general SCRTD administrative overhead and appeals litigation costs). The total private-sector commitment for the full 18.6-mile Metro Rail system should not exceed the amount of money needed to pay for or finance \$170 million in construction costs plus any associated interest, bond issuance and program administrative costs. As required by law, assessment revenues collected in a given district should not be used for facilities in other districts.
10. Assessments should terminate in the year 2008 or earlier. Assessment revenues collected over the amount needed for any given year should be used for one of two purposes: (A) to lower the assessment rates for subsequent years, or (B) to pay off any bonds issued and end the assessments at an earlier date. The SCRTD should employ all available financing techniques to leverage capital in order to minimize the total financial contribution from the private sector.
11. The appeals process may require adjustments for varying property characteristics and circumstances, but the process should be formalized and codified and equitably applied throughout the system.
12. If necessary funding is not obtained for construction of the Metro Rail system, the assessments should not be levied.
13. A new task force shall be formed to consider benefit assessment districts for future segments of the Metro Rail system, and the new task force should not be bound by the previously stated recommendations.

## ADDITIONAL TASK FORCE CONCERNS

Although not adopted, some of the Benefit Assessment Task Force members raised additional concerns that are summarized here:

1. A point was raised during the Committee's deliberation that, under the proposed assessment rates, the CBO's anticipated assessment is larger than the amount that would be anticipated if equity were established solely on the basis of existing assessable square footage. Other means for determining equity were discussed, including per station capital costs, station capacities, and anticipated patronage levels.
2. When comparing the uniform rate structure across the entire district with the use of internal zones within a district (with higher rates applied in areas close to a station), several Task Force members noted that property owners closest to the stations are likely to receive proportionately higher monetary benefits but will also be the most negatively affected by construction of the stations. Additionally, some Task Force members noted that a uniform rate would be more easily explained and administered.
3. Several Task Force members suggested that the details for application of the provisional rate structure need to be resolved in a forum other than Task Force meetings. In particular, procedures need to be reviewed regarding:
  - a. Exemption of parking structures from assessable improvements.
  - b. Application of assessments to net rather than gross square feet of an improvement.
  - c. Application of assessments to open space.

BENEFIT ASSESSMENT TASK FORCE MEMBERS

Mr. David V. Adams  
President, Morgan Adams, Inc.

Mr. George Allen  
Executive Vice President  
Wilshire Chamber of Commerce

Mr. William Bentley  
Manager of Real Estate  
AT & SF Railway

Mr. Morton Bowman  
President  
Los Angeles Diamond Company

Mr. Waldo Burnside  
President & Chief Operating Officer  
Carter, Hawley, Hale Stores, Inc.

Mr. Wendell Cox  
Commissioner  
Los Angeles County  
Transportation Commission

Mr. Al Dorskind  
Vice President  
MCA, Inc.

Mr. Dan Garcia  
President, City Planning  
Commission  
Munger, Toiles & Rickhauser

Mr. Stephen D. Gavin  
Chairman  
Gavin, Abel & Flanigan, Inc.

Mr. John Gostovich  
Chairman  
A.F. Gilmore

Ms. Jan Hali  
BAPTF Chairman  
City Councilwoman, Long Beach  
SCRTD Board of Directors

Mr. Arch Hardyment  
Senior Vice President  
Security Pacific National Bank

Mr. Herman Hendricks  
Coleman Security Service, Inc.

Mr. Melvin Hooks  
President  
Minority Developers Association

Mr. Tom Houston  
Deputy Mayor  
City of Los Angeles

Mr. Stuart Ketchum  
President  
The Ketchum Company

Mr. George Lefcoe  
Professor  
USC Law Center

Mr. Robert Maguire  
President  
Maguire/Thomas Partnership

Mr. William McCarley  
Chief Legislative Analyst  
City of Los Angeles

Ms. Marcia Mednick  
Vice Chairperson  
City Transportation Commission

Mr. William E. Miller  
President  
VICA

Mr. Wayne Miyahara  
Merit Savings & Loan

Mr. Michael A. Noguera, Sr.  
Commissioner  
Department of Consumer Affairs  
County of Los Angeles

Mr. Robert W. Norvet  
Vice President  
Production Facilities, Hollywood  
CBS Television Network

Mr. Jeffery Olin  
Executive Vice President  
North Hollywood Chamber of Commerce

Mr. Manning J. Post  
Chairman  
CBD Citizens Advisory Committee

Mr. Wayne Ratkovich  
President  
Ratkovich, Bowers, Inc.

Mr. Rodney W. Rood  
Executive Vice President  
Assistant to the Chairman  
Atlantic Richfield Company

Mr. Bruce Schwaegler  
President  
Bullocks

Mr. Christopher L. Stewart  
Executive Vice President  
Central City Association

Mr. Richard S. Volpert  
Head, Real Estate Department  
O'Melveny & Myers

Mr. Bill Welsh  
President  
Hollywood Chamber of Commerce

Mr. James Woods  
President of CRA Board  
Community Redevelopment Agency