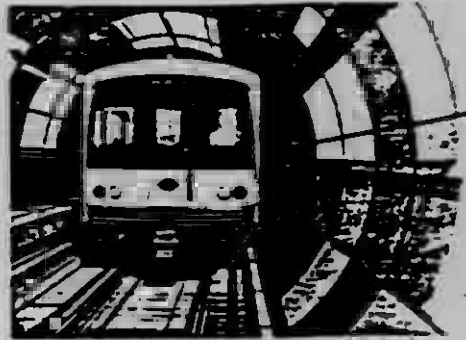


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METRO RAIL

BENEFIT ASSESSMENT DISTRICTS

August, 1985

A REFERENCE BOOKLET DESCRIBING THE BENEFIT ASSESSMENTS
DISTRICTS FOR THE INITIAL CONSTRUCTION SEGMENT OF THE
DOWNTOWN LOS ANGELES-TO-SAN FERNANDO VALLEY
METRO RAIL SUBWAY LINE.

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SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

This booklet describes 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.

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.

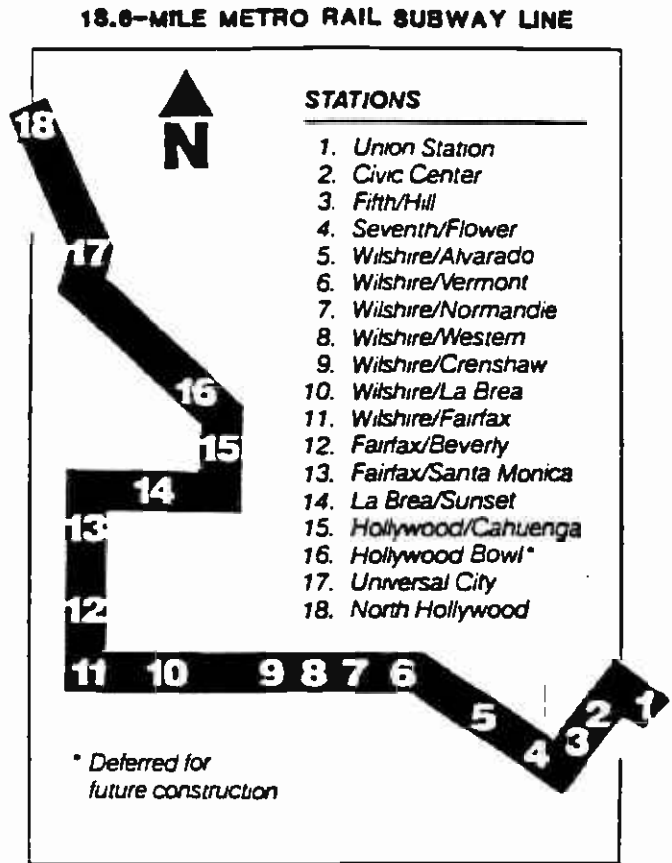


Figure 1

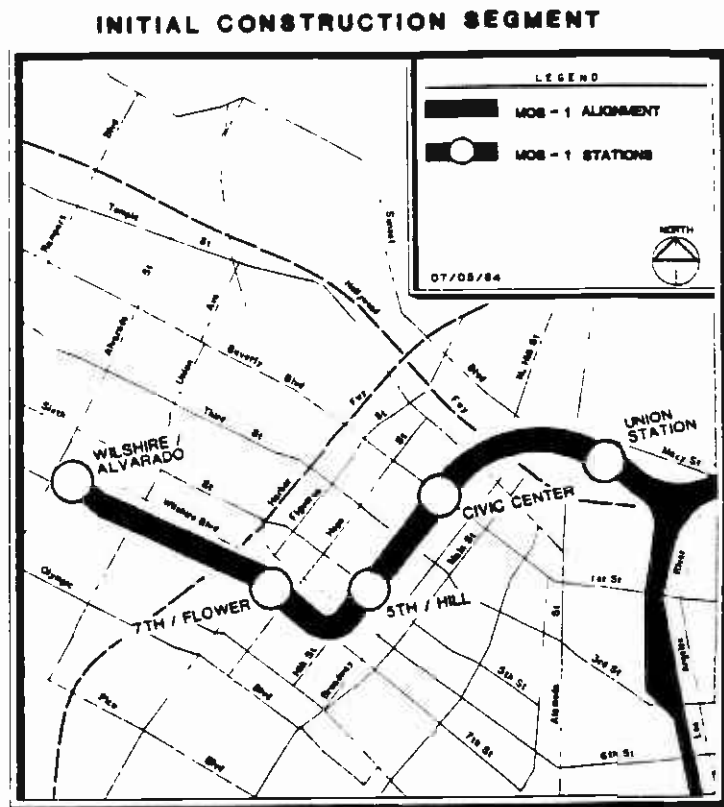
With respect to Metro Rail, property owners near the subway stations will realize various monetary benefits due to proximity to the stations. Consequently, they are being asked to share in the cost of Metro Rail. State law (Sections 33000 et seq. of the Public Utilities Code) authorizes the SCRTD Board 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 areas. The Task Force worked hard to ensure that the assessment program was fair and equitable.

STATUS OF METRO RAIL

Planning and design for the 18.6-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.



**METRO RAIL LOCATION WITHIN THE
PROPOSITION A REFERENDUM TRANSIT
SYSTEM OF 150 MILES**

As this initial segment undergoes construction, SCRTD and appropriate authorities in the Los Angeles region will continue efforts to secure necessary funding to complete the remainder of the 18.6-mile subway line, which is part of the 150-mile county wide rail rapid transit system approved by the voters in 1980 under Proposition A (see Figure 3). Metro Rail will efficiently serve the most heavily traveled corridor in the region with an expandable and environmentally sound heavy rail system. It is also expected to reduce the growth of auto traffic congestion.

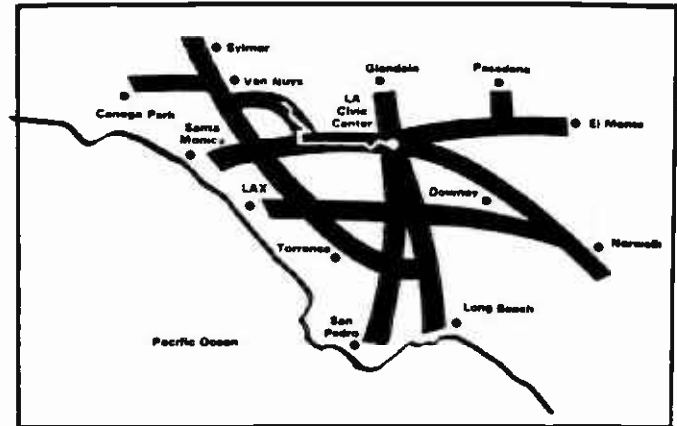


Figure 3

THE NEED FOR A BENEFIT ASSESSMENT PROGRAM

There is a genuine need for benefit assessments as a local funding mechanism for Metro Rail. The first phase of Metro Rail will cost \$1.17 billion to construct. Funds for the first phase are expected to come from several sources. The federal government is being asked to pay \$654.2 million, or 56 percent. The State of California will provide \$214.4 million, or 18 percent. The 1/2 cent sales tax in Los Angeles County established by Proposition A will contribute \$152.4 million, or 13 percent; and the City of Los Angeles will provide \$24 million, or 2 percent.

When these contributions are totaled, some \$130.3 million in additional funds (approximately 11 percent of the MOS-1 construction cost) are needed for the initial 4.4 mile segment. The benefit assessment program is designed to raise these additional funds, and also to demonstrate to the federal government that there is a strong local commitment to Metro Rail.

LEGISLATIVE AUTHORITY AND PUBLIC INVOLVEMENT

State Public Utilities Code 33000 et seq. authorizes the SCRTD Board of Directors to establish benefit assessment districts around one or more rail transit stations when it is determined that property would receive special benefits by virtue of being located near the station.

Following consideration of a set of recommendations from the Benefit Assessment Task Force and of comments made at the January 24, 1985 public hearing, the SCRTD Board, on February 14, 1985, approved a resolution to proceed with the establishment of benefit assessment districts for the Central Business District and the Wilshire/Alvarado areas. This resolution was forwarded to the Los Angeles City Council for its review and action, and was reviewed by the Council's Traffic and Transportation Committee. The Committee recommended specific amendments for consideration by the full Council. On May 28, 1985, the City Council held an additional public hearing. The resolution was amended and adopted by the Council on May 31, 1985 and was returned to the SCRTD Board of Directors. On July 11, 1985, the SCRTD Board adopted the final resolution creating the two special benefit assessment districts.

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 days 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. This 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.

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 the improved access and mobility that Metro Rail will 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 stations. At least half of this increase was attributable to the Metro system. 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 70 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.

BENEFIT ASSESSMENT DISTRICT BOUNDARIES

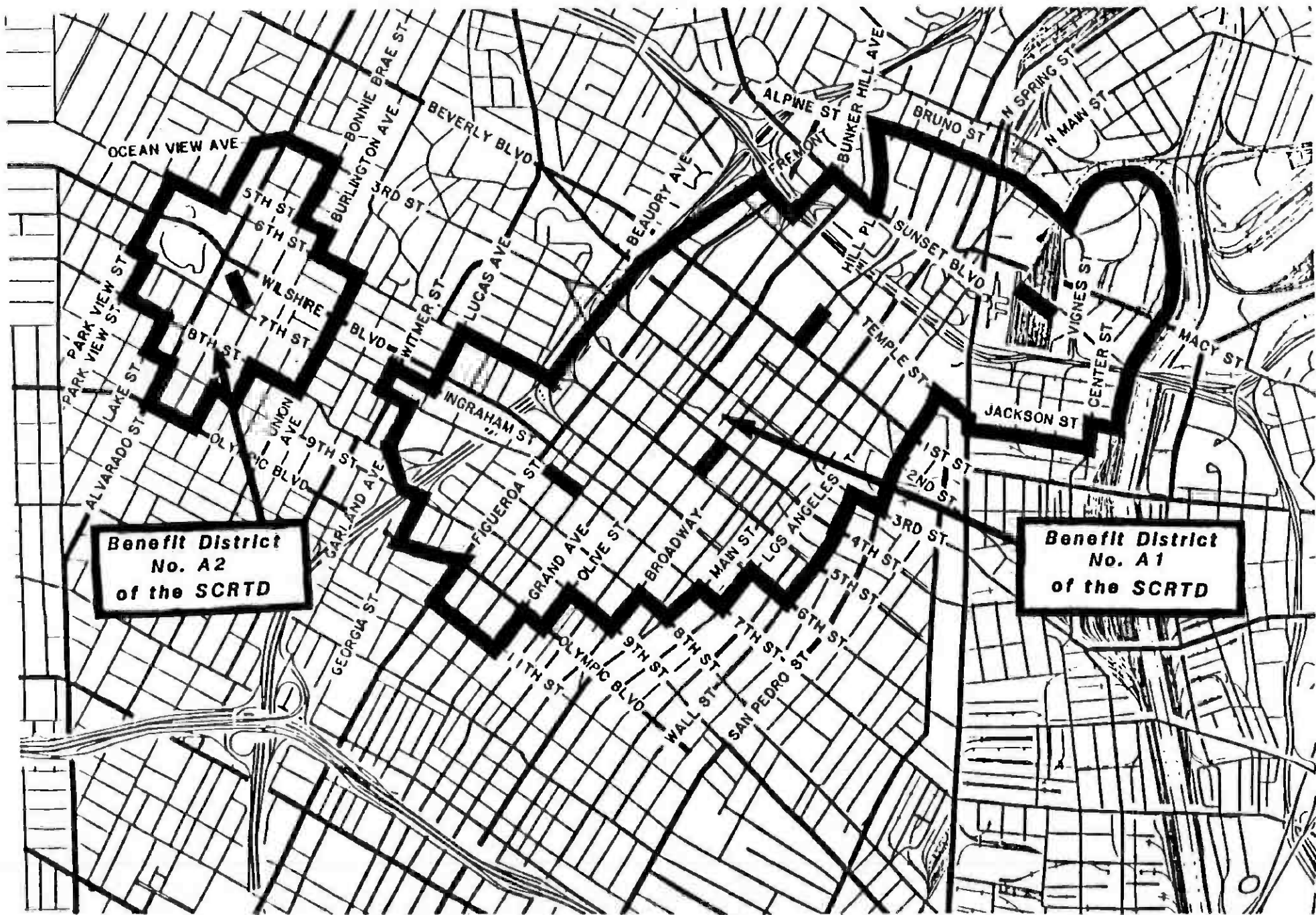
A benefit assessment district is a defined geographic area that has been determined to receive special benefits because of Metro Rail. Figure 4 shows the benefit assessment district boundaries for the Central Business District and the Wilshire/Alvarado areas. As construction proceeds on additional rail 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 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 boundaries. A half-mile walking distance for the Central Business District and one-third mile walking distance for the Alvarado station were used.

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, 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.



**Benefit District
No. A2
of the SCRTD**

**Benefit District
No. A1
of the SCRTD**

0 2000 FT



BENEFIT ASSESSMENT DISTRICTS

Figure 4

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.

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

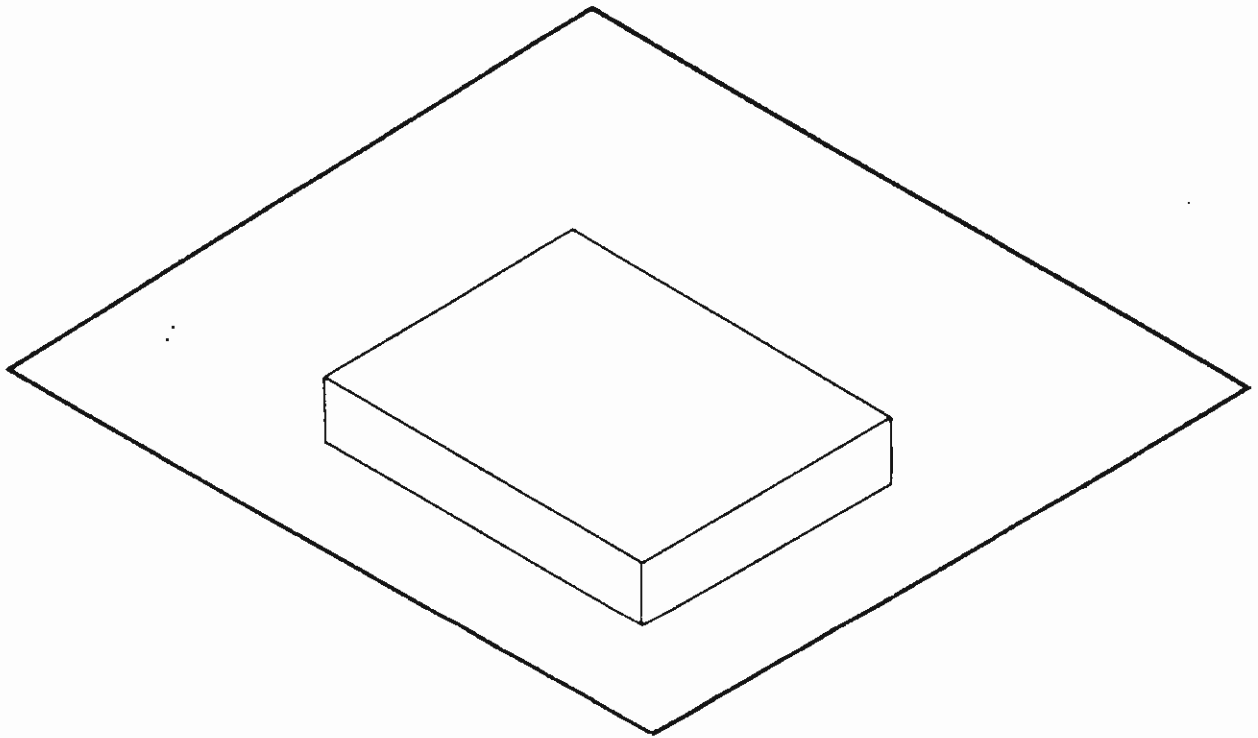
Annual Assessment:

Initial: \$3,600

Maximum: \$5,040

Parcel Area:

12,000 Sq. Ft.



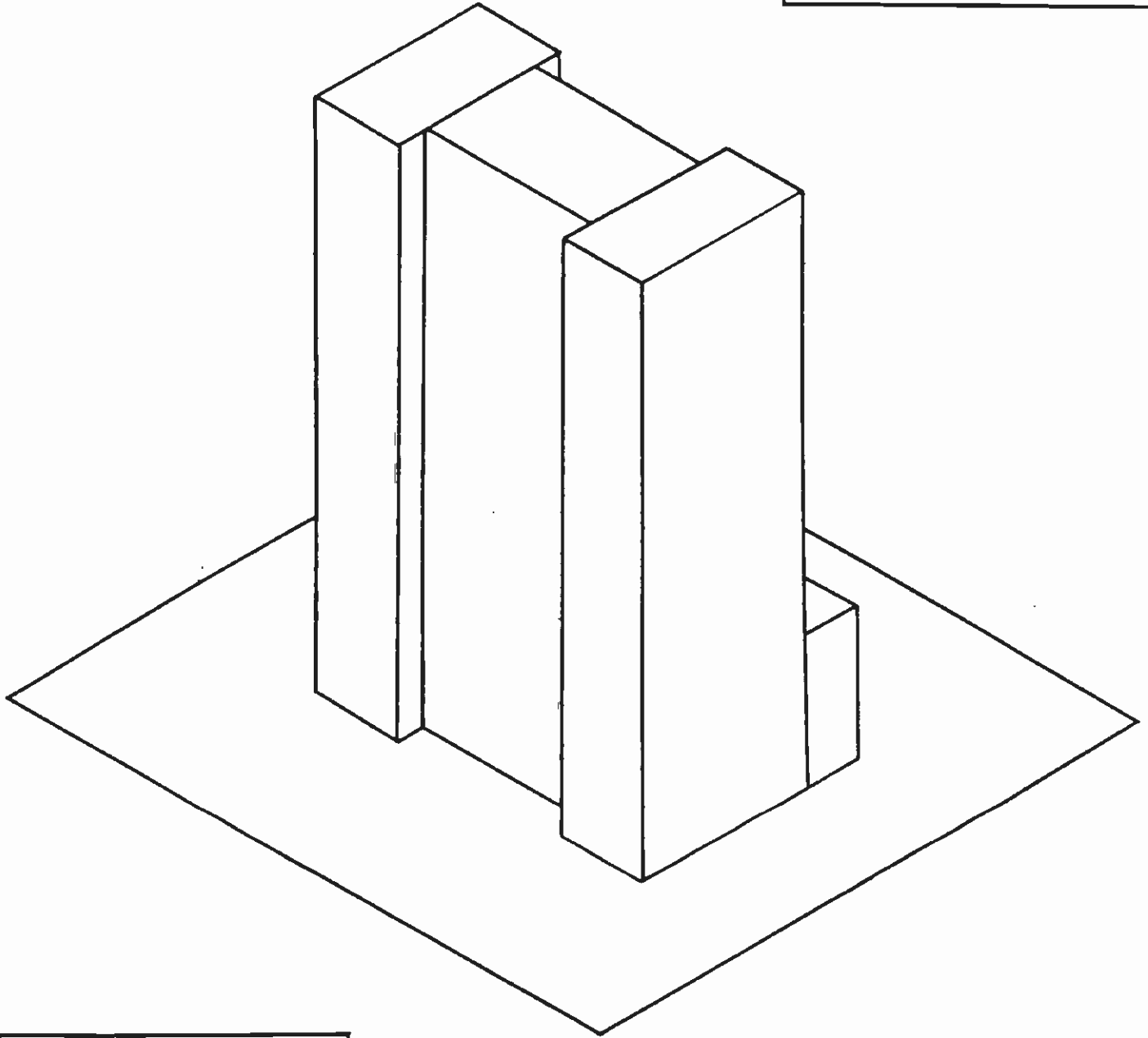
Parcel Area:
12,000 Sq. Ft.

Greater Than

Building Area:
8,000 Sq. Ft.

Office and Retail

Total Annual Assessment:
Initial: \$360,000
Maximum: \$504,000
Building Area:
1,200,000 Sq. Ft.

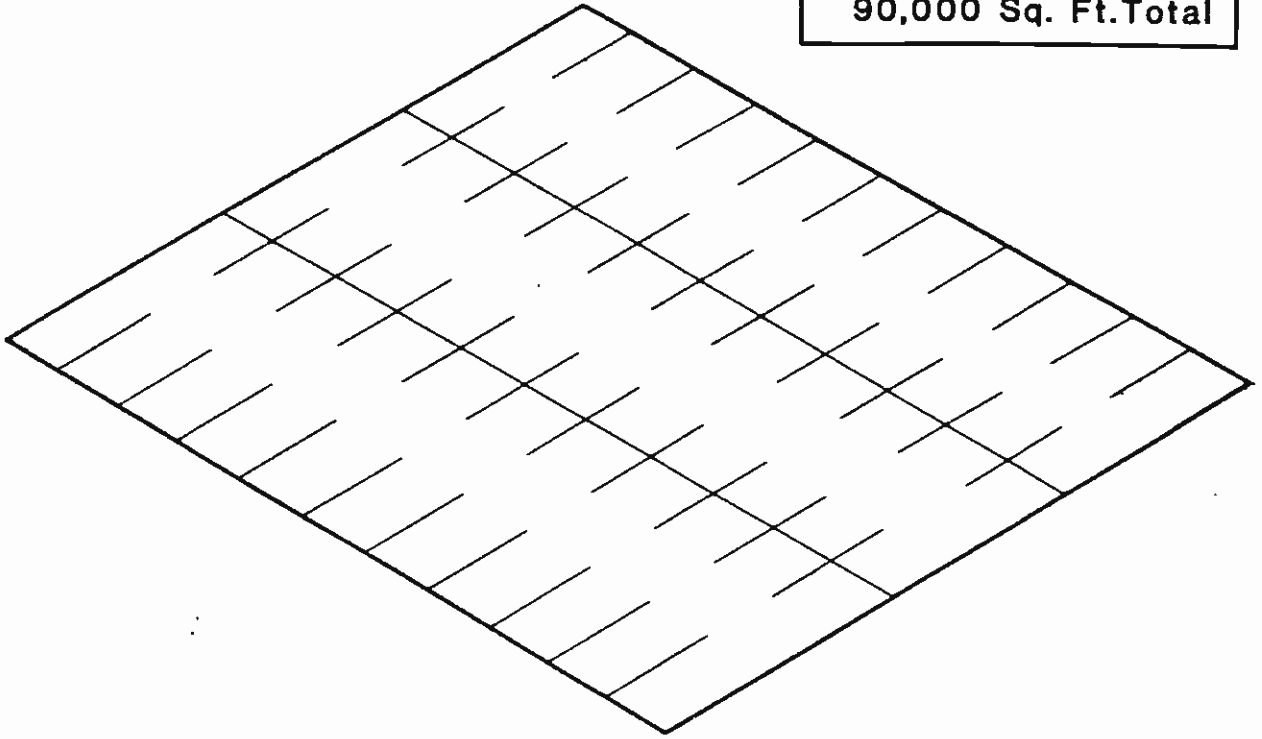


Building Area:
1,200,000 Sq. Ft.
Greater than
Parcel Area:
110,000 Sq. Ft.

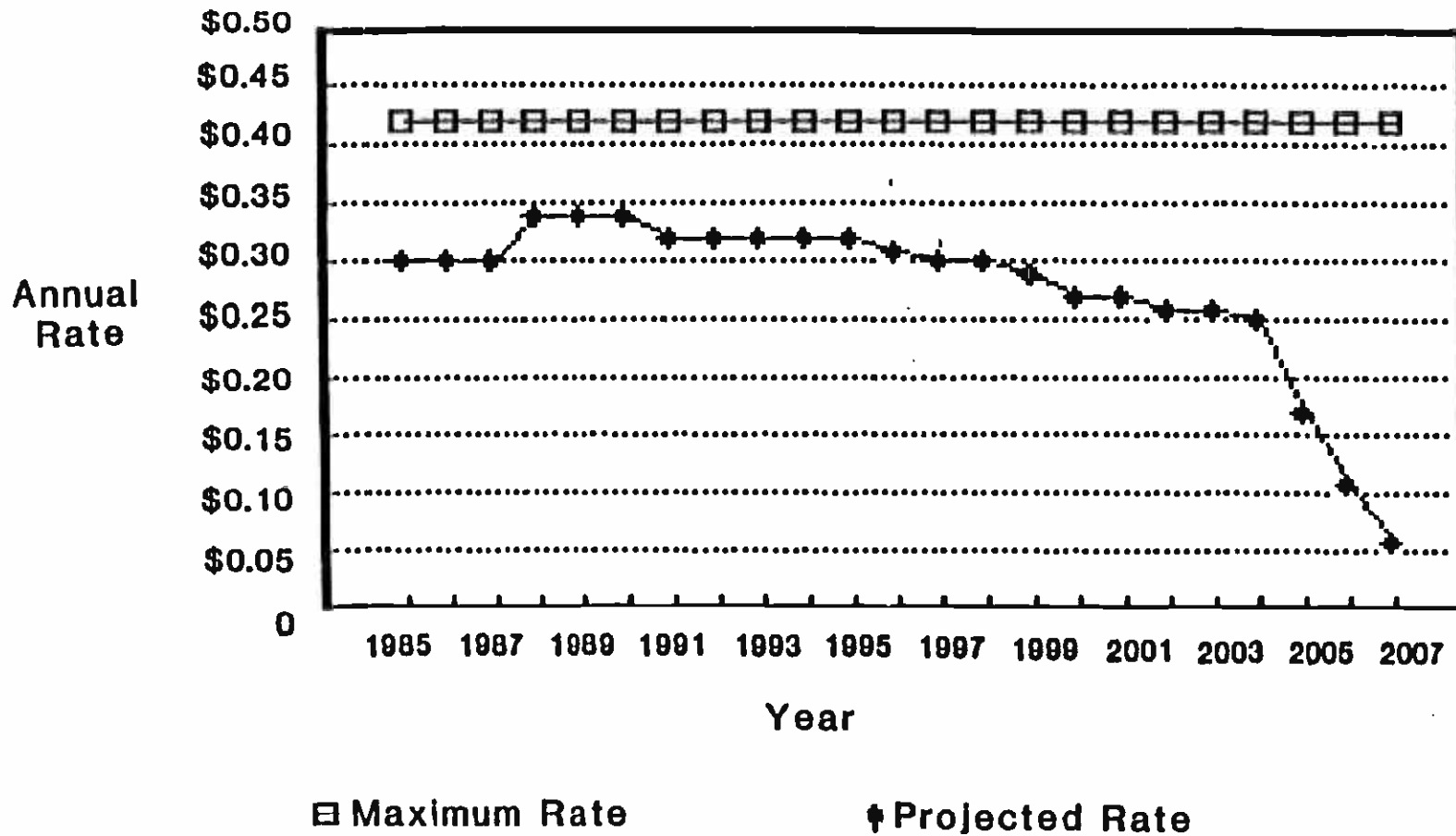
Figure 6

Parking Lot

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



Possible Rate



12

Figure 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.

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 assessment 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.

FOR FURTHER INFORMATION

Contact the SCRTD Community Relations Department at (213) 972-6456, 425 S. Main St., Los Angeles, Ca. 90013 for further information.